

ASX ANNOUNCEMENT

2 October 2019

Registration of Scheme Booklet

Pacific Energy Limited (the **Company** or **Pacific Energy**) (ASX: PEA) is pleased to confirm that the scheme booklet (**Scheme Booklet**) in relation to the proposed acquisition by QGIF Swan Bidco Pty Ltd of 100% of Pacific Energy shares by way of scheme of arrangement (the **Scheme**) has today been registered with the Australian Securities and Investments Commission (**ASIC**).

A copy of the Scheme Booklet is attached and will also be available on the Company's website at www.pacificenergy.com.au.

Board recommendation

The Board of Directors of Pacific Energy unanimously recommends that all Pacific Energy shareholders **vote in favour** of the proposed Scheme, in the absence of a superior proposal for the Company and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy shareholders.

Independent Expert Review

The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, has concluded that the Scheme is fair and reasonable and therefore, in absence of a superior proposal, is in the best interests of Pacific Energy shareholders.

Dispatch of Scheme Documentation

The Scheme Booklet, which also contains the Notice of Scheme Meeting, together with personalised proxy forms will be dispatched to Pacific Energy shareholders on or before Tuesday, 8 October 2019.

Scheme Meeting

The Scheme Meeting, to approve the Scheme, will be held at BDO, 38 Station Street, Subiaco, WA, Australia, 6008 on 8 November 2019 at 10:30am (AWST).

Each shareholder's vote is important in determining whether or not the Scheme proceeds. All shareholders (save for QGIF Swan Bidco and its associates) registered as at 5:00pm (AWST) on 6 November 2019 will be entitled to vote at the Scheme Meeting and are encouraged to do so.

Pacific Energy shareholders are encouraged to vote on the Scheme by attending the Scheme Meeting in person or by completing the personalised proxy form enclosed in the Scheme Booklet mailed to shareholders.

All proxy forms must be received by the Company's share registry by no later than 10:30am (AWST) on 6 November 2019 in accordance with the directions set out in the proxy form.

Second Court Hearing

In the event that the Scheme is approved at the Scheme Meeting, and all relevant conditions of the Scheme are satisfied or waived, the Company will apply to the Court for orders approving the Scheme.

Scheme Timetable

Expected key dates for the Scheme are set out below:

| Event | Date |
|----------------------------------------------------------------------------------------------------------|-----------------------------------|
| Final Dividend Payment Date | 10 October 2019 |
| Latest time and date for lodgement of completed Proxy Form for the Scheme Meeting | 10:30am (AWST) on 6 November 2019 |
| Time and date for determining eligibility of Pacific Energy Shareholders to vote at the Scheme Meeting | 5:00pm (AWST) on 6 November 2019 |
| Time and date of the Scheme Meeting | 10:30am (AWST) on 8 November 2019 |
| Court hearing for approval of the Scheme | 15 November 2019 |
| Effective Date of the Scheme | 18 November 2019 |
| Last date of trading of Pacific Energy Shares on ASX | 18 November 2019 |
| Special Dividend Record Date for determining entitlements to the Special Dividend | 21 November 2019 |
| Record Date for determining entitlements to the Scheme Consideration | 7:00pm (AWST) on 25 November 2019 |
| Implementation Date for the Scheme and payment of the Scheme Consideration and Special Dividend | 2 December 2019 |
| Dispatch of holding statements showing QGIF Swan Bidco as the holder of all issued Pacific Energy Shares | 2 December 2019 |
| Delisting on ASX | 3 December 2019 |

All stated dates and times are indicative only. The actual timetable will depend on many factors outside the control of the Company, including the Court approval process and the satisfaction or waiver of the conditions precedent to the completion of the Scheme by each of the Company and QGIF Swan Bidco. Any changes to the above timetable will be announced to ASX and will be available under Pacific Energy's profile on ASX at www.asx.com.au.

The Company will continue to keep shareholders updated on status of the Scheme as the timetable progresses.

-ENDS-

General / Investor / Media Enquiries

James Cullen

CEO & Managing Director

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About Pacific Energy

Pacific Energy is an ASX listed (ASX: PEA) power generation project developer and owner. Headquartered in Perth, Western Australia, Pacific Energy is focused on the development, ownership and maintenance of mine site and renewable energy power stations.

Kalgoorlie Power Systems, a wholly owned subsidiary of Pacific Energy Limited, is a leading provider of power generation infrastructure to the mining and resources sector in Australia. The business operates a build, own, maintain execution model with approximately 277MW of contracted capacity at 23 mine site locations across Australia.

Contract Power, a wholly owned subsidiary of Pacific Energy Limited, is a specialist provider to the remote power generation sector, with over 25 years' experience in the Australian build, own, operate ("BOO") market as well as in the EPC market, having completed projects in Australia, Africa and Asia.

Pacific Energy Victorian Hydro, a wholly owned subsidiary of Pacific Energy Limited, owns and operates 6MW of hydro power generation capacity located approximately 70 kilometres east of Melbourne, Victoria. The company's hydro assets commenced operation in 1992 and comprise two separate power stations located at the Cardinia Reservoir and Blue Rock Dam.

NovaPower, a wholly owned subsidiary of Pacific Energy Limited, owns and operates the 10MW Nova gas-fired power generation plant in Traralgon, Victoria. Nova is a high-efficiency/low emissions gas-fired power station which generates in quick response to electricity demand in peak periods.

For personal use only



PACIFICENERGY

PACIFIC ENERGY LIMITED

ACN 009 191 744

SCHEME BOOKLET

For a scheme of arrangement in relation to the proposed acquisition by QGIF Swan Bidco Pty Ltd of all of your Pacific Energy Shares

Your Directors unanimously recommend* (see over) that you

VOTE IN FAVOUR

of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy Shareholders

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether or not to vote in favour of the Scheme Resolution. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

For personal use only

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Pacific Energy Directors' Recommendation - Important Disclosure

* In relation to the unanimous recommendation of the Pacific Energy Directors:

1. An executive director of Pacific Energy may withdraw his or her recommendation so as to not make any recommendation only to the extent that (after having obtained legal advice) the executive director reasonably determines that he or she has an interest in the Scheme that renders it inappropriate for him or her to maintain any such recommendation (**Scheme Interest**), and the Court would be unlikely to grant an order under section 411(1) of the Corporations Act directing the Company to convene the Scheme Meeting or under section 411(4)(b) and 411(6) of the Corporations Act approving the Scheme, in each case solely as a result of the Scheme Interest.

In relation to the recommendations of the Directors, Pacific Energy Shareholders should have regard to the fact that, if the Scheme is implemented, one of the Directors, Mr James Cullen, holds Pacific Energy Options as detailed in Section 11.1, which are entitled to be dealt with in accordance with Section 9.16.

2. For the reasons set out in section 5.6, Mr Cullen considers that, despite these arrangements, it is appropriate for him to make a recommendation in relation to the Scheme.

Letter from the Chairman of Pacific Energy

Dear Pacific Energy Shareholder,

I am pleased to present you with this Scheme Booklet to assist you to make a decision on how to vote on the Scheme.

Background

On 24 July 2019, Pacific Energy announced that it had entered into a Scheme Implementation Deed under which QGIF Swan Bidco Pty Ltd (the **Bidder**, a subsidiary of funds managed or advised by QPC), would acquire 100% of Pacific Energy Shares. The proposed acquisition will be effected by a scheme of arrangement and subject to certain shareholder and court approvals, and other customary conditions.

Competing Proposal / Takeovers Panel Application

On 9 September 2019, Pacific Energy received a Competing Proposal from OPTrust Private Markets Group, a division of OPSEU Pension Plan Trust Fund and a fund managed by Infrastructure Capital Group (together, the **OPTrust/ICG Consortium**) (**Consortium Competing Proposal**).

The terms of the Consortium Competing Proposal included Pacific Energy entering into a deed with the OPTrust/ICG Consortium, pursuant to which, subject to certain qualifications, the OPTrust/ICG Consortium may be entitled to receive a break fee of \$2.5 million from Pacific Energy (**Consortium Break Fee**).

On 13 September 2019, in response to the Consortium Competing Proposal, the Bidder exercised its matching right under the Scheme Implementation Deed and submitted an application to the Takeovers Panel in respect of the Consortium Competing Proposal and the Consortium Break Fee.

On 15 September 2019, the Pacific Energy Board determined that the Bidder's exercise of its matching right constituted a bona fide matching proposal under the terms of the Scheme Implementation Deed and, accordingly, the Bidder and Pacific Energy entered into a deed of variation to amend the Scheme Implementation Deed such that, among other things, the Scheme Consideration was increased from \$0.96 to \$1.07 and additional cash consideration of \$0.005 per Pacific Energy Share (**Contingent Consideration**) will be payable to Pacific Energy Shareholders if the Consortium Break Fee is not paid, or is paid and refunded, prior to the Implementation Date.

On 25 September 2019, the Takeovers Panel declined to make a declaration of unacceptable circumstances in response to the application of 13 September 2019 from the Bidder. The Consortium Break Fee is now payable and will be a cost incurred by Pacific Energy regardless of whether the Scheme proceeds (unless it is refunded). Accordingly, the Contingent Consideration is not payable to Pacific Energy Shareholders. The Contingent Consideration will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded. At the date of this Scheme Booklet, the Directors are not aware of any such appeal or court proceedings.

Refer to ASX announcements dated 10 September 2019, 13 September 2019 and 16 September 2019 for further details regarding the Consortium Competing Proposal, the Consortium Break Fee and the Bidder exercising its matching right.

Total Cash Value

Pacific Energy Shareholders will receive cash payments of **\$1.085** for each Pacific Energy Share held (**Total Cash Value**), comprising:

- cash consideration under the Scheme of \$1.07 for each Pacific Energy Share held on the Record Date, less the amount of any Special Dividend that may be declared and paid by Pacific Energy on or before the date the Scheme is implemented (**Scheme Consideration**);
- a fully-franked special dividend of up to \$0.065 for each Pacific Energy Share held on 21 November 2019 the (**Special Dividend Record Date**) that may be declared and paid by the Company on or before the date the Scheme is implemented (**Special Dividend**); and
- *if the Pacific Energy Shareholder was on the share register on 19 September 2019* (**Final Dividend Record Date**), a fully-franked final dividend of \$0.015 per Pacific Energy Share held (**Final Dividend**) to be paid by

Pacific Energy on 10 October 2019 (**Final Dividend Payment Date**). The Final Dividend will be paid before the Scheme Meeting and is not conditional on the Scheme being implemented.

The Pacific Energy Board intends to determine to pay a fully franked Special Dividend of up to \$0.065 per Pacific Energy Share which, subject to the Scheme becoming Effective, is expected to be paid on the Special Dividend Payment Date. Prior to determination of the Special Dividend, the Company will confirm that it has sufficient franking credits to pay a fully franked Special Dividend and that the payment of any Special Dividend will not cause the Company's franking account balance to be in deficit. The Company will also need to satisfy all legal requirements for the payment of a Special Dividend. The Company will inform shareholders on or before 30 October 2019 (by way of ASX announcement) as to whether all of these requirements have been satisfied and whether a fully franked Special Dividend will be paid and its quantum.

Importantly, the Total Cash Value will be \$1.085¹ for eligible Pacific Energy Shareholders regardless of the amount of any Special Dividend. This is because the Scheme Consideration you receive from the Bidder will be \$1.07 less the cash amount of any Special Dividend you receive from Pacific Energy. A Pacific Energy Shareholder *who was on the share register on the Final Dividend Record Date*, will also receive the Final Dividend of \$0.015 for each Pacific Energy Share held regardless of whether the Scheme is approved and implemented.

Director's Recommendation

The Directors have formed the view that the Scheme is in the best interests of Pacific Energy Shareholders for the following reasons:

- Grant Thornton, the Independent Expert, has concluded that the Scheme is fair and reasonable and in the best interests of Pacific Energy Shareholders in the absence of a Superior Proposal;
- the Total Cash Value represents an attractive premium of:
 - 50.7% premium to the last closing price of Pacific Energy shares on 22 July 2019 of \$0.720;
 - 59.8% premium to the 1-month VWAP of Pacific Energy shares of \$0.679²; and
 - 67.0% premium to the 3-month VWAP of Pacific Energy shares of \$0.650²;
- the 100% cash consideration provides Pacific Energy Shareholders with certainty of value and the opportunity to realise in full their investment for cash;
- through payment of part of the Total Cash Value as the Final Dividend and Special Dividend (if it is declared), Pacific Energy Shareholders may be distributed franking credits of up to A\$0.03429 per Pacific Energy Share, comprising:³
 - *if the Pacific Energy Shareholder was on the share register on the Final Dividend Record Date*, franking credits of up to A\$0.0064 per Pacific Energy Share may be distributed to those Pacific Energy Shareholders on the Final Dividend Payment Date; and
 - subject to being on the share register on the Special Dividend Record Date and the Special Dividend being declared, franking credits of up to A\$0.0279 per Pacific Energy Share may be distributed to those Pacific Energy Shareholders on the Special Dividend Payment Date; and
- at the date of this Scheme Booklet, no Superior Proposal has emerged that the Bidder has not matched by exercising its matching right under the Scheme Implementation Deed.

¹ The Contingent Consideration is not payable and will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded. In these circumstances, the Total Cash Value will increase to \$1.09.

² Volume weighted average price based on cumulative trading volume and value up to and including 22 July 2019

³ On the provision that a favourable class ruling is obtained from the ATO (refer to Section 5.4 for further details), Pacific Energy Shareholders who are able to obtain the full benefit of the franking credits may receive additional value. Whether a Pacific Energy Shareholder is able to obtain the full benefit of the tax offset depends on their particular circumstances. Pacific Energy Shareholders should seek and only rely upon their own tax advice in relation to any tax offset.

In relation to the recommendations of the Directors, Pacific Energy Shareholders should have regard to the fact that, if the Scheme is implemented, one of the Directors, Mr James Cullen, holds Pacific Energy Options as detailed in Section 11.1, which are entitled to be dealt with in accordance with Section 9.16.

For the reasons set out in section 5.6, Mr Cullen considers that, despite these arrangements, it is appropriate for him to make a recommendation in relation to the Scheme.

Notwithstanding the Directors' view above, you may wish to vote against the Scheme for any one or more of the following reasons:

- you may disagree with the Directors' unanimous recommendation or the Independent Expert's conclusion;
- you may wish to maintain a direct investment in Pacific Energy as an ASX listed company;
- the tax consequences of the Scheme for you may not suit your financial position; or
- you may consider that there is potential for a Superior Proposal to be made in the foreseeable future.

Further details of the advantages and disadvantages of the Scheme are clearly laid out in Section 2 of this Scheme Booklet.

Implementation of the Scheme is subject to the satisfaction of certain conditions (including shareholder and Court approval) and the Bidder has certain termination rights under the Scheme Implementation Deed. Details of the risks of the Scheme, the risks if the Scheme does not proceed and general risks relating to Pacific Energy can be found in section 8.

Independent Expert

Importantly, Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**), the Independent Expert engaged by Pacific Energy, has concluded that the Scheme is fair and reasonable and in the best interests of Pacific Energy Shareholders, in the absence of a Superior Proposal. A complete copy of the Independent Expert's Report is included in Schedule 1 of this Scheme Booklet.

How to Vote

Your vote is important regardless of how many Pacific Energy shares you own. If you are unable to attend the Scheme Meeting in person, I encourage you to vote by completing the Proxy Form enclosed with this Scheme Booklet and returning it in accordance with the directions on the form. If you are in any doubt as to what action you should take in relation to the Scheme, you should consult your legal, investment, taxation or other professional adviser.

Further Information

This Scheme Booklet sets out important information regarding the Scheme, including the reasons for the Directors' recommendation and the Independent Expert's Report. It also sets out some of the reasons why you may not wish to vote in favour of the Scheme.

Please read this Scheme Booklet carefully and in its entirety as it will assist you in making an informed decision as to how to vote. I would also recommend you seek independent financial, legal, taxation or other professional advice before making any voting or investment decision in relation to your Pacific Energy Shares.

If you have any questions regarding the Scheme please call Pacific Energy on (08) 9303 8888, on Business Days between 9:30am and 5:30pm (Perth time).

Yours sincerely

Cliff Lawrenson
Chairman

Important Information

Date of this Scheme Booklet

This Scheme Booklet is dated 2 October 2019.

Defined terms and interpretation

Capitalised terms used in this Scheme Booklet (other than in the Independent Expert's Report contained in Schedule 1) and the Proxy Form accompanying this Scheme Booklet are either defined in brackets when first used or are defined in Section 12. Section 12 also sets out some rules of interpretation which apply to this Scheme Booklet. The Independent Expert's Report contains its own defined terms which are sometimes different from those set out in this Scheme Booklet and in Section 12.

References to Scheme Booklet, Sections and Schedules

Unless otherwise specified, references to Sections and Schedules are to the named Sections and Schedules in this Scheme Booklet.

Purpose of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by section 412(1) of the Corporations Act. The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which it will be implemented (if approved). This Scheme Booklet provides all information required to be given to Pacific Energy Shareholders or that is otherwise material to the decision of Pacific Energy Shareholders as to whether or not to vote in favour of the Scheme Resolution at the Scheme Meeting.

General

This Scheme Booklet is important. You should read this Scheme Booklet carefully before making a decision about how to vote on the Scheme Resolution to be considered at the Scheme Meeting.

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to individual investment objectives, financial situation, taxation position or particular needs of any Pacific Energy Shareholder or any other person. It is important that you read this Scheme Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to Pacific Energy Shares or any other securities. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

Pacific Energy Shareholders should consult their taxation adviser as to the applicable tax consequences of the Transaction. A summary of shareholder taxation considerations is set out in Section 10.

Responsibility statement

The Pacific Energy Information has been prepared by Pacific Energy and is the responsibility of Pacific Energy. None of QIC, the Bidder and their respective Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of any information contained in this Scheme Booklet other than the Bidder Information.

The Bidder Information has been prepared by the Bidder and is the responsibility of the Bidder. None of Pacific Energy, its Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Bidder Information.

Grant Thornton has prepared, and is responsible for, the Independent Expert's Report contained in Schedule 1. None of Pacific Energy, the Bidder and their respective Related Entities or the directors, officers, employees or advisers of any of those entities assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

Role of ASIC

A copy of this Scheme Booklet has been lodged with, and registered by, ASIC for the purposes of section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme

Booklet in accordance with section 411(2)(b) of the Corporations Act. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

Role of ASX

A copy of this Scheme Booklet has been lodged with the ASX. Neither the ASX or any of their respective officers take any responsibility for the contents of this Scheme Booklet.

Court order under subsection 411(1) of the Corporations Act

Important notice associated with the Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- (i) has formed any view as to the merits of the proposed Scheme or as to how you should vote (on this matter, you must reach your own decision); or
- (ii) has prepared, or is responsible for the content of, the explanatory statement.

Forward-looking information

This Scheme Booklet contains statements concerning Pacific Energy and the Bidder, including the anticipated completion of the Scheme and expectations, goals, objectives, plans, targets and future costs of Pacific Energy or the Bidder, that are "forward-looking information". All statements in this Scheme Booklet, other than statements of historical facts, that address events or developments that Pacific Energy or the Bidder expects to occur, are statements of forward-looking information. The forward-looking information in this Scheme Booklet and the transactions contemplated by the Scheme Implementation Deed are not based on historical facts, but rather reflect the current views and expectations of Pacific Energy or, in relation to the Bidder Information, the Bidder, concerning future events and circumstances. Although Pacific Energy believes that forward-looking Pacific Energy Information is based on reasonable assumptions and the Bidder believes that forward-looking Bidder Information is based on reasonable assumptions, such information is not a guarantee of future performance and actual results or developments may differ materially from the forward-looking information.

Forward-looking information involves known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performances or achievements of Pacific Energy or the Bidder to be materially different from future results, performances or achievements expressed or implied by such forward-looking information. See Section 8 for a discussion of potential risk factors underlying, and other information relevant to, the forward-looking information. Forward-looking information should, therefore, be construed in light of such risk factors and undue reliance should not be placed on it. All forward-looking information should be read in light of such risks and uncertainties.

The forward-looking information in this Scheme Booklet reflect views and expectations held only at the date of this Scheme Booklet. Pacific Energy believes that all forward-looking information included in the Pacific Energy Information has been included on a reasonable basis and the Bidder believes that all forward-looking information included in the Bidder Information has been included on a reasonable basis. However, none of Pacific Energy, QIC, the Bidder and their respective Related Entities or the directors, officers, employees or advisors of any of those entities, nor any other person, gives any representation, assurance or guarantee that any outcome, performance or results expressed or implied by any forward-looking information in this Scheme Booklet will actually occur. Pacific Energy Shareholders should therefore treat all forward-looking information with caution and not place undue reliance on it.

Subject to any continuing obligations under law, regulation, policy or the Listing Rules, Pacific Energy, QIC, the Bidder and their respective Related Entities and the directors, officers, employees or

advisers of any of those entities disclaim any obligation to revise or update, after the date of this Scheme Booklet, any forward-looking information to reflect any change in views, expectations or assumptions on which that information is based.

Diagrams, charts, maps, graphs and tables

Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet, including those in respect of the Scheme Consideration, are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

Currency

All references in this Scheme Booklet to:

- "\$", "A\$", "AUD", and "Australian dollars" are to Australian currency; and
- "US\$", "USD" and "US dollars" are to United States currency.

No website is part of this Scheme Booklet

Pacific Energy and QIC each maintain websites at <http://www.pacificenergy.com.au/> and <https://www.qic.com.au/> respectively. Any references in this Scheme Booklet to those or other internet sites are for information purposes only and do not form part of this Scheme Booklet.

Privacy and personal information

Pacific Energy, QIC, the Bidder and their respective agents will need to collect personal information to implement the Transaction. The personal information may include the names, contact details and details of shareholdings of Pacific Energy Shareholders together with contact details of individuals appointed by Pacific Energy Shareholders as proxies, body corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

Pacific Energy Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and may contact the Pacific Energy Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) if they wish to exercise those rights.

The information may be disclosed to print and mail service providers, and to Pacific Energy, QIC and the Bidder and their respective advisers and agents to the extent necessary to effect the Scheme. If the information outlined above is not collected, Pacific Energy may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Transaction effectively, or at all.

Pacific Energy Shareholders who appoint an individual as their proxy, body corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Persons are entitled, under section 173 of the Corporations Act, to inspect and copy the Register. The Register contains personal information about Pacific Energy Shareholders.

Key Dates

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| Final Dividend Record Date | 19 September 2019 |
| Final Dividend Payment Date | 10 October 2019 |
| ASX Announcement confirming whether the Company will determine to pay the Special Dividend | 30 October 2019 |
| Latest time and date for lodgement of completed Proxy Form for the Scheme Meeting | 10:30am (WST) on 6 November 2019 |
| Time and date for determining eligibility of Pacific Energy Shareholders to vote at the Scheme Meeting | 5:00pm (WST) on 6 November 2019 |
| Time and date of the Scheme Meeting | 10:30am (WST) on 8 November 2019 |
| Court hearing for approval of the Scheme | 15 November 2019 |
| Effective Date of the Scheme | 18 November 2019 |
| Last date of trading of Pacific Energy Shares on ASX | 18 November 2019 |
| Special Dividend Record Date for determining entitlements to the Special Dividend | 21 November 2019 |
| Record Date for determining entitlements to the Scheme Consideration | 7:00pm (WST) on 25 November 2019 |
| Implementation Date for the Scheme and payment of the Scheme Consideration and Special Dividend and, if payable, the Contingent Consideration | 2 December 2019 |
| Dispatch of holding statements showing the Bidder as the holder of all issued Pacific Energy Shares | 2 December 2019 |
| Delisting on ASX | 3 December 2019 |

(1) All stated dates and times are indicative only. Dates relating to the Special Dividend are only relevant if Pacific Energy decides to declare a Special Dividend. The actual timetable will depend on many factors outside the control of Pacific Energy and the Bidder, including the Court approval process and the satisfaction or waiver of the conditions precedent to the completion of the Scheme by each of Pacific Energy and the Bidder. Any changes to the above timetable will be announced to ASX and will be available under Pacific Energy's profile on ASX at www.asx.com.au.

1. Summary of the Scheme and next steps

1.1 Introduction

This summary identifies key features of the Scheme but must be read in conjunction with the additional detailed information for Pacific Energy Shareholders set out in this Scheme Booklet. You are urged to read this Scheme Booklet in its entirety.

On 24 July 2019, Pacific Energy announced to ASX that it had entered into a Scheme Implementation Deed with the Bidder, under which, subject to the satisfaction or waiver, as applicable, of defined conditions, the Bidder will acquire all of the Pacific Energy Shares held by Scheme Participants through a scheme of arrangement.

On 9 September 2019, Pacific Energy received a Competing Proposal from OPTrust Private Markets Group, a division of OPSEU Pension Plan Trust Fund and a fund managed by Infrastructure Capital Group (together, the **OPTrust/ICG Consortium**) (**Consortium Competing Proposal**).

The terms of the Consortium Competing Proposal included Pacific Energy entering into a deed with the OPTrust/ICG Consortium (**Consortium Deed**), pursuant to which, subject to certain qualifications, the OPTrust/ICG Consortium may be entitled to receive a break fee of \$2.5 million from Pacific Energy (**Consortium Break Fee**).

On 13 September 2019, in response to the Consortium Competing Proposal, the Bidder exercised its matching right under the Scheme Implementation Deed and submitted an application to the Takeovers Panel in respect of the Consortium Competing Proposal and the Consortium Break Fee.

The Bidder submitted to the Takeovers Panel that entry into the Consortium Deed was unacceptable because (among other things) it constituted a breach of the Scheme Implementation Deed (denying the Bidder the full benefit of its matching right) and the Consortium Break Fee imposed an impermissible payment trigger and caused a diminution in the value of Pacific Energy with the effect of making the company less attractive to an acquirer and less likely to attract Competing Proposals. The Bidder sought orders from the Takeovers Panel that the Consortium Deed be cancelled and the OPTrust/ICG Consortium be restrained from enforcing any rights against Pacific Energy under, or contemplated by, the Consortium Deed (including the payment of the Consortium Break Fee).

On 15 September 2019, the Pacific Energy Board determined that the Bidder's exercise of its matching right constituted a bona fide matching proposal under the terms of the Scheme Implementation Deed and, accordingly, the Bidder and Pacific Energy entered into a deed of variation to amend the Scheme Implementation Deed such that, among other things, the Scheme Consideration was increased from \$0.96 to \$1.07 and the Contingent Consideration will be payable to Pacific Energy Shareholders if the Consortium Break Fee is not paid, or is paid and refunded, prior to the Implementation Date. Pacific Energy and the Bidder also agreed to increase the Break Fee which may be payable to the Bidder from \$4,100,000 to \$4,700,000.

On 25 September 2019, the Takeovers Panel declined to make a declaration of unacceptable circumstances in response to the application of 13 September 2019 from the Bidder. The Takeovers Panel considered (among other things) that:

- (a) as a result of entering into the Consortium Deed, Pacific Energy facilitated a rival proposal leading to a materially higher offer; and
- (b) in substance the Consortium Break Fee under the Consortium Deed was not anti-competitive or coercive.

The Consortium Break Fee is now payable and will be a cost incurred by Pacific Energy regardless of whether the Scheme proceeds (unless it is refunded). Accordingly, the Contingent Consideration is not payable to Pacific Energy Shareholders. The Contingent Consideration will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded. At the date of this Scheme Booklet, the Directors are not aware of any such appeal or court proceedings.

Refer to ASX announcements dated 10 September 2019, 13 September 2019 and 16 September 2019 for further details regarding the Consortium Competing Proposal, the Consortium Break Fee and the Bidder exercising its matching right.

If the Scheme is approved by the Requisite Majority of Pacific Energy Shareholders and by the Court, and if all other conditions to the Scheme are satisfied or waived (where applicable), all Pacific Energy Shares (which the Bidder does not already own) will be transferred to the Bidder with effect from the Implementation Date and without the need for any further act by Pacific Energy Shareholders (other than acts required to be performed by Pacific Energy, its Directors or officers, as attorney or agent for Pacific Energy Shareholders). From the Implementation Date, Pacific Energy will become a wholly-owned Subsidiary of the Bidder. Pacific Energy Shares are expected to be delisted from ASX, subject to satisfaction of any conditions under the Listing Rules (as modified or waived), shortly after the Implementation Date.

The Scheme Implementation Deed requires that after the Effective Date and on or prior to the Implementation Date, all Pacific Energy Options are cancelled pursuant to binding agreements entered into between Pacific Energy and the holders of Pacific Energy Options and on terms approved in writing by the Bidder, in exchange for a payment equal to the intrinsic value of the Pacific Energy Options (**Cancellation Consideration**).

1.2 What you will receive if the Scheme becomes Effective

Pacific Energy Shareholders will receive cash payments of **\$1.085** for each Pacific Energy Share held (**Total Cash Value**), comprising:

- (a) cash consideration under the Scheme of \$1.07 for each Pacific Energy Share held on the Record Date, less the amount of any Special Dividend that may be declared and paid by Pacific Energy on or before the date the Scheme is implemented (**Scheme Consideration**);
- (b) a fully-franked special dividend of up to \$0.065 for each Pacific Energy Share held on the Special Dividend Record Date that may be declared and paid by the Company on or before the date the Scheme is implemented (**Special Dividend**); and
- (c) *if the Pacific Energy Shareholder was on the share register on 19 September 2019* (**Final Dividend Record Date**), a fully-franked final dividend of \$0.015 per Pacific Energy Share held (**Final Dividend**) to be paid by Pacific Energy on 10 October 2019 (**Final Dividend Payment Date**). The Final Dividend will be paid before the Scheme Meeting and is not conditional on the Scheme being implemented.

The Pacific Energy Board intends to determine to pay a fully franked Special Dividend of up to \$0.065 per Pacific Energy Share which, subject to the Scheme becoming Effective, is expected to be paid on the Special Dividend Payment Date. Prior to determination of the Special Dividend, the Company will confirm that it has sufficient franking credits to pay a fully franked Special Dividend and that the payment of any Special Dividend will not cause the Company's franking account balance to be in deficit. The Company will also need to satisfy all legal requirements for the payment of a Special Dividend. The Company will inform shareholders on or before 30 October 2019 (by way of ASX announcement) as to whether all of these requirements have been satisfied and whether a fully franked Special Dividend will be paid and its quantum

Importantly, the Total Cash Value will be \$1.085⁴ for eligible Pacific Energy Shareholders regardless of the amount of any Special Dividend. This is because the Scheme Consideration you receive from the Bidder will be \$1.07 less the cash amount of any Special Dividend you receive from Pacific Energy. A Pacific Energy Shareholder *on the share register on the Final Dividend Record Date*, will also receive the Final Dividend of \$0.015 for each Pacific Energy Share held regardless of whether the Scheme is approved and implemented.

Further details about the Scheme Consideration are set out in Section 5.2.

⁴ The Contingent Consideration is not payable and will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded. In these circumstances, the Total Cash Value will increase to \$1.09.

1.3 Pacific Energy Directors' recommendation

Your Directors unanimously recommend* that as Pacific Energy Shareholders you vote in favour of the Scheme⁵ and each Director intends to vote, or procure the voting of any Pacific Energy Shares controlled or held by, or on behalf of, them at the time of the Scheme Meeting in favour of the Scheme, in each case in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy Shareholders.

The reasons to vote in favour of or against the Scheme as considered by the Directors are set out in Section 2.

A summary of implications for Pacific Energy Shareholders if the Scheme does not proceed are set out in Section 3 under the heading titled, "What happens if the Scheme is not approved?".

1.4 Independent Expert

Pacific Energy has commissioned Grant Thornton as the Independent Expert to prepare a report to ascertain whether the Scheme is in the best interests of Pacific Energy Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Pacific Energy Shareholders.

The Independent Expert's Report is set out in Schedule 1.

1.5 Implementation, timetable and procedures

If the Scheme is approved by Pacific Energy Shareholders and the Court, and all other conditions to the Scheme are satisfied or (where applicable) waived, it is expected that the Scheme will be implemented on or around 2 December 2019. The key dates and times in relation to the Scheme are set out at the Section entitled "Key Dates" on page vii. These key dates are indicative only and are subject to change.

1.6 Conditions to the Scheme

Implementation of the Scheme is subject to a number of outstanding conditions precedent that are summarised in Section 9.12.

A description of all of the conditions to the Scheme is included in the Scheme Implementation Deed in Schedule 2.

1.7 Scheme Meeting

The Scheme Meeting, to approve the Scheme, is scheduled to be held at 10:30am (WST) on 8 November 2019. Voting eligibility for the Scheme Meeting will be determined as at 5:00pm (WST) on 6 November 2019.

Further details of the Scheme Meeting, including how to vote, are contained in Section 4. The Notice of Scheme Meeting is contained in Schedule 5.

⁵ A Director may also change their recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because that they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.

*See disclosure on Contents Page at the beginning of the document.

1.8 Approvals

(a) Scheme Meeting

The Scheme must be approved by the Requisite Majority, being:

- (i) unless the Court orders otherwise, a majority in number (more than 50%) of Pacific Energy Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- (ii) at least 75% of the total number of votes which are cast at the Scheme Meeting.

(b) Court Approval

If the Scheme approved at the Scheme Meeting, and all other conditions of the Scheme have been satisfied or (where applicable) waived, the Court will be asked to approve the Scheme on the Second Court Date in accordance with section 411(4)(b) of the Corporations Act. The Second Court Date is expected to be on or around 15 November 2019.

1.9 Tax implications

The transfer of your Pacific Energy Shares, and receipt of the Special Dividend if declared, in accordance with the Scheme may have tax implications for you. You should seek your own professional advice regarding your individual tax consequences. A summary of relevant Australian tax implications for Scheme Participants is contained in Section 10.

Pacific Energy Shareholders who may be regarded as foreign residents should also note in particular the potential application of the foreign resident capital gains withholding tax described in more detail in Sections 10.3 and 10.4.

1.10 What to do next

(a) Read the remainder of this Scheme Booklet

Read the remainder of this Scheme Booklet in full before making any decision on the Scheme.

(b) Consider your options

Pacific Energy Shareholders should refer to Section 2 for further guidance on the reasons to vote in favour of or against the Scheme and Section 8 for guidance on the risk factors associated with the Scheme.

If you have any questions in relation to the Scheme or the Scheme Meeting, please contact Pacific Energy on +61 8 9303 8888 Monday to Friday between 9:00am and 5:00pm (WST) or consult your legal, investment, taxation, financial, taxation or other professional adviser.

(c) Vote at the Scheme Meeting

Your Directors urge you to vote on the Scheme at the Scheme Meeting. The Scheme affects your shareholding and your vote at the Scheme Meeting is important in determining whether the Scheme proceeds.

Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy Shareholders.⁶

⁶ A Director may also change their recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because that they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.

In relation to the recommendations of the Directors, Pacific Energy Shareholders should have regard to the fact that, if the Scheme is implemented, one of the Directors, Mr James Cullen, holds Pacific Energy Options as detailed in Section 11.1, which are entitled to be dealt with in accordance with Section 9.16.

Pacific Energy Shareholders should have regard to these arrangements when considering Mr Cullen's recommendation in relation to the Scheme, which appears throughout this Scheme Booklet. Mr Cullen considers that, despite these arrangements, it is appropriate for him to make a recommendation in relation to the Scheme. Refer to Section 5.6 for reasons as to why Mr Cullen believes it is appropriate for him to make this recommendation.

2. Reasons to vote in favour of or against the Scheme

Set out below are reasons why the Pacific Energy Board recommends that you vote in favour of the Scheme. Also set out below is a summary of some of the reasons why you may decide to vote against the Scheme. You should read the entire Scheme Booklet before deciding whether or not to vote in favour of the Scheme.

While your Directors acknowledge that there are reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages.

2.1 Reasons to vote in favour of the Scheme

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| Your Directors recommend the Scheme | Your Pacific Energy Directors unanimously recommend* that you vote in favour of the Scheme and each intend to vote all Pacific Energy Shares held or controlled by them in favour of the Scheme, in each case in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude the Scheme is in the best interest of Pacific Energy Shareholders. |
| The Independent Expert, Grant Thornton, has concluded that the Scheme is in your best interests | <p>Your Pacific Energy Directors appointed Grant Thornton to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Pacific Energy Shareholders.</p> <p>The Independent Expert has concluded that the Scheme Consideration is fair and reasonable and hence the Scheme is in the best interests of Pacific Energy Shareholders in the absence of a superior proposal.</p> <p>A complete copy of the Independent Expert's Report is attached at Schedule 1 of this Scheme Booklet and the Pacific Energy Directors encourage you to read the report in full.</p> |
| The Scheme Consideration represents a premium to the market price of Pacific Energy Shares prior to announcement of the Scheme | <p>The Total Cash Value represents an attractive premium of:</p> <ul style="list-style-type: none">• 50.7% premium to the last closing price of Pacific Energy shares on 22 July 2019 of \$0.720;• 59.8% premium to the 1-month VWAP of Pacific Energy shares of \$0.679⁷; and• 67.0% premium to the 3-month VWAP of Pacific Energy shares of \$0.650⁷. |
| No Superior Proposal has emerged | At the date of this Scheme Booklet, no Superior Proposal has emerged that the Bidder has not matched by exercising its matching right under the Scheme Implementation Deed, and the Pacific Energy Directors are not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge. |
| The Total Cash Value is all cash and provides certainty of value and the opportunity to realise your investment, avoiding the uncertainties and risks associated with the Pacific Energy business | <p>The total value of the Total Cash Value is to be payable in cash which provides you with certainty of value for your Pacific Energy Shares.</p> <p>The certainty of these cash payments should be compared with the risks and the uncertainties of remaining a Pacific Energy Shareholder, which include, but are not limited to, the risks set out in Section 8.</p> |

*See disclosure on Contents Page at the beginning of the document.

⁷ Volume weighted average price based on cumulative trading volume and value up to and including 22 July 2019.

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| <p>Pacific Energy's share price may fall if the Scheme is not implemented, in the absence of a Superior Proposal</p> | <p>The Pacific Energy Board considers if the Scheme does not complete, and in the absence of a Superior Proposal, that the Pacific Energy share price may fall given the Total Cash Value is significantly above the closing price of Pacific Energy Shares prior to the announcement of the Scheme.</p> |
| <p>You will not incur any brokerage charges on the transfer of your Pacific Energy Shares if the Scheme proceeds</p> | <p>You will not incur brokerage on the transfer of your Pacific Energy Shares to the Bidder pursuant to the Scheme.</p> <p>If you sell your Pacific Energy Shares on ASX (rather than disposing of them via the Scheme), you may incur brokerage charges (and, potentially, GST on those charges).</p> |

2.2 Reasons to vote against the Scheme

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| <p>You may disagree with your Directors' unanimous recommendation or the Independent Expert's conclusion</p> | <p>You may disagree with the unanimous recommendation of your Pacific Energy Directors, and the conclusion of the Independent Expert who have concluded that the Scheme is in the best interest of Pacific Energy Shareholders, in the absence of a Superior Proposal. You may believe that the Scheme is not in the best interests of Pacific Energy Shareholders or not in your individual interest.</p> |
| <p>You may wish to maintain a direct investment in Pacific Energy as an ASX listed company</p> | <p>You may wish to maintain your investment in Pacific Energy in order to have an investment in a publicly listed company with the specific characteristics of Pacific Energy in terms of industry, operational profile, size, capital structure and potential dividend payments.</p> <p>Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. Pacific Energy Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar profile to that of Pacific Energy and they may incur transaction costs in undertaking any new investment.</p> |
| <p>The tax consequences of the Scheme for you may not suit your financial position</p> | <p>Implementation of the Scheme and receipt of the Special Dividend that may be declared and paid by Pacific Energy may trigger adverse or unwanted taxation consequences for certain Pacific Energy Shareholders.</p> <p>A general guide to the taxation implications of the Scheme is set out in Section 10. This guide is expressed in general terms only and Pacific Energy Shareholders should seek independent professional taxation advice regarding the tax consequences applicable to their own circumstances.</p> |
| <p>You may consider that there is potential for a Superior Proposal to be made in the foreseeable future</p> | <p>It is possible that, if Pacific Energy were to continue as an independent listed entity, a corporate control proposal for Pacific Energy could materialise in the future, such as a takeover bid with a higher price.</p> <p>Implementation of the Scheme will mean that Pacific Energy Shareholders will not receive the benefit of any such proposal. At the date of this Scheme Booklet, no Superior Proposal has emerged that the Bidder has not matched by exercising its matching right under the Scheme Implementation Deed, and the Pacific Energy Directors are not aware of any superior or any alternative proposal that is likely to emerge.</p> <p>The Scheme Implementation Deed prohibits Pacific Energy from soliciting a Competing Proposal. However, Pacific Energy is permitted to respond to any Competing Proposal which is or is reasonably likely to be a Superior Proposal in circumstances where the Competing Proposal was not solicited by Pacific Energy and was not otherwise brought about as a result of any breach by Pacific Energy of its</p> |

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| | <p>exclusivity obligations should the Pacific Energy Directors determine that failing to do so would likely constitute a breach of their fiduciary or statutory duties. Further details of the key terms of the Scheme Implementation Deed are provided in Section 9.</p> |
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2.3 Other relevant considerations

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| <p>The Scheme may be implemented even if you vote against the Scheme or do not vote at all</p> | <p>You should be aware that if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of Pacific Energy Shareholders and by the Court and if the Conditions Precedent are satisfied or waived (as applicable) in accordance with the terms of Scheme Implementation Deed. If this occurs, your Pacific Energy Shares held on the Scheme Record Date will be transferred to the Bidder and you will receive the Scheme Consideration and the Contingent Consideration (if payable) even though you voted against, or did not vote on the Scheme.</p> |
| <p>Break Fee</p> | <p>Pacific Energy will be obliged to pay the Bidder the Break Fee, being A\$4,700,000 (exclusive of GST) in certain circumstances. For further details in relation to the Break Fee, see Section 9.15.</p> <p>The Break Fee is not payable if the Scheme does not proceed solely on the basis that it is not approved by Pacific Energy Shareholders.</p> |
| <p>The Scheme is conditional</p> | <p>Implementation of the Scheme is subject to the satisfaction (or waiver) of a number of Conditions Precedent, which are summarised in Section 9.12 of this Scheme Booklet and set out in clause 3 of the Scheme Implementation Deed. If the Conditions Precedent are not satisfied or waived (as applicable) in accordance with the terms of the Scheme Implementation Deed, the Scheme will not proceed and Pacific Energy Shareholders will not receive the Scheme Consideration.</p> <p>As far as Pacific Energy is aware, as at the date of this Scheme Booklet, no circumstances have occurred which are likely to cause any of the Conditions Precedent not to be satisfied or to become incapable of satisfaction. These matters will continue to be assessed until 8.00am on the Second Court Date. In the event of any material change in status, Pacific Energy will inform Pacific Energy Shareholders of the status of the Conditions Precedent through an announcement to ASX.</p> <p>The Scheme Implementation Deed may be terminated if any of the Conditions Precedent have not been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by no later than the End Date (being 6 months after the entry into the deed of variation of the Scheme Implementation Deed, being 15 September 2019, or such other date as is agreed between Pacific Energy and the Bidder). As at the date of this Scheme Booklet, the Pacific Energy Directors are not aware of any circumstances that would prevent the Conditions Precedent from being satisfied and the Scheme from proceeding in accordance with the timetable set out in this Scheme Booklet. For further information about the Conditions Precedent and termination rights under the Scheme Implementation Deed, see Section 9.</p> |

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3. Frequently Asked Questions

3.1 FAQ

The following table provides brief answers to questions you may have in relation to the Transaction, and you are urged to read these in conjunction with the more detailed information included in this Scheme Booklet.

| Questions about the Transaction | |
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| What is the Scheme? | <p>The Scheme is a proposed acquisition of 100% of Pacific Energy Shares by the Bidder, to be implemented by way of a scheme of arrangement between Pacific Energy and the Pacific Energy Shareholders. If the Scheme is approved and implemented all of the Pacific Energy Shares held by Scheme Participants will be transferred to the Bidder.</p> <p>The Scheme requires the approval of both the Requisite Majority of Pacific Energy Shareholders at the Scheme Meeting and the Court.</p> <p>The terms of the Scheme are set out in full in Schedule 3.</p> |
| What is the Consortium Competing Proposal and what is its status? | <p>On 9 September 2019, Pacific Energy received a Competing Proposal (i.e. the Consortium Competing Proposal) from the OPTrust/ICG Consortium.</p> <p>The terms of the Consortium Competing Proposal included Pacific Energy entering into a deed with the OPTrust/ICG Consortium, pursuant to which, subject to certain qualifications, the OPTrust/ICG Consortium may be entitled to receive the Consortium Break Fee, being \$2.5 million, from Pacific Energy.</p> <p>On 13 September 2019, in response to the Consortium Competing Proposal, the Bidder exercised its matching right under the Scheme Implementation Deed.</p> <p>On 15 September 2019, the Pacific Energy Board determined that the Bidder's exercise of its matching right constituted a bona fide matching proposal under the terms of the Scheme Implementation Deed and, accordingly, the Bidder and Pacific Energy entered into a deed of variation to amend the Scheme Implementation Deed and will proceed with the Transaction.</p> <p>The Consortium Competing Proposal is not proceeding and the Consortium Break Fee is now payable and will be a cost incurred by Pacific Energy regardless of whether the Scheme proceeds (unless it is refunded).</p> <p>Refer to Section 1.1 and ASX announcements dated 10 September 2019, 13 September 2019 and 16 September 2019 for further details.</p> |
| What is the Scheme Consideration? | <p>The Scheme Consideration payable by the Bidder under the Scheme is \$1.07 per Pacific Energy share, less the amount of any Special Dividend that may be declared and paid by Pacific Energy on or before the date the Scheme is implemented.</p> |

| Questions about the Transaction | |
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| What is the Contingent Consideration? | <p>The Contingent Consideration of \$0.005 per Pacific Energy Share is not payable. The Contingent Consideration will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded. At the date of this Scheme Booklet, the Directors are not aware of any such appeal or court proceedings.</p> |
| What is the Total Cash Value? | <p>Pacific Energy Shareholders will receive cash payments of \$1.085 for each Pacific Energy Share held (Total Cash Value), comprising:</p> <ul style="list-style-type: none"> • cash consideration under the Scheme of \$1.07 for each Pacific Energy Share held on the Record Date, less the amount of any Special Dividend that may be declared and paid by Pacific Energy on or before the date the Scheme is implemented (Scheme Consideration); • a fully-franked special dividend of up to \$0.065 for each Pacific Energy Share held the Special Dividend Record Date that may be declared and paid by the Company on or before the date the Scheme is implemented (Special Dividend); and • <i>If the Pacific Energy Shareholder was on the share register on the Final Dividend Record Date</i>, a fully-franked final dividend of \$0.015 per Pacific Energy Share held (Final Dividend) to be paid by Pacific Energy on 10 October 2019 (Final Dividend Payment Date). The Final Dividend will be paid before the Scheme Meeting and is not conditional on the Scheme being implemented. <p>The Pacific Energy Board intends to determine to pay a fully franked Special Dividend of up to \$0.065 per Pacific Energy Share which, subject to the Scheme becoming Effective, is expected to be paid on the Special Dividend Payment Date. Prior to determination of the Special Dividend, the Company will confirm that it has sufficient franking credits to pay a fully franked Special Dividend and that the payment of any Special Dividend will not cause the Company's franking account balance to be in deficit. The Company will also need to satisfy all legal requirements for the payment of a Special Dividend. The Company will inform shareholders on or before 30 October 2019 (by way of ASX announcement) as to whether all of these requirements have been satisfied and whether a fully franked Special Dividend will be paid and its quantum.</p> <p>Importantly, the Total Cash Value will be \$1.085⁸ for eligible Pacific Energy Shareholders regardless of the amount of any Special Dividend. This is because the Scheme Consideration you receive from the Bidder will be \$1.07 less the cash amount of any Special Dividend you receive from Pacific Energy. A Pacific Energy Shareholder <i>on the share register on the Final Dividend Record Date</i>, will also receive the Final Dividend of \$0.015 for each Pacific Energy Share held regardless of whether the Scheme is approved and implemented.</p> |

⁸ The Contingent Consideration is not payable and will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded. In these circumstances, the Total Cash Value will increase to \$1.09.

| Questions about the Transaction | |
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| <p>In what circumstances would I receive less than the Total Cash Value?</p> | <p>Any Pacific Energy Shareholder who acquires Pacific Energy Shares after the Final Dividend Record Date but before the Special Dividend Record Date and participates in the Scheme will receive the Scheme Consideration, being \$1.07 per Pacific Energy Share, and any Contingent Consideration. Such shareholders will not receive the Final Dividend, however.</p> <p>Pacific Energy intends to apply to the ASX for Pacific Energy Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date. If this occurs, you will not be able to sell your Pacific Energy Shares on-market after that time. However, if you sell any Pacific Energy Shares through an off-market transfer after the Special Dividend Record Date but before the Record Date:</p> <ul style="list-style-type: none"> • the 'seller' will receive the Special Dividend (if declared) and will also receive any consideration for the sale, but will not receive the Scheme Consideration or the Contingent Consideration (if payable). However, it is expected that the 'seller' would not be entitled to receive the franking credits (see Section 10 for further details); and • the 'buyer' will receive the Scheme Consideration and the Contingent Consideration (if payable), but will not receive the Special Dividend and the franking credits attached to the Special Dividend. <p>In these circumstances, any Pacific Energy Shareholder who acquires Pacific Energy Shares after the Special Dividend Record Date and participates in the Scheme will receive the Scheme Consideration, currently expected to be \$1.005 per Pacific Energy Share and any Contingent Consideration.</p> |
| <p>What will be the effect of the Scheme?</p> | <p>If the Scheme is approved by the Requisite Majority of Pacific Energy Shareholders and the Court:</p> <ul style="list-style-type: none"> • all your Pacific Energy Shares will be transferred to the Bidder; • in exchange, you will receive the Scheme Consideration and the Contingent Consideration (if payable) for each Pacific Energy Share you hold; and • Pacific Energy will become a wholly-owned Subsidiary of the Bidder and will be removed from the official list of the ASX. |
| <p>Are there conditions that need to be satisfied before the Scheme can proceed?</p> | <p>Yes. Implementation of the Scheme is subject to the satisfaction or waiver (as applicable) of a number of Conditions Precedent.</p> <p>These Conditions Precedent are set out in clause 3 of the Scheme Implementation Deed, which is included in Schedule 2.</p> <p>There are a number of conditions that remain outstanding as at the date of this Scheme Booklet as described in Section 9.12.</p> |

| Questions about the Transaction | |
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| How will the existing Pacific Energy Options be dealt with? | <p>Pacific Energy and the Bidder have entered into Option Cancellation Deeds with each of the Pacific Energy Optionholders. The material terms of the Option Cancellation Deeds are summarised below:</p> <ul style="list-style-type: none"> • each Pacific Energy Optionholder has agreed to the cancellation of their Pacific Energy Options for cash (refer to Section 9.16 in relation to the cash amounts the Pacific Energy Optionholders will receive pursuant to the Option Cancellation Deeds); • the Bidder must provide, or procure the provision of, the consideration to the Pacific Energy Optionholders on the Implementation Date; • the cancellation of the Pacific Energy Options is conditional on: <ul style="list-style-type: none"> • the Scheme becoming Effective; • the necessary regulatory approvals, consents and waivers having been obtained by Pacific Energy; and • the Pacific Energy Optionholder not having dealt with the Pacific Energy Options contrary to the terms of the Option Cancellation Deed. |
| What is the Directors' recommendation and benefits will the Directors receive if the Scheme is implemented? | <p>Your Pacific Energy Directors have carefully considered the advantages and disadvantages of the Scheme and unanimously recommend that in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude the Scheme is in the best interest of Pacific Energy Shareholders, you vote in favour of the Scheme.</p> <p>In relation to the recommendations of the Directors, Pacific Energy Shareholders should have regard to the fact that, if the Scheme is implemented, one of the Directors, Mr James Cullen, holds Pacific Energy Options as detailed in Section 11.1, which are entitled to be dealt with in accordance with Section 9.16.</p> <p>For the reasons set out in Section 5.6, Mr Cullen considers that, despite these arrangements, it is appropriate for him to make a recommendation in relation to the Scheme.</p> |
| How do the Directors intend to vote in respect of their own Pacific Energy Shares? | <p>In the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude the Scheme is in the best interests of Pacific Energy Shareholders, each of your Pacific Energy Directors intends to vote all Pacific Energy Shares held or controlled by them in favour of the Scheme.</p> <p>The interests of Pacific Energy Directors are set out in Section 11.1.</p> |
| What are the reasons to vote in favour of the Scheme? | <p>The Pacific Energy Directors have described in Section 2.1 the reasons why Pacific Energy Shareholders should vote in favour of the Scheme.</p> |
| What are the reasons to vote against the Scheme? | <p>The Pacific Energy Directors have described in Section 2.2 the reasons why you may decide to vote against the Scheme.</p> |

| Questions about the Transaction | |
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| What is the Independent Expert's conclusion? | <p>The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Pacific Energy Shareholders.</p> <p>The Independent Expert's Report is set out in Schedule 1.</p> |
| If I wish to support the Scheme, what should I do? | <p>You should vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy Shareholders. If you are a registered Pacific Energy Shareholder and are unable to attend the Scheme Meeting you may be entitled to vote by proxy, corporate representative or attorney.</p> <p>See Section 4 for directions on how to vote and important voting information generally.</p> |
| What happens if I vote against the Scheme? | <p>If, despite your Pacific Energy Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting.</p> <p>If the Scheme is approved by the Requisite Majority of Pacific Energy Shareholders and by the Court, and all other conditions to the Scheme are satisfied or waived (where applicable), your Pacific Energy Shares will be transferred to the Bidder in consideration for the Bidder paying to you the Scheme Consideration and the Contingent Consideration (if payable). This will occur even if you voted against the Scheme at the Scheme Meeting.</p> <p>If the Scheme is not approved by the Requisite Majority of Pacific Energy Shareholders or the Court, Pacific Energy will remain an independent company and you will remain a Pacific Energy Shareholder.</p> |
| How will the Scheme be implemented? | <p>If the Scheme becomes Effective, no further action is required on the part of the Scheme Participants in order to implement the Scheme. Under the Scheme, Pacific Energy is given authority to effect a valid transfer of all Pacific Energy Shares to the Bidder and to enter the name of the Bidder in the Pacific Energy Register as holder of all Pacific Energy Shares. If the Scheme becomes Effective, each Pacific Energy Shareholder will be deemed to have accepted the Scheme Consideration and the Contingent Consideration (if payable) issued to that holder under the Scheme.</p> |
| What happens if the Scheme is not approved? | <p>If the Scheme is not approved by the Requisite Majority of Pacific Energy Shareholders or the Court, the Scheme will not be implemented.</p> <p>Further, if any of the conditions to the Scheme are not satisfied or waived (where applicable), including if the Scheme is not approved by the Requisite Majority of Pacific Energy Shareholders and by the Court, the Scheme Implementation Deed may be terminated and the Scheme will not be implemented.</p> <p>The consequences of the Scheme not being implemented include:</p> <ul style="list-style-type: none"> • you will retain your Pacific Energy Shares, you will not be issued the Scheme Consideration or the Contingent |

| Questions about the Transaction | |
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| | <p>Consideration, and you will continue to be exposed to the risks associated with your investment in Pacific Energy Shares (see Section 8);</p> <ul style="list-style-type: none"> • the Special Dividend will not be declared and paid; • the Pacific Energy Board and management will continue to operate Pacific Energy's business; • the expected benefits of the Scheme (set out in Section 2.1) will not be realised; • Pacific Energy's Share price may reduce to the extent that the market reflects an assumption that the Scheme will be completed; and • Pacific Energy will have incurred costs and management time and resources for no outcome. <p>The Final Dividend is not conditional on the implementation of the Scheme and is still payable by Pacific Energy to Pacific Energy Shareholders on the share register on the Final Dividend Record Date.</p> |
| <p>Is Pacific Energy liable to pay a break fee in respect of the Scheme?</p> | <p>Pacific Energy may become liable to pay the Bidder a break fee of A\$4,700,000 in certain circumstances, including where:</p> <ul style="list-style-type: none"> • a Competing Proposal publicly announced or made prior to the End Date and within 9 months thereafter, a Competing Proposal is entered into or completed involving that third party or any of its associates, the third party acquires a relevant interest in at least 50% of the Pacific Energy Shares or otherwise acquires control of Pacific Energy or the Pacific Energy Group; • any Director withdraws or adversely modifies or qualifies their voting intention or their recommendation other than in certain circumstances (refer to Section 9.15); • the Bidder terminates the Scheme Implementation Deed because Pacific Energy materially breaches the Scheme Implementation Deed. <p>The amount of the break fee is approximately 1% of the implied equity value of Pacific Energy based on the Scheme Consideration.</p> <p>The Break Fee is not payable if the Scheme does not proceed solely on the basis that it is not approved by Pacific Energy Shareholders.</p> <p>For further details in relation to the Pacific Energy Break Fee, see Section 9.15.</p> |
| <p>Has Pacific Energy entered into exclusivity arrangements?</p> | <p>The Scheme Implementation Deed contains certain exclusivity arrangements which are customary for an agreement of this type. During the Exclusivity Period, Pacific Energy and its Subsidiaries, or any of their Representatives are restricted from (among other things), directly or indirectly:</p> <ul style="list-style-type: none"> • soliciting, inviting, encouraging or initiating any Competing Proposal or any enquiries, expressions of interest, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a Competing Proposal, or communicating to any person any intention to do any of |

| Questions about the Transaction | |
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| | <p>these things;</p> <ul style="list-style-type: none"> • negotiating, entering into, participating in, or resuming negotiations or discussions with any person, or communicate any intention to do any of these things in relation to, or which may reasonably be expected to lead to a Competing Proposal; or • soliciting, inviting, initiating, encouraging, facilitating or permitting any person (other than the Bidder or its Representatives) to undertake due diligence investigations on Pacific Energy, its related bodies corporate, or any of their businesses, assets, and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an actual, proposed or potential Competing Proposal. <p>During the Exclusivity Period, Pacific Energy must also:</p> <ul style="list-style-type: none"> • disclose certain information to the Bidder in the event a Competing Proposal emerges, including material terms and conditions (including price, conditions precedent, timetable and break fee (if any)) and the identity of the person making the approach; and • give the Bidder the right, but not the obligation, to match a Competing Proposal, to amend the terms of the Scheme including increasing the amount of consideration offered under the Scheme or proposing any other form of Scheme. <p>For further details in relation to the exclusivity arrangements entered into by Pacific Energy, see Section 9.13.</p> |
| <p>Is a Superior Offer likely? What happens if a Superior Offer emerges?</p> | <p>At the date of this Scheme Booklet, no Superior Proposal for Pacific Energy has emerged that the Bidder has not matched by exercising its matching right under the Scheme Implementation Deed.</p> <p>Until the Scheme becomes Effective, there is nothing preventing third parties from making unsolicited Competing Proposals for Pacific Energy.</p> <p>The Scheme Implementation Deed contains certain exclusivity arrangements. For example, it restricts certain Pacific Energy actions and obliges Pacific Energy to disclose certain information to the Bidder in the event a Competing Proposal emerges and also gives the Bidder a right to match a Superior Proposal in certain circumstances.</p> <p>It is possible that, if Pacific Energy were to continue as an independent company, a Superior Proposal for Pacific Energy may materialise in the future.</p> <p>Further details regarding Competing Proposals, Superior Proposals and the exclusivity arrangements are set out in Sections 9.</p> |

| Questions about the Transaction | |
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| <p>What are the tax implications of the Scheme?</p> | <p>If the Scheme becomes Effective, there will be tax consequences for Pacific Energy Shareholders which may include tax being payable on any gain on disposal of Pacific Energy Shares.</p> <p>Section 10 provides a description of the general Australian tax consequences of the Scheme. The tax treatment may vary depending on the nature and characteristics of each Pacific Energy Shareholders and their specific circumstances.</p> <p>Pacific Energy Shareholders that have a registered address outside of Australia or that the Bidder reasonably believes are 'relevant foreign residents' may be subject to Australian withholding tax. In this regard Pacific Energy Shareholders who may be regarded as foreign residents should note in particular Sections 10.3 and 10.4.</p> <p>If the Bidder considers or reasonably believes that you are a 'relevant foreign resident', you should have been provided with a Relevant Foreign Declaration Form together with this Scheme Booklet which you should read in full and follow the instructions provided on the form. If you did not receive a Relevant Foreign Declaration Form but have a registered address outside of Australia please contact the Pacific Energy Share Registry.</p> <p>It is recommended you seek professional tax advice in regard to the income tax implications associated with the Scheme.</p> |

| Questions about your entitlements | |
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| <p>Who is entitled to participate in the Scheme?</p> | <p>Each person (other than the Bidder) who is a Pacific Energy Shareholder as at 5.00pm (WST) on the Record Date (expected to be 25 November 2019) will be entitled to participate in the Scheme.</p> |
| <p>When will I be paid the Scheme Consideration and the Contingent Consideration (if payable)?</p> | <p>If the Scheme is implemented, the Bidder will pay the Scheme Consideration and the Contingent Consideration (if payable) to you on the Implementation Date, which is expected to be 2 December 2019.</p> <p>The Contingent Consideration is not payable. The Contingent Consideration will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded.</p> |
| <p>What is the Final Dividend?</p> | <p>The Final Dividend is a fully-franked final dividend of \$0.015 per Pacific Energy Share to be paid by Pacific Energy on 10 October 2019 to those Pacific Energy Shareholders who were on the share register on 19 September 2019.</p> <p>The Final Dividend is not conditional on the Scheme and will be paid to eligible Pacific Energy Shareholders irrespective of whether the Scheme proceeds.</p> |
| <p>Am I entitled to receive the Final Dividend?</p> | <p>If you are a Pacific Energy Shareholder on the Final Dividend Record Date, you will be paid the Final Dividend.</p> |

| Questions about your entitlements | |
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| What is the Special Dividend? | <p>Subject to formal declaration by Pacific Energy before the Scheme Meeting, the Special Dividend will be a fully-franked special dividend presently intended to be A\$0.065 per Pacific Energy Share.</p> <p>Payment of the Special Dividend will be conditional on the scheme becoming Effective.</p> |
| Will the Special Dividend be franked, if paid? | <p>The Special Dividend is expected to be fully franked, in which case, Pacific Energy Shareholders may receive a franking credit of up to \$0.0279 per Pacific Energy Share in addition to the Special Dividend.</p> <p>Pacific Energy has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits and a tax offset in regard to the Special Dividend. On the provision that a favourable class ruling is obtained from the ATO (refer to Section 5.4 for further details), Pacific Energy Shareholders who are able to obtain the full benefit of A\$0.0279 per Pacific Energy Share may receive additional value. Whether a Pacific Energy Shareholder is able to obtain the full benefit of the tax offset depends on their particular circumstances. Pacific Energy Shareholders in receipt of the Special Dividend should seek and only rely upon their own tax advice in relation to any tax offset.</p> <p>Refer to Section 5.4 for further details of the Special Dividend.</p> |
| Will I get the benefit of franking credits attached to the Special Dividend? | <p>As noted above, a class ruling is being sought in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend.</p> <p>If you are an Australian resident for tax purposes and satisfy the qualified person rules, you may be able to access franking credits attached to the Special Dividend. If you are not an Australian resident for tax purposes, you will not be able to access the franking credits attached to the Special Dividend, but the Special Dividend should ordinarily not be subject to Australian tax.</p> <p>Further information is provided in Section 10. The comments in Section 10 are general in nature and should not be relied upon as advice for your affairs. Each Pacific Energy Shareholder should seek independent professional tax advice in relation to their particular circumstances.</p> |
| Am I entitled to receive the Special Dividend? | <p>If you are a Pacific Energy Shareholder on the Special Dividend Record Date, you will be paid the Special Dividend.</p> |
| Will I receive the Special Dividend if the Scheme is not approved? | <p>No. If the Scheme is not approved at the Scheme Meeting or by the Court, the Special Dividend will not be paid.</p> |
| What happens if I transfer my Pacific Energy Shares after the Special Dividend Record Date? | <p>It is expected that trading in Pacific Energy Shares on the ASX will be suspended from close of trading on the Effective Date.</p> <p>However, if you choose to effect an off-market transfer of your Pacific Energy Shares in between the record dates, such that you are registered on the Pacific Energy Register on the Special Dividend Record Date but cease to be registered on the Pacific Energy Register on the Record Date:</p> <ul style="list-style-type: none"> • you will only receive the Special Dividend and will not |

| Questions about your entitlements | |
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| | <p>receive the Scheme Consideration or any Contingent Consideration (if payable). However, it is expected that the 'seller' would not be entitled to receive the franking credits (see Section 10 for further details); and</p> <ul style="list-style-type: none"> any transferee of your Pacific Energy Shares in these circumstances who becomes registered in Pacific Energy Shares on or before the Scheme Record Date (but after the Special Dividend Record Date) will only receive the Scheme Consideration and any Contingent Consideration (if payable) in respect of those Pacific Energy Shares, and not the Special Dividend. |
| How is the Special Dividend being funded? | The Special Dividend will be funded from a combination of Pacific Energy's working capital facilities and existing debt facilities. |
| What warranties do I give? | <p>Under the Scheme, each Scheme Participant is deemed to have warranted to the Bidder that:</p> <ul style="list-style-type: none"> all their Pacific Energy Shares (including any rights and entitlements attaching to those Pacific Energy Shares) transferred to the Bidder under the Scheme will, at the time of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise; and they have full power and capacity to sell and transfer their Pacific Energy Shares (including any rights and entitlements attaching to those Pacific Energy Shares) to the Bidder under the Scheme. |
| Will I have to pay brokerage fees on the disposal of my Pacific Energy Shares? | You will not incur brokerage on the transfer of your Pacific Energy shares to the Bidder pursuant to the Scheme. |

| Questions about voting | |
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| Who can vote? | <p>If you are registered as a Pacific Energy Shareholder at 5:00pm (WST) on 6 November 2019 you will be entitled to vote on the Scheme Resolution to be proposed at the Scheme Meeting.</p> <p>For further details, see Section 4.</p> |
| When and where will the Scheme Meeting be held? | <p>The Scheme Meeting to approve the Scheme is scheduled to be held at BDO, 38 Station Street, Subiaco WA, Australia, 6008 on 8 November 2019 commencing at 10:30 (WST).</p> <p>Further details of the Scheme Meeting, including how to vote are contained in Section 4. The Notice of Scheme Meeting is contained in Schedule 5.</p> |
| What vote is required to approve the Scheme? | <p>The Scheme needs to be approved by the Requisite Majority of Pacific Energy Shareholders, which is:</p> <ul style="list-style-type: none"> unless the Court orders otherwise, a majority in number (more than 50%) of Pacific Energy Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and |

| Questions about voting | |
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| | <ul style="list-style-type: none"> at least 75% of the total number of votes cast on the resolution at the Scheme Meeting. |
| Is voting compulsory? | <p>No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting scheduled to be held on 8 November 2019 at 10:30am (WST) you should complete and return the Proxy Form enclosed with this Scheme Booklet.</p> <p>For further details regarding voting and submitting Proxy Forms for the Scheme Meeting, see Section 4.</p> |
| Why should I vote? | <p>Your vote will be important in determining whether the Scheme will proceed.</p> <p>Your Directors unanimously recommend⁹ that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy Shareholders.</p> |
| What happens if I do not vote? | <p>If you do not vote and the Scheme is approved by a Requisite Majority of Pacific Energy Shareholders and the Court and becomes Effective, your Pacific Energy Shares will be transferred to the Bidder in consideration for the Bidder paying to you the Scheme Consideration and the Contingent Consideration (if payable) for your Pacific Energy Shares.</p> <p>If the Scheme is not approved, Pacific Energy will remain an independent company and you will remain a Pacific Energy Shareholder.</p> |
| Can I attend the Court and oppose the Court approval of the Scheme? | <p>If you wish to oppose approval by the Court of the Scheme at the Court hearing to be held on the Second Court Date, you may do so by filing with the Court, and serving on Pacific Energy, a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Pacific Energy at least one Business Day (in Perth, Western Australia) before the Second Court Date.</p> |
| What are my options? | <p>You may:</p> <ul style="list-style-type: none"> vote in favour of the Scheme at the Scheme Meeting; vote against the Scheme at the Scheme Meeting; sell your Pacific Energy Shares on market at any time before the close of trading on ASX on the Record Date; or do nothing. <p>See section 5 for further information.</p> |
| What if I cannot, or do not wish to, attend the Scheme Meeting? | <p>If you cannot, or do not wish to, attend the Scheme Meeting, you may appoint a proxy, corporate representative or attorney to vote on your behalf. For further details regarding voting and submitting Proxy Forms for the Scheme Meeting, see Section 4.</p> |

⁹ See disclosure on Contents Page at the beginning of the document.

| Questions about voting | |
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| How do the Directors intend to vote in respect of their own Pacific Energy Shares? | In the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude the Scheme is in the best interests of Pacific Energy Shareholders, each of your Pacific Energy Directors intends to vote all Pacific Energy Shares held or controlled by them in favour of the Scheme. The interests of Pacific Energy Directors are set out in Section 5.6. |

| Questions about QIC and the Bidder Group | |
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| Who are QIC and QGIF? | <p>QIC is an alternative investment manager with approximately A\$80 billion in funds under management¹⁰ that specialises in infrastructure, real estate, private capital, liquid strategies and multi-asset investments. QIC has over 1,000 employees and serves more than 110 clients. Headquartered in Brisbane, QIC also has offices in Sydney, Melbourne, New York, Los Angeles, Cleveland, San Francisco, London and Copenhagen. For more information, please visit: www.qic.com.au.</p> <p>QGIF is an unlisted, stapled investment vehicle established by QIC to provide institutional investors with access to a diversified portfolio of global infrastructure assets.</p> <p>Further information about QIC and QGIF is set out in Section 7.</p> |
| Who is the Bidder? | <p>The Bidder is an Australian proprietary company incorporated on 17 July 2019 for the purpose of acquiring all of the Pacific Energy Shares.</p> <p>See Section 7 for further information on the Bidder.</p> |
| What are the Bidder's intentions if the Scheme proceeds? | <p>If the Scheme is implemented, the Bidder will hold all of the Pacific Energy Shares on issue and, accordingly, Pacific Energy will become a wholly-owned subsidiary of the Bidder.</p> <p>Subject to the findings of a post-acquisition review to be undertaken by the Bidder, the Bidder's current intention is to continue to operate the business substantially in its current form. Section 7.4 sets out further details of the current intentions of the Bidder with respect to Pacific Energy if the Scheme is implemented.</p> |

| General questions | |
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| What other information is available to answer my questions about the Transaction? | <p>You should read the detailed information in relation to the Scheme provided in this Scheme Booklet.</p> <p>Further information in relation to Pacific Energy can be obtained from ASX on its website www.asx.com.au or on Pacific Energy's website www.pacificenergy.com.au.</p> |

¹⁰ As at 30 June 2019.

4. Scheme Meeting and voting information

This Section contains information relating to voting entitlements and information on how to vote at the Scheme Meeting for Pacific Energy Shareholders.

4.1 Scheme Meeting

(a) Time and location

The Scheme Meeting to approve the Scheme is scheduled to be held at BDO, 38 Station Street, Subiaco, WA, Australia, 6008 on 8 November 2019 at 10:30am (WST).

(b) Requisite Majority

At the Scheme Meeting, the Scheme Resolution will be proposed to the Scheme Meeting which must be approved by:

- (i) unless the Court orders otherwise, a majority in number (more than 50%) of Pacific Energy Shareholders present and voting on the Scheme Resolution (in person or by proxy, corporate representative or attorney); and
- (ii) at least 75% of the total number of votes which are cast on the Scheme Resolution, for the Scheme to become Effective.

(c) Notice of Scheme Meeting

The Scheme Resolution is set out in the Notice of Scheme Meeting in Schedule 5.

4.2 Entitlement and ability to vote at the Scheme Meeting

If you are registered as a Pacific Energy Shareholder as at 5:00pm (WST) on 6 November 2019, you will be entitled to vote on the Scheme Resolution at the Scheme Meeting. Voting on the Scheme Resolution will be by poll.

(a) Voting in person

If you wish to vote in person, you should attend the Scheme Meeting.

(b) Voting by proxy

Your personalised Proxy Form for the Scheme Meeting accompanies this Scheme Booklet.

You can appoint a proxy by completing and returning to Pacific Energy the enclosed Proxy Form for the Scheme Meeting. The Proxy Form must be received by Pacific Energy by no later than 10:30am (WST) on 6 November 2019.

You must return the Proxy Form to Pacific Energy by either posting it in the reply paid envelope provided (only for use in Australia) or by sending, delivering or faxing it as follows:

- (i) Online at:
www.investorvote.com.au and following the instructions provided
- (ii) Mail to:
Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia

- (iii) Fax to:
- 1800 783 447 (within Australia)
- +61 3 9473 2555 (outside Australia)
- (iv) Mobile voting:
- Scan the QR Code on your Proxy Form and follow the prompts
- (v) Custodian voting:
- For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

If a proxy appointment is signed by or validly authenticated by a Pacific Energy Shareholder but does not name the proxy or proxies in whose favour it is given, the chairman of the Scheme Meeting may act as proxy.

If:

- (i) a Pacific Energy Shareholder nominates the chairman of the Scheme Meeting as the Pacific Energy Shareholder's proxy; or
- (ii) a proxy appointment is signed by a Pacific Energy Shareholder but does not name the proxies in whose favour it is given or otherwise under a default appointment according to the terms of the Proxy Form,

the person acting as chairman in respect of an item of business at the Scheme Meeting must act as proxy under the appointment in respect of that item of business.

Proxy appointments in favour of the chairman of the Scheme Meeting, the Pacific Energy company secretary or any Director which do not contain a direction will be voted in support of the Scheme Resolution at the Scheme Meeting.

A Pacific Energy Shareholder who wishes to submit a proxy has the right to appoint a proxy (who need not be a Pacific Energy Shareholder) to represent him, her or it at the Scheme Meeting, other than the chairman of the Scheme Meeting, by inserting the name of his chosen proxy in the space provided for that purpose on the Proxy Form.

A Pacific Energy Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half the votes. The Pacific Energy Shares represented by proxy will be voted for or against or withheld from voting in accordance with the instructions of the Pacific Energy Shareholder on any ballot that may be called for, and if the Pacific Energy Shareholder specifies a choice with respect to any matter to be acted upon, the Pacific Energy Shares will be voted accordingly.

A Pacific Energy Shareholder who has deposited a Proxy Form may revoke it prior to its use, by instrument in writing executed by the Pacific Energy Shareholder or by his, her or its attorney duly authorised in writing or, if the Pacific Energy Shareholder is a company, executed by a duly authorised officer or attorney in compliance with applicable law and deposited at the Pacific Energy Share Registry by 10:30am (WST time) on 6 November 2019 or with the chairman of the Scheme Meeting on the day of, and prior to the start of, the Scheme Meeting. A Pacific Energy Shareholder may also revoke a proxy in any other manner permitted by law.

If an attorney signs a Proxy Form on your behalf, a certified copy of the power of attorney under which the Proxy Form was signed must be received by the Pacific Energy Share Registry at the same time as the Proxy Form (unless you have already provided a certified copy of the power of attorney to Pacific Energy).

(c) **Undirected proxies**

A Pacific Energy Shareholder who has submitted a proxy has the right to appoint the chairman of the Scheme Meeting, or another person (who need not be a Pacific Energy Shareholder) to represent him, her or it at the Scheme Meeting and vote on the Scheme Resolution, by inserting the name of his, her or its desired representative in the space provided for that purpose on the Proxy Form.

Any instrument of proxy in which the name of the appointee is not filled in will be deemed to have been given in favour of the chairman of the Scheme Meeting.

The chairman of the Scheme Meeting intends to vote all undirected proxies in favour of the Scheme Resolution.

(d) **Voting by corporate representative**

To vote in person at the Scheme Meeting, a Pacific Energy Shareholder or proxy, which is a body corporate, may appoint an individual to act as its representative.

Unless otherwise specified in the appointment, a representative acting in accordance with his or her authority, until it is revoked by the body corporate Pacific Energy Shareholder, is entitled to exercise the same powers on behalf of that body corporate as that body corporate could exercise at a meeting or in voting on a resolution.

A certificate with or without the seal of the body corporate Pacific Energy Shareholder, signed by two directors of that body corporate, or signed by one director and one secretary, or any other document as the chairman of the Scheme Meeting in his sole discretion considers sufficient, will be evidence of the appointment, or of the revocation of the appointment, as the case may be, of a representative.

(e) **Voting by attorney**

A Pacific Energy Shareholder may appoint a person (whether a Pacific Energy Shareholder or not) as its attorney to attend and vote at the Scheme Meeting.

An instrument appointing an attorney must be in writing executed under the hand of the appointer or the appointer's attorney duly authorised in writing, or if the appointer is a corporation, under its common seal (if any) or the hand of its duly authorised attorney or executed in a manner permitted by the Corporations Act. The instrument may contain directions as to the manner in which the attorney is to vote on a particular resolution(s) and, subject to the Corporations Act, may otherwise be in any form as the Directors may prescribe or accept. A fax of a written power of attorney is valid provided it has been provided to Pacific Energy on the fax numbers in Section 4.2(b) by no later than 10:30am (WST time) on 6 November 2019. Such fax will be deemed to have been served on Pacific Energy upon the receipt of a transmission report confirming successful transmission of that fax.

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5. Key considerations

The purpose of this Section 5 is to identify significant issues for you to consider in relation to the Scheme.

Before deciding how to vote at the Scheme Meeting, you should carefully consider the factors discussed below and the risk factors outlined in Section 8, as well as the other information contained in this Scheme Booklet.

5.1 Background

If the Scheme is implemented, the Bidder will acquire all of the Pacific Energy Shares held by Scheme Participants through a scheme of arrangement.

The Scheme is subject to, among other things, approval by the Requisite Majority of Pacific Energy Shareholders at the Scheme Meeting and approval by the Court pursuant to section 411(4)(b) of the Corporations Act on the Second Court Date. For further details of the conditions, refer to Section 9.12.

If the Scheme becomes Effective, Pacific Energy will become a wholly-owned Subsidiary of the Bidder and will request that ASX remove Pacific Energy from the official list of ASX on or shortly after the Implementation Date.

5.2 What you will receive under the Scheme

Pacific Energy Shareholders will receive cash payments of **\$1.085** for each Pacific Energy Share held (**Total Cash Value**), comprising:

- (a) cash consideration under the Scheme of \$1.07 for each Pacific Energy Share held on the Record Date, less the amount of any Special Dividend that may be declared and paid by Pacific Energy on or before the date the Scheme is implemented (**Scheme Consideration**);
- (b) a fully-franked special dividend of up to \$0.065 for each Pacific Energy Share held on the Special Dividend Record Date that may be declared and paid by the Company on or before the date the Scheme is implemented (**Special Dividend**); and
- (c) *if the Pacific Energy Shareholder was on the share register on the Final Dividend Record Date*, a fully-franked final dividend of \$0.015 per Pacific Energy Share held (**Final Dividend**) to be paid by Pacific Energy on 10 October 2019 (**Final Dividend Payment Date**). The Final Dividend will be paid before the Scheme Meeting and is not conditional on the Scheme being implemented.

The Contingent Consideration is not payable. The Contingent Consideration will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded. In these circumstances, the Total Cash Value will increase to \$1.09. At the date of this Scheme Booklet, the Directors are not aware of any such appeal or court proceedings. Refer to Section 1.1 for further information regarding the Consortium Break Fee.

The Pacific Energy Board intends to determine to pay a fully franked Special Dividend of up to \$0.065 per Pacific Energy Share which, subject to the Scheme becoming Effective, is expected to be paid on the Special Dividend Payment Date. Prior to determination of the Special Dividend, the Company will confirm that it has sufficient franking credits to pay a fully franked Special Dividend and that the payment of any Special Dividend will not cause the Company's franking account balance to be in deficit. The Company will also need to satisfy all legal requirements for the payment of a Special Dividend. The Company will inform shareholders on or before 30 October 2019 (by way of ASX announcement) as to whether all of these requirements have been satisfied and whether a fully franked Special Dividend will be paid and its quantum.

Importantly, the Total Cash Value will be \$1.085¹¹ for eligible Pacific Energy Shareholders regardless of the amount of any Special Dividend. This is because the Scheme Consideration you receive from the Bidder will be \$1.07 less the cash amount of any Special Dividend you receive from Pacific Energy. A Pacific Energy Shareholder *who was on the share register on the Final Dividend Record Date*, will also receive the Final Dividend of \$0.015 for each Pacific Energy Share held regardless of whether the Scheme is approved and implemented.

5.3 Deed Poll

The Bidder has executed a Deed Poll pursuant to which it has agreed, subject to the Scheme becoming Effective, to pay the aggregate Scheme Consideration and Contingent Consideration (if payable) to a trust account operated by Pacific Energy or Pacific Energy's Share Registry (as applicable). Under the Scheme, Pacific Energy must then pay the Scheme Consideration and Contingent Consideration (if payable) to the Scheme Participants. A copy of the Deed Poll is attached as Schedule 4.

Details on Australian tax considerations in relation to the Scheme Consideration, Contingent Consideration (if payable), Special Dividend and Final Dividend can be found in Section 10.

For those Scheme Participants who have made an election prior to the Record Date to receive payments from Pacific Energy by electronic funds transfer to a nominated bank account, Pacific Energy will pay the Scheme Consideration and Contingent Consideration (if payable) by direct debit. Otherwise, Pacific Energy will pay Scheme Participants the Scheme Consideration and Contingent Consideration (if payable) by sending a cheque drawn on an Australian bank in Australian currency to the Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside Australia, by pre-paid airmail post).

5.4 Final and Special Dividends

(a) Final Dividend

A fully-franked Final Dividend of \$0.015 per Pacific Energy Share will be paid by Pacific Energy on 10 October 2019 to those Pacific Energy Shareholders who were on the share register on **19 September 2019**. **The Final Dividend is not conditional on the Scheme and will be paid to eligible Pacific Energy Shareholders irrespective of whether the Scheme proceeds.**

(b) Special Dividend

Assuming the Board declares the Special Dividend, Pacific Energy will pay the Special Dividend to Pacific Energy Shareholders, subject to the Scheme becoming Effective. Pacific Energy Shareholders will be entitled to receive the Special Dividend if they are registered as holders of Pacific Energy Shares on the Special Dividend Record Date. The Special Dividend Record Date is currently expected to be **21 November 2019**.

Pacific Energy has applied to the ATO requesting a class ruling in relation to the tax implications of the Scheme, including the availability of franking credits on the Special Dividend. On the proviso that a favourable class ruling is obtained from the ATO (please refer to Section 10 for further details) and subject to being on the share register on the Special Dividend Record Date and the Special Dividend being declared, franking credits of up to A\$0.0279 per Pacific Energy Share may be distributed to Pacific Energy Shareholders on the Special Dividend Payment Date. Whether a Pacific Energy Shareholder is able to obtain the full benefit of the tax offset depends on their particular circumstances. Pacific Energy Shareholders should seek and only rely upon their own tax advice in relation to any tax offset.

It is expected that trading in Pacific Energy Shares on the ASX will be suspended from close of trading on the Effective Date.

¹¹ The Contingent Consideration is not payable and will only become payable if the Bidder decides to, and successfully, appeals the Takeovers Panel's decision or a court determines that the Consortium Break Fee is unenforceable or unlawful and the Consortium Break Fee is refunded. In these circumstances, the Total Cash Value will increase to \$1.09.

However, if you choose to effect an off-market transfer of your Pacific Energy Shares in between the record dates, such that you are registered in the Pacific Energy Register on the Special Dividend Record Date but cease to be registered in the Pacific Energy Register on the Record Date:

- (i) you will only receive the Special Dividend and will not receive the Scheme Consideration or the Contingent Consideration (if payable). However, it is expected that the 'seller' would not be entitled to receive the franking credits (see Section 10 for further details); and
- (ii) any transferee of your Pacific Energy Shares in these circumstances who becomes registered in Pacific Energy Shares on or before the Scheme Record Date (but after the Special Dividend Record Date) will only receive the Scheme Consideration and the Contingent Consideration (if payable) in respect of those Pacific Energy Shares, and not the Special Dividend.

5.5 Competing Proposals

During the Exclusivity Period, the Scheme Implementation Deed prohibits Pacific Energy, any of its Related Bodies Corporate, and any of their respective Authorised Persons from soliciting, inviting, encouraging or initiating any Competing Proposal or any enquiries, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a Competing Proposal, or communicate any intention to do any of these things.

There are also certain restrictions in the Scheme Implementation Deed in relation to discussions, providing due diligence access and entering into certain agreements, arrangements and understandings relevant to Competing Proposals (with certain exceptions relevant to the fiduciary duties of the Directors).

During the Exclusivity Period, Pacific Energy must as soon as reasonably practicable (and in any event within 2 Business Days) notify the Bidder of:

- (a) an approach, inquiry or proposal or request for information made by a third party to Pacific Energy, any of its Related Bodies Corporate or any of their respective Authorised Persons, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Competing Proposal;
- (b) any request made by any person to Pacific Energy, any of its Related Bodies Corporate, or any of their respective Authorised Persons, for any information relating to Pacific Energy, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; and
- (c) the provision by Pacific Energy, any of its Related Bodies Corporate or their Authorised Persons of any information relating to Pacific Energy, any of its Related Bodies Corporate or any of their businesses or operations to any person in connection with or for the purposes of an actual, proposed or potential Competing Proposal.

As at the date of this Scheme Booklet, Pacific Energy has not received any Competing Proposals.

Further details on Competing Proposals are described in Section 9.13.

5.6 Pacific Energy Directors' recommendation

Your Directors believe that the Scheme is in the best interests of Pacific Energy Shareholders, and they unanimously recommend that Pacific Energy Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy Shareholders.¹²

Your Directors have formed their conclusion and made their recommendation on the Scheme based on the reasons outlined in Section 2.1.

In relation to the recommendations of the Directors, Pacific Energy Shareholders should have regard to the fact that, if the Scheme is implemented, one of the Directors, Mr James Cullen, holds Pacific Energy Options as detailed in Section 11.1, which are entitled to be dealt with in accordance with Section 9.16.

Pacific Energy Shareholders should have regard to these arrangements when considering Mr Cullen's recommendation in relation to the Scheme. These arrangements are disclosed throughout this Scheme Booklet to allow Pacific Energy Shareholders to consider the arrangements in the context of Mr Cullen's recommendation. Mr Cullen considers that, despite these arrangements, it is appropriate for him to make a recommendation in relation to the Scheme. In coming to this conclusion, Mr Cullen:

- (a) took independent legal advice as to the relevant factors to be considered based on recent judicial guidance regarding material personal interests and conflicts of interest;
- (b) considered the valuation of the Pacific Energy Options provided by the Independent Expert which showed that the consideration payable for the cancellation of these Pacific Energy Options did not impart a material benefit;
- (c) concluded that:
 - (i) there was no substantial benefit that would be received by him entirely as a consequence of entry into or approval of the scheme of arrangement;
 - (ii) these arrangements were commercially reasonable and not out of the ordinary practice; and
 - (iii) the existence of these arrangements would not make it inappropriate for him to make a recommendation.

Each of the Directors intends to vote or procure the voting of, any Pacific Energy Shares controlled or held by, or on behalf of, such Director at the time of the Scheme Meeting, in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy Shareholders.

The reasons Pacific Energy Shareholders might elect to vote against the Scheme are set out in Section 2.2.

5.7 Independent Expert's Report

The Independent Expert, Grant Thornton, has reviewed the terms of the Scheme and concluded that the Scheme is fair and reasonable and in the best interests of Pacific Energy Shareholders.

The Independent Expert's Report is set out in Schedule 1 and should be read in its entirety, including the assumptions on which the conclusions are based.

¹² A Director may also change their recommendation if due to a change in fact or law occurring they reasonably determine (having obtained legal advice) that they should not provide or continue to maintain any recommendation because that they have an interest in the Scheme that renders it inappropriate to maintain any such recommendation.

5.8 What are your options and what should you do?

You have the following four options in relation to your Pacific Energy Shares. Pacific Energy encourages you to consider your personal risk profile, portfolio strategy, tax position and financial circumstances and seek professional advice before making any decision in relation to your Pacific Energy Shares.

(a) **Vote in favour of the Scheme at the Scheme Meeting**

Your Directors unanimously recommend¹³ that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pacific Energy Shareholders. The reasons for your Directors' unanimous recommendation are set out in Section 2.1 and the Directors' recommendation is set out in Section 5.6.

If you wish to support the Scheme, you can do so by voting in favour of the Scheme Resolution at the Scheme Meeting. For directions on how to vote at the Scheme Meeting, and important voting information generally, please refer to Section 2.

(b) **Vote against the Scheme at the Scheme Meeting**

If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you do not support the Scheme, you may vote against the Scheme Resolution at the Scheme Meeting.

However, you should note that if all of the conditions to the Scheme are satisfied or waived (where applicable), the Scheme will bind all Pacific Energy Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting or those who do not vote at all.

(c) **Sell your Pacific Energy Shares on market**

The Scheme does not preclude you from selling your Pacific Energy Shares on market for cash, if you wish, provided you do so before close of trading in Pacific Energy Shares on ASX on the Effective Date (currently expected to be 18 November 2019) when trading in Pacific Energy Shares will end.

If you are considering selling your Pacific Energy Shares on ASX you should have regard to the prevailing trading prices of Pacific Energy Shares at that time.

If you sell your Pacific Energy Shares on market for cash, you:

- (i) will not be entitled to receive the Scheme Consideration or the Contingent Consideration (if payable) and may not be entitled to receive the Special Dividend;
- (ii) may incur a brokerage charge;
- (iii) may incur CGT; and
- (iv) will not be able to participate in a Superior Proposal, if one emerges, noting that, at the date of this Scheme Booklet, your Directors have not received notice from any third party of an intention to make any Competing Proposal or Superior Proposal.

(d) **Do nothing**

If, despite your Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should note that if all of the conditions to the Scheme are satisfied or waived (where applicable), the Scheme will bind all Pacific

¹³ See disclosure on Contents Page at the beginning of the document.

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Energy Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting or those who do not vote at all.

Remember, if you want to receive the Scheme Consideration, the Contingent Consideration (if payable) and Special Dividend, your vote is important. If the Scheme is not approved by the Requisite Majority of Pacific Energy Shareholders, you will not be entitled to receive any Scheme Consideration, Contingent Consideration (if payable) or the Special Dividend.

6. Information about Pacific Energy

6.1 Introduction

The information contained in this Section 6 has been prepared by Pacific Energy. The information concerning Pacific Energy, and the intentions, views and opinions contained in this Section 6 are the responsibility of Pacific Energy. The Bidder and the Bidder's Authorised Persons do not assume any responsibility for the accuracy or completeness of the information in this Section 6.

6.2 Overview of Pacific Energy

Pacific Energy is an ASX listed power generation project developer, owner and operator. Headquartered in Perth, Western Australia, Pacific Energy's operations consist substantially of the development, ownership and operation of off-grid power stations. It also owns 10MW of gas-fired generation and 6MW of hydro power generation in Victoria and occasionally undertakes Engineering, Procurement, and Construction (**EPC**) power station projects.

Pacific Energy originally listed on the ASX in 1987 as Arboyne NL, a nickel exploration company. In 1998 and 2001, the company acquired 2 Victorian Hydro-electric power plants. In 2009 the current business began to take shape with the acquisition of Kalgoorlie Power Systems (**KPS**) which had total installed capacity of 100MW. NovaPower and Contract Power (**CP**) were subsequently acquired in 2017 and 2018 respectively.

6.3 Corporate Structure

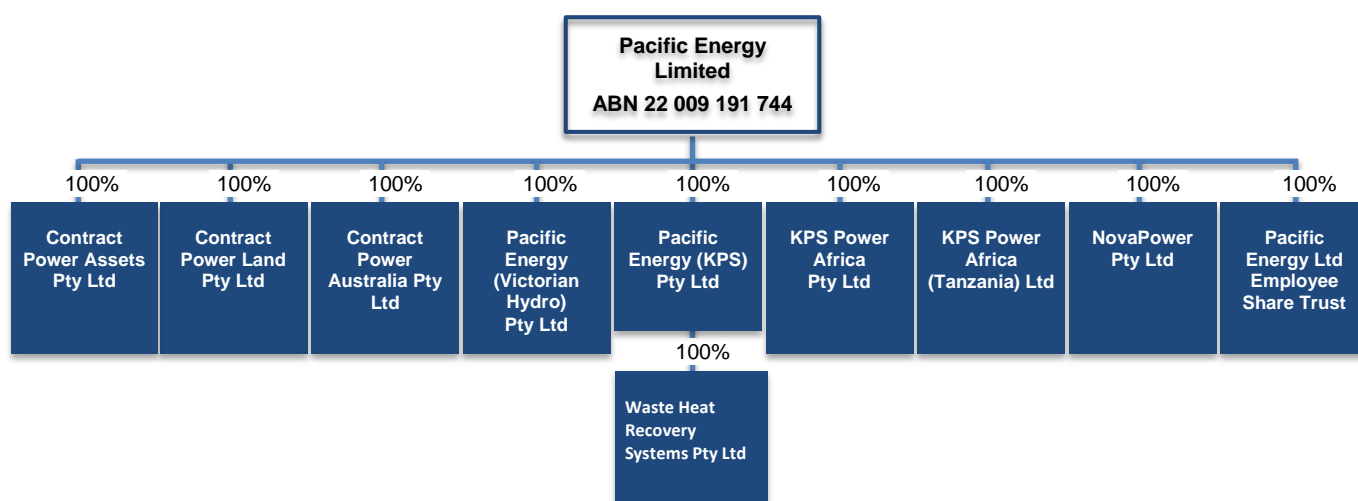


Figure 6.1 – Corporate Structure Diagram¹⁴

6.4 Key segments and business activities

Pacific Energy operates five wholly-owned electricity generation businesses:

- (a) **KPS**: a leading provider of power generation infrastructure to the mining and resources sector in Australia. The business operates diesel, gas, and renewable generation assets under a build, own, operate (**BOO**) execution model, with approximately 278MW of contracted capacity at 22 mine site locations across Australia. The business was started by Kenneth Hall in 1981.

¹⁴ Legal title to the shares in Contract Power Australia Pty Ltd is held by Ms Hodges pending completion of the stamping process following the acquisition of the Contract Power Group. Ms Hodges has granted a power of attorney in favour of Pacific Energy to exercise all rights and receive all benefits associated with these shares pending registration of the transfer following stamping.

- (b) **KPS Africa:** an emerging provider of power generation infrastructure based in the Republic of South Africa, established by Pacific Energy in 2016 with the objective of replicating Kalgoorlie Power Systems' Australian business model in select African countries.
- (c) **Contract Power:** is a specialist provider to the remote power generation sector, with over 25 years' experience in the Australian BOO market as well as in the EPC market, having completed projects in Australia, Africa and Asia. CP has approximately 80MW of contracted capacity across six mine site locations, seven townships in the Midwest of Western Australia and the Murchison Radio Observatory.
- (d) **NovaPower:** owner and operator of a 10MW low-emission gas power peaking station in Traralgon Victoria. The plant operates as a non-scheduled market generator in the National Electricity Market (**NEM**) and receives the prevailing wholesale electricity price when generation is dispatched.
- (e) **Pacific Energy Victorian Hydro (PEVH):** owner and operator of two Victorian hydro stations with combined capacity of 6MW, comprising the 3.5MW Cardinia station and the 2.5MW Blue Rock station. Both assets supply power to the NEM, and currently operate under long-term PPA contracts.



Figure 6.2 – Business segments

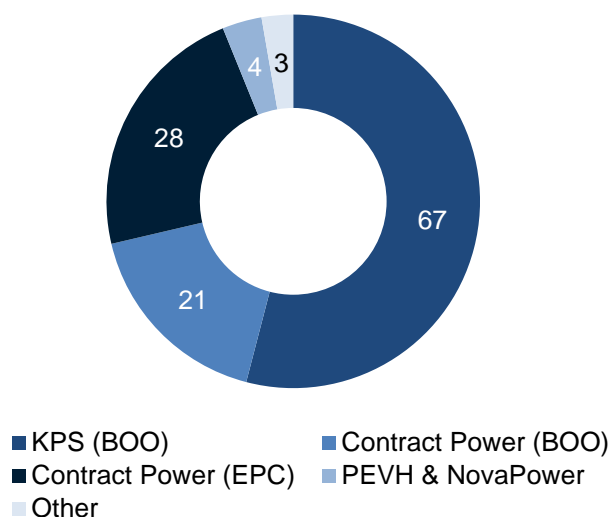


Figure 6.3 – FY19 revenue split by business segment (\$m)

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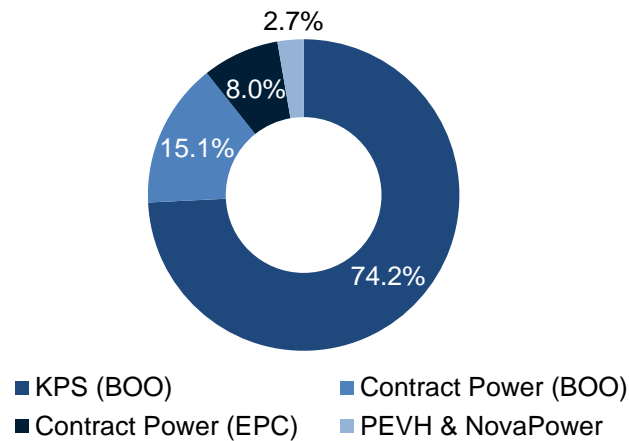


Figure 6.4 – FY19 EBITDA by key business segments (%)¹⁵

6.5 Key capabilities

Pacific Energy, through its business segments, has proven experience and capability in operating traditional thermal baseload power stations across all fuel types as well as integrating and operating renewables and emerging hybrid technologies.

Pacific Energy entered into a strategic alliance in June 2016 with German-based juwi Renewable Energy (**juwi**), an EPC company specialising in utility-scale renewables power stations. The strategic alliance is focussed on the joint development and delivery of hybrid power station solutions, integrating solar and battery power with traditional diesel or gas fuelled power. Pacific Energy and juwi successfully integrated a 20 hectare 10.6MW solar and 4MW battery system with KPS' existing 27MW power station at Sandfire Resources' DeGrussa mine.

Pacific Energy gained the capability to undertake select EPC power station projects through the acquisition of CP in 2018, and has since completed a 52MW gas power station at the Wodgina lithium for Mineral Resources Limited.

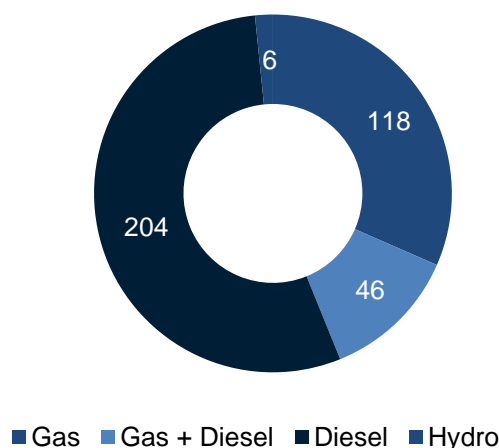


Figure 6.5 – Contracted power station capacity by fuel type (MW)

¹⁵ Before corporate costs

6.6 Key contracts

Pacific Energy's portfolio of contracts is diversified across multiple commodities and counterparties. Pacific Energy's leading position in remote mine site and township power across WA, SA and NT is complemented by its NEM exposure through NovaPower and PEVH.

Pacific Energy's contracts are typically long term (the current weighted average remaining duration is more than 4 years) and have a significant proportion of 'take-or-pay' or capacity charge revenue, underpinning the business with strong earnings reliability, visibility and stability. As the incumbent operator of critical infrastructure for its customers, Pacific Energy is well positioned to secure contract term extensions because its contracts provide the customer with an option to extend, which are typically exercised provided there is remaining mine life. Contracts are also expandable, with additional capacity requests from customers able to be readily accommodated by Pacific Energy.

Table 6.1 – Top 20 Customer Contracts based on contracted capacity

| Key Contracts | Counterparty | Project / Commodity type | Contract Expiry | Contracted Capacity (MW) |
|----------------------|---------------------|--------------------------|-----------------|--------------------------|
| Tropicana | AngloGold Ashanti | Gold | May-28 | 48 |
| Degrussa | Sandfire Resources | Copper/Gold | Dec-20 | 27 |
| Gwalia Deeps | St Barbara | Gold | Jul-24 | 26 |
| Garden Well | Regis Resources | Gold | Jan-23 | 22 |
| Matilda Gold | Blackham Resources | Gold | Dec-21 | 19 |
| Pilgangoora | Pilbara Minerals | Lithium | Mar-25 | 18 |
| Carosue Dam | Saracen Minerals | Gold | Jan-23 | 18 |
| Thunderbox | Saracen Minerals | Gold | Nov-20 | 17 |
| Savannah | Panoramic Resources | Nickel, Copper, Cobalt | Mar-27 | 14 |
| Jaguar | Round Oak Minerals | Copper/Zinc | Aug-23 | 13 |
| Jacinth Ambrosia | Iluka Resources | Zircon | May-21 | 12 |
| Horizon Mid-West | Horizon Power | Townships | Dec-26 | 11 |
| Pilgangoora | Altura Mining | Lithium | May-23 | 11 |
| Higginsville | RNC Minerals | Gold | Jun-19 | 10 |
| Nullagine | Millenium Minerals | Gold | Feb-23 | 10 |
| Deflector | Doray Minerals | Gold | Apr-21 | 8 |
| Fortnum | Aragon Resources | Gold | Feb-22 | 8 |
| Moolart Well/Duketon | Regis Resources | Gold | Aug-20 | 8 |
| Blue Bird | Westgold Resources | Gold | Jun-19 | 8 |
| Jaurdi | Beacon Minerals | Gold | May-22 | 5 |

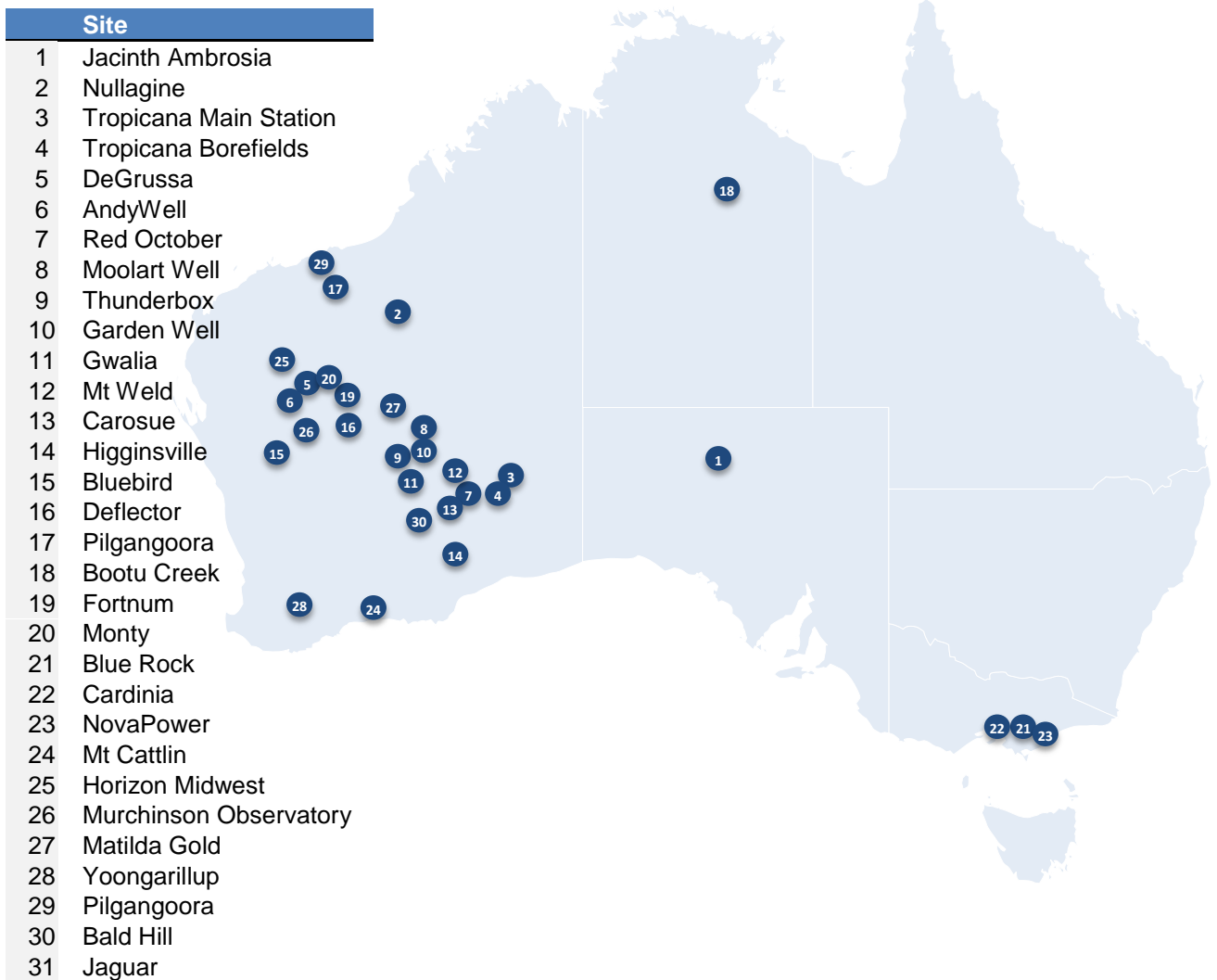


Figure 6.6 – Project Locations

6.7 Directors and Officers

(a) At the date of this Scheme Booklet the directors of Pacific Energy are:

| Director and Position | Biography |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>M Cliff Lawrenson Independent Non-Executive Chairman</p> | <p>Mr Lawrenson was most recently Managing Director of Atlas Iron Ltd from January 2017 to October 2018. Prior to this Mr Lawrenson was Managing Director of early-stage phosphate producer Avenira Ltd (formerly Minemakers Ltd) from 2012 and ended that role in January 2017. Mr Lawrenson led Avenira from exploration to early stage production.</p> <p>Mr Lawrenson joined Avenira Ltd after holding the position of Chief Executive Officer of Pilbara iron ore development company FerrAus Ltd, which he led to a recommended takeover by Atlas Iron Ltd in December 2011. Mr Lawrenson held the position of Group Chief Executive Officer of GRD Ltd from 2006 to 2009. GRD Ltd incorporated GRD Minproc Ltd, OceanaGold Ltd and Global Renewables. Prior to joining GRD Ltd, Mr Lawrenson was a senior executive and vice president of CMS Energy Corporation in the United States of America and Singapore for seven years.</p> |
| <p>James D Cullen Managing Director and Chief Executive Officer</p> | <p>Mr Cullen is a qualified Chartered Accountant who has spent approximately 20 years as CEO of two listed companies, each commencing in the microcap space and growing significantly in market capitalisation before being taken over (PCH Group Ltd from \$1m to \$260m and Resource Equipment Ltd from less than \$5m to \$115m).</p> <p>He has extensive commercial and practical experience in growing businesses domestically and internationally, both organically and through acquisitions.</p> <p>Mr Cullen also has considerable financial and corporate governance experience and has served as a Director of several listed companies.</p> <p>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.</p> |
| <p>Ken Hall Executive Director</p> | <p>Mr Hall is a qualified electrician who founded Kalgoorlie Power Systems ("KPS") in 1981.</p> <p>In 2009 Mr Hall sold KPS to Pacific Energy in a transaction which resulted in him becoming the Company's major shareholder, with a shareholding of approximately 50%, which is still maintained today.</p> <p>Mr Hall has been involved in the mining industry for 50 years and the contract power generation business for 30 years.</p> |
| <p>Stuart Foster Independent Non-Executive Director</p> | <p>Mr Foster has been involved in Stockbroking and financial management for over 30 years. He is the founder and Chief Executive Officer of Foster Stockbroking Pty Ltd, which was established in 1991. Mr Foster possesses a background in equity research and financial analysis. He actively works in a dealing and advisory capacity to predominantly institutional</p> |

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| Director and Position | Biography |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>clients and professional investors. Mr Foster is also the founder of Cranport Pty Ltd, which is a private Funds Management operation that primarily focuses on identifying investment opportunities in listed equities. 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.</p> |
| <p>Linton J Putland Independent Non-Executive Director</p> | <p>Mr Putland holds degrees in mining engineering (Bachelor of Engineering, Western Australian School of Mines) and a masters in science (Mineral Economics, Western Australian School of Mines) and has over 30 years' experience in mining operations, joint ventures and corporate management, in Australia, Africa and the Americas over a wide range of commodities.</p> <p>Mr Putland is principal of LJ Putland & Associates, a private mining consultancy company which was founded in 2002, providing advisory and consultancy services in mining 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 Africa. Prior to this he held corporate and senior management roles in IAMGOLD, AurionGold, Delta Gold and Pancontinental Mining.</p> <p>Mr Putland is a Member of AusIMM and a Graduate Member of AICD.</p> |

(b) At the date of this Scheme Booklet the senior managers of Pacific Energy are:

| Senior Manager and Position | Biography |
|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Michael Kenyon Chief Financial Officer and Company Secretary</p> | <p>Mr Kenyon has extensive experience in senior finance executive roles in Australian listed companies, holding Chief Financial Officer and Company Secretarial roles in a number of public companies over the past 22 years. Mr Kenyon holds a Bachelor of Business degree from the Edith Cowan University, is a Chartered Accountant, and a graduate member of the Australian Institute of Company Directors.</p> |
| <p>Roy Pascoe General Manager KPS</p> | <p>Mr Pascoe was appointed General Manager of KPS in May 2017, and is responsible for the profitability, growth and sustainability of the KPS business. Mr Pascoe is an electrician and seasoned manager with over 30 years' experience in the mining, industrial, utilities, energy and infrastructure sectors. Mr Pascoe's significant experience in the Australian mining sector is of both a leadership and technical nature, covering design, construction and operations.</p> |
| <p>Leon Hodges General Manager Contract Power</p> | <p>Mr Hodges is the founder and was the sole shareholder of the Contract Power Group until the acquisition by Pacific Energy Ltd in 2018. Mr Hodges incorporated Contract Power Management Australia Pty Ltd in 1994 and has extensive experience in the design, construction and operation of remote power generation facilities. Mr Hodges completed an</p> |

| Senior Manager and Position | Biography |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>apprenticeship as a diesel fitter training on Komatsu heavy earthmoving equipment and moved into the oil and gas exploration sector in the early 1980's. In 1987 his focus then moved to the mining sector. Whilst working as a contractor to various mine sites maintaining and repairing power station equipment, Mr Hodges identified an opportunity in the provision of remote power under long term contracts. With the commencement of the Contract Power business and a focus on delivering a one stop power provision service, Mr Hodges has gained extensive experience in all facets of power generation in both remote Australian locations and overseas. He has successfully delivered some of the largest high speed reciprocating power plants in the West Australian mining sector.</p> |

6.8 Recent Pacific Energy Share price history

The chart below shows the closing price of Pacific Energy Shares on the ASX over the 12 month period up to (and including) 26 September 2019, being the last practicable date prior to finalisation of this Scheme Booklet:



Figure 6.7 – Pacific Energy Share price for 12 months ended 26 September 2019 (\$/share)

The closing price of Pacific Energy Shares on the ASX as at the close of trading on 26 September 2019 was A\$1.085.

During the 90 calendar days up to (and including) 26 September 2019:

- (a) the highest recorded daily closing price for Pacific Energy Shares on the ASX was A\$1.115 on 17 September 2019; and
- (b) the lowest recorded daily closing price for Pacific Energy Shares on the ASX was A\$0.66 on 5 July 2019.

The last recorded sale price for Pacific Energy Shares on the ASX before the public announcement of the Transaction was A\$0.72 on 22 July 2019.

The current price of Pacific Energy Shares on ASX can be obtained from the ASX website (www.asx.com.au).

6.9 Pacific Energy issued securities

At 30 September 2019, being the latest practical date prior to the date of this Scheme Booklet, there were 430,578,102 Pacific Energy Shares and 11,000,000 Pacific Energy Options on issue.

6.10 Dividends

(a) Dividend Policy and History

Pacific Energy's current dividend policy aims to maintain a dividend payment ratio of 30-50% of net profit after tax on an annual basis.

The following table details the dividends paid by Pacific Energy during the period 1 July 2016 to 30 June 2019¹⁶.

| Payment Date | Dividend Amount (A\$) | Franked (%) | Description |
|-----------------|-----------------------|-------------|--------------------------------------------------|
| 13 October 2016 | \$0.015 | 100% | Final dividend for the year ended 30 June 2016 |
| 10 April 2017 | \$0.01 | 100% | Interim dividend for the year ended 30 June 2017 |
| 12 October 2017 | \$0.015 | 100% | Final dividend for the year ended 30 June 2016 |
| 13 April 2018 | \$0.01 | 100% | Interim dividend for the year ended 30 June 2018 |
| 12 April 2019 | \$0.01 | 100% | Interim dividend for the year ended 30 June 2019 |

(b) Dividend Reinvestment Plan

As announced on 22 August 2019, Pacific Energy has terminated its Dividend Reinvestment Plan.

¹⁶ A fully-franked Final Dividend of \$0.015 per Pacific Energy Share will be paid by Pacific Energy on 10 October 2019 to those Pacific Energy Shareholders who were on the share register on 19 September 2019.

6.11 Publicly available information

Pacific Energy is a "disclosing entity" for the purposes of section 111AC(1) of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Pacific Energy to notify the ASX of information about specified matters and events as they arise for the purpose of the ASX making that information available to participants in the market. Pacific Energy has an obligation under the Listing Rules (subject to some exceptions) to notify the ASX immediately upon becoming aware of any information concerning it, which a reasonable person would expect to have a material effect on the price or value of Pacific Energy Shares. Pursuant to the Corporations Act and the Listing Rules, Pacific Energy is required to prepare and lodge with ASIC and the ASX both annual and half-yearly financial statements accompanied by a statement and report from the Pacific Energy Directors and an audit or review report, respectively. Copies of each of these documents and the ASX notifications can be obtained free of charge on the Pacific Energy website www.pacificenergy.com or by visiting the ASX website at <https://www.asx.com.au/>.

ASIC also maintains a record of documents lodged with it by Pacific Energy and these may be obtained from the ASIC website at www.asic.gov.au.

Additionally, copies of documents lodged with ASIC in relation to Pacific Energy may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services. The following documents are available for inspection free of charge prior to the Scheme Meeting and during normal business hours at the registered office of Pacific Energy Limited, 338 Gngangara Road, Landsdale, Western Australia 6065:

- (a) Pacific Energy company register;
- (b) Pacific Energy Constitution; and
- (c) Pacific Energy annual reports for FY2017, FY2018 and FY2019.

6.12 Litigation

The Pacific Energy Group is currently not subject to any litigation proceedings.

6.13 Further information

For all the risks associated with the Scheme, refer to Section 8. In particular, Section 8.3 outlines certain risks to Pacific Energy if the Scheme does not proceed.

6.14 Pacific Energy Financial Information

(a) Basis of preparation

The following section summarises certain financial information about Pacific Energy for the years ended 30 June 2017, 30 June 2018 and 30 June 2019.

The financial information in this section is a summary only and is prepared for the purpose of this Scheme Booklet.

The information has been extracted from the audited financial reports of Pacific Energy for the years ended 30 June 2017, 30 June 2018 and 30 June 2019.

Further detail on Pacific Energy's latest financial performance can be found within the Appendix 4E and financial statements for the year ended 30 June 2019 as announced to the ASX on 22 August 2019 and which can be found at the Investor Centre section of the Pacific Energy website at www.pacificenergy.com.au.

(b) **Consolidated statement of comprehensive income**

Set out below is a summary of Pacific Energy's consolidated statement of comprehensive income as at 30 June 2017, 30 June 2018 and 30 June 2019.

| <i>In thousands of AUD</i> | 30 June 2019 | Consolidated 30 June 2018 | 30 June 2017 |
|----------------------------------------------------------------------------|----------------|------------------------------|----------------|
| Power generation and service revenue | 93,021 | 68,077 | 57,176 |
| Construction revenue | 27,783 | - | - |
| Other income | 2,540 | 692 | 852 |
| Consumables and spare parts | (6,842) | (7,470) | (4,762) |
| Fuel expense | (7,155) | (39) | - |
| Employee benefits expense | (15,466) | (11,577) | (8,594) |
| Construction costs | (22,333) | - | - |
| Business acquisition expense | - | (4,789) | - |
| Impairment of assets | - | (9,766) | 35 |
| Other expenses | (5,741) | (3,853) | (3,872) |
| Earnings before interest, tax, depreciation and amortisation | 65,807 | 31,275 | 40,835 |
| Depreciation and amortisation | (24,774) | (18,810) | (15,695) |
| Results from operating activities | 41,033 | 12,465 | 25,140 |
| Financial income | 181 | 64 | 106 |
| Financial expenses | (4,587) | (2,623) | (1,742) |
| Net financing expense | (4,406) | (2,559) | (1,636) |
| Profit before income tax | 36,627 | 9,906 | 23,504 |
| Income tax expense | (12,082) | (3,125) | (6,903) |
| Profit for the year | 24,545 | 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 | 7 | (13) | (6) |
| Effective portion of changes in fair value of cash flow hedges, net of tax | (1,100) | (231) | (113) |
| Other comprehensive income for the year, net of income tax | (1,093) | (244) | (119) |
| Total comprehensive income for the year | 23,452 | 6,537 | 16,482 |
| Profit attributable to: | | | |
| Equity holders of the company | 24,545 | 6,781 | 16,601 |
| Profit for the year | 24,545 | 6,781 | 16,601 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the company | 23,452 | 6,537 | 16,482 |
| Total comprehensive income for the year | 23,452 | 6,537 | 16,482 |
| Earnings per share: | | | |
| Basic earnings per share (cents) | 5.72 | 1.80 | 4.48 |
| Diluted earnings per share (cents) | 5.71 | 1.80 | 4.48 |

(c) **Consolidated statement of financial position**

Set out below is a summary of Pacific Energy's consolidated statement of financial position for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

| <i>In thousands of AUD</i> | 30 June 2019 | Consolidated 30 June 2018 | 30 June 2017 |
|--------------------------------------|-----------------|------------------------------|----------------|
| Assets | | | |
| Cash and cash equivalents | 8,079 | 12,095 | 5,019 |
| Trade and other receivables | 12,345 | 16,357 | 6,312 |
| Inventory | 1,360 | 1,530 | 1,261 |
| Other current assets | 50 | 4,684 | - |
| Current tax asset | - | 1,942 | - |
| Total current assets | 21,834 | 36,608 | 12,592 |
| Cash and cash equivalents | 203 | 203 | 103 |
| Property, plant and equipment | 228,877 | 223,992 | 160,011 |
| Intangible assets | 55,986 | 55,267 | 24,132 |
| Total non-current assets | 285,066 | 279,462 | 184,246 |
| Total assets | 306,900 | 316,070 | 196,838 |
| Liabilities | | | |
| Trade and other payables | 17,720 | 19,215 | 3,783 |
| Employee benefits | 1,790 | 1,307 | 819 |
| Provisions | 1,185 | 1,644 | 1,381 |
| Current tax liabilities | 2,220 | - | 302 |
| Loans and borrowings | 11,741 | 11,805 | 6,869 |
| Total current liabilities | 34,636 | 33,971 | 13,154 |
| Loans and borrowings | 61,644 | 95,196 | 25,892 |
| Other payables | 1,500 | - | - |
| Provisions | 1,807 | 1,911 | 772 |
| Employee benefits | 374 | 628 | 129 |
| Derivative financial instruments | 1,596 | 496 | 265 |
| Deferred tax liabilities | 13,812 | 12,339 | 11,528 |
| Total non-current liabilities | 80,733 | 110,570 | 38,586 |
| Total liabilities | 115,369 | 144,541 | 51,740 |
| Net assets | 191,531 | 171,529 | 145,098 |
| Equity | | | |
| Share capital | 141,231 | 140,523 | 111,472 |
| Reserves | (1,242) | (286) | (159) |
| Retained earnings | 51,542 | 31,292 | 33,785 |
| Total equity | 191,531 | 171,529 | 145,098 |

(d) **Consolidated statement of cash flows**

Set out below is a summary of Pacific Energy's consolidated statement of cash flows for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

| <i>In thousands of AUD</i> | 30 June 2019 | Consolidated | |
|-----------------------------------------------------------------------------|-----------------|------------------|-----------------|
| | | 30 June 2018 | 30 June 2017 |
| Cash flows from operating activities | | | |
| Receipts from customers | 127,330 | 70,422 | 57,503 |
| Payments to suppliers and employees | (56,430) | (25,684) | (16,341) |
| Interest received | 180 | 55 | 106 |
| Interest paid | (4,252) | (2,493) | (1,559) |
| Income taxes paid | (6,464) | (6,379) | (4,698) |
| Net cash provided by operating activities | 60,364 | 35,921 | 35,011 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (22,921) | (22,187) | (19,581) |
| Payments for the acquisition of businesses, net of cash acquired | (3,500) | (94,740) | - |
| Proceeds from the sale of property, plant and equipment | 26 | 6 | 1 |
| Proceeds from the sale of other assets and investments | - | - | 2,016 |
| Payments relating to new electricity supply contracts | (66) | (70) | (73) |
| Net cash used in investing activities | (26,461) | (116,961) | (17,637) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 5,251 | 140,307 | 3,166 |
| Repayment of borrowings | (38,854) | (65,816) | (12,518) |
| Proceeds from issue of shares | - | 21,429 | 600 |
| Dividends paid | (4,015) | (7,225) | (9,261) |
| Payment for share buy back | - | (130) | - |
| Payment of transaction costs | (308) | (419) | (42) |
| Net cash provided by / (used in) financing activities | (37,926) | 88,146 | (18,055) |
| Net increase / (decrease) in cash and cash equivalents | (4,023) | 7,106 | (681) |
| Cash and cash equivalents at the beginning of the financial period | 12,095 | 5,019 | 5,707 |
| Exchange rate movements | 7 | (30) | (7) |
| Current cash and cash equivalents at the end of the financial period | 8,079 | 12,095 | 5,019 |

6.15 Material changes to the financial position of Pacific Energy since 30 June 2019

Within the knowledge of the Pacific Energy Directors and other than as disclosed in this Scheme Booklet or announced to ASX, the financial position of Pacific Energy has not materially changed since 30 June 2019.

7. Information about QIC, Holdco and the Bidder

This Section 7 has been prepared by the Bidder. The information concerning QIC, Holdco and the Bidder, and the intentions, views and opinions contained in this Section 7, are the responsibility of the Bidder.

7.1 Overview of QIC

QIC is an alternative investment manager with approximately A\$80 billion in funds under management¹⁷ that specialises in infrastructure, real estate, private capital, liquid strategies and multi-asset investments. QIC has over 1,000 employees and serves more than 110 clients. Headquartered in Brisbane, QIC also has offices in Sydney, Melbourne, New York, Los Angeles, Cleveland, San Francisco, London and Copenhagen. For more information, please visit: www.qic.com.au.

QIC Global Infrastructure is a business unit of QIC which has over 40 employees and manages approximately A\$12.3 billion across 13 direct investments.¹⁸ QPC, which is a wholly-owned subsidiary of QIC, provides investment advisory services to QGIF as well as other managed clients and funds.

7.2 Overview of the Bidder Group

(a) QGIF

QGIF is an unlisted, stapled investment vehicle comprising QIC Investments No. 1 Pty Ltd as trustee of QIC Global Infrastructure Fund (Australia) No. 1 Trust and QIC Infrastructure Management No. 2 Pty Ltd as trustee of QIC Global Infrastructure Fund (Australia) No. 2 Trust.

QGIF was established by QIC to provide institutional investors with access to a diversified portfolio of global infrastructure assets. QGIF's investments include equity interests in:

- (i) Lochard Energy, the owner and operator of the Iona Gas Facility, an underground gas storage facility located in Victoria;
- (ii) Powering Australian Renewables Fund, a renewable energy investment vehicle developing large-scale renewable energy projects across Australia, including the Broken Hill Solar Farm, Nyngan Solar Farm, Silverton Wind Farm and Coopers Gap Wind Farm;
- (iii) Port of Melbourne, a container and general cargo port in Melbourne, Australia; and
- (iv) MasParc & Mobility, the manager of a car parking system at Northeastern University in Boston.

(b) Holdco

Holdco is an unlisted Australian proprietary company incorporated on 17 July 2019 for the purpose of holding all of the shares in the Bidder.

Other than nominal seed capital and its investment in the Bidder, Holdco has no trading history, assets or liabilities.

As at the date of this Scheme Booklet, Holdco has 100 ordinary shares on issue. QGIF, through a wholly owned subsidiary, QGIF Co No. 2A Pty Ltd as trustee for the QGIF Security No. 2 Trust, currently holds 99 ordinary shares in Holdco. QIC investment No. 3 Pty Ltd as

¹⁷ As at 30 June 2019.

¹⁸ As at 30 June 2019.

trustee for the Horizon Infra Trust No. 1 (**Horizon**), a QGIF co-investor, holds 1 ordinary share in Holdco.

QPC, on behalf of QGIF, is in discussions with potential QGIF co-investors who may be offered the opportunity to invest alongside QGIF and Horizon in Holdco. As at the date of this Scheme Booklet, the details of any such co-investment have not been finalised. The Scheme is not conditional on finalising any co-investment arrangement.

As at the date of this Scheme Booklet, the directors of Holdco are:

- (i) Mr Ross Israel, Head of QIC Global Infrastructure;
- (ii) Mr Andrew Jennings, Principal, QIC Global Infrastructure; and
- (iii) Mr Matthew Hall, Head of Financing, QIC Global Infrastructure.

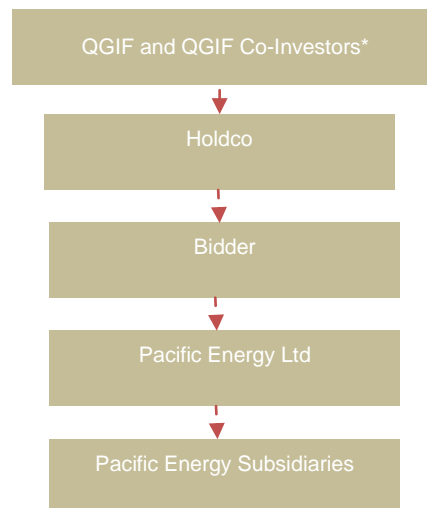
(c) **The Bidder**

The Bidder is a wholly-owned subsidiary of Holdco. The Bidder is an Australian proprietary company incorporated on 17 July 2019 for the purpose of acquiring all of the Pacific Energy Shares. Other than nominal seed capital, entry into the Scheme Implementation Deed and associated documentation and taking any steps contemplated by those documents, the Bidder has no trading history, assets or liabilities.

As at the date of this Scheme Booklet, the directors of the Bidder are the same as the directors of Holdco, being Mr Ross Israel, Mr Andrew Jennings and Mr Matthew Hall.

(d) **Bidder Group Structure**

Set out below is an illustrative post-implementation structure diagram of the Bidder Group.



*Interests in Holdco shares are subject to change. As noted in Section 7.2(b), QPC, on behalf of QGIF, is in discussions with potential QGIF co-investors who may be offered the opportunity to invest alongside QGIF and Horizon in Holdco. As at the date of this Scheme Booklet, the details of any such co-investment have not been finalised.

7.3 Funding the Scheme Consideration

(a) Maximum Scheme Consideration

If the Scheme becomes Effective, the Bidder intends to fund the Scheme Consideration and any Contingent Consideration payable to Scheme Participants under the Scheme via equity funding sourced from QGIF, as described below. As noted in section 7.2(b) QPC, on behalf of QGIF, is also in discussions with potential QGIF co-investors who may be offered the opportunity to invest alongside QGIF and Horizon in Holdco. As at the date of this Scheme Booklet, the composition of, and participation by, any co-investors has not been finalised. The Scheme is not conditional on finalising any co-investment arrangement.

Based on the number of Pacific Energy Shares on issue as at the date of this Scheme Booklet, the maximum amount that may be required to be paid by the Bidder to fund its portion of Scheme Consideration and Contingent Consideration (assuming it is payable) is \$462,871,459.65.¹⁹ The aggregate amount available under the equity commitment (as described in Section 7.3(b)) is sufficient to satisfy that amount.

The Scheme is not subject to any financing condition precedent.

(b) Equity Funding Arrangements

The Bidder has a legally binding equity commitment letter from QGIF, under which QGIF undertakes to provide to the Bidder or Holdco directly or indirectly up to \$463,193,412.48 (**Equity Funding**) for the sole purpose of funding the Scheme Consideration and Contingent Consideration (if payable) in accordance with the Scheme and the Deed Poll. QGIF has sufficient undrawn capital commitments to satisfy the Equity Funding.

The provision of the Equity Funding is subject to all conditions precedent under the Scheme Implementation Deed being satisfied or waived and the Scheme becoming Effective. The possible introduction of additional QGIF co-investors into the Bidder Group structure (as described in Section 7.2(b)) does not limit the Bidder's rights to call on QGIF's commitment in respect of the Equity Funding under the equity commitment letter.

The terms of the equity commitment letter provide that, in the event that the conditions precedent under the Scheme Implementation Deed are satisfied or waived and the Bidder fails to pay the Scheme Consideration (and the Contingent Consideration, if payable), Pacific Energy may enforce the Bidder's right under the equity commitment letter to cause the Equity Funding to be provided (subject to the satisfaction of certain conditions).

On the basis of the arrangements outlined above, the Bidder believes it has a reasonable basis for holding the view, and it does hold the view, that it will be able to satisfy its obligations to fund the Scheme Consideration and Contingent Consideration (if payable) as and when it is due and payable under the terms of the Scheme.

(c) Potential Debt Funding Arrangements

QPC, on behalf of Holdco and the Bidder, is in discussions with third party financiers regarding a potential refinance of Pacific Energy's existing debt facilities. QPC is also discussing with these financiers the potential for acquisition finance to be made available to the Bidder to fund part of the Scheme Consideration and the Contingent Consideration (if payable).

As at the date of this Scheme Booklet, the details of any potential acquisition finance have not been finalised and no agreement has been reached. The Scheme is not conditional on obtaining any third party acquisition financing. As stated in Section 7.3(b), the Bidder holds the view that it will be able to satisfy its obligations to fund the Scheme Consideration and the Contingent Consideration (if payable), as and when it is due and payable under the

¹⁹ Calculated on the basis that the Scheme Consideration of \$1.07 per share to be paid by the Bidder is not reduced by any Special Dividend, the Contingent Consideration of \$0.005 per share being payable, and there being a maximum of 430,578,102 Pacific Energy Shares on issue as at the Record Date.

terms of the Scheme, solely from the Equity Funding available to it under the equity commitment letter from QGIF.

7.4 Intentions of the Bidder

If the Scheme is implemented, the Bidder will hold all of the Pacific Energy Shares on issue and, accordingly, Pacific Energy will become a wholly-owned subsidiary of the Bidder. This section 7.4 sets out the intentions of the Bidder with respect to Pacific Energy if the Scheme is implemented.

These intentions are based on the facts and information concerning Pacific Energy (including certain non-public information made available by Pacific Energy to QPC prior to the Bidder's entry into the Scheme Implementation Deed) and the general business environment that are known to the Bidder at the time of preparation of this Scheme Booklet.

If the Scheme is implemented, the Bidder intends to undertake a detailed review of Pacific Energy's operations covering strategic, financial and commercial matters. Final decisions about the future operating plan and organisational structure for Pacific Energy will be made following the completion of such review and based on the relevant facts and circumstances at that time.

Accordingly, the statements set out in this section 7.4 are statements of current intention only and may change as new information becomes available or circumstances change.

(a) **Head office**

If the Scheme is implemented, it is the intention of the Bidder that Pacific Energy's head office remain located in Perth, Western Australia.

(b) **Removal from ASX**

If the Scheme is implemented, it is intended that quotation of Pacific Energy Shares on the ASX will be terminated and Pacific Energy will be removed from the official list of the ASX on or shortly after the Business Day immediately following the Implementation Date.

(c) **Board of directors**

If the Scheme is implemented, the board of directors of Pacific Energy and each of its subsidiaries will be reconstituted with effect on and from the Implementation Date. As at the date of this Scheme Booklet, the new directors have not been determined.

(d) **Employees**

The Bidder considers Pacific Energy's employees to be critical to the future success of the business. Following implementation of the Scheme, the Bidder will review Pacific Energy's business operations and organisational structure to ensure Pacific Energy has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities.

(e) **Business operations**

Subject to the findings of the post-acquisition review referred to above the Bidder's current intention is to continue to operate the business substantially in its current form. As part of the post-acquisition review the Bidder intends to assess the viability, strategic rationale and risks associated with Pacific Energy's Africa based operations. The Bidder does not currently intend to redeploy any material fixed assets of Pacific Energy.

(f) **Debt facilities**

If the Scheme is implemented, the Bidder intends to replace Pacific Energy's existing debt facilities with a new financing structure with the aim of facilitating Pacific Energy's continued growth. As noted in section 7.3(c) QPC, on behalf of the Bidder, is in discussions with third party financiers regarding a potential refinance of Pacific Energy's existing debt facilities. As

at the date of this Scheme Booklet, the details of any such refinancing have not been finalised and no agreement has been reached.

7.5 Additional information

(a) Interests and dealings in Pacific Energy Shares

As at the date of this Scheme Booklet neither the Bidder nor any of its Associates hold a relevant interest in any Pacific Energy Shares except as set out below:

- (i) as noted in section 9.16, the Bidder has entered into Option Cancellation Deeds in relation to the cancellation of 11,000,000 Pacific Energy Options; and
- (ii) QIC Limited has a relevant interest in 219,898 Pacific Energy Shares in its capacity as trustee of the QIC Diversified Australian Equities Fund. The relevant interest is externally managed by a third party investment manager.

Neither the Bidder nor any of its Associates has provided or agreed to provide consideration for any Pacific Energy Shares or other Pacific Energy securities under any other transaction during the period four months before the date of this Scheme Booklet.

(b) Benefits to Pacific Energy Shareholders and Officers

During the four months before the date of this Scheme Booklet, neither the Bidder nor any of its Associates has given or offered to give, or agreed to give, a benefit to another person where the benefit was likely to induce the other person or an Associate to vote in favour of the Scheme or dispose of Pacific Energy Shares in circumstances where that benefit was not offered to all Pacific Energy Shareholders.

Neither the Bidder nor any of its Associates will be making or has agreed to make any payment, or will give or has agreed to give, any benefit to any current officers of Pacific Energy as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

(c) No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any director of the Bidder, at the date of this Scheme Booklet, which has not been previously disclosed to Pacific Energy Shareholders.

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8. Risks

8.1 Introduction

The risks in this Section 8 include existing factors relating to Pacific Energy's business and the industry in which it operates. There are however, a number of risks which will be new or potentially greater in impact than is currently the case in relation to Pacific Energy alone.

The risk factors presented in this Section are not an exhaustive list of all risks and risk factors related to Pacific Energy or the Scheme. Additional risks and uncertainties not currently known to Pacific Energy may also have an adverse impact on Pacific Energy or the Scheme.

This Section does not take into account the investment objectives, financial situation, position or particular needs of Pacific Energy Shareholders. Each Pacific Energy Shareholder should consult their legal, financial, taxation or other professional adviser if they have any queries.

8.2 Risks related to the Scheme

(a) **Implementation of the Scheme is subject to various conditions that must be satisfied or waived**

Implementation of the Scheme is subject to a number of conditions. There can be no certainty, nor can Pacific Energy provide any assurance, that these conditions will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. In addition, there are a number of other conditions precedent to the Scheme which are outside the control of Pacific Energy and the Bidder, including, but not limited to approval of the Scheme by the Requisite Majority of Pacific Energy Shareholders and approval by the Court of the Scheme at the Court hearing to be held on the Second Court Date (see Schedule 2).

If for any reason the conditions to the Scheme are not satisfied or waived (where applicable) and the Scheme is not completed, the market price of Pacific Energy Shares may be adversely affected.

(b) **The Scheme Implementation Deed may be terminated by Pacific Energy or the Bidder in certain circumstances, in which case Pacific Energy may or may not be able to solicit an alternative transaction**

Each of Pacific Energy and the Bidder has the right to terminate the Scheme Implementation Deed in certain circumstances. Accordingly, there is no certainty that the Scheme Implementation Deed will not be terminated by either Pacific Energy or the Bidder before the implementation of the Scheme.

If the Scheme Implementation Deed is terminated, there is no assurance that if the Pacific Energy Board wishes to seek an alternative transaction, it will be able to find a party willing to pay an equivalent or greater price for Pacific Energy Shares than the price to be paid pursuant to the terms of the Scheme Implementation Deed.

(c) **Tax consequences for Scheme Participants**

If the Scheme is successfully implemented, there may be tax consequences for Scheme Participants. The tax consequences for Scheme Participants will vary depending on a number of factors, including their place of residence for tax purposes and their individual tax circumstances.

A summary of the general Australian income tax, transfer duty and GST consequences for Pacific Energy Shareholders participating in the Scheme is set out in Section 10. Pacific Energy Shareholders are encouraged to seek independent professional advice regarding the individual tax consequences applicable to them.

Pacific Energy Shareholders who are not resident in Australia should seek their own independent tax advice on the tax consequences, in their country of residence, of the Scheme as Section 10 is limited to the Australian tax consequences for Pacific Energy Shareholders.

8.3 Risks related to Pacific Energy if the Scheme does not proceed

(a) **Capital and cash flow requirements**

The Pacific Energy Group has significant borrowings, of approximately \$73 million. The Pacific Energy Group's debt facilities include common financial and non-financial covenants which could limit the Pacific Energy Group's future financial flexibility. The Pacific Energy Group's ability to make new acquisitions, investments and its ability to develop new generation projects may depend on it obtaining new capital on competitive terms in a timely manner. There is no assurance that additional equity or debt capital will be available to the Pacific Energy Group in the future on favourable terms or at all. Failure to do so may limit the Pacific Energy Group's ability to grow and may adversely affect its future prospects and financial performance.

(b) **Pacific Energy Shareholders will not receive the Scheme Consideration, Contingent Consideration (if payable) or Special Dividend**

If the Scheme is not implemented, Pacific Energy Shareholders will retain their Pacific Energy Shares and will not receive the Scheme Consideration, Contingent Consideration (if payable) or Special Dividend. If the Scheme is not implemented, Pacific Energy will remain listed on ASX and will continue to operate its business. In those circumstances, Pacific Energy Shareholders will continue to be exposed to the risks and benefits of owning Pacific Energy Shares.

(c) **Consortium Break Fee**

At the date of this Scheme Booklet, the Consortium Break Fee, being A\$2.5 million, is payable to the OPTrust/ICG Consortium. Unless the Consortium Break Fee is refunded in accordance with the terms of the Consortium Deed (for example following a successful appeal of the Takeovers Panel ruling by the Bidder), the cost of this break fee will be borne by Pacific Energy Shareholders if the Scheme does not proceed.

(d) **Transaction costs**

Pacific Energy estimates that it will have incurred or committed transaction costs of approximately A\$600,000 (excluding any fees that become payable to advisers only if the Scheme is implemented) prior to the Scheme Meeting. These costs will be payable regardless of whether or not the Scheme is implemented. In addition, Pacific Energy will incur the costs of the Consortium Break Fee (A\$2,500,000) unless it is refunded. Pacific Energy may be liable to pay the Pacific Energy Break Fee (A\$4,700,000) to the Bidder. For further details in relation to the Pacific Energy Break Fee, see Section 9.15.

(e) **The Directors believe that if the Scheme does not proceed, the price of a Pacific Energy Share may fall below its recent trading price, in the absence of a Superior Proposal**

The market price of a company's publicly traded securities is affected by many variables, some of which are not directly related to Pacific Energy. Price fluctuations in Pacific Energy's Share price could result from national and global economic and financial conditions, the market's response to the Scheme, market perceptions of Pacific Energy, regulatory changes affecting Pacific Energy's operations, variations in Pacific Energy's operating results, business development of Pacific Energy or its competitors and liquidity of financial markets. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that

such fluctuations will not affect the price of Pacific Energy Shares in the future if the Scheme does not proceed.

The trading price of a Pacific Energy Share rose by approximately 35% following the announcement of the Scheme on the Announcement Date (based on the closing price of Pacific Energy Shares on ASX on the trading day prior to the Announcement Date).

Your Directors believe that if the Scheme is not approved and no Superior Proposal emerges it is likely that the trading price of Pacific Energy Shares will fall to below the level at which it has been trading since the Scheme was announced (although this is difficult to predict with any degree of certainty).

(f) **Other risks**

In the event the Scheme is not implemented, an investment in Pacific Energy Shares will continue to be exposed to various further risk factors, including those which currently apply to a shareholding in Pacific Energy.

8.4 General risks relating to Pacific Energy

(a) **General economic and political risks**

The operating and financial performance of the Pacific Energy Group is influenced by a variety of general domestic and global economic and business conditions that are outside the control of the Pacific Energy Group. There is a risk that prolonged deterioration in general economic conditions may impact the demand for the Pacific Energy Group's products and negatively impact the Pacific Energy Group's financial performance, financial position, cash flows, dividends, growth prospects and Share price.

(b) **Competition**

Pacific Energy's earnings and market share could come under threat from aggressive domestic and overseas market competitors. Competition may be based on factors including price, service, product differentiation and quality, production capability, innovation, growth, capital accessibility and turnaround times. Pacific Energy's success is built on the key features of its offering, being innovation, strong long-term client relationships, quality, reliability and durability. However, there remains a risk that established businesses in adjacent markets may look to produce comparable products and offer similar services to Pacific Energy, with a different cost structure and business model and/or spare capacity. Furthermore, Pacific Energy relies on its key management and its ability to attract and retain experienced and high performing personnel. Subject to contractual restraints, key management could establish a business in competition with Pacific Energy's business. These factors, individually or in combination, may impact materially on Pacific Energy's operations and profitability.

(c) **Commodity Prices**

The majority of Pacific Energy's customers are exposed to commodity prices, such as gold, lithium, copper, mineral sands and manganese. Adverse movements in commodity prices may have a significant impact on the viability of customers' mining operations.

(d) **Regulatory**

Any material adverse changes in government policies or legislation of Australia, or any other country where Pacific Energy may acquire economic interests, may affect the viability and profitability of Pacific Energy. Changes in relevant tax, legal and administrative regimes and government policies in Australia may adversely affect the financial performance of Pacific Energy.

(e) **Insurance**

Pacific Energy currently insures its operations in accordance with industry practice. However, in certain circumstances, Pacific Energy's insurance may not be of a nature or level to provide adequate liability cover. The occurrence of an event that is not covered or fully covered by insurance such as electricity supply defect or failure could have a material adverse effect on the business, financial condition and results of Pacific Energy.

(f) **Failing to Convert Pipeline Opportunities into Binding Contracts**

Pacific Energy's growth strategy incorporates growing existing contracts through capacity expansions as well as securing new customers by converting opportunities into ongoing, revenue producing customer relationships. Any inability of Pacific Energy to retain existing customers or attract new customers may materially impact Pacific Energy's business and performance. There is no guarantee that Pacific Energy will be able to retain existing customers past current contract tenures or attract new customers.

(g) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of Pacific Energy depends substantially on its senior management and key employees. There can be no assurance that there will be no detrimental impact on the performance of Pacific Energy or its growth potential if one or more of these employees cease their employment and suitable replacements are not identified and engaged in a timely manner.

Pacific Energy's success depends, in part, on its ability to identify, attract, motivate and retain suitably qualified personnel. The inability to access and train the services of a sufficient number of qualified and experienced staff could be disruptive to Pacific Energy's development efforts or business development and could materially adversely affect its operating results.

8.5 General market risks

(a) **Securities investment risks**

Pacific Energy Shareholders should be aware that there are risks associated with any securities investment. The market price of a publicly traded stock is determined by the stock market and will be subject to a range of factors beyond the control of Pacific Energy, the Directors, or management. Such factors include, but are not limited to, the demand for and availability of Pacific Energy Shares, actions of major shareholders, movements in domestic interest rates, exchange rates, fluctuations in the ASX and other stock markets and general domestic and economic activity. These factors may materially affect the market price of Pacific Energy's Shares, regardless of Pacific Energy's operational performance.

Furthermore, in recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Pacific Energy's securities.

(b) **General economic and financial conditions**

Changes in economic and business conditions may affect the fundamentals which underpin the projected growth of Pacific Energy's target markets or its cost structure and profitability. Adverse changes in such things as the level of inflation, interest rates, exchange rates, consumer spending, employment rates, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, and tax rates, among others, are out of the control of Pacific Energy, the Directors, and Pacific Energy's management and may result in material adverse impacts on Pacific Energy's business or its operating results.

9. Information about the Scheme

9.1 Scheme Implementation Deed

Pacific Energy and the Bidder have entered into the Scheme Implementation Deed in connection with the proposed Scheme. The Scheme Implementation Deed sets out the obligations of Pacific Energy and the Bidder in relation to the Scheme.

On 15 September 2019, following the Bidder's exercise of its matching right on 13 September 2019, Pacific Energy and the Bidder entered into a deed of variation to amend the Scheme Implementation Deed such that, among other things:

- (a) the Scheme Consideration was increased from \$0.96 to \$1.07;
- (b) the Contingent Consideration will be payable to Pacific Energy Shareholders if the Consortium Break Fee is not paid, or is paid and refunded, prior to the Implementation Date; and
- (c) the Break Fee which may be payable to the Bidder was increased from \$4,100,000 to \$4,700,000.

The Scheme Implementation Deed (as varied) is contained in Schedule 2. Refer to Section 1.1 for further details regarding the Consortium Break Fee and the Bidder exercising its matching right.

9.2 Scheme Meeting

The Court has ordered that a meeting of Pacific Energy Shareholders be held at 10:30am (WST) on 8 November 2019 to consider the Scheme.

The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Scheme Booklet does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Pacific Energy Shareholders should vote (on this matter Pacific Energy Shareholders must reach their own decision); or
- (b) has prepared, or is responsible for, the content of this Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

The Scheme is conditional, among other things, on approval of the Scheme Resolution by the Requisite Majority of Pacific Energy Shareholders, being:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Pacific Energy Shareholders present and voting at the Scheme Meeting (in person or by proxy, corporate representative or attorney); and
- (b) at least 75% of the total number of votes which are cast at the Scheme Meeting.

Further details of the consequences of the Scheme not being implemented are set out in Section 3 under the heading titled "What happens if the Scheme is not approved?".

9.3 Court approval of the Scheme

Pacific Energy will apply to the Court for orders approving the Scheme if:

- (a) the Scheme Resolution is approved by the Requisite Majority of Pacific Energy Shareholders at the Scheme Meeting; and

- (b) all other conditions to the Scheme which are required (under the Scheme Implementation Deed) to be satisfied by the Second Court Date are satisfied or waived (where applicable).

The date on which the Court hears Pacific Energy's application is the Second Court Date.

The Court may refuse to grant the orders referred to above even if the Scheme Resolution is approved by the Requisite Majority of Pacific Energy Shareholders.

ASIC has been requested to issue a written statement that it has no objection to the Scheme. ASIC would not be expected to issue such a statement until shortly before the Second Court Date. If ASIC does not produce a written statement that it has no objection to the Scheme, the Court may still approve the Scheme provided it is satisfied that section 411(17)(a) of the Corporations Act is satisfied.

Pacific Energy Shareholders have the right to seek leave to appear at the Court on the Second Court Date to oppose the approval of the Scheme by the Court or make representations to the Court in relation to the Scheme. If you wish to oppose approval of the Scheme by the Court at the Court hearing you may do so by filing with the Court, and serving on Pacific Energy, a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Pacific Energy at least one Business Day (in Perth, Western Australia) before the Second Court Date. That date is currently scheduled to occur on or around 15 November 2019. Any change to this date will be announced through ASX and will be available on ASX's website, www.asx.com.au. Alternatively, if you wish to make representations to the Court in relation to the Scheme, the Court may grant you leave to be heard at the hearing without becoming a party to the proceeding.

9.4 Actions by Pacific Energy and the Bidder

If Court orders approving the Scheme are obtained, the Pacific Energy Board and the Bidder Board will take or procure the taking of the steps required for the Scheme to be implemented. These will include the following:

- (a) Pacific Energy will lodge with ASIC an office copy of the Court order approving the Scheme, under section 411(10) of the Corporations Act, and the Scheme will become Effective;
- (b) on the close of trade on the Effective Date, Pacific Energy Shares will be suspended from trading on ASX;
- (c) subject to the provision of the Scheme Consideration and the Contingent Consideration (if payable), Pacific Energy must procure that those persons nominated by the Bidder are appointed to the Pacific Energy Board and each Pacific Energy Group member (with consents to act provided by the nominated persons) and each of those Directors and directors of each Pacific Energy Group member, as nominated by the Bidder, resign as a director of the relevant entity;
- (d) on the Implementation Date, all of the Pacific Energy Shares held by Scheme Participants at 7:00pm (WST) on the Record Date will be transferred to the Bidder and, in exchange, each Scheme Participant will be issued the Scheme Consideration and the Contingent Consideration (if payable) (refer to Section 5.2);
- (e) on the Implementation Date, Pacific Energy will enter the name of the Bidder in the Pacific Energy Register as the holder of all the Pacific Energy Shares; and
- (f) on or shortly following the Implementation Date, Pacific Energy will be removed from the official list of ASX.

9.5 Effective Date

The Scheme will become Effective on the date upon which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such earlier date as the Court determines or specifies in the order.

If the Scheme becomes Effective, Pacific Energy will immediately give notice of the event to ASX. Pacific Energy Shares will be suspended from trading on ASX on the close of trade on the Effective Date.

Once the Scheme becomes Effective, Pacific Energy and the Bidder will become bound to implement the Scheme in accordance with its terms.

9.6 Scheme

If the Scheme becomes Effective (i.e. after it is approved by Pacific Energy Shareholders and the Court), all Pacific Energy Shares outstanding at 7:00pm (WST) on the Record Date (other than those already held by the Bidder) will be transferred on the Implementation Date to the Bidder, in return for the issuance by the Bidder of the Scheme Consideration and the Contingent Consideration (if payable) to Pacific Energy Shareholders. See Schedule 3 for a copy of the Scheme.

9.7 Deed Poll

The Deed Poll contains an undertaking by the Bidder, in favour of all Pacific Energy Shareholders, to perform its obligations under the Scheme including the payment of the Scheme Consideration and Contingent Consideration (if payable) to Pacific Energy Shareholders if the Scheme is approved.

See Schedule 4 for a copy of the Deed Poll.

9.8 Record Date

The Record Date for the Scheme is 7:00pm (WST) on the date which is five Business Days after the Effective Date (or on such other date (after the Effective Date) as Pacific Energy and the Bidder may agree in writing). Only Pacific Energy Shareholders who appear on the Pacific Energy Register at 7:00pm (WST) on the Record Date will be entitled to receive the Scheme Consideration and the Contingent Consideration (if payable).

9.9 Implementation Date

The Implementation Date for the Scheme is the date which is five Business Days after the Record Date (or on such other date agreed to in writing by Pacific Energy and the Bidder).

On the Implementation Date for the Scheme, the Scheme Consideration and Contingent Consideration (if payable) will be paid to the Pacific Energy Shareholders.

Once the relevant Scheme Consideration and Contingent Consideration (if payable) has been paid, all Pacific Energy Shares at 7:00pm (WST) on the Record Date will be transferred on the Implementation Date to the Bidder without any need for further actions by Pacific Energy Shareholders.

9.10 Delisting of Pacific Energy

After the Scheme has been fully implemented, it is intended that Pacific Energy will request ASX remove Pacific Energy from the official list of ASX.

9.11 Share Splitting

Share splitting refers to circumstances where two or more Pacific Energy Shareholders have, before the Record Date, been a party to splitting a holding of Pacific Energy Shares into two or more parcels of Pacific Energy Shares whether or not it results in any change of legal or beneficial ownership of the Pacific Energy Shares (**Share Splitting**).

If the Scheme is not approved by Pacific Energy Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and Pacific Energy or the Bidder considers (each acting reasonably) that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied then Pacific Energy must apply for an

order of the Court to disregard the Headcount Test and seek Court approval of the Scheme, notwithstanding that the Headcount Test has not been satisfied.

9.12 Conditions precedent to Scheme

The Scheme and the obligations of Pacific Energy and the Bidder to implement the Scheme are subject to the following conditions precedent being satisfied or, where applicable, waived, in accordance with the terms of the Scheme Implementation Deed on or prior to the Second Court Date:

- (a) all consents, approvals, waivers or authorisations from ASIC and ASX as are necessary, or which Pacific Energy and the Bidder agree are reasonably necessary or desirable, to implement the Scheme are received on or prior to the Second Court Date, and none of those consents, approvals, waivers or authorisations have been withdrawn, cancelled or revoked before such time;
- (b) no Material Adverse Change occurring between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- (c) before 8.00am on the Second Court Date Pacific Energy has obtained the written consent to the change of control or ownership of Pacific Energy that will arise from the implementation of the Scheme from the counterparty to any specified contracts. This condition has been satisfied;
- (d) no Prescribed Occurrence occurring between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date;
- (e) the representations and warranties made by Pacific Energy in the Scheme Implementation Deed being true and correct in all material respects as at the date of the Scheme Implementation Deed and at 8.00am on the Second Court Date;
- (f) Pacific Energy Shareholders approving the Scheme at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- (g) the Court approving the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (h) the Independent Expert:
 - (i) concluding in the Independent Expert's Report that in its opinion the Scheme is in the best interests of Pacific Energy Shareholders on or before the date on which the Scheme Booklet is registered by ASIC under the Corporations Act; and
 - (ii) not having notified Pacific Energy in writing that it has withdrawn or qualified this conclusion as at 8.00am on the Second Court Date; and
- (i) no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Regulatory Authority of competent jurisdiction remains in effect as at 8.00am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme or any Transaction Document.

9.13 Exclusivity arrangements

The Scheme Implementation Deed contains exclusivity arrangements which, during the Exclusivity Period, prevent Pacific Energy and its Subsidiaries, or any of its or Representatives, directly or indirectly performing certain acts as listed below.

(a) **No existing discussions and enforcement of rights**

Pacific Energy represents and warrants that, as at the date of the Scheme Implementation Deed, neither Pacific Energy nor any of its Authorised Persons is in negotiations or discussions in respect of any Competing Proposal with any person.

(b) **No shop**

During the Exclusivity Period, Pacific Energy must not, and must procure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly, solicit, invite, initiate or encourage any Competing Proposal or any enquiries, expressions of interest, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a Competing Proposal, or communicate to any person any intention to do any of these things.

(c) **No talk**

During the Exclusivity Period, Pacific Energy must not, and must procure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:

- (i) negotiate, enter into, participate in, or resume negotiations or discussions with any person; or
- (ii) communicate any intention to do any of these things,

in relation to (or which may reasonably be expected to lead to a Competing Proposal, even if:

- (A) that Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Pacific Energy or any of its Related Bodies Corporate or their respective Authorised Persons; or
- (B) that other person has publicly announced the Competing Proposal.

(d) **No due diligence**

During the Exclusivity Period, except with the prior written consent of the Bidder, Pacific Energy must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:

- (i) solicit, invite, initiate, or encourage, or (subject to clause 12.13 of the Scheme Implementation Deed) facilitate, enable or permit, any person (other than the Bidder) to undertake due diligence investigations in respect of Pacific Energy, its Related Bodies Corporate, or any of their businesses, assets and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an actual, proposed or potential Competing Proposal; or
- (ii) subject to clause 12.13 of the Scheme Implementation Deed, make available to any person (other than the Bidder) or permit any such person to receive any non-public information relating to Pacific Energy, its Related Bodies Corporate, or any of their businesses, assets and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an actual, proposed or potential Competing Proposal.

Certain of these restrictions are subject to Pacific Energy's right to engage with third parties in connection with a written Competing Proposal where the Directors have determined (after receiving relevant advice) that such a Competing Proposal is or may reasonably be expected to lead to a Superior Proposal and that failing to respond to a Competing Proposal or failing to or refusing to take account may constitute a breach of their fiduciary or statutory obligations.

However, the Bidder has the right (a 'matching right'), but not the obligation, at any time during the period of 4 Business Days following the receipt of the notice from Pacific Energy of a Superior Proposal, to amend the terms of the Scheme including increasing the amount of consideration offered under the Scheme or proposing any other form of Scheme, each of which is a counter proposal to the Superior Proposal.

If the Bidder does make a counter proposal to the Superior Proposal, the Directors must consider the counter proposal in good faith and if the Directors determine that the counter proposal would be more favourable or no less favourable to Pacific Energy and the Pacific Energy Shareholders than the Superior Proposal, then Pacific Energy and the Bidder must use reasonable endeavours to agree the amendments to the Scheme Implementation Deed that are reasonably necessary to reflect the counter proposal, and Pacific Energy must use its best endeavours to procure that the Directors recommend the counter proposal to Pacific Energy Shareholders and not recommend the applicable Superior Proposal.

At the date of this Scheme Booklet, Pacific Energy has not received any Competing Proposals that the Bidder has not matched by exercising its matching right under the Scheme Implementation Deed..

For more information refer to clause 12 of the Scheme Implementation Deed in Schedule 2.

9.14 Termination of the Scheme Implementation Deed

The Scheme Implementation Deed may be terminated by notice in writing at any time prior to 8:00am on the Second Court Date (in this Section 9.14 "terminate") in certain circumstances, including:

(a) **Material breach of the Scheme Implementation Deed**

Pacific Energy or the Bidder may terminate if the other is in material breach of any of its obligations under the Scheme Implementation Deed and, if capable of remedy, the material breach is not remedied within ten Business Days of receipt of a breach notice from the other party.

(b) **Conditions of the Scheme**

Pacific Energy or the Bidder may terminate if there is a breach or non-fulfilment of a condition precedent (provided the condition is for the benefit of the party seeking to terminate) which is not waived and there is failure to agree on an alternative means of completing the Transaction.

(c) **Directors withdraw or modify recommendation**

Pacific Energy may terminate if a majority of the directors of Pacific Energy withdraw or adversely modify their recommendation of the Scheme or publicly recommend a Competing Proposal in accordance with clause 5.17 of the Scheme Implementation Deed.

(d) **The Bidder breaches a representation or warranty**

Pacific Energy may terminate if the Bidder materially breaches any representation or warranty contained in the Scheme Implementation Deed and:

- (i) the Bidder fails to remedy that breach within ten Business Days of receipt by it of a notice in writing from Pacific Energy; or
- (ii) the breach cannot be remedied to the reasonable satisfaction of Pacific Energy by the Bidder before 8.00am on the Second Court Date.

(e) **Director fails to recommend Scheme**

The Bidder may terminate if a majority of Directors fail to recommend the Scheme or withdraw or adversely modify their recommendation of the Scheme or makes a public statement that is inconsistent with their recommendation of the Scheme or recommend a Competing Proposal.

(f) **Pacific Energy breaches a representation or warranty**

The Bidder may terminate if Pacific Energy materially breaches a representation or warranty contained in the Scheme Implementation Deed and:

- (i) Pacific Energy fails to remedy that breach within ten Business Days of receipt by it of a notice in writing from the Bidder; or
- (ii) the breach cannot be remedied to the reasonable satisfaction of the Bidder by Pacific Energy before 8.00am on the Second Court Date.

9.15 Pacific Energy Break Fee

Pacific Energy has agreed to pay the Bidder the Pacific Energy Break Fee (A\$4,700,000.00) (exclusive of GST) if any of the following events occur:

- (a) a Competing Proposal is publicly announced or made prior to the End Date and within nine months from the date of the public announcement, of such Competing Proposal the proponent of that Competing Proposal (or one of its Associates):
 - (i) completes, implements or consummates that Competing Proposal;
 - (ii) acquires a relevant interest in at least 50% of the Pacific Energy Shares under a transaction that is or has become unconditional; or
 - (iii) otherwise acquires Control of Pacific Energy or the Pacific Energy Group or merges or amalgamates with the Pacific Energy, or acquires (directly or indirectly) an interest in all or a substantial part of the business or assets of the Pacific Energy Group;
- (b) at any time prior to the Second Court Date, any director of Pacific Energy at that point in time:
 - (i) withdraws or adversely modifies or qualifies their recommendation of the Scheme or recommends or supports a Competing Proposal;
 - (ii) does not recommend in the Scheme Booklet that Pacific Energy Shareholders approve the Scheme; or
 - (iii) makes any public statement to the effect that the Scheme is not, or is no longer, recommended,other than:
 - (i) as a result of the Independent Expert opinion (including in the Independent Expert's Report or any update, revision or amendment thereto) to the effect that the Scheme is not in the best interests of Pacific Energy Shareholders (other than where the reason for that opinion is a Competing Proposal or Superior Proposal);
 - (ii) as a result of any matter or thing giving Pacific Energy the right to terminate this deed under clause 10.1.1 or 10.2.2 of the Scheme Implementation Deed (see Schedule 2);

- (iii) as a result of failure of a condition precedent in clause 3.1.1, other than as a result of a breach by Pacific Energy of clauses 3.7 to 3.9 of the Scheme Implementation Deed (see Schedule 2); or
- (iv) to the extent an executive director withdraws his or her recommendation that Pacific Energy Shareholders vote in favour of the Scheme so as to not make any recommendation to Pacific Energy Shareholders in respect of voting on the Scheme in accordance with clause 5.17.3 of the Scheme Implementation Deed; or

- (c) the Bidder has terminated the Scheme Implementation Deed under clause 10.1.1 of the Scheme Implementation Deed (refer to Section 9.14).

The amount of the break fee is approximately 1% of the implied equity value of Pacific Energy based on the Scheme Consideration.

9.16 Arrangements for holders of Pacific Energy Options

As at the date of this Scheme Booklet, the following Pacific Energy Options are on issue:

| Number | Class |
|-----------|--------------------------------------------------------------------------------------------|
| 1,000,000 | Unquoted options exercisable at A\$0.55 expiring on 2 June 2020 vested on 14 May 2016 |
| 2,000,000 | Unquoted options exercisable at A\$0.60 expiring on 2 June 2020 vested on 14 May 2017 |
| 2,000,000 | Unquoted options exercisable at A\$0.65 expiring on 2 June 2020 vested on 14 May 2018 |
| 1,000,000 | Unquoted options exercisable at A\$0.80 expiring on 31 March 2021 vested on 10 May 2019 |
| 1,000,000 | Unquoted options exercisable at A\$0.90 expiring on 31 March 2022 vesting on 10 May 2020 |
| 2,000,000 | Unquoted options exercisable at A\$0.80 expiring on 24 April 2023 vesting on 24 April 2020 |
| 2,000,000 | Unquoted options exercisable at A\$0.90 expiring on 24 April 2023 vesting on 24 April 2021 |

Pacific Energy and the Bidder have entered into Option Cancellation Deeds with each of the Pacific Energy Optionholders. The material terms of the Option Cancellation Deeds are summarised below:

- (a) each Pacific Energy Optionholder has agreed to the cancellation of their Pacific Energy Options for the Cancellation Consideration, being a maximum of:

| | Option Terms | Number of Options | Cancellation Consideration |
|-----------------------------------------------------------|------------------------------|-------------------|----------------------------|
| Leon Frederick Hodges | A\$0.80 expiring on 24.04.23 | 2,000,000 | A\$900,000.00 |
| | A\$0.90 expiring on 24.04.23 | 2,000,000 | |
| Jacqueline Ellen Pascoe | A\$0.80 expiring on 31.03.21 | 1,000,000 | A\$450,000.00 |
| | A\$0.90 expiring on 31.03.22 | 1,000,000 | |
| Kahala Holdings Pty Ltd ATF The Cullen Family Trust | A\$0.55 expiring on 02.06.20 | 1,000,000 | A\$2,325,000.00 |
| | A\$0.60 expiring on 02.06.20 | 2,000,000 | |
| | A\$0.65 expiring on 02.06.20 | 2,000,000 | |

- (b) the Bidder must provide, or procure the provision of, the consideration to the Pacific Energy Optionholders on the Implementation Date;
- (c) the cancellation of the Pacific Energy Options is conditional on:
 - (i) the Scheme becoming Effective;

- (ii) the necessary regulatory approvals, consents and waivers having been obtained by Pacific Energy; and
- (iii) the Pacific Energy Optionholder not having dealt with the Pacific Energy Options contrary to the terms of the Option Cancellation Deed.

Pacific Energy applied for, and was granted, a waiver from ASX of the requirements of Listing Rule 6.23.2 to permit the Pacific Energy Options to be cancelled for consideration without requiring Pacific Energy Shareholder approval to be obtained. Refer to Section 11.9 for further details.

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10. Taxation implications for Pacific Energy Shareholders

10.1 Scope of Tax Comments

This is a general overview of the Australian income tax, Goods and Services Tax (**GST**) and stamp duty implications for the Australian resident Pacific Energy Shareholders on implementation of the Scheme and payment of the fully franked special dividend of \$0.065 per share (**Special Dividend**) should this be declared and paid by Pacific Energy.

For the avoidance of doubt, the Final Dividend outlined in this Scheme Booklet does not form part of the capital proceeds of the Scheme and on this basis the comments below do not consider the Australian income tax implications associated with the Final Dividend.

The categories of Pacific Energy Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts and complying superannuation funds that hold their Pacific Energy Shares on capital account for income tax purposes.

The tax comments as outlined below are not applicable to all Pacific Energy Shareholders and are not intended to cover Pacific Energy Shareholders who:

- (a) hold their Pacific Energy Shares as a revenue asset (i.e. trading entities or entities who acquired their Pacific Energy Shares for the purposes of resale at a profit) or as trading stock;
- (b) acquired their Pacific Energy Shares pursuant to an employee share plan (including any Pacific Energy Shares issued under the vesting of the Pacific Energy Limited Performance Rights Plan);
- (c) are under a legal disability;
- (d) unless stated otherwise, are not Australian income tax residents as determined under Australian income tax law;
- (e) are exempt from Australian income tax;
- (f) are subject to the taxation of financial arrangements rules in Division 230 of the Income Tax Assessment Act 1997 (Cth) in relation to gains and losses on their Pacific Energy Shares²⁰; or
- (g) are subject to the Investment Manager Regime under Subdivision 842-I of the Income Tax Assessment Act 1997 (Cth) in respect of their Pacific Energy Shares.

This summary is based on the Australian tax law, and the practice of the tax authorities, at the time of issue of this letter. The laws are complex and subject to change periodically as is their interpretation by the courts and the tax authorities. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not take into account the tax law of countries other than Australia. The precise implications of ownership or disposal will depend upon each Pacific Energy Shareholder's specific circumstances.

These comments should not be a substitute for advice from an appropriate professional adviser having regard to each Pacific Energy Shareholder's individual circumstances. All Pacific Energy Shareholders are strongly advised to obtain and rely only on their own professional advice on the tax implications based on their own specific circumstances.

Pacific Energy is in the process of applying for a class ruling from the Australian Taxation Office (**ATO**) regarding the income taxation implications for Pacific Energy Shareholders of receiving the Special Dividend of \$0.065 per share should it be declared and paid by Pacific Energy and the consideration to be received by Pacific Energy Shareholders from the Bidder of \$1.07 per share less

²⁰ Division 230 of the *Income Tax Assessment Act 1997* (Cth) will generally not apply to individuals, unless they have made an election for it to apply to them.

any Special Dividend amount (**Scheme Consideration**) (which may be increased to \$1.075 per Pacific Energy Share less any Special Dividend amount if the Contingent Consideration of \$0.005 per Pacific Energy Share is payable). The income tax comments provided below are consistent with the positions taken in the class ruling application lodged with the ATO.

The class ruling will not be issued by the ATO until after the Scheme Implementation Date (which is expected to be 2 December 2019). However Pacific Energy expects to receive a draft of the class ruling prior to the Scheme Meeting on 8 November 2019 for Pacific Energy Shareholder approval of the Scheme. Pacific Energy Shareholders should refer to the class ruling once it is published on www.ato.gov.au.

10.2 Australian Resident Shareholders

(a) Australian Income Tax Treatment of the Special Dividend

Under the Scheme, the Directors are entitled to declare and pay a Special Dividend, with a Special Dividend Record Date prior to the Record Date, provided:

- (i) the Special Dividend is not greater than the maximum amount for the dividend to be fully franked by reference to the franking account balance of Pacific Energy as at 30 June 2019 less any franking debits after 30 June 2019 which are attributable to tax refunds arising in respect of income years prior to 30 June 2019; and
- (ii) Pacific Energy's franking account is not in deficit following the payment of the Special Dividend.

The Directors anticipate that they will determine to pay the Special Dividend on or before 30 October 2019. If the Special Dividend is subsequently declared by the Directors, the Pacific Energy Shareholders on the Special Dividend Record Date (which is expected to be 21 November 2019) will be entitled to the Special Dividend. The Special Dividend will be paid to Pacific Energy Shareholders on the Special Dividend Payment Date (which is expected to be 2 December 2019).

The Special Dividend is expected to be fully franked.

The Special Dividend will be assessable to Australian resident Pacific Energy Shareholders in the year of income in which it is paid.

Franking credits attached to the Special Dividend paid to Pacific Energy Shareholders should be included in the assessable income of each Pacific Energy Shareholder (i.e. Pacific Energy Shareholders are assessed on the cash component of the Special Dividend received, plus the amount of any franking credits attached to the Special Dividend).

Pacific Energy Shareholders may be entitled to a tax offset equal to the franking credit attached to the Special Dividend. Pacific Energy Shareholders that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits where the tax offset associated with franking credits attached to the Special Dividend exceeds their tax liability for the relevant income year. Pacific Energy Shareholders that are companies will not be entitled to a refund of excess franking credits where the franking credits attached to the Special Dividend exceeds their tax liability for the relevant income year. Instead, Pacific Energy Shareholders that are companies will convert any excess franking offset to a tax loss and will be taken to have incurred a tax loss for the relevant income year. Pacific Energy Shareholders that are companies may be able to credit their franking account with the amount of any franking credit attached to the Special Dividend.

For Pacific Energy Shareholders to be assessed on any franking credits attached to the Special Dividend and to be eligible for the tax offset associated with any franking credit attached to the Special Dividend, those Pacific Energy Shareholders must be considered to be 'qualified persons'. For Pacific Energy Shareholders to be considered to be

'qualified persons' in relation to the Special Dividend, Pacific Energy Shareholders must have held their Pacific Energy Shares 'at risk' for a continuous period of at least 45 days (not including the date of acquisition or the date of disposal of the Pacific Energy Shares) within the relevant 'qualification period'.

A Pacific Energy Shareholder will not be considered to have held their Pacific Energy Shares 'at risk' where that Pacific Energy Shareholder holds 'positions' (such as options or other hedging instruments and arrangements) which materially diminish the risk of loss or opportunities for gains in respect of those Pacific Energy Shares by more than 70%. In the context of the Scheme, Pacific Energy Shareholders will no longer hold their Pacific Energy Shares at risk from the Record Date (which is expected to be 25 November 2019).

In the context of the Scheme, Pacific Energy Shareholders (who do not have other positions) should be considered to be qualified persons where they hold their Pacific Energy Shares at risk for a continuous period of at least 45 days during the period from 8 October 2019 to 24 November 2019 (inclusive). Practically, assuming a Record Date of 25 November 2019, it is expected that Pacific Energy Shareholders that acquire their Pacific Energy Shares on or after 11 October 2019 would not be entitled to a tax offset for franking credits attached to the Special Dividend.

(b) **Tax Implications associated with the disposal of Pacific Energy Shares**

Pacific Energy Shareholders will dispose of their Pacific Energy Shares to the Bidder under the Scheme for capital gains tax (CGT) purposes on the Implementation Date.

Pacific Energy Shareholders will be required to determine their capital gain or loss in respect of disposal of their Pacific Energy Shares. In this regard, Pacific Energy Shareholders should make a capital gain on disposal of their Pacific Energy Shares if the capital proceeds from the disposal of their Pacific Energy Shares exceed the cost base of their Pacific Energy Shares. Conversely, Pacific Energy Shareholders should make a capital loss on disposal of their Pacific Energy Shares if the capital proceeds from the disposal of their Pacific Energy Shares are less than the reduced cost base of their Pacific Energy Shares.

Pacific Energy Shareholders' cost base in their Pacific Energy Shares will generally comprise the cost of their Pacific Energy Shares, plus certain incidental costs incurred in relation to the acquisition or disposal of their Pacific Energy Shares (such as brokerage). No brokerage is payable in relation to the transfer of the Pacific Energy Shares to the Bidder under the Scheme. Broadly, a Pacific Energy Shareholders' reduced cost base in the Pacific Energy Shares will exclude any non-deductible ownership costs related to the shares.

For Australian income tax purposes, where a Pacific Energy Shareholder receives the Special Dividend of \$0.065 per share, their capital proceeds should consist of the Scheme Consideration of \$1.07 per share less the Special Dividend of \$0.065 per share.

Should a Special Dividend not be paid, the capital proceeds received by a Pacific Energy Shareholder will be \$1.07 per share for the calculation of any capital gain or loss.

To the extent the Contingent Consideration of \$0.005 per share is paid, this should also be treated as capital proceeds.

No CGT roll-over will be available to Pacific Energy Shareholders in relation to the Scheme.

(c) **CGT discount**

If a Pacific Energy Shareholder is an individual, complying superannuation entity, or trustee and acquired their Pacific Energy Shares at least 12 months before the Implementation Date (the date that the relevant CGT event is taken to have occurred), the amount of the capital gain (after firstly being reduced for any current year capital

losses and prior year capital losses) is reduced by the relevant CGT discount. If a Pacific Energy Shareholder who is an individual or a trustee applies the CGT discount, the capital gain (after firstly being reduced for current year capital losses and prior year capital losses) will be reduced by 1/2. If a Pacific Energy Shareholder is a complying superannuation entity, the capital gain (after firstly being reduced for current year capital losses and prior year capital losses) will be reduced by 1/3.

Pacific Energy Shareholders who are companies are not entitled to the CGT discount.

10.3 Non-Resident Shareholders

(a) Australian income tax treatment of Special Dividend

The Special Dividend is expected to be fully franked and as a result no Australian dividend withholding tax should be applied to the Special Dividend.

Non-resident shareholders should seek independent professional advice in relation to their own particular circumstances, including in respect of taxation in the jurisdiction where they are resident.

(b) Tax implications associated with disposal of Pacific Energy Shares

A Pacific Energy Shareholder who is not a resident of Australia for Australian tax purposes should be able to disregard any capital gain or capital loss that would otherwise arise from the disposal of their Pacific Energy Shares unless their Pacific Energy Shares constitute 'Taxable Australian Property', as defined for Australian income tax purposes, at the Implementation Date.

Specifically, Taxable Australian Property includes interests held in an entity that satisfies both of the following two tests:

- (i) **Non-portfolio interest test** – holdings, on an associate inclusive basis, in the test entity of 10% or more at the time of disposal (or throughout a 12 month period within the period commencing 24 months before the time of disposal); and
- (ii) **Principal asset test** – where the sum of the market values of the entity's assets that are taxable Australian real property exceeds the sum of the market value of its assets that are not taxable Australian real property (in this regard, mining rights are considered taxable Australian real property).

Any non-resident shareholders who own 10% or more of the shares in Pacific Energy (on an associate inclusive basis) should seek independent professional advice in relation to their own particular circumstances, including whether any protection will be available under a relevant double tax treaty.

Any non-resident individual Pacific Energy Shareholder who was previously a resident of Australia and chose to disregard a capital gain or capital loss on ceasing to be an Australian resident will be subject to Australian CGT consequences on disposal of their Pacific Energy Shares as set out in this Section 10.3.

10.4 Foreign Resident Capital Gains Withholding Tax

The foreign resident capital gains withholding tax regime applies to transactions involving the acquisition of certain indirect interests in Australian real property from relevant foreign residents. A 'relevant foreign resident' for these purposes is any Pacific Energy Shareholder, at the time of the transaction, that the Bidder:

- (a) knows is a foreign resident;
- (b) reasonably believes is a foreign resident;

- (c) does not reasonably believe is an Australian resident, and either has an address outside Australia or the Bidder is authorised to provide a financial benefit relating to the transaction to a place outside Australia; or
- (d) has a connection outside Australia of a kind specified in the regulations.

The withholding tax rate is 12.5%.

If the Bidder (as the purchaser of Pacific Energy Shares under the Scheme) considers or reasonably believes a Pacific Energy Shareholder to be a 'relevant foreign resident', that Pacific Energy Shareholder will be provided (either together with this Scheme Booklet or separately) a Relevant Foreign Declaration Form.

If, for whatever reason, a Pacific Energy Shareholder believes that it is a relevant foreign resident but does not receive a Relevant Foreign Declaration Form, the Pacific Energy Shareholder should contact the Pacific Energy Share Registry to request a Relevant Foreign Declaration Form.

In the Relevant Foreign Declaration Form, a Pacific Energy Shareholder may provide the Bidder with a declaration that:

- (a) the registered holder of the relevant Pacific Energy Shares is an Australian tax resident (**residency declaration**); or
- (b) the registered holder of the relevant Pacific Energy Shares, together with its associates, has not held an interest of 10% or more in Pacific Energy at the Implementation Date or for a 12-month period during the last two years preceding the Implementation Date (**interest declaration**).

If a Pacific Energy Shareholder receives a Relevant Foreign Declaration Form it should read it in full and follow the instructions provided on the form.

Unless a signed Relevant Foreign Declaration Form regarding the residency or interest of a Pacific Energy Shareholder is provided to the Bidder by the Record Date, the Bidder may treat the relevant Pacific Energy Shareholder as a 'relevant foreign resident' for the purposes of the Scheme and as a result may withhold and remit 12.5% of the Scheme Consideration and the Contingent Consideration (if payable) payable to the Australian Taxation Office (or at such lesser rate approved by the Commissioner of Taxation).

Pacific Energy Shareholders who have an amount withheld should generally be entitled to a credit for the amount withheld upon lodging an Australian income tax return. If you are unsure about whether a credit for the withholding tax may be claimed or how to lodge an Australian income tax return, Pacific Energy recommends you seek independent professional tax advice in this regard.

Pacific Energy Shareholders should seek their own independent tax advice as to the tax implications of the foreign resident capital gains withholding tax and the making of a residency declaration or an interest declaration

10.5 Stamp duty

No stamp duty should be payable by Pacific Energy Shareholders in relation to the transfer of their Pacific Energy Shares to the Bidder under the Scheme.

10.6 GST

No GST should be payable by Pacific Energy Shareholders in relation to the disposal of their Pacific Energy Shares to the Bidder under the Scheme.

GST may be imposed on taxable supplies (if any) obtained by Pacific Energy Shareholders from third party suppliers (such as advisor costs) in connection with the Scheme. The entitlement to Pacific Energy Shareholders to input tax credits in relation to these acquisitions (if any) may be restricted. Pacific Energy Shareholders who are GST registered should seek their own professional tax advice in relation to this matter.

11. Additional Information

11.1 Interests of Directors

The Directors have no interest in the outcome of the Scheme, except as provided for in this Scheme Booklet.

(a) Relevant Interest of Directors in Pacific Energy marketable securities

The number, description and amount of Pacific Energy marketable securities held by or on behalf of each Director as at the date of this Scheme Booklet are:

| Director | Pacific Energy Shares | % of issued share capital | Pacific Energy Options | Pacific Energy Performance Rights |
|--------------------------------|-----------------------|---------------------------|------------------------|-----------------------------------|
| Cliff Lawrenson ⁽¹⁾ | 1,155,127 | 0.27% | - | - |
| James Cullen ⁽²⁾ | 500,000 | 0.12% | 5,000,000 | - |
| Kenneth Hall ⁽³⁾ | 209,267,229 | 48.6% | - | - |
| Stuart Foster ⁽⁴⁾ | 4,514,937 | 1.04% | - | - |
| Linton Putland | - | - | - | - |

Note:

- (1) Mr Lawrenson holds 1,155,127 Pacific Energy Shares beneficially through Equitas Nominees Pty Ltd (Pb – 601584 A/C) and Mr Mark C Lawrenson
- (2) Mr Cullen holds 500,000 Pacific Energy Shares beneficially through Kahala Holdings Pty Ltd and 5,000,000 Pacific Energy Options beneficially through Kahala Holdings Pty Ltd
- (3) Mr Hall holds 209,267,229 Pacific Energy Shares beneficially through Sept Pty Ltd and Mr Kenneth J Hall
- (4) Mr Foster holds 4,514,397 Pacific Energy Shares beneficially through Citicorp Nominees Pty Ltd and E-Tech Capital Pty Ltd

(b) Dealings of Directors in Pacific Energy securities

No Director acquired or disposed of a Relevant Interest in any Pacific Energy securities in the four-month period ending on the date immediately prior to the date of the Scheme Booklet.

(c) Participation in the Scheme

All Directors will be treated in the same way under the Scheme as all other Pacific Energy Shareholders.

(d) Consideration for Pacific Energy Options

The cash consideration payable on cancellation of the Pacific Energy Options pursuant to the Option Cancellation Deeds is detailed below. The cash consideration payable on cancellation of the Pacific Energy Options has been based on the intrinsic value of the options under a A\$1.075 per share consideration scenario (i.e. assuming the Contingent Consideration is payable). If the Contingent Consideration is not payable, the valuation and the cash consideration payable to the Director reduce accordingly.

The Pacific Energy Directors instructed the Independent Expert to perform a valuation of the outstanding Pacific Energy Options controlled or held by, or on behalf of, each Director as at the date of this Scheme Booklet.

| Director | Pacific Energy Options | Cash Consideration (A\$) | Valuation (A\$) |
|-----------------------------|------------------------|--------------------------|-----------------|
| Cliff Lawrenson | - | - | - |
| James Cullen ⁽¹⁾ | 5,000,000 | 2,325,000 | 2,325,000 |
| Kenneth Hall | - | - | - |
| Stuart Foster | - | - | - |
| Linton Putland | - | - | - |

Note:

(1) Mr Cullen holds 5,000,000 Pacific Energy Options beneficially through Kahala Holdings Pty Ltd

(e) **Consideration for Pacific Energy Performance Rights**

None of the Directors hold any Pacific Energy Performance Rights and accordingly will not receive any consideration for Pacific Energy Performance Rights.

(f) **Termination Benefits**

It is not proposed that any payment or other benefit be made or given to any director, secretary or executive officer of Pacific Energy (or its Related Bodies Corporate) as compensation for loss of, or as consideration for, or in connection with his or her retirement from, office in Pacific Energy or any of its Related Bodies Corporate as a result of the Scheme other than in his or her capacity as a Pacific Energy Shareholder.

(g) **Other benefits, agreements or arrangements with Directors in connection with the Scheme**

There are no agreements or arrangements between any Director and another person which is in connection with or conditional on the outcome of the Scheme.

(h) **Interests of Directors in contracts entered into by the Bidder**

None of the Directors have an interest in any contracts entered into by the Bidder.

11.2 Interests and dealings of Pacific Energy Directors in Bidder securities

(a) **Relevant Interests of Directors in Bidder securities**

No Director held any Relevant Interest in Bidder securities at the date of this Scheme Booklet.

(b) **Dealings of Directors in Bidder securities**

No Director acquired or disposed of a Relevant Interest in any Bidder securities in the four-month period ending on the date immediately prior to the date of the Scheme Booklet.

11.3 Pacific Energy substantial shareholders

As at 26 September 2019, the following persons were substantial holders who hold 5% or more of Pacific Energy Shares:

| Pacific Energy Shareholder | Number of Pacific Energy Shares | Voting power |
|-------------------------------------------|---------------------------------|--------------|
| Sept Pty Ltd <Hall Family Fund A/C> | 200,129,635 | 46.48% |
| J P Morgan Nominees Australia Pty Limited | 36,832,602 | 8.55% |
| Citicorp Nominees Pty Limited | 28,128,279 | 6.53% |

11.4 ASX Announcements

Pacific Energy has lodged the following announcements with ASX since 22 October 2018, being the lodgement of its annual report for the financial year ended 30 June 2018:

| Date | Description of Announcement |
|------------|------------------------------------------------------------|
| 26/09/2019 | Change in substantial holding from MUFG |
| 25/09/2019 | TOV: Pacific Energy Ltd Panel Declines to Make Declaration |
| 18/09/2019 | Appendix 3B - Employee Rights Issue |
| 16/09/2019 | Pacific Energy Board Recommends Revised QIC Offer |
| 13/09/2019 | Pacific Energy Board Receives QIC Matching Letter |
| 13/09/2019 | TOV: Pacific Energy Limited - Panel Receives Application |
| 13/09/2019 | Trading Halt |
| 10/09/2019 | RYD: Ryder Shareholding Increase in Pacific Energy |
| 10/09/2019 | PEA Board Receives \$1.085 Per Share Competing Proposal |
| 10/09/2019 | Trading Halt |
| 06/09/2019 | Update on Special Dividend |
| 29/08/2019 | Ceasing to be a substantial holder |
| 28/08/2019 | Change in substantial holding from MUFG |
| 27/08/2019 | Becoming a substantial holder |
| 26/08/2019 | Change in substantial holding from MUFG |
| 23/08/2019 | Ceasing to be a substantial holder from IFL |
| 22/08/2019 | Dividend/Distribution - PEA |

| Date | Description of Announcement |
|------------|--------------------------------------------------------------|
| 22/08/2019 | Termination of Dividend Reinvestment Plan |
| 22/08/2019 | FY19 Results Presentation |
| 22/08/2019 | Pacific Energy Exceeds Guidance with Excellent Results |
| 22/08/2019 | Appendix 4E - Financial Results |
| 20/08/2019 | Change in substantial holding from IFL |
| 16/08/2019 | Change in substantial holding from IFL |
| 14/08/2019 | Becoming a substantial holder from MUFG |
| 24/07/2019 | RYD: Ryder Shareholding in Pacific Energy |
| 24/07/2019 | PEA Board Recommends \$0.975 Scheme Proposal from QIC |
| 23/07/2019 | Trading Halt |
| 19/07/2019 | Pacific Energy Secures New 12.9MW Power Station Contract |
| 27/06/2019 | Increase in FY19 EBITDA Guidance |
| 24/06/2019 | Change in substantial holding from IFL |
| 06/05/2019 | Pacific Energy Secures More Contract Expansions |
| 12/04/2019 | Appendix 3B DRP & Rights Issue |
| 11/04/2019 | Update - Dividend/Distribution - PEA |
| 26/02/2019 | Change in substantial holding from IFL |
| 21/02/2019 | Pacific Energy HY19 Interim Dividend |
| 21/02/2019 | HY19 Results Investor Presentation |
| 21/02/2019 | Pacific Energy Delivers Outstanding First Half Result |
| 21/02/2019 | Dividend/Distribution - PEA |
| 21/02/2019 | Appendix 4D - Half Year Report |
| 14/02/2019 | Change in substantial holding from IFL |
| 12/02/2019 | PEA Half-Year Result Release Date & EBITDA Guidance Increase |
| 12/12/2018 | Appendix 3B |
| 23/11/2018 | Results of 2018 AGM |
| 23/11/2018 | 2018 AGM Presentation |
| 15/11/2018 | Contract Expansions |

| Date | Description of Announcement |
|------------|--------------------------------------------------------|
| 30/10/2018 | Appendix 3F - Final Share Buy-Back Notice |
| 30/10/2018 | PEA Secures 14MW Contract with Panoramic Resources Ltd |
| 26/10/2018 | Appendix 3B - Rights Issue |
| 25/10/2018 | Amended Proxy Form |
| 22/10/2018 | Appendix 4G - Key to Corporate Governance Disclosures |
| 22/10/2018 | 2018 Corporate Governance Statement |

11.5 Lodgement of Scheme Booklet

This Scheme Booklet was originally given to ASIC on 27 August 2019 in accordance with section 411(2)(b) of the Corporations Act. An amended version of this Scheme Booklet was given to ASIC on 18 September 2019.

11.6 No unacceptable circumstances

The Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any Pacific Energy Shareholder that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

11.7 Creditors of Pacific Energy

The Scheme, if implemented, is not expected to materially prejudice Pacific Energy’s ability to pay its creditors. No material new liability (other than Transaction costs) is expected to be incurred by Pacific Energy as a consequence of the Transaction. Pacific Energy has paid and is paying all of its creditors within normal terms of trade and is solvent and trading in an ordinary commercial manner.

11.8 Role of Advisors and Experts and fees

(a) Role of advisers and experts

The persons performing a function in a professional or advisory capacity in connection with the Scheme and with the preparation of this Scheme Booklet are:

- (i) Grant Thornton as the author of the Independent Expert’s Report;
- (ii) DLA Piper as legal adviser in relation to Australian law to Pacific Energy;
- (iii) Sternship Advisers as Co-Financial Adviser to Pacific Energy;
- (iv) UBS AG, Australia Branch as Co-Financial Adviser to Pacific Energy;
- (v) Computershare Investor Services Pty Limited as Share Registry to Pacific Energy;
and
- (vi) BDO as independent auditor to Pacific Energy.

Notwithstanding the foregoing, the UBS AG and their Related Entities as a full-service financial advisory firm, in the ordinary course (i) acts as a trader of, and dealer in, securities both as principal and on behalf of clients and, as such, may have had, and may in the future have, long or short positions in the securities of Pacific Energy, their predecessor or successor companies, (ii) conducts research on securities and provides investment advice to clients on investment matters and may, in the ordinary course of business, provide research reports and advice with respect to Pacific Energy, their predecessor or successor

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companies and (iii) may have provided, or in the future provide, other financial services which may include financial advisory services to the Bidder and/ or Pacific Energy, their predecessor or successor companies.

(b) **Consents**

Grant Thornton has given its consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it appears in Annexure 1 of this Scheme Booklet and has not withdrawn that consent before the date of this Scheme Booklet. Grant Thornton takes no responsibility for the contents of the Scheme Booklet other than the Independent Expert's Report. The interests of Grant Thornton in its capacity as Independent Expert are disclosed in the Independent Expert's Report.

DLA Piper has given its consent to be named in this Scheme Booklet as Legal adviser to Pacific Energy and has not withdrawn that consent before the date of this Scheme Booklet.

Sternship Advisers has given its consent to be named in this Scheme Booklet as Co-Financial adviser to Pacific Energy and has not withdrawn that consent before the date of this Scheme Booklet.

UBS AG, Australia Branch has given its consent to be named in this Scheme Booklet as Co-Financial adviser to Pacific Energy and has not withdrawn that consent before the date of this Scheme Booklet.

BDO has consented to be named in this Scheme Booklet as auditor to Pacific Energy and has not withdrawn that consent before the date of this Scheme Booklet.

Computershare Investor Services Pty Limited has given its consent to be named in this Scheme Booklet as Share Registry to Pacific Energy and has not withdrawn that consent before the date of this Scheme Booklet.

The Bidder has given its consent to the inclusion of the Bidder Information in the form and context in which it appears and has not withdrawn that consent before the date of this Scheme Booklet.

Each person named in Section 11.8(a) has given, and before the time of registration of this Scheme Booklet with ASIC, has not withdrawn, their consent to being named in this Scheme Booklet in the capacity indicated next to their name.

(c) **Disclaimer**

Each person named in Section 11.8(a):

- (i) has not authorised or caused the issue of this Scheme Booklet;
- (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in Section 11.8(b); and
- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any part of this Scheme Booklet other than a reference to its name and any statement or report which has been included in this Scheme Booklet with the consent of that person.

(d) **Fees**

Each of the persons named in Section 11.8(a) as performing a function in a professional, advisory or other capacity in connection with the Scheme and the preparation of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

If the Scheme is implemented, costs of approximately A\$9 million (excluding GST) are expected to be paid by Pacific Energy. This includes advisory fees for Pacific Energy's financial, legal, accounting and tax advisers, the Independent Expert's fees, governance support and proxy advisor engagement support fees, general administrative fees, printing and distribution costs, expenses associated with convening and holding the Scheme Meeting and other expenses.

If the Scheme is not implemented, costs of approximately A\$600,000 (excluding GST) are expected to be paid by Pacific Energy.

These amounts do not include the transaction costs that may be incurred by the Bidder in relation to the Scheme.

11.9 Regulatory conditions and relief

Pacific Energy has applied for, and ASX has granted, a waiver of ASX Listing Rule 6.23.2 to the extent necessary to permit the cancellation for consideration of the Pacific Energy Options described in Section 9.16.

11.10 Supplementary information

If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Pacific Energy becomes aware of any of the following:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter that has arisen and that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Pacific Energy will make available supplementary material to Pacific Energy Shareholders. Pacific Energy intends to make available any supplementary material by releasing that material to ASX (www.asx.com.au) and posting the supplementary document to Pacific Energy's website (www.pacificenergy.com.au). Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Pacific Energy may also send such supplementary materials to Pacific Energy Shareholders.

11.11 Other material information

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Director or Related Entity of Pacific Energy which has not previously been disclosed to Pacific Energy Shareholders.

THE ISSUE OF THIS SCHEME BOOKLET IS AUTHORISED BY THE DIRECTORS OF PACIFIC ENERGY LIMITED AND THIS SCHEME BOOKLET HAS BEEN SIGNED BY OR ON BEHALF OF THE DIRECTORS OF PACIFIC ENERGY LIMITED ON 2 OCTOBER 2019



Jamie Cullen
Managing Director and Chief Executive Officer

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12. Defined Terms and Interpretation

12.1 Definitions

In this Scheme Booklet, unless the context requires otherwise:

Accounting Standard has the meaning given to it in section 9 of the Corporations Act.

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to Pacific Energy or the Bidder or any of their respective Related Bodies Corporate.

AIFRS means Australian International Financial Reporting Standards, as issued by the Australian Accounting Standards Board.

Announcement Date means the date on which Pacific Energy announced to ASX that it and the Bidder had entered into the Scheme Implementation Deed, being 24 July 2019.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to it in the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as appropriate.

Authorised Person means, in respect of a person:

- (a) a director, officer, member or employee of the person;
- (b) an Adviser of the person; and
- (c) a director, officer or employee of an Adviser of the person.

Bidder means QGIF Swan Bidco Pty Ltd.

Bidder Board means the board of directors of the Bidder.

Bidder Group means Holdco and the Bidder.

Bidder Information means all the information contained in section 7 of this Scheme Booklet regarding the Bidder Group but excludes any information concerning or referable to Pacific Energy that is prepared or provided by Pacific Energy or its Representatives or information obtained from Pacific Energy's public filings on the ASX or ASIC contained in, or used in the preparation of the information in section 7 of this Scheme Booklet.

BOO has the meaning given in Section 6.4.

Break Fee means a break fee described in Section 9.15.

Business Day has the meaning given in the Listing Rules.

Cancellation Consideration has the meaning given in Section 1.1.

CGT means capital gains tax.

Chairman's Letter means the Letter from the Chairman of Pacific Energy beginning on page ii of this Scheme Booklet.

Competing Proposal means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement other than the Transaction) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates (other than the Bidder or its Related Bodies Corporate) would directly or indirectly:

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- (a) acquire, or obtain a right to acquire, an economic interest, relevant interest or voting power in or become the holder of more than 10% of the Pacific Energy Shares;
 - (b) acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 10% or more by value of the business or property of Pacific Energy or any member of the Pacific Energy Group;
 - (c) acquire Control of Pacific Energy; or
 - (d) otherwise acquire or merge with Pacific Energy or amalgamate with, or acquire a significant shareholding or economic interest in, Pacific Energy or any member of the Pacific Energy Group comprising 10% or more by value of the total assets or business of the Pacific Energy Group,

whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Pacific Energy or the Pacific Energy Group or other synthetic merger or any other transaction or arrangement.

Consortium Break Fee has the meaning given in the Chairman's Letter.

Consortium Competing Proposal has the meaning given in the Chairman's Letter.

Contingent Consideration has the meaning given in the Chairman's Letter.

Consortium Deed has the meaning given in Section 1.1.

Control has the meaning given to that term in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth) (Australia).

Court means the Supreme Court of Western Australia.

CP has the meaning given in Section 6.2.

Deed Poll means the deed poll dated 15 September 2019 executed by the Bidder, set out in Schedule 4.

Director means a director of Pacific Energy.

Disclosure Letter means the letters so entitled from Pacific Energy provided to the Bidder prior to execution of the Scheme Implementation Deed, and prior to execution of the variation deed to the Scheme Implementation Deed on 15 September 2019, and in each case countersigned by the Bidder.

Due Diligence Material means the following information disclosed by or on behalf of the Pacific Energy Group to the Bidder or any of its Authorised Persons prior to the date of the Scheme Implementation Deed:

- (a) the documents and information contained in the Project Eagle virtual data room hosted at the Ansarada platform as at the time of the Disclosure Letter, as extracted in a folder named 'Project Eagle' to a USB and attached to the Disclosure Letter;
- (b) written responses to requests for information; and
- (c) the Disclosure Letter.

EBITDA means earnings of the Pacific Energy, before net interest, abnormals, taxes, depreciation and amortisation, calculated in accordance with the accounting policies and practices applied by Pacific Energy as at the date of this deed.

Effective means, when used in relation to a Scheme, the order of the Court made under section 411(4)(b) in relation to the Scheme coming into effect pursuant to section 411(10) of the Corporations Act.

Effective Date means the date on which the Scheme becomes Effective.

End Date means:

- (a) the date which is six months after the date of the variation deed to the Scheme Implementation Deed, which was executed on 15 September 2019; or
- (b) such other date and time agreed in writing between the Bidder and Pacific Energy.

EPC has the meaning given in Section 6.2.

Equity Funding has the meaning given in Section 7.3.

Exclusivity Period means the period commencing on the date of the Scheme Implementation Deed and ending on the earlier of the End Date, the date the Scheme Implementation Deed is terminated or the Implementation Date.

Fairly Disclosed means disclosed in sufficient detail to enable a reasonable purchaser to assess the matter in question.

Final Dividend has the meaning given in the Chairman's Letter.

Final Dividend Record Date has the meaning given in the Chairman's Letter.

Financial Adviser means any adviser or advisers retained by Pacific Energy relating to the Scheme or a Competing Proposal, and at the date of this Scheme Booklet means UBS or Sternship Advisers.

Grant Thornton means Grant Thornton Corporate Finance Pty Ltd.

GST means the tax levied under the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Pacific Energy Shareholders present and voting, either in person or by proxy.

Holdco means QGIF Swan Holdco Pty Ltd.

Implementation Date means the fifth Business Day after the Record Date, or such other date agreed to in writing by Pacific Energy and the Bidder.

Independent Expert means Grant Thornton Corporate Finance Pty Ltd.

Independent Expert's Report means the report of Grant Thornton Corporate Finance Pty Ltd set out in Schedule 1.

Insolvency Event means in relation to a person:

- (a) (insolvency official) the appointment of an Insolvency Official to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;
- (b) (arrangements) the entry by the person into a compromise or arrangement with its creditors generally;
- (c) (winding up) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;

- (d) (suspends payments) the person suspends or threatens to suspend payment of its debts as and when they become due;
- (e) (ceasing business) the person ceases or threatens to cease to carry on business;
- (f) (insolvency) the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (g) (deregistration) the person being deregistered as a company or otherwise dissolved;
- (h) (deed of company arrangement) the person executing a deed of company arrangement;
- (i) (person as trustee or partner) the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:
- (i) a breach of trust or obligation as partner by the person;
 - (ii) the person acting outside the scope of its powers as trustee or partner;
 - (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability; or
 - (iv) the assets of the trust or partnership being insufficient to discharge the liability; or
- (j) (analogous events) anything analogous to those set out in any of paragraphs (a) to (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction.

Insolvency Official means a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law).

KPS has the meaning given in Section 6.2.

Listing Rules means the official listing rules of ASX.

Material Adverse Change means an event, matter or circumstance that occurs after the date of the Scheme Implementation Deed, or which occurs before the date of that deed but is announced or becomes known (in each case whether or not it becomes public) to the Bidder after the date of that deed, which:

- (a) has or could reasonably be expected to have individually or when aggregated with all such events, matters or circumstances the effect of diminishing the net assets of the Pacific Energy Group by 15% or more (as compared to Pacific Energy's most recent audited financial statements as at the date of the Scheme Implementation Deed);
- (b) has or could reasonably be expected to have individually or when aggregated with all such events, matters or circumstances the effect of reducing the ongoing EBITDA of the Pacific Energy Group by 15% or more (as compared to Pacific Energy's most recent audited financial statements as at the date of the Scheme Implementation Deed), but excluding any one-off or non-recurring event specifically disclosed in the Disclosure Letter; or
- (c) has the result (or could reasonably be expected to have the result) that the business of the Pacific Energy Group is unable to be carried on in substantially the same manner as carried on at the date of the Scheme Implementation Deed,

but does not include any event, matter or circumstance:

- (d) required or permitted to be done or procured by Pacific Energy or a member of the Pacific Energy Group pursuant to the Scheme Implementation Deed or the Scheme;
- (e) done with the express prior written consent of the Bidder;
- (f) to the extent that it was Fairly Disclosed in Due Diligence Material or in any announcement to or filing with ASX or in a document lodged by Pacific Energy with ASIC that is publicly available, in each case during the period commencing 3 years prior to the date of the Scheme Implementation Deed and ending on the Business Day prior to the date of that deed;
- (g) relating to the payment of Transaction Costs;
- (h) to the extent that event, matter or circumstance was actually known to the Bidder prior to the date the Scheme Implementation Deed was varied, being 15 September 2019;
- (i) resulting from changes in general economic, regulatory or political conditions, the securities market in general or law and interpretation of laws or government policy; or
- (j) resulting from changes in generally accepted accounting principles in Australia.

NEM has the meaning given in Section 6.4.

Notice of Scheme Meeting means the notice convening the Scheme Meeting together with the Proxy Forms for that meeting as set out in Schedule 5.

Option Cancellation Deed means the option cancellation deeds entered into by Pacific Energy and the Bidder with each of the Pacific Energy Optionholders (as amended from time to time).

OPTrust/ICG Consortium has the meaning given in the Chairman's Letter.

Pacific Energy means Pacific Energy Limited, ACN 009 191 744.

Pacific Energy Board means the board of directors of Pacific Energy.

Pacific Energy Group means Pacific Energy and its Related Entities.

Pacific Energy Information means all information contained in this Scheme Booklet other than the Bidder Information and the Independent Expert's Report in Schedule 1.

Pacific Energy Option means the 11,000,000 options to on issue as at the date of this Scheme Booklet to acquire Pacific Energy Shares.

Pacific Energy Optionholder means, at the relevant time, a person who is registered as a holder of Pacific Energy Options.

Pacific Energy Performance Right means unquoted fully vested performance rights and any performance rights granted in respect of the financial year ended 30 June 2019 which are Fairly Disclosed in the Due Diligence Material or otherwise disclosed in writing to the Bidder before the Scheme Implementation Deed (or any variation deed in respect of it, as the case may be) was executed.

Pacific Energy Share means a fully paid ordinary share issued in the capital of Pacific Energy.

Pacific Energy Shareholder means, at the relevant time, a person who is registered in the Register as a holder of Pacific Energy Shares.

Pacific Energy Share Registry means Computershare Investor Services Pty Limited.

Pacific Energy Warranties means the representations and warranties of Pacific Energy set out in clauses 8.4 and 8.5 of the Scheme Implementation Deed (see Schedule 2).

PEVH has the meaning given in Section 6.4.

Prescribed Occurrence means the occurrence of any of the following on or after the date of the Scheme Implementation Deed, whether authorised, procured or committed by a member of the Pacific Energy Group:

- (a) Pacific Energy converts all or any of its shares into a larger or smaller number of shares;
- (b) any member of the Pacific Energy Group reduces or resolves to reduce its share capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any of its shares;
- (c) any member of the Pacific Energy Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) any member of the Pacific Energy Group issues securities, or grants a performance right or an option over its securities or to subscribe for its securities, or agrees to make such an issue or grant such a right or an option, other than as a result of an issue required under clause 7.7 of the Scheme Implementation Deed and any performance rights granted in respect of the financial year ended 30 June 2019 which are Fairly Disclosed in the Due Diligence Material or otherwise disclosed in writing to the Bidder before the execution of the Scheme Implementation Deed (or any variation deed in respect of it, as the case may be);
- (e) any member of the Pacific Energy Group issues, or agrees to issue, convertible notes or any other security or instrument convertible into shares or any debt security;
- (f) any member of the Pacific Energy Group disposes, offers to dispose or agrees to dispose, whether by way of sale, transfer, joint venture or otherwise, of any part of its business, assets or property (including any beneficial or economic interest or right in such business, assets or property) where the amount or value involved in such transactions exceeds \$20 million in aggregate (except as disclosed in the Due Diligence Materials);
- (g) any member of the Pacific Energy Group acquires, offers to acquire or agrees to acquire, any assets, securities, entities, properties or businesses (or any interest in any of the foregoing), or any interest in any joint venture or partnership, where the amount or value involved in such transactions exceeds \$20 million in aggregate (except as disclosed in the Due Diligence Materials);
- (h) any member of the Pacific Energy Group enters into a commitment or a series of commitments for capital expenditure where the amounts or value involved in such commitments or commitments exceeds \$20 million in aggregate; (except as disclosed as a potential result of a tender as disclosed in or provided as part of the Due Diligence Materials);
- (i) any member of the Pacific Energy Group creates or agrees to create, any Security Interest over, or declares itself the trustee of, any part of its business or property securing indebtedness or performance of an obligation exceeding \$2 million other than in the ordinary course of business or in respect of any transaction contemplated by this deed (except as disclosed in the Due Diligence Materials);
- (j) an Insolvency Event occurs in relation to any member of the Pacific Energy Group;
- (k) Pacific Energy pays or determines to pay, declares, distributes or incurs a liability to make or pay a dividend, bonus (other than as Fairly Disclosed in the Due Diligence Material in respect of the financial year ended 30 June 2019 for management of the Pacific Energy Group) or other share of its profits, income, capital or assets by way of dividend or other form of distribution, except for the Final Dividend and any Special Dividend;

- (l) any member of the Pacific Energy Group makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any member of the Pacific Energy Group;
- (m) any member of the Pacific Energy Group ceases, or threatens to cease to, carry on the business it conducts as at the date of the Scheme Implementation Deed;
- (n) any member of the Pacific Energy Group (other than a dormant, non-operating member of the Pacific Energy Group) being deregistered as a company or being otherwise dissolved;
- (o) any disposal of shares or securities by a member of the Pacific Energy Group in any member of the Pacific Energy Group other than to a member of the Pacific Energy Group; or
- (p) any member of the Pacific Energy Group undertaking, authorising, committing or agreeing to take or announcing any of the actions referred to in clause 6.2 of the Scheme Implementation Deed insofar as it applies to the member of the Pacific Energy Group the subject of such undertaking, authorisation, commitment, agreement or announcement,

provided that a Prescribed Occurrence will not include:

- (q) the paying of the Final Dividend;
- (r) the paying of a Special Dividend where the Scheme Consideration is reduced by that amount per Pacific Energy Share;
- (s) any matter required or permitted to be done or procured by Pacific Energy or a member of the Pacific Energy Group pursuant to the Scheme Implementation Deed or the Scheme;
- (t) any matter to the extent it is Fairly Disclosed in the Due Diligence Material;
- (u) any matter Fairly Disclosed in writing to the Bidder prior to the date the Scheme Implementation Deed was varied, being 15 September 2019;
- (v) any matter Fairly Disclosed in filings of Pacific Energy with the ASX or ASIC in each case during the period commencing 3 years prior to the date of the Scheme Implementation Deed and ending on the Business Day prior to the date the Scheme Implementation Deed was varied; or
- (w) any matter the undertaking of which the Bidder has approved in writing.

Proxy Form means the proxy form that accompanies this Scheme Booklet or is available from the Pacific Energy Share Registry.

QIC means QIC Limited.

QPC means QIC Private Capital Pty Ltd.

Record Date means 7.00pm (WST) on the fifth Business Day following the Effective Date or such other date (after the Effective Date) as Pacific Energy and the Bidder may agree in writing or as ordered by the Court or as may be required by the ASX.

Register means the share register of Pacific Energy kept pursuant to the Corporations Act.

Regulatory Authority includes, in any jurisdiction:

- (a) a government or governmental, semi-governmental, administrative, fiscal or judicial entity or authority;

- (b) a minister, department, office, commission, delegate, instrumentality, tribunal, agency, board, authority or organisation of any government;
- (c) any regulatory organisation established under statute; and
- (d) in particular, ASX and ASIC.

Related Body Corporate means, in relation to a person, a related body corporate of that person under section 50 of the Corporations Act but on the basis that:

- (a) 'subsidiary' has the meaning given to Subsidiary in this Scheme Booklet;
- (b) 'body corporate' includes any entity and a trust;
- (c) any partnership comprised of related bodies corporate (as defined in the Corporations Act) of a person is, for the purposes of this Scheme Booklet, a Related Body Corporate of that person; and
- (d) in the case of a party that comprises a partnership, a related body corporate (as defined in the Corporations Act) of a partner in that partnership is, for the purposes of this Scheme Booklet, a Related Body Corporate of that party.

Related Entity means, in relation to a party, any entity that is related to that party within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in the Accounting Standards) that is Controlled by that party.

Relevant Foreign Declaration Form means a 'Foreign Resident capital gains withholding - vendor declaration' form referred to in Section 10.4.

Representatives means in relation to an entity:

- (a) each of the entity's Related Entities; and
- (b) each of its and its Related Entities' directors, officers, employees, contractors, advisers (including legal, financial and other expert advisers) and agents, but excluding the Independent Expert.

Requisite Majority means in relation to the Scheme Resolution, a resolution passed by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Pacific Energy Shareholders, who are present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and
- (b) at least 75% of the votes cast on the resolution.

Schedule means a schedule to this Scheme Booklet.

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Pacific Energy and the Scheme Participants, the form of which is contained in Schedule 3, together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by the Bidder and Pacific Energy.

Scheme Booklet means this scheme booklet.

Scheme Consideration has the meaning given in the Chairman's Letter.

Scheme Implementation Deed means the scheme implementation deed dated 23 July 2019 (as varied on 15 September 2019) between Pacific Energy and the Bidder, set out in Schedule 2.

Scheme Interest has the meaning given in the contents page of this Scheme Booklet.

Scheme Meeting means the meeting of Pacific Energy Shareholders convened by the Court in relation to the Scheme pursuant to section 411(1) of the Corporations Act and includes any

adjournment of that meeting, to be held at 38 Station Street, Subiaco WA, Australia, 6008, on 8 November 2019 at 10:30 am (WST).

Scheme Participant means each person who is a Pacific Energy Shareholder as at the Record Date (other than the Bidder).

Scheme Resolution means the resolution to be proposed to the Pacific Energy Shareholders at the Scheme Meeting to approve the Scheme, set out in the Notice of Scheme Meeting.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned or appealed application is heard.

Section means a section of this Scheme Booklet.

Security Interest has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

Special Dividend has the meaning given in the Chairman's Letter.

Special Dividend Record Date has the meaning given in the Chairman's Letter.

Share Splitting has the meaning given in Section 9.11.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act but so that:

- (a) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;
- (b) a corporation or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and
- (c) a corporation or trust may be a subsidiary of a partnership if a majority of the shares, units or other beneficial interests of that corporation or trust (as relevant) are held by the partners in that partnership.

Superior Proposal means a bona fide, written Competing Proposal which in the determination of the Pacific Energy Board acting in good faith in order to satisfy what the Pacific Energy Board considers to be its fiduciary or statutory duties (after having received written advice from their external legal and, if appropriate, financial advisers):

- (a) is reasonably capable of being completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and
- (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Pacific Energy Shareholders than the Transaction, taking into account all of the terms and conditions of the Competing Proposal.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) and the *Income Tax Assessment Act 1997* (Cth).

Total Cash Value has the meaning given in the Chairman's Letter.

Transaction means the acquisition by the Bidder of all of the Pacific Energy Shares by means of the Scheme in accordance with the terms of the Scheme Implementation Deed.

Transaction Costs means legal, financial, tax, accounting, counsel, expert and court fees and fees payable to government agencies incurred by the Pacific Energy Group in connection with the transactions contemplated by this deed which must not exceed the amount specified in the Disclosure Letter.

Transaction Documents means the Scheme Implementation Deed, the Deed Poll and the Scheme.

WST means Western Standard Time in Australia.

In this Scheme Booklet:

- (a) all dates and times are Perth, Western Australia times unless otherwise indicated;
- (b) words and phrases not otherwise defined in this Scheme Booklet (excluding the Schedules of this Scheme Booklet) have the same meaning (if any) as is given to them by the Corporations Act;
- (c) the singular includes the plural and vice versa. A reference to a person includes a reference to a corporation;
- (d) headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet;
- (e) a reference to a Section is to a Section in this Scheme Booklet unless stated otherwise;
- (f) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them; and
- (g) the meaning of general words is not limited by specific examples introduced by “including”, “for example” or similar expressions.

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Pacific Energy Limited

Independent Expert's Report and Financial Services Guide

30 September 2019

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The Directors
Pacific Energy Limited
338 Gnangara Road
Landsdale WA 6065

30 September 2019

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Dear Directors

Introduction

Pacific Energy Limited (“Pacific Energy” or “the Company”) is an Australian energy supply business, which owns and operates nearly 400MW of gas, diesel and hydro fuelled electricity generation, typically under long term contracts across 40 power stations, out of which, a total of 360MW is currently contracted. Pacific Energy provides its services via the following divisions as outlined below:

- Remote Mining Power - Australia – Provides off-grid electricity to remote mining sites and communities. Pacific Energy provides build, own, operate (“BOO”) and engineering, procurement and construction (“EPC”) services through two operating subsidiaries, Kalgoorlie Power Systems (“KPS”) and Contract Power Australia (“CPG”).
- Remote Mining Power - Africa – Established in July 2016, KPS Power Africa focuses on build, own, operate of contract power to African mining operations. As at the date of this report, Pacific Energy had not yet contracted any power supply in the African market.
- Hydro Power – Pacific Energy owns two hydroelectricity power stations in South East Victoria. The power station located at Cardinia Reservoir is a 3.5 MW hydro plant, with its output contracted to Energy Australia under a Power Purchase Agreement (“PPA”) to November 2023. The power station located at Blue Rock dam is a 2.5 MW facility with its output contracted under a PPA with Meridian Energy until May 2022.
- Nova Power – a 10 MW gas fired power plant in Traralgon, Victoria, operating as a non-scheduled market generator in the National Electricity Market (“NEM”).

Pacific Energy is listed on the Australian Securities Exchange (“ASX”) and had a market capitalisation of A\$480.09¹ million as at 17 September 2019.

QIC Limited (“QIC”) is a Queensland Government owned investment company which invests in infrastructure, real estate, private capital, liquid strategies and multi asset investments with A\$86.1 billion² in assets under management. QIC Global Infrastructure, a business unit of QIC Limited, is a long-term infrastructure investor with an established global platform, managing A\$11.1 billion across

¹ Based on the closing share price of A\$1.115 as at 17 September 2019 and 430,578,102 shares outstanding.

² As per QIC’s FY18 annual report.

13 infrastructure assets globally³.

Initial QIC Proposal

On 24 July 2019, the Company announced that it had entered into a Scheme Implementation Deed (“Initial SID”) under which QIC⁴ would acquire 100% of the issued shares of Pacific Energy (“Pacific Energy Shares”) via a scheme of arrangement (“Scheme”)⁵.

Under the Scheme, Pacific Energy Shareholders would receive cash payments of up to \$0.975 for each Pacific Energy Share held (“Initial QIC Offer”), comprising cash consideration of \$0.96 per share plus a fully franked Final Dividend of \$0.015 per share. The Initial QIC Offer also provided for a special dividend of \$0.065 to be paid by the Company such that the Initial QIC Offer would be reduced by the amount of the special dividend.

OPTrust Private Markets Group and Infrastructure Capital Group Consortium Proposal (“Consortium Competing Proposal”)

On 9 September 2019, Pacific Energy received a competing proposal from a consortium comprising OPTrust Private Markets Group, a division of OPSEU Pension Plan Trust Fund and a fund managed by Infrastructure Capital Group (“OPTrust/ICG Consortium”), whereby Pacific Energy Shareholders would receive a total cash value of up to \$1.085 for each Pacific Energy Share (“Consortium Competing Total Cash Value”) according to the terms of a SID (“OPTrust/ICG Consortium SID”), representing an 11.3% premium to the Initial QIC Offer.

A condition of the deed that Pacific Energy entered into with OPTrust/ICG Consortium was that, subject to certain qualifications, the OPTrust/ICG Consortium would become entitled to a break fee of \$2.5 million from Pacific Energy (“Consortium Break Fee”), if the OPTrust/ICG Consortium SID was not entered into by 17 September 2019.

In accordance with the terms of the Initial SID, Pacific Energy provided QIC with four business days to match the Consortium Competing Proposal.

Revised QIC Offer

On 13 September 2019, QIC submitted an application to the Takeovers Panel in respect of the Consortium Competing Proposal and Consortium Break Fee.

On 13 September 2019, QIC exercised its matching right under the Initial SID. On September 15, the Pacific Energy Board determined that QIC’s exercise of its matching right constituted a bona fide match under the Initial SID, and the parties entered into a deed of variation to amend the Initial SID on that date. This variation increased the total cash payment offered to Pacific Energy Shareholders from \$0.975 to \$1.085⁶ (“Total Cash Value”), comprising:

³ As at 31 December 2018, per QIC’s website.

⁴ The Scheme Implementation Deed was entered into by QGIF Swan Bidco Pty Ltd, a subsidiary of funds managed or advised by QIC Private Capital Pty Ltd including the QIC Global Infrastructure Fund.

⁵ The Scheme is subject to certain conditions precedent, including shareholders, court and regulatory approvals.

⁶ The Total Cash Value will be up to \$1.09 if the Contingent Consideration is payable, however due to the uncertainty of this payment, we have performed our assessment on the fairness of the Scheme assuming the \$0.005 Contingent Consideration is not paid.

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- cash consideration of \$1.07 for each Pacific Energy Share held on the Record Date less the amount of any Special Dividend that may be declared and paid by Pacific Energy on or before the date the Scheme is implemented (“Scheme Consideration”);
- a fully-franked special dividend of up to \$0.065 for each Pacific Energy Share held on 21 November 2019 the (“Special Dividend Record Date”) that may be declared and paid by the Company on or before the date the Scheme is implemented (“Special Dividend”); and
- subject to being on the Pacific Energy share register on 19 September 2019 (Final Dividend Record Date”), a fully-franked final dividend of \$0.015 per Pacific Energy Share held (“Final Dividend”) to be paid by Pacific Energy on 10 October 2019 (“Final Dividend Payment Date”). The Final Dividend will be paid before the Scheme Meeting and is not conditional on the Scheme being implemented.

In addition, QIC has indicated that it will pay an additional \$0.005 per share to Pacific Energy shareholders (“Contingent Consideration”) if the break fee of \$2.5 million is not paid to the OPTTrust/ICG Consortium or is paid and refunded to Pacific Energy prior to the implementation of the scheme of arrangement contemplated under the Revised QIC Offer. The payment of the Contingent Consideration is not yet confirmed, and hence we have conducted our assessment on the fairness of the Scheme based on the Total Cash Value of \$1.085, not including the Contingent Consideration.

As discussed above, Pacific Energy Board intends to declare a fully franked Special Dividend of up to \$0.065 per Pacific Energy Share which, subject to the Scheme becoming Effective, is expected to be paid on the Special Dividend Payment Date. Prior to declaration of the Special Dividend, the Company will confirm that it has sufficient franking credits to pay a fully franked Special Dividend and that the payment of any Special Dividend will not cause the Company's franking account balance to be in deficit. The Company will also need to satisfy all legal requirements for the payment of a Special Dividend. The Company will inform shareholders on or before 30 October 2019 (by way of ASX announcement) as to whether all of these requirements have been satisfied and whether a fully franked Special Dividend will be paid and its quantum.

The Total Cash Value will be up to \$1.085 (\$1.09 if the Contingent Consideration is payable) for eligible Pacific Energy Shareholders regardless of the amount of any Special Dividend. This is because the Scheme Consideration received from QIC will be \$1.070 less the cash amount of any Special Dividend received from Pacific Energy. Pacific Energy Shareholders on the share register on the Final Dividend Record Date will also receive the Final Dividend of \$0.015 for each Pacific Energy Share held regardless of whether the Scheme is approved and implemented.

Those Pacific Energy shareholders who are able to realise the full benefit of the franking credits attached to the Final Dividend and any Special Dividend will receive a total consideration of up to A\$1.12 value per share⁷, comprising a maximum franking credit of \$0.006 attached to the Final Dividend and \$0.028 attached to the Special Dividend (if declared and paid).

As at the date of this report, the Company has 11,000,000 options (“Pacific Energy Options” or “Options”). These Options will be settled by Pacific Energy for cash at a price equal to the difference

⁷ Assuming a Special Dividend of \$0.065 per share and a 0% taxpayer receiving a cash refund of \$0.034 per share in respect of franking credits received. A 30% taxpayer would receive a total consideration of up \$1.085. Further details regarding the tax implications for a 0%, 30% and 45% taxpayer are outlined in the table on page 9.

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between the Scheme Consideration of \$1.07⁸ per share less their exercise price.

The Scheme is subject to customary conditions precedent as set out in Section 1 of this Independent Expert's Report ("IER") including approval by Pacific Energy Shareholders and the Court.

The SID contains customary exclusivity provisions including no shop, no talk, no due diligence restrictions and a notification obligation, with the no due diligence and no talk being subject to Pacific Energy Director's fiduciary obligations, and a matching right for QIC in case the Directors receive a superior proposal. The SID also details circumstances under which Pacific Energy may be required to pay QIC a break fee of A\$4.7 million excluding GST (refer to Section 1 for more details).

Subject to no superior proposal emerging and an independent expert concluding and continuing to conclude that the Scheme is in the best interests of Pacific Energy shareholders, the Directors have unanimously recommended that Pacific Energy shareholders vote in favour of the Scheme and have advised that all Directors intend to vote all Pacific Energy shares held or controlled by them in favour of the Scheme.

Purpose of the report

Whilst there is no legal requirement for the preparation of the IER in conjunction with the Scheme, the Directors of Pacific Energy have commissioned this IER to assist Pacific Energy shareholders in assessing the merits of the Scheme⁹.

We note, there is not a separate scheme for option holders, however, at the request of the Pacific Energy Board, we have also assessed the merits of the Scheme to the option holders.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

⁸ If the Contingent Consideration is paid, these options will be settled based on a cash value of \$1.075.

⁹ We note that it is a condition precedent of the Scheme that an IER concludes the Scheme is fair and reasonable.

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Summary of opinion

Grant Thornton Corporate Finance has concluded that the Scheme is FAIR AND REASONABLE and hence in the BEST INTERESTS of Pacific Energy shareholders.

Grant Thornton Corporate Finance has also concluded that the Scheme is fair and reasonable and hence in the best interests of the option holders. Appendix B summarises our assessment of fairness of the Scheme to option holders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Scheme is fair and reasonable to Pacific Energy shareholders and option holders and, as part of that consideration, have had regard to other quantitative and qualitative considerations.

Fairness Assessment

Grant Thornton Corporate Finance has compared the value per Pacific Energy share before the Scheme on a 100% and fully diluted basis with the Scheme Consideration of A\$1.07 per Pacific Energy share.

The Scheme Consideration of A\$1.07 per share is reduced by the amount of any Special Dividend. Given that the payment of the Special Dividend is contingent on the outcome of the Scheme, we have assessed the fairness of the Scheme based on the Scheme Consideration.

We note that in our valuation assessment, we have not grossed up the value of the Scheme Consideration for the potential value of the franking credits attached to the Final Dividend or Special Dividend nor have we considered in our valuation assessment of Pacific Energy the value of the accumulated franking credits.

In our opinion, the benefit of the franking credits does not accrue to Pacific Energy directly, rather they are valuable under certain circumstances to Australian tax resident shareholders who can claim an income tax offset. We have considered the potential value of the franking credits attached to the Final Dividend and the Special Dividend in our reasonableness considerations.

We have undertaken our fairness assessment on the Scheme Consideration, as our valuation analysis assumes a payment of the Final Dividend. The following table summarises our fairness assessment:

| Pacific Energy - Fairness Assessment | Section Reference | Low | High |
|--------------------------------------|-------------------|--------------|-------------|
| A\$ per share | | | |
| Fair market value | | 0.89 | 1.00 |
| Scheme Consideration ¹ | 1.1 | 1.07 | 1.07 |
| Premium / (discount) | | 0.18 | 0.07 |
| Premium / (discount) (%) | | 20.2% | 6.9% |
| Fairness Assessment | | FAIR | |

Source: GTCF analysis. Note the above fair market values have been calculated on an ex dividend basis.
Note: Our valuation assessment assumes the payment of a final dividend of \$0.015.

The Scheme Consideration is above our assessed valuation range of a Pacific Energy share on a 100% basis. Accordingly, we conclude that the Scheme is **FAIR** to Pacific Energy shareholders.

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Our assessed value range is below the Scheme Consideration offered by QIC. We consider this to be not unreasonable based on the potential scarcity of comparable assets, the competitive bidding environment and the possible short term view on risk free rates driving a lower cost of capital.

Pacific Energy shareholders should be aware that our assessment of the value per Pacific Energy share should not be considered to reflect the price at which Pacific Energy shares will trade if the Scheme is not implemented. The price at which Pacific Energy shares will ultimately trade depends on a range of factors, including: the liquidity of Pacific Energy shares; macro-economic conditions; interest rates; and the performance of Pacific Energy's business.

We have assessed the fair market value of Pacific Energy shares on a control basis adopting the DCF Method and Quoted Securities Prices and we have cross checked our DCF assessment based on the EBITDA¹⁰ Multiple Method as outlined below.

DCF Method

We have built a financial model projecting the post-tax free cash flows of Pacific Energy ("GT Model") based on the internal management forecast ("Internal Model"), historical financial performance, and industry benchmarks.

The forecasts assume that the business will continue to operate as usual, benefiting from organic and new growth in addition to being able to replace expiring contracts with new ones. The forecasts also include the African expansion of KPS, which is currently still in its infancy.

The assumptions in relation to the potential future new contracts, contract expansions and extensions and redeployments are based on discussions with Management, historical performance, a review of the strategic plan and the current pipeline of opportunities. We note that the strategy of Pacific Energy is to continue to seek BOO opportunities in Australia and Africa and currently has identified potential opportunities of over 943MW, for projects at varying stages of development.

We have selected a discount rate of between 7.7% to 8.5% for Australia and 12.3% to 12.8% for Africa to assess the net present value of the future cash flows.

Whilst we acknowledge that the assumptions above in relation to future contracts are hypothetical at this point in time, we are of the opinion that the ability of Pacific Energy to identify and successfully tender for new facilities into its portfolio have value for a pool of potential purchasers which needs to be recognised in our fairness assessment. We have also undertaken a number of sensitivity analyses on various key assumptions as discussed in Section 6.1.3.

¹⁰ Earnings before interest, tax, depreciation and amortisation

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We have set out below a summary of our valuation assessment under the DCF approach.

| DCF Valuation Assessment of Pacific Energy A\$'000 | Section | Low | High |
|---------------------------------------------------------------|------------|----------------|----------------|
| | Reference | | |
| Discount rate - Australia | Appendix E | 8.5% | 7.7% |
| Discount rate - Africa | Appendix E | 12.8% | 12.3% |
| Enterprise Value | 6.1.3 | 470,279 | 517,438 |
| Net Debt Adjustments | | | |
| Less: Gross Debt as at 30 June 2019 | 4.4.2 | (73,386) | (73,386) |
| Add: Cash as at 30 June 2019 | 4.4.2 | 8,282 | 8,282 |
| Less: Final Dividend | 6.1.2 | (6,459) | (6,459) |
| Less: Net consideration to be paid for Pacific Energy Options | 6.1.2 | (3,620) | (3,620) |
| Less: Cash to be paid for performance rights | 6.1.2 | (284) | (284) |
| Less: Stamp Duty | 6.1.2 | (3,500) | (3,500) |
| Less: Consortium Break Fee | 6.1.2 | (2,500) | (2,500) |
| Surplus Assets Adjustment | | | |
| Add: Investment in shares | 4.4.2 | 18 | 18 |
| Equity Value | | 388,830 | 435,989 |
| Number of shares outstanding (fully diluted) | 6.1.2 | 430,578 | 430,578 |
| Equity Value per Share (control basis) (A\$ per share) | | 0.90 | 1.01 |

Source: GTCF analysis

Note: On 31 August 2019, the Company had 750,649 performance rights vest fully. At this point, employees had the option of converting the performance rights on a 1-for-1 basis, and in turn, the right to the Final Dividend and the ability to participate in the scheme, or receive the Scheme Consideration of \$1.07. In our valuation, we have applied an adjustment to outstanding shares and net debt to reflect the actual split, with 485,509 performance rights being converted on a 1-for-1 basis and the remaining 265,140 performance rights being exchanged for Scheme Consideration.

Note: We have assumed that the Consortium Break Fee will be payable

The DCF analysis is highly dependent on Pacific Energy's ability to secure new growth opportunities and recontract for future periods. To the extent this is not achieved, this would have an impact on value. Accordingly, we have considered the Quoted Security Price method when assessing fair value.

Quoted Security Price Method

We have selected a value range based on the trading price between \$0.88 and \$0.98 having regard to the VWAP before the announcement of the Initial QIC Offer on 23 July 2019. We have also considered that whilst the Final Dividend had not been declared, the prevailing share price would have been implicit in it the expectation of a dividend consistent with prior periods. We have applied a premium for control of between 35% to 40% of our assessed valuation range based on the trading price. Our assessment of the premium for control is based on specific transactions in the energy sector and our generic premium for control analysis in the Australian market (refer to Section 6.3.3 and Appendix F for details).

| Valuation Summary - Quoted Security Price Method A\$ per share | Section | Low | High |
|-------------------------------------------------------------------|-----------|-------------|-------------|
| | Reference | | |
| GT assessed value per PEA Share (on a minority basis) | 6.3.2 | 0.65 | 0.70 |
| Estimated control premium | 6.3.3 | 35% | 40% |
| GT assessed value per PEA Share (on a control basis) | | 0.88 | 0.98 |

Source: GTCF analysis

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We note that our valuation assessment based on the trading prices plus a premium for control is below our valuation assessment based on the DCF approach.

EBITDA Multiple implied in the DCF assessment

The value range of Pacific Energy on a control basis, having regard to the DCF approach, implies an enterprise value as a multiple of historical and consensus forecast EBITDA. This has been set out in the following table.

| Implied EBITDA multiples | | |
|--------------------------------------------------|---------|---------|
| A\$'000 | Low | High |
| Enterprise value on a control basis ¹ | 470,279 | 517,438 |
| EBITDA² | | |
| FY19 EBITDA (Actual) | 65,807 | 65,807 |
| FY20 EBITDA (Consensus forecast) | 57,100 | 57,100 |
| FY21 EBITDA (Consensus forecast) | 63,100 | 63,100 |
| FY22 EBITDA (Consensus forecast) | 64,000 | 64,000 |
| Implied EV/EBITDA | | |
| FY19 EV/EBITDA | 7.1x | 7.9x |
| FY20 EV/EBITDA | 8.2x | 9.1x |
| FY21 EV/EBITDA | 7.5x | 8.2x |
| FY22 EV/EBITDA | 7.3x | 8.1x |

Sources: Various broker reports, S&P Global, Management, GTCF analysis

Notes: (1) Enterprise value on a control basis is based on our calculated values in the DCF; (2) Consensus EBITDA forecasts represent the average of 4 investment analysts' forecast EBITDA as at 31 July 2019. Refer Section 6.2.1 for details.

As detailed above, the broker consensus¹¹ EBITDA forecast for Pacific Energy in FY20 (A\$57.1 million) is below that of FY19 (A\$65.8 million). These lower forecast results are primarily due to the termination of the Newmont Tanami mine contract in FY19 which generated revenue of A\$10.9 million during FY18 and the reduction in revenue and EBITDA generated from EPC contracts. These projects significantly contributed to FY19 revenue, however there is no expectation of a consistent level of EPC commitment in FY20 and beyond. We believe the forecast decline to be consistent with Management expectations. In addition, we are of the opinion that the completion of these contracts will not have an impact on future growth on a per MW basis, based on the following:

- *Newmont Tanami* – The loss of Newmont was as a result of the installation of a new gas pipeline to the site and an associated re-tender for a greenfield gas powered facility. Whilst Pacific Energy was unsuccessful in this tender, Management have noted that historically, they had never lost a retender to a gas conversion where they were the existing provider, and envisage this to be an isolated occurrence.
- *EPC Contracts* – EPC contracts are intermittent with Pacific Energy not actively pursuing these type of contracts, instead accepting them on an opportunistic basis. Pacific Energy had an unusually high level of EPC contract activity in FY19, contributing \$5.5 million to EBITDA, above the c. \$2 million historical annual average. As such, in FY20 and beyond we expect EPC EBITDA to return to historical trends.

¹¹ The 4 broker reports relied on were released prior the FY19 earnings announcement on the following dates, 28/05/19, 27/06/19, 27/06/19, and 28/06/19.

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We are of the opinion that the FY19 and FY20 EBITDA multiples, based on consensus forecasts implied in our assessment based on the DCF Method of between 7.1 times and 7.9 times for FY19 and 8.2 times and 9.1 times for FY20 on a control basis are not unreasonable due to following:

We observe that Pacific Energy's most operationally comparable company Zenith Energy Limited ("Zenith"), is trading at an FY19 EBITDA multiple of 8.8 times on a minority basis, with the latest Zenith Management guidance indicating they expect this multiple to reduce to 6.7 times EBITDA in FY20. If a typical premium for control is added (refer to Appendix F for details), the EBITDA multiple of Zenith is trading below the FY20 Pacific Energy EBITDA multiple. Zenith are currently operating in a more highly geared position than Pacific Energy, with c. 49% debt to enterprise value which is equitable to 6.01 times EBITDA compared to Pacific Energy with c. 15% debt to enterprise value and debt equal to 1.36 times EBITDA. Further, Zenith owns only 49% of its capacity under contract, and the remainder is managed by Zenith under contracted arrangements. As a result of higher leverage and proportion of assets owned, we consider it appropriate that Zenith trade at a discount to the FY20 multiple implied by the DCF.

- The implied multiple from our DCF method is at a small discount to the EBITDA multiple implied by DUET's acquisition of Energy Developments Limited ("EDL" or "Energy Developments") of 8.8 times historical EBITDA. We consider this to be a comparable transaction, as EDL is a direct competitor to Pacific Energy. EDL's contract portfolio with blue-chip counterparties over longer contract terms than PEA. Further, the transaction price was c. \$2 billion, which is reflective of EDL's larger portfolio and more diverse operations both in Australia and overseas. Therefore we consider that EDL would trade at a premium to Pacific Energy.

Reasonableness Assessment

In considering the reasonableness of the Scheme, we have assessed the following advantages, disadvantages and other factors.

Advantages

Premium for control

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access cash flows, access tax benefits and control of the board of Directors of the company.

The Total Cash Value of A\$1.085 per Pacific Energy share represents a premium of:

- 50.7% to the closing price of Pacific Energy shares on 22 July 2019 of A\$0.72¹²
- 59.8% to the 1-month VWAP of Pacific Energy on 22 July 2019 of A\$0.679.
- 66.9% to the 3-month VWAP of Pacific Energy on 22 July 2019 of A\$0.650.

¹² These VWAP's have been calculated using a market volume that excludes special crossings.

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The Scheme Consideration of A\$1.07 per Pacific Energy share represents a premium of:

- 48.6% to the closing price of Pacific Energy shares on 22 July 2019 of A\$0.72¹³.
- 57.6% to the 1-month VWAP of Pacific Energy on 22 July 2019 of A\$0.679.
- 64.6% to the 3-month VWAP of Pacific Energy on 22 July 2019 of A\$0.650.

This premium for control is unlikely to be available to Pacific Energy shareholders in the absence of the Scheme or a superior proposal.

Certainty of the Scheme Consideration

Pacific Energy shareholders have the opportunity to receive a certain cash amount at a premium to the trading price of Pacific Energy before the announcement of the Scheme and at a premium to the price that Pacific Energy shares may trade in the absence of the Scheme or an alternative transaction.

If the Scheme is implemented, Pacific Energy shareholders will no longer be exposed to the ongoing risks associated with holding an investment in Pacific Energy which are summarised below in a non-exhaustive manner:

- Whilst Pacific Energy delivered a strong earnings outcome for FY19, with an EBITDA of c. \$66 million, it is expected that in the absence of new growth, this level of earnings is likely to decline in FY20 as a result of the contract expiration at Newmont's Tanami mine in 2019 and unsuccessful retender for the new power station at that site. Pacific Energy also had a high level of EPC contract activity, generating EBITDA of \$5.5 million during FY19 which is not likely to be repeated in FY20.
- Exposure to the resources sector – c. 89% of Pacific Energy's revenues are based on contracts with resources companies, with a weighted average remaining life of approximately 4 years. Our valuation assumes that the contracts will be renewed and extended for the remainder of the mine life for each site. The viability of those mines are inherently subject to movements in commodity prices and demand for respective mineral or metal. Further, competition in the remote electricity generation sector may reduce Pacific Energy's success in recontracting or place pressure on contract pricing.

Franking credits attached to the Final Dividend and Special Dividend

The Final Dividend, and any Special Dividend component of the Scheme Consideration are expected to be fully franked. Under the current tax regime, Australian resident shareholders on a lower tax rate can claim an income tax offset and accordingly realise greater value compared with the Scheme Consideration. These Pacific Energy shareholders are likely to be better off on a post-tax basis if the Special Dividend is paid compared with the scenario that 100% of the Scheme Consideration is paid on the capital gain account (nil Special Dividend) and a capital gain is realised. The following table summarises the after-tax cash amount from the Special Dividend and the Final Dividend that certain Pacific Energy shareholders could realise depending on their tax position.

¹³ These VWAP's have been calculated using a market volume that excludes special crossings.

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| Final Dividend - franking credit benefits | | Australian Resident | | | Corporate |
|---------------------------------------------|------------------|---------------------|-----------------|----------------|-----------------|
| | | 45% tax rate | 30% tax rate | 0% tax rate | 30% tax rate |
| A\$ | | | | | |
| Final Dividend ¹ | A | 0.015 | 0.015 | 0.015 | 0.015 |
| Franking Credits | B | 0.006 | 0.006 | 0.006 | 0.006 |
| Gross Taxable Income | C = A + B | 0.021 | 0.021 | 0.021 | 0.021 |
| Tax Payable ³ | D = C * Tax | (0.010) | (0.006) | 0.000 | (0.006) |
| Net After Tax Final Dividend | E = C + D | 0.012 | 0.015 | 0.021 | 0.015 |
| Special Dividend - franking credit benefits | | | | | |
| Special Dividend ² | A | 0.065 | 0.065 | 0.065 | 0.065 |
| Franking Credits | B | 0.028 | 0.028 | 0.028 | 0.028 |
| Gross Taxable Income | C = A + B | 0.093 | 0.093 | 0.093 | 0.093 |
| Tax Payable ³ | D = C * Tax | (0.042) | (0.028) | - | (0.028) |
| Net After Tax Special Dividend | E = C + D | 0.051 | 0.065 | 0.093 | 0.065 |
| Net After Tax Dividends | | 0.063 | 0.080 | 0.114 | 0.080 |

Source: GTCF analysis

Notes: (1) Based on a Final Dividend of 1.5 cents per share; (2) Based on a Special Dividend of 6.5 cents per share; (3) Ignores Medicare levy and other surcharges, however, considers franking credit offsets assuming 100% can be used.

As outlined in the table above, the benefits of the Final Dividend and the Special Dividend are expected to accrue to Australian tax resident shareholders on lower tax rates.

Removed exposure to volatile markets

Market conditions on the global financial markets are extremely volatile and subject to considerable uncertainties due to the following, among other things:

- Trade war – The trade war between the US and China erupted c. 18 months ago and it has escalated in the more recent times. As a result, the US has put import tariffs on US\$250 billion worth of Chinese goods and it has threatened tariffs on additional US\$325 billion. As countermeasure, China has allowed tariffs on US\$110 billion worth of US goods and Chinese companies have suspended purchasing US agricultural products. The trade war is affecting those economies which have a greater reliance on export and it causing fears of global recession. China recently reported the worst manufacturing output in 17 years and Germany indicated that the economy shrank by 0.1% in the second quarter of the year.
- Inverted yield curve and possible US recession – On 14 August 2019, the US 10 year bond yield fell below the level of the US two year bond yield briefly (i.e. inversion in the yield curve), which has caused volatility in global markets, as an inverted yield curve has been associated in the past with a looming US recession. In the weeks since, the 10 year bond yield has closed higher than the 2 year bond yield, however other parts of the yield curve have remained inverted. We note that on 13 September 2019, the 10 year US Treasury Bond was paying 0.11% more than the two year bond yield, while the three months US Treasury Bond was paying 0.06% more than the 10 year US Treasury Bond. The inverted yield curve indicates that investors are so concerned about the short-term that they are prepared to accept a lower return to buy safer long-term investments. When the economy fundamentals are sound, bond holders typically require a higher yield on long term bonds. The inversion in the yield curve is considered an alarming signal by investors given that the yield curve inverted before every US recession since

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1955 although sometimes the time-lag between the inversion and the actual recession was longer than others.

- Brexit – In the UK, GDP growth contracted to only 0.2% in the second quarter of 2019 and there still remains substantial uncertainty in relation to outcome of Brexit. If the UK leaves the European Union in October without a deal on an orderly exit, the country is expected to potentially fall into recession.

A global recession may adversely affect the business of Pacific Energy in terms of availability of finance for Pacific Energy and clients of Pacific Energy. In addition, the volatile market conditions may adversely impact the demand for certain commodities impacting the Australian resource sector. As such, the proposed Scheme will remove this risk for current shareholders of Pacific Energy.

No brokerage costs

Pacific Energy shareholders will be able to realise their investment in Pacific Energy without incurring any brokerage or stamp duty costs.

Disadvantages

Shareholders will not be able to participate in the future upside of Pacific Energy

If the Scheme is implemented, Pacific Energy shareholders receiving the Consideration will forgo the opportunity to participate in the future upside potential of the Company and any uplift in current market conditions, which may arise from the following:

- Pacific Energy has 72 MW of formal tenders currently outstanding for projects commencing up until June 2020. If successful in securing the tenders and the projects receive funding, these contracts could produce incremental revenue increases of up to \$18 million per annum. In addition, Pacific Energy has 343 MW of potential work priced or at expression of interest stage, and a range of other projects in early stage discussions or EPC opportunities. Over the last 4 years, Pacific Energy estimates they have been successful in approximately 64%¹⁴ of tenders available in the market, representing approximately 52% of total tendered capacity. If Pacific Energy is able to be successful in a greater share of tenders than has historically been the case, the value accretion for Pacific Energy Shareholders may be greater than what is considered in our overall value range
- Pacific Energy has established a presence in Africa and currently has a letter of intent in relation to a 31 MW facility for a gold project in Senegal. In addition to this, Pacific Energy has formal tenders outstanding in Africa, predominantly with experienced ASX or TSX¹⁵ listed companies.
- The Company has a generator fleet which has the ability to be effectively redeployed at contract expiry or mine closure as the existing fleet is modular and easily transported. Whilst some redeployment has been factored into our valuations, there is potential for further upside based on new project growth.
- Pacific Energy has additional power station infrastructure at six sites currently on care and maintenance. This fleet is currently of varying levels of condition and there are opportunities for

¹⁴ Source: Management

¹⁵ Toronto Stock Exchange

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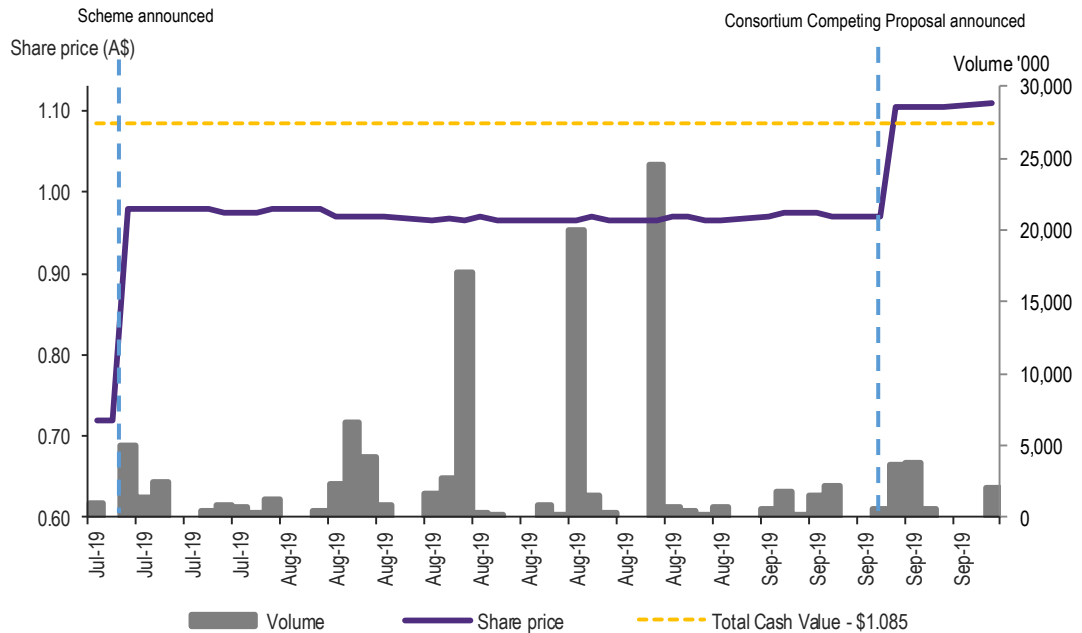
these sites to recommence operations or to redeploy the capacity elsewhere, subject to further capital expenditure to make the facilities operative.

Other factors

Share price after the announcement

As set out below, following the announcement of the Initial QIC Offer, the Consortium Competing Proposal and the Revised QIC Offer, Pacific Energy has traded substantially in line with the total cash offered. This seems to indicate good support from investors for the Total Cash Value¹⁶ and perceived low risk of the Scheme not being implemented. The current share price is trading at \$1.115, which is above the Total Cash Value of \$1.085, indicating that some investors are optimistic about the possibility of a further competing proposal and potential franking credit benefits.

Trading price between 23 July 2019 and 17 September 2019



Sources: S&P Global, GTCF analysis.

Value of Pacific Energy for QIC

If the Scheme is implemented, Pacific Energy will apply to be delisted from the ASX and, assuming delisting occurs, QIC will realise cost savings on listing fees, ASX compliance costs and Directors' fees. These cost savings are implicitly embedded into our valuation of Pacific Energy on a control basis. We do not consider that QIC will receive any special value as a result of the Proposed Scheme.

¹⁶ The structure of the Total Cash Value with a Special Dividend of up to \$0.065 per share is attractive to those Australian shareholders on a lower tax rate who can claim an income tax offset, and accordingly realise greater value compared with the Total Cash Value.

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Prospects of a superior offer

Subsequent to the Initial QIC Offer, a Competing Proposal was received from OPTrust/ICG Consortium at an 11.3% premium to the Initial Total Cash Value. This offer was then matched by QIC on 13 September 2019, with a Total Cash Value of \$1.085 per Pacific Energy Share. The current share price for Pacific Energy of \$1.115¹⁷ is above the Total Cash Value of the Scheme, which suggests the market may be anticipating the possibility of further competing offers and potential franking credit benefits.

Whilst Pacific Energy has agreed not to solicit any competing proposals or, subject to a fiduciary exception, to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by OPTrust/ICG Consortium or other potentially interested parties.

Implications if the Scheme is not implemented

If the Scheme is not implemented, it would be the current Directors' intention to continue operating Pacific Energy in line with its stated strategy and objectives. However, in the absence of the Scheme or an alternative transaction, all other things being equal, it is likely that Pacific Energy shares will trade at prices below the Total Cash Value, at least in the short-term. In our opinion, the prospect of Pacific Energy shares trading above the Total Cash Value in the short term, based on the current market conditions, is limited.

Break fee - QIC

In the event that a competing proposal is announced and completed or any Director withdraws their recommendation of the Scheme, Pacific Energy will pay, subject to certain exceptions, to QIC a break fee of \$4.7 million plus GST. The break fee may also become payable under other circumstances as set out in the SID.

Break fee – OPTrust/ICG Consortium

A condition of the deed that Pacific Energy entered into with OPTrust/ICG Consortium was that subject to certain qualifications, the OPTrust/ICG Consortium would become entitled to a break fee of \$2.5 million from Pacific Energy, if the OPTrust/ICG Consortium SID was not entered into by 17 September 2019. Upon QIC matching the Consortium Competing Proposal, an application is being considered by the Takeovers Panel in relation to the Consortium Break Fee. If this break fee is paid, it will increase the net debt adjustment of the Company by \$2.5 million.

Tax implications

Implementation of the Scheme may crystallise a capital gains tax liability for Pacific Energy shareholders, however the taxation consequences for Pacific Energy shareholders will vary according to their individual circumstances and will be impacted by various factors. Pacific Energy shareholders should read the overview of tax implications of the Scheme set out in Section 10 of the Scheme Booklet and also seek independent financial and tax advice.

¹⁷ ASX website as at 17 September 2019

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Directors' recommendations and intentions

As set out in the Scheme Booklet, as at the date of this Report, the Directors of Pacific Energy have recommended that Pacific Energy shareholders vote in favour of the Scheme subject to the independent expert concluding that the Scheme is in the best interests of Pacific Energy shareholders. The Directors also intend to vote the shares they hold or control in favour of the Scheme.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Scheme is **REASONABLE** to Pacific Energy shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Scheme is **FAIR AND REASONABLE** and hence in the **BEST INTERESTS** of the Pacific Energy shareholders in the absence of a superior alternative proposal emerging. Grant Thornton Corporate Finance has also concluded that the Scheme is fair and reasonable and hence in the best interests of the Pacific Energy option holders in the absence of a superior alternative proposal emerging.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Scheme is a matter for each Pacific Energy shareholder to decide based on their own views of value of Pacific Energy and expectations about future market conditions, Pacific Energy' performance, risk profile and investment strategy. If Pacific Energy shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



JANNAYA JAMES
Director



ANDREA DE CIAN
Director

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Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Pacific Energy to provide general financial product advice in the form of an independent expert's report in relation to the Scheme. This report is included in Pacific Energy' Scheme Booklet.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Pacific Energy a fee of c. A\$123,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of Pacific Energy in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set

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out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Pacific Energy (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Scheme.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Scheme, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Scheme. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

We note that in March 2018, Grant Thornton Corporate Finance prepared an independent valuation assessment of certain assets of CPG for Pacific Energy for the purposes of financial reporting and taxation. Grant Thornton Corporate Finance only provided independent valuation services and it did not participate in any strategic decisions, discussions or negotiations.

We note that Grant Thornton Corporate Finance has been engaged by QIC since April 2013 to prepare independent valuations of certain of QIC’s investments for financial reporting purposes. Grant Thornton Corporate Finance only provided independent valuation services and it did not participate in any strategic decisions, discussions or negotiations.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 “Independence of expert” issued by the ASIC.”

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Scheme

1.1 Key terms of the Scheme

We have set out below some key terms of the SID:

- *Special Dividend* – Pacific Energy has the discretion to pay a fully franked special dividend on the implementation date of the Scheme (the “Special Dividend”). The Scheme Consideration of \$1.07 per share will be reduced by the amount of any Special Dividend so that the Scheme Consideration to be received by Pacific Energy’s Shareholders will equal \$1.07 per share. As at the date of this report, Pacific Energy estimates the Special Dividend to be \$0.065 per Pacific Energy share.
- *Options* – As at the date of this report, the Company has 11,000,000 options. These Options will be settled by Pacific Energy for cash at a price equal to the difference between the Scheme Consideration of \$1.07¹⁸ per share less their exercise price.
- *Conditions precedent* – the SID includes the following conditions precedent:
 - Approval of the Scheme by Pacific Energy shareholders.
 - Approval of the Scheme by the Court in accordance with Section 411 of the Corporations Act.
 - ASIC and ASX approval.
 - Pacific Energy obtaining the consent in respect to the specified contract¹⁹.
 - No material adverse changes to the Pacific Energy group, including an event, a matter or circumstance that occurs after the date of SID, or occurs before but is announced or becomes known after the date of the SID, which:
 - has the effect of a reduction in the net assets of the Pacific Energy group by 15% or more; or
 - has the effect of a reduction in the annual underlying EBITDA of the Pacific Energy group of 15% or more (but excluding any one-off or non-recurring event);
 - has the result that the Pacific Energy group’s operations cannot be carried on in substantially the same manner as carried on at the date of SID; or
 - Other conditions precedent customary for a transaction of this type including representations, warranties and prescribed occurrences.
- *Break Fee* – a break fee of A\$4,700,000 (plus GST) may, subject to certain exemptions, become payable by Pacific Energy to QIC if among other things:

¹⁸ If the Contingent Consideration is paid, these options will be settled based on a cash value of \$1.075.

¹⁹ Any contract Pacific Energy and QIC agree in writing is a specified contract.

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- Any Pacific Energy Director fails to recommend or, withdraws, adversely modifies or qualifies their recommendation to vote in favour of the Scheme, except in limited circumstances set out in the SID.
- A competing proposal is announced and completed within 6 months after the date of the SID.
- QIC terminates the SID due to a material breach by Pacific Energy of the terms or conditions of the SID within 9 months from the date of the competing proposal announcement.
- *Contingent Consideration* – If the Consortium Break Fee is not paid, or paid and refunded, prior to the Implementation Date, Pacific Energy Shareholders will be entitled to additional consideration of \$0.005 per Pacific Energy Share
- *Others* – other terms common for a transaction of this nature, including customary exclusivity arrangements such as “no shop”, “no talk”, and “no due diligence” and a right for QIC to be notified of and to match any competing proposals.

2 Purpose and scope of the report

2.1 Purpose

Section 411 of the Corporations Act

Section 411 of the Corporations Act 2001 regulates schemes of arrangement between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 prescribes information to be sent to shareholders and creditors in relation to members' and creditors' schemes of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 (s640) of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. Even where there is no requirement for an independent expert's report, documentation for a scheme of arrangement typically includes an independent expert's report.

While there is no legal requirement for an independent expert's report to be prepared in respect of the Scheme, the Directors of Pacific Energy have requested that Grant Thornton Corporate Finance prepare an independent expert's report to express an opinion as to whether the Scheme is in the best interests of Pacific Energy's shareholders and option holders.

2.2 Basis of assessment

In determining whether the Scheme is in the best interests of the Company's members, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, including RG 111, Regulatory Guide 60 Scheme of arrangement ("RG60") and RG 112. The IER will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term "in the best interests of members".

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG111 requires an independent expert report prepared for a change of control transaction implemented by way of scheme of arrangement to undertake an analysis substantially the same as for a takeover bid. However, the opinion of the expert should be whether or not the proposed scheme is "in the best interests of the members of the company". If an expert were to conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also conclude that the proposed scheme is "in the best interests of the members of the company".

Pursuant to RG111, an offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

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RG111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

In our opinion, the most appropriate way to evaluate the fairness of the Scheme is to compare the fair market value of Pacific Energy on a control basis with the Scheme Consideration.

In considering whether the Scheme is in the best interests of Pacific Energy’s shareholders and option holders, we have considered a number of factors, including:

- Whether the Scheme is fair.
- The implications to Pacific Energy shareholders if the Scheme is not approved.
- Other likely advantages and disadvantages associated with the Scheme.
- Other costs and risks associated with the Scheme that could potentially affect Pacific Energy shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Scheme with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Scheme other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Scheme.

We note that in March 2018, Grant Thornton Corporate Finance prepared an independent valuation assessment of certain assets of CPG for Pacific Energy for the purposes of financial reporting and taxation. Grant Thornton Corporate Finance only provided independent valuation services and it did not participate in any strategic decisions, discussions or negotiations.

We note that Grant Thornton Corporate Finance has been engaged by QIC since April 2013 to prepare independent valuations of certain of QIC’s investments for financial reporting purposes. Grant Thornton Corporate Finance only provided independent valuation services and it did not participate in any strategic decisions, discussions or negotiations.

In our opinion, Grant Thornton Corporate Finance is independent of Pacific Energy and its Directors, QIC and all other relevant parties of the Scheme.

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2.4 Consent and other matters

Our report is to be read in conjunction with the Scheme Booklet dated on or around 30 September 2019 in which this report is included, and is prepared for the exclusive purpose of assisting Pacific Energy shareholders in their consideration of the Scheme Booklet. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Scheme Booklet.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Scheme to Pacific Energy shareholders as a whole. We have not considered the potential impact of the Scheme on individual Pacific Energy shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Scheme on individual shareholders.

The decision of whether or not to approve the Scheme is a matter for each Pacific Energy shareholder based on their views on the value of Pacific Energy and expectations about future market conditions, together with Pacific Energy's performance, risk profile and investment strategy. If Pacific Energy shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

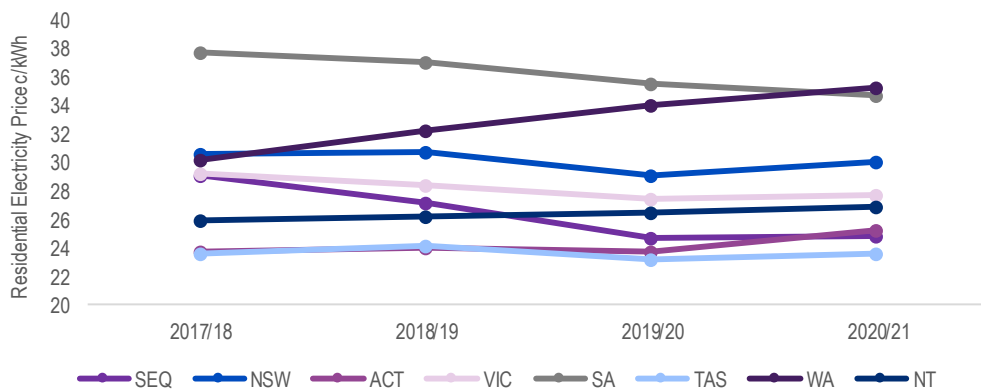
3 Industry overview

3.1 Australian Electricity Industry

There are three major electricity supply networks installed in Australia: the National Electricity Market (“NEM”), the South Western Interconnected System (“SWIS”) and the North West Interconnect System (“NWIS”) in Western Australia. Approximately 98%²⁰ of the population have access to a major electricity grid, which is supplied through a range of transmission and distribution power lines to consumer’s premises.

Generated electricity is sold on a wholesale spot market, regulated by the Australian Electricity Market Operator (“AEMO”), where retailers bid for energy to then on-sell to consumers. Both the wholesale and retail markets are competitive, with additional measures being enforced by the Australian Energy Market Commission (“AEMC”) to ensure a fair outcome for energy consumers. In order to sell energy on the wholesale market, electricity generators require a licence from AEMO, to ensure the integrity and security of the networks. A majority of Australian consumers and businesses purchase their energy from retailers, with certain large electricity consumers having the option to purchase directly from the wholesale market.

Electricity prices have increased significantly over the past decade, in large part due to network upgrades resulting from the introduction of smart meters and government bushfire safety obligations²¹. In certain jurisdictions, electricity prices have also been influenced by the changing energy mix towards renewables and the closure of coal fired base load generators such as the Hazelwood Power Station²² in Victoria. AEMC projections show energy prices either plateauing or reducing slightly in most states²³ as the level of competition in the wholesale and retail market increases subsequent to the Australian Competition and Consumer Commission (“ACCC”) inquiry into retail electricity pricing in 2018²⁴. A further cause of downwards pressures on electricity pricing will be the increased volume of renewable energy in the network. This trend is illustrated below, showing the price consumers will pay per kWh:



Source: AEMC Residential electricity price trends 2018

²⁰Arena.gov.au

²¹AER State of the Energy Market Report 2018

²²Hazelwood Power Station was a 1600MW brown coal fired facility which was decommissioned in March 2017

²³AEMC Residential electricity price trends 2018

²⁴ACCC media release – 22 February 2019

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In Western Australia, it is expected that wholesale market costs will increase by 4.6%²⁵ per annum on average from FY18 to FY21, driven by increasing gas and coal prices, as well as the penetration of rooftop solar.

The electricity grid is comprised of high transmission power lines where there is extensive coverage of Eastern and coastal regions, however there is a distinct absence of transmission lines in Western, Central and Northern regions. A map detailing all high voltage transmission lines is illustrated below. Despite transmission lines covering densely populated areas, those areas without access to a major grid account for 6% of Australia's total electricity consumption²⁶, a majority of whom are mining sites²⁷ or large regional communities. These sites require an alternative energy supply solution from an off-grid generator, which enables those in areas outside the grid to have the same access to energy.



Source: Geoscience Australia – February 2017

3.2 Australian Remote Energy Industry

3.2.1 Introduction

The remote energy industry provides electricity to sites that are not connected to high voltage transmission power lines, with a heavy concentration of revenue being derived from resource mining companies and remote communities. The performance of the remote energy sector is therefore heavily reliant on the performance of and the rate in which new mines are opened in rural and remote Australia. A map of all current mines in Australia is illustrated below, highlighting

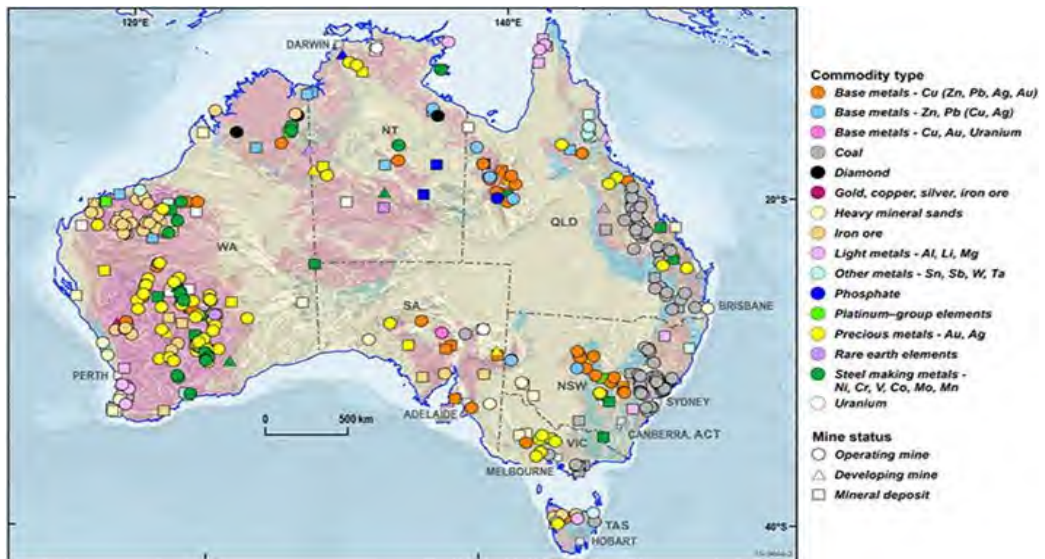
²⁵ AEMC Residential electricity price trends 2018

²⁶ <https://arena.gov.au/renewable-energy/off-grid/>

²⁷ <https://arena.gov.au/assets/2017/02/CSIRO-Electricity-market-analysis-for-IGEG.pdf>

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the remote and inaccessible location of a majority of sites, particularly in West and Northern Australia.



Source: Geoscience Australia - 2016

The mining industry is one of Australia's largest users of energy, comprising approximately 11%²⁸ of Australia's energy consumption and approximately 25% of Western Australia's energy consumption. Energy consumption in the mining sector has grown by 8%²⁹ per annum on average over the last 10 years. The increase in recent years has been driven by the commodity price recovery and increases in production at numerous mine sites.

As at October 2018, there were approximately 40 committed mining investment projects with a total value of approximately \$30 billion³⁰, including new mines, processing facilities and connected infrastructure. This decline is primarily driven by the completion of large LNG projects, however projects at earlier stages have increased slightly. Accordingly to the Department of Industry, Innovation and Science³¹, investment in precious metals, base metals and other commodities is expected to increase in the next couple of years as publicly announced and feasible projects move into the committed phase. The following table presents a summary of the current pipeline of investment:

²⁸ As of 2017; Department of the Environment and Energy, Australian Energy Update 2018

²⁹ Department of the Environment and Energy, Australian Energy Update 2018

³⁰ Department of Industry, Innovation and Science, Resources and Energy Quarterly, December 2018

³¹ ibid

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| Current Investment Pipeline | Publicly Announced | | Feasibility | | Committed | | Completed | |
|-----------------------------|--------------------|-------------------------|--------------|---------------------------|--------------|---------------|--------------|----------------|
| | No. projects | Value A\$m | No. projects | Value A\$m | No. projects | Value A\$m | No. projects | Value A\$m |
| Aluminium, Bauxite, Alumina | na | na | na | na | 1 | 1,900 | 1 | 73 |
| Coal | 12 | 8,500 - 14,489+ | 48 | 59,999 - 70,224+ | 2 | 2,256 | 1 | 100 |
| Copper | 1 | 250 - 499 | 6 | 814 - 1,561+ | 3 | 1,839 | na | na |
| Gold | 1 | 0 - 249 | 12 | 3,174 | 7 | 1,721 | 4 | 496 |
| Infrastructure | 11 | 6,250 - 11,489 | 5 | 2,450 - 2,948 | 2 | 310 | 1 | 180 |
| Iron Ore | 9 | 8,500 - 16,491+ | 13 | 18,574 - 25,117+ | 5 | 7,543 | 1 | 120 |
| Lead, Zinc, Silver | 1 | 0 - 249 | 2 | 316 | na | na | 1 | 563 |
| LNG, Gas, Petroleum | 10 | 22,250 - 38,493+ | 15 | 32,109 - 59,705+ | 11 | 12,078 | 6 | 103,789 |
| Nickel | 6 | 3,500 - 7,494 | 8 | 1,487 | na | na | na | na |
| Uranium | 1 | 2,000 - 4243+ | 4 | 1,915+ | na | na | 1 | 378 |
| Other Commodities | 7 | 500 - 999 | 54 | 16,885 - 20,125+ | 9 | 2,616 | 2 | 270 |
| Total | 59 | 51,750 - 94,695+ | 167 | 137,723 - 186,572+ | 40 | 30,263 | 18 | 105,969 |

Source: Resources and Energy Quarterly – December 2018

To supply power to remote areas and mine sites, generators are transported and installed at the required location to operate as a personal power station for the customer. These remote power stations are powered by diesel or gas, and can potentially be supplemented with renewables such as solar, with some contracts being amended to install a hybrid energy generation system comprising of multiple technologies. The introduction of a hybrid generation system usually results in cost savings over the long term, however the installation requires a significant capital outlay. For mines with shorter lives a single fuel source is typically used, as hybrid power technology is not economically viable over the short-term³². Generators usually supply between 3MW and 30MW, however larger power stations are occasionally required for significant projects with supply exceeding 50MW.

Mines and townships require an energy supply over an extended period, and hence remote energy generation contracts are typically long term. Once a supplier has installed the required generators, the significant interruption costs involved with removal and reinstallation of a competitors generator results in contracts often being extended indefinitely until a town installs a self-sufficient power source or a mines life ends. The primary reason a contract would be terminated prior to the end of a mine's life is if the supplier fails to deliver a continuous supply of electricity to meet the site's demands. The nature of the industry in which remote generators are installed requires a constant supply of energy, with significant costs occurring for power blackouts. The successful operation and completion of a contract therefore relies upon the operational efficiency of the installed generators.

Contracts are usually in the form of a BOO or EPC agreements, with the difference being that in a BOO contract, the power station continues to be owned, operated and maintained by the remote energy company for the life of the contract. Under an EPC contract, ownership is transferred upon construction being completed. BOO contracts can also include a purchase agreement clause, which can result in the transfer of the power station if both parties are in agreement.

Revenue on these long-term contracts often involve a fixed fee relating to maintenance and supply charges, and a variable fee based on energy consumption, providing a stable source of revenue over the life of the contracts. Fuel is typically supplied by the counterparty, removing any risk to the electricity generators associated with fluctuations in the fuel price. Remote industries

³² As at 2017; <https://arena.gov.au/assets/2018/06/hybrid-power-generation-australian-off-grid-mines.pdf>

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in Australia currently rely on 1.2 GW of power from diesel fuel that is prone to price volatility and supply interruptions. The highly fixed nature of both the revenues and expenses for projects post-completion results in projects with relatively low financial risk to the generators.

3.2.2 Risks

The primary risk for remote energy providers is the reliance on the success of the mining industry to generate new contract opportunities. A downturn in commodity prices over the short term may result in mines reducing their production and entering a care and maintenance phase, potentially triggering clauses to reduce their energy requirement and contractual monthly supply fee. A prolonged fall in commodity prices will also deter new investment in the exploration for new mining opportunities, reducing the number of new tenders available. A repeat of the 2013 fall in gold price that resulted in numerous mines reducing production and entering care and maintenance would limit the future potential earnings of remote energy suppliers. This creates a risk for businesses operating in the industry, that if commodity prices fall significantly or new trade restrictions impact the profitability of a mine, customers with assumed long term revenues can be lost. In addition the availability of funding for mine production can influence the new opportunities that may be available.

A further risk affecting future profitability is the installation of high pressure gas pipelines directly to the township or mine site, which will help the counterparty save on fuel costs. This creates the possibility that an existing contract will not be renewed and an alternative gas solution involving a different supplier will be pursued. Despite this potential risk of obsolescence, many generators can be adapted or replaced to accommodate a gas source, with a relatively low level of additional capital expenditure required. Installation of a gas pipeline only becomes viable for sites with a significant power requirement over an extended mine life over which there would be an expected recovery from cost savings, and is not suitable alternative for smaller sites.

A majority of remote power is supplied through diesel-fuelled power generators, however in an attempt to lower costs, businesses are beginning to investigate the viability of renewables. If more mines insist on the installation of renewable or hybrid generators, whilst there is the risk of a reduction in existing gas or diesel earnings, it is unlikely the equipment would be fully replaced by renewable generation. There have been examples where existing diesel generators have been installed in conjunction with a renewable energy source to provide a reliable and lower cost supply of electricity, however the renewable source is only supplementary to the existing diesel or gas facility. In 2014, the Australian Renewable Energy Agency (“ARENA”) provided \$20.9 million³³ in funding for the 10.6 MW solar PV power plant with storage at Sandfire’s Degruusa copper mine, which integrates into Pacific Energy’s diesel facility. It is unlikely in the short to medium term that existing equipment would be replaced by 100% renewable generation based on current technology available and the costs associated.

3.2.3 Competitive Landscape

There are six participants in the Australian remote energy industry, with the top three players, Pacific Energy, Zenith and Energy Developments operating approximately 90% of remote sites in Western Australia, the key market segment. Two recent events have impacted the level of competition businesses face upon applying for contracts, being the listing of Zenith and the

³³ <https://arena.gov.au/projects/degrussa-solar-project/>

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acquisition of CPG by Pacific Energy. Since listing in 2017, Zenith has been rapidly growing market share, successfully bidding and securing a larger percentage of new tenders to increase the level of competition in the industry. The Pacific Energy acquisition of CPG in 2018 resulted in two of the major players in the remote energy industry coming together, however Pacific Energy have continued to operate their two remote energy subsidiaries, KPS and CPG as stand-alone businesses. The two subsidiaries compete on tenders and have slightly different service offerings, resulting in a minimal impact on competition in the industry. Overall the level of competition has increased in recent years, primarily through the listing and resulting additional funding Zenith has received.

The outlook for remote power generation is also significantly impacted by the outlook of the Australia mining industry.

3.3 Australian Resources and Energy Industry

The Australian resources and energy sector contributed approximately 9% of Australia's total GDP and 13% of GDP growth in the year to March 2019, with many commodity prices at 7 year highs³⁴. A majority of Australia's resources are exported to Asia, and hence their success is in part determined by Asian economic growth and the Australian Dollar exchange rate.

Recent growth was primarily driven by a persistently weak Australia Dollar boosting export earnings and an increase in price for two of Australia's most abundant resources, coal and gold. As the second largest producer of gold, Australia has received some benefit from the global economic slowdown, with the price of gold continuing to rise as further economic uncertainties develop. The price of gold is expected to increase in the coming years, providing incentives for the further exploration of existing mine sites and the search for new mineral deposits. As the level of industrialisation in Asian countries begins to ease, so too may the demand and hence price for coal and iron ore exports, contributing to a slowdown of growth in the resources and energy industry.

Additional consideration must be given to the ongoing trade tensions between China and the USA, with the full trade implications relatively unknown. This has the potential to cause the delay in future investment until an agreement has been reached.

3.4 African Remote Energy Industry

The greater African energy system is undeveloped, with over 620 million people without access to electricity³⁵, providing an opportunity for reliable remote power solutions. Africa has an abundance of natural resources, with over 180 ASX listed companies operating mining sites, specialising in the production of diamonds and gold. Despite the various opportunities, the operation of a remote power station in Africa presents different challenges, in particular relating to a more volatile political environment and a heightened security risk. A common fuel used to power remote generators is heavy fuel oil, which needs to be preheated before it can be used to power the generator engines, requiring additional capex during the installation phase.

Since 2000, mining companies have invested over \$15 billion to install their own electricity supply³⁶, largely due to their requirement for a reliable power source that the African grid is

³⁴ Resources and Energy Quarterly – June 2019

³⁵ Ispy Publishing – African Energy Industry Report: 2018

³⁶ World Bank – Power of the Mine

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unable to supply. This is usually a more expensive process, however it appears that mining companies are willing to invest in establishing a continuous power supply. Demand for electricity by the Sub-Sahara African mining industry is expected to reach 23,000MW by 2020³⁷, an increase of approximately 50% since 2012 highlighting the level of growth in the region. If remote power suppliers can leverage their experience and economies of scale cost savings, they may be able to negotiate contracts with the influx of newly commissioned mines that are forecast.

There is further demand for remote power stations in rural communities. The major player in the industry is the UK listed firm Aggreko, who are also developing remote power solutions for both mines and rural communities in the South of Africa. As of 2015, two out of three Africans did not have access to electricity, with a predicted 650 million people being without an electricity supply in 2030³⁸. As a result there is government support for the installation of remote power stations, as demonstrated in Aggreko's Mozambique project, where extra power was purchased by a variety of government utility companies. This presents the further opportunity for remote power suppliers to partner with government agencies in the supply of electricity for rural areas.

3.5 Australian Renewable Energy Industry

The renewable energy market involves all generation of electricity in Australia through renewable sources. Renewable energy is produced using natural resources which can be utilised indefinitely to produce energy such as solar, wind and hydro power. Australia is currently experiencing high levels of growth in renewable energy, with a 100% increase in investment in large scale renewable projects from \$10 billion to \$20 billion in 2018³⁹.

The Australian energy market has seen a shift towards renewable energy sources with the establishment of the Mandatory Renewable Energy Target ("MRET") in 2001 which required the generation of 9,500 GWh of new renewable electricity every year by 2010. This has been periodically reviewed and updated to provide suitable incentives for renewable electricity generation. To provide assistance in the achievement of this target, the Australian Government established the Clean Energy Finance Corp ("CEFC") and ARENA to invest in renewable projects on behalf of the government up to 2022. Investments supported by these initiatives have contributed to the growth experienced in this industry over the past 15 years. Despite requirements under the Renewable Energy Target ("RET") existing until 2030, there is some uncertainty regarding future government investment in renewable energy, with ARENA's funding ceasing in 2022. The investment in renewables is not entirely dependent on Government support, however a long term energy policy provides investors' with a heightened level of confidence contributing to future levels of investment and generation growth.

³⁷ World Bank – Power of the Mine

³⁸ World Bank – Power of the Mine

³⁹ Clean Energy Australia Report - 2019

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4 Profile of Pacific Energy Limited

4.1 Introduction

Pacific Energy is a Perth based, ASX-listed energy supply business specialising in the generation and provision of power to remote sites in Australia and Africa. As at 17 September 2019 Pacific Energy had a market capitalisation of A\$480.09⁴⁰.

Pacific Energy was originally listed as Arboyne NL in 1987, whose primary operation was nickel exploration. In 1998, the Company changed its name to Pacific Energy Limited with the purchase of two hydro-electric power plants in Victoria. In 2009, Pacific Energy commenced offering remote power solutions with the acquisition of KPS from Ken Hall. The Pacific Energy portfolio was increased again in 2018 with the acquisition of CPG.

Currently Pacific Energy owns and operates approximately 40 power stations with a total contracted generating capacity of over 360MW, with additional generation fleet at varying levels of condition currently not installed. Of Pacific Energy's contracted MW capacity, 96% is supplied by remote power stations installed for mining sites and rural communities through Pacific Energy's two core subsidiaries, KPS and CPG. Power stations are constructed by Pacific Energy at the remote sites and contracted by the mine owner (or in some cases Horizon Power) to provide electricity to the site over a contracted period. These stations are predominately powered by diesel and natural gas, which make up 66% and 32% of Pacific Energy's MW fuel respectively. The contracts provide Pacific Energy with a minimum monthly fee, with an added variable charge determined by the kWh supplied to the site. A significant 'take or pay' volume is usually set, where the counterparty will be charged for a minimum volume usage, regardless of whether this volume was required. This ensures that the initial capital outlay is repaid within the contract life, with Pacific Energy achieving a project return they deem acceptable.

In 2016, KPS operations were expanded with the addition of KPS Africa. A strategic alliance was formed with Juwi Renewable Energy to focus on off-grid power services to remote mines in Africa. As at the date of this report, KPS Africa had not secured any contracted supply arrangements, however, they had received a letter of intent for a 10 year contract for 24 MW thermal and 7MW of solar for a gold project in Senegal, with further tenders currently open.

In addition to the off-grid sites, Pacific Energy owns two grid connected hydro power facilities in Victoria, with a total generation capacity of 6MW with long term Power Purchase Agreements with Energy Australia and Meridian Energy. Acquired in 2017, Pacific Energy also owns the high efficiency, low emissions NovaPower 10MW gas-fired power plant in Victoria. This facility is exposed to merchant energy pricing, however the facility only operates when the wholesale power price exceeds certain benchmarks. Both hydro facilities and NovaPower are permitted power suppliers to the NEM.

Pacific Energy offers the following services through KPS, KPS Africa and CPG:

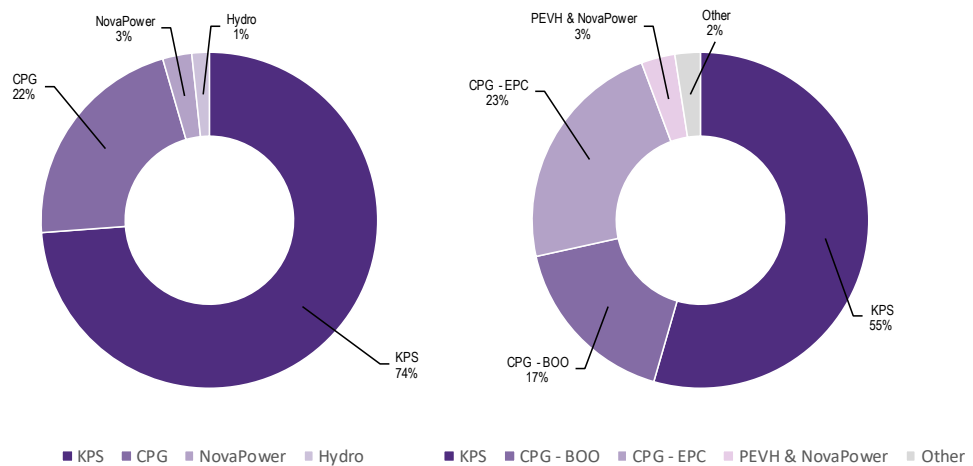
- *Build, Own and Operate (BOO)* – Pacific Energy designs and constructs the required power generation facility at the remote site and ensures it is maintained to meet minimum power requirements. At the end of the contract the facility is disassembled and Pacific Energy

⁴⁰ Based on the closing share price of A\$1.115 as at 17 September 2019 and 430,578,102 shares outstanding.

retains all equipment, which can usually be re-deployed to other mine sites. The majority of Pacific Energy off-grid sites have been developed on this basis.

- *Build, Own, Operate and Transfer (BOOT)* – BOOT projects are almost identical to BOO contracts, with an option for the power generation facility to be sold by Pacific Energy to the off-taker at any time before the end of the contract, for a purchase price that is accepted by both parties.
- *Engineering, Procurement and Construction (EPC)* – In circumstances where a customer does not want a BOO or BOOT contract and instead wishes to own the power generation facility, a turnkey EPC service is available from Pacific Energy. This service is only offered by CPG and only where the opportunity is sufficiently attractive to Pacific Energy.

The current breakdown of Pacific Energy’s contracted MWs by subsidiary is set out below:



Contracted MW's as at 31 May 2019 FY19 Operating Revenue by Business Division

Currently all remote power stations are operating in Australia, with KPS Africa in the process of securing initial contracts. A majority of these stations are located in remote parts of Australia, with the three sites in South-Eastern Victoria providing power to the NEM.

Over 55% of Pacific Energy’s EBITDA is generated by KPS, however in 1H19 CPG was responsible for 61% of Pacific Energy’s EBITDA growth. This is due to both the increased capacity from CPG and EPC contract earnings. Despite this, more than half of CPG’s FY19 revenue was from EPC contracts, which are irregular and not expected to continue on a consistent basis in future periods.

4.2 Business Divisions

Pacific Energy’s core business activity is the operation of remote power stations by its subsidiaries KPS and CPG, with Pacific Energy Hydro and NovaPower producing a small level of renewable and peak low-emission energy respectively to the NEM. All subsidiaries operate as individual entities, and due to the slight difference in service offering, KPS and CPG will often both submit tenders for the same contract. Pacific Energy’s five subsidiaries are outlined below with their individual service offerings.

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4.2.1 Kalgoorlie Power Systems (KPS)

KPS was established in 1981, before being acquired by Pacific Energy in 2009 with a contracted capacity of 100MW at acquisition. This has since increased to over 270MW through a combination of organic growth from existing sites and success in securing new contracts. KPS designs, builds and installs power stations for remote mining sites who do not have access to Australia's main power grids, the NEM and SWIS. Stations are powered by diesel, gas or a combination of the two. Fuel is supplied by the counterparty, removing any risk associated with fuel price movements, however KPS includes a fuel guarantee in a majority of their contracts, which limits the fuel consumption cost per kWh for customers. If KPS exceed this limit, they pay the excess, however if fuel consumption is below the guaranteed range, the savings are shared between both parties. Dependent on location, sufficiently long mine lives enable gas pipelines to be installed in certain projects at the customer's request. Despite the considerable cost of installation, using gas as generator fuel is considerably cheaper over the long term. In FY19, KPS accounted for 74% of Pacific Energy's contracted MW's and 73.3% of Pacific Energy's EBITDA.

A summary of KPS's key ongoing contracts are outlined below:

| KPS Key Contract Summary | | | Contracted Capacity | Contract | |
|------------------------------------------|------------------|-------------|---------------------|----------|-----------|
| Company | Operation | Commodity | MW | Expiry | Mine Life |
| AngloGold | Tropicana | Gold | 48.1 | May-28 | May-28 |
| Sandfire Resources | Degrussa | Copper/Gold | 26.6 | Dec-20 | Mar-22 |
| St Barbara | Gwalia Deeps | Gold | 26.0 | Jul-24 | Jun-31 |
| Regis Resources | Garden Well | Gold | 22.2 | Jan-23 | Sep-25 |
| Saracen Gold Mines | Carosue Dam | Gold | 18.0 | Jan-23 | Jan-28 |
| Saracen Gold Mines | Thunderbox | Gold | 17.3 | Nov-20 | Jan-25 |
| Iluka | Jacinth Ambrosia | Zircon | 12.0 | May-21 | Oct-22 |
| Altura Mining | Pilgangoora | Lithium | 11.0 | May-23 | Dec-30 |
| Round Oak | Jaguar | Copper/Zinc | 12.9 | Aug-23 | Aug-23 |
| Millenium Minerals | Nullagine | Gold | 10.0 | Feb-23 | Feb-23 |
| Other miscellaneous contracts under 10MW | | | 76.6 | | |
| Total | | | 280.7 | | |

Source: Management

Note: A summary of the usual contractual terms between KPS and the counterparty are outlined in Appendix G.

A large proportion of KPS's key contracts are for gold mining companies, reinforcing the reliance on the mining industry and the rate in which new mines commence production is critical to KPS securing future contracts.

KPS contributed 55% of Pacific Energy's operating revenue and 73.3%⁴¹ of Pacific Energy's EBITDA, with c. 79% of this being from the minimum monthly charges and the remaining 21% variable consumption charges⁴². The 47MW contracted at the Newmont Tanami mine site was lost to a competitor following a re-tender in late FY19, resulting in the equipment being

⁴¹ Audited accounts for FY19

⁴² Pacific Energy Management

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transported back to Perth for possible redeployment in new contracts, or to accommodate for organic growth in existing contracted mines.

4.2.2 Contract Power

Established in 1999, Contract Power was acquired by Pacific Energy in April 2018. Operating as a standalone business, CPG is KPS's closest competitor, offering similar services to KPS, with the additional capability of EPC turnkey solutions. As a result CPG usually competes against KPS to win contracts, however this is considered a benefit for Pacific Energy, as both subsidiaries offer slightly different methodologies and have different customer relationships. The addition of EPC capabilities enables Pacific Energy to offer their services to clients who wish to own their power generation facilities, however CPG will only accept turnkey projects where it has the requisite expertise. CPG recently completed three EPC contracts, however, BOO projects remain the primary target focus of the business. At the time of acquisition, CPG had 58MW of installed power generation under contract, which increased to 78MW as at the date of this report. In FY19, CPG accounted for 24% of Pacific Energy's EBITDA with c. 65% of this being from the fixed component of contracts and the remaining 35% variable⁴³.

A summary of CPG's key ongoing contracts are outlined below:

| CPG Key Contract Summary | | | | Contracted Capacity | Contract Expiry | Mine Life |
|------------------------------------------|------------------|------------------------|-------------|---------------------|-----------------|-----------|
| Company | Operation | Commodity | MW | | | |
| Blackham Resources | Matilda Gold | Gold | 19.0 | Dec-21 | Jun-25 | |
| Pilbara Minerals | Pilgangoora | Lithium | 18.0 | Mar-25 | Jan-53 | |
| Panoramic Resources | Savannah | Nickel, Copper, Cobalt | 14.0 | Mar-27 | Mar-27 | |
| Horizon Power | Horizon Mid-West | Townships | 11.1 | Dec-26 | n/a | |
| Galaxy | Cattlin | Lithium | 5.0 | Jan-23 | Jan-33 | |
| Other miscellaneous contracts under 10MW | | | 10.5 | | | |
| Total | | | 77.6 | | | |

Source: Management

Note: A summary of the usual contractual terms between CPG and the counterparty are outlined in Appendix G.

CPG target a similar client base to KPS, focusing heavily on remote mining sites. A consequence is that CPG and KPS often compete against each other in tenders, offering slightly different solutions to the mine site.

If a mine halts production and enters into care and maintenance, monthly minimum payments under contract are still required to be paid, unless otherwise negotiated. Otherwise, the equipment can be redeployed to new contract mine sites, with the costs of redeployment varying depending on site. Pacific Energy has approximately 64MW of capacity at sites which are currently under care and maintenance, but which requires significant capital expenditure and refurbishment costs before the power generation facilities are operational again.

4.2.3 Kalgoorlie Power Systems – Africa

In 2016, Pacific Energy made the decision to expand their KPS operations into Africa with the establishment of an office in South Africa. Currently, no contracts have been finalised in Africa,

⁴³ Pacific Energy Management

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however a letter of intent has been received for 31 MW in total for a potential gold mine project in Senegal. In addition, KPS Africa has further formal tenders with ASX and TSX listed companies that are awaiting a response. Existing relationships with mining and exploration companies could potentially be leveraged to help with the tendering process, with 190 ASX listed companies operating mines in Africa. To enhance its prospects in the Africa remote energy industry, KPS Africa leveraged from a strategic partnership that KPS Australia has with German renewables company Juwi, to design, install and operate hybrid remote power stations.

4.2.4 Pacific Energy Hydro

Pacific Energy Hydro owns two hydro-electric power stations at the Cardinia and Blue Rock dams in Victoria, with capacities of 3.5MW and 2.5MW respectively. Both facilities are licensed as a Small Generation Aggregator with the Australian Energy Market Operator (“AEMO”), and are therefore able to supply to the NEM. Long-term Power Purchase Agreements (“PPAs”) are in place with Energy Australia expiring in 2023 for the Cardinia plant and with Meridian Energy expiring in 2022 for the Blue Rock plant.

The two hydro facilities are reliant on water sourced from the dams under long term contracted water rights. Cardinia receives water from the Cardinia dam under a water supply agreement with Melbourne Water, under which Pacific Energy pay a 27.5% royalty. The Blue Rock facility sources water from Southern Rural Water under a water supply agreement, whereby a 22% water royalty is payable.

In FY19, Pacific Energy Hydro contributed approximately 1% of revenue and EBITDA⁴⁴.

4.2.5 NovaPower

NovaPower owns and operate a 10MW gas-fired power plant in Traralgon, Victoria. The station only operates in periods where the spot price of electricity in the NEM exceeds the price of the gas required for production plus maintenance costs. Historically this station has experienced limited profitability, however the shift towards more renewable sources of energy is likely to result in end-of-day shortages and hence price spikes, providing more opportunities for the station to come online.

The gas is sourced from the Victorian gas spot market managed through AEMO, however as a non-scheduled operator, the risks of gas price volatility is mitigated by the fact it only operates when the wholesale price is sufficiently high to allow operation of the facility. The start up and shut down of the power station is controlled by a web-based algorithmic decision making system which determines for any ½ hour period whether it is economical for the plant to commence operations.

In FY19, NovaPower contributed approximately 2.4% of revenue and 1.6% of EBITDA⁴⁵.

⁴⁴ Management accounts FY19

⁴⁵ Management accounts FY19

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4.3 Growth

4.3.1 Recent Growth

Since the acquisition of KPS in 2009, Pacific Energy has pursued multiple further acquisitions to diversify their service offering and increase its contracted capacity. Of particular significance was the CPG acquisition summarised in section 4.2.2, which increased Pacific Energy's contracted capacity by 58MW. This has contributed to Pacific Energy's increase in revenue from FY18 to FY19 by providing an additional c. \$1.7m of revenue per month. Revenue growth was further boosted as a result of the newly acquired EPC capabilities, with the completion of EPC projects that significantly contributed to revenue (\$30 million) and EBITDA (\$5.5 million). Despite the large contribution to FY19 revenue, due to the intermittent and non-recurring nature of EPC contracts, it is difficult to predict the timing and nature of future projects, however it is likely that on-going revenue from EPC contracts will be at a lower level.

Throughout the life of a contract, counterparties will often conduct further exploration, surveying and excavation, creating the need for further energy requirements. This organic growth of mine sites contributes to revenue growth as contracts are renegotiated to allow for a larger MW supply, for example the Gwalia mine increase of 6MW announced in October 2018 and the 5MW of increased MW capacity announced over various sites in November 2018.

In addition to the above, revenue growth to a smaller extent has been achieved through the 10MW NovaPower gas-fired plant acquisition in 2017.

4.3.2 Future Growth

Pacific Energy is implementing growth strategies in both its core remote energy generation business and in their supply of energy to the NEM. Growth in the core business often occurs from the organic growth of mines. As mines conduct more exploration and excavation, their size, production and energy requirements increase, providing opportunities for growth in contracted MW and hence revenue.

Pacific Energy primarily relies on the successful tendering of new contracts to maintain and grow their revenue, to offset contracted mines that reach the end of their life. Pacific Energy has tenders for a total of 72 MW currently outstanding, with an additional 282 MW of projects priced are at expression of interest stage, demonstrating the potential for growth in the form of successful proposals. Over the last four years, either KPS or CPG have won 64% of the tenders applied for, representing c. 52% of MWs, suggesting that they are well placed to win a substantial percentage of new contracts available. The acquisition of CPG provides Pacific Energy a range of new customer relationships for BOO projects as well as an EPC offering which can result in intermittent construction revenues.

Further to Pacific Energy's Australian operations, there is potential for growth in Africa as KPS establish themselves in the market. As discussed above, a LOI has been received for a project in Senegal, however details and term are yet to be finalised. Responses to seven formal tenders are currently being awaited.

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There is also capacity for growth in Pacific Energy's on-grid energy supply. The recently acquired NovaPower has experienced a minimal utilisation rate to date as a result of energy prices being low relative to gas. As net energy usage continues to rise, there is a greater chance of end-of-day price spikes, which increases the hours that the power station can be active. Additional active hours will enable Pacific Energy to cover their fixed costs more easily, resulting in a higher level of profitability.

KPS and CPG are currently operating as separate entities, to capitalise on existing relationships and maintain the slightly different service offering to accommodate more remote power requirements. If KPS and CPG were consolidated into one entity, duplicated roles could be eliminated resulting in cost savings.

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4.4 Financial information

4.4.1 Financial performance

The table below illustrates the Company's audited consolidated statement of comprehensive income for the financial years ending 30 June 2017 ("FY17"), 30 June 2018 ("FY18") and 30 June 2019 ("FY19").

| Consolidated statement of financial performance | FY17 | FY18 | FY19 |
|----------------------------------------------------|----------------|----------------|----------------|
| A\$'000s | Audited | Audited | Audited |
| Revenue | 57,176 | 68,077 | 120,804 |
| Other revenue | 852 | 692 | 2,540 |
| Consumables and spare parts | (4,762) | (7,470) | (6,842) |
| Fuel expense | - | (39) | (7,155) |
| Employee benefits expense | (8,594) | (11,577) | (15,466) |
| Business acquisition expense | - | (4,789) | - |
| Impairment of assets | 35 | (9,766) | - |
| Construction costs | - | - | (22,333) |
| Other expenses | (3,872) | (3,853) | (5,741) |
| EBITDA | 40,835 | 31,275 | 65,807 |
| Depreciation and amortisation | (15,695) | (18,810) | (24,774) |
| Results from operating activities | 25,140 | 12,465 | 41,033 |
| Financial income | 106 | 64 | 181 |
| Financial expenses | (1,742) | (2,623) | (4,587) |
| Net financing expense | (1,636) | (2,559) | (4,406) |
| Profit for the period before income tax | 23,504 | 9,906 | 36,627 |
| Income tax expense | (6,903) | (3,125) | (12,082) |
| Profit for the period | 16,601 | 6,781 | 24,545 |
| Total other comprehensive income (net of tax) | (119) | (244) | (1,093) |
| Total comprehensive income for the period | 16,482 | 6,537 | 23,452 |
| Total comprehensive income attributable to: | | | |
| Equity holders of the Company | 16,482 | 6,537 | 23,452 |

Source: Pacific Energy annual financial reports

With regard to the financial performance, we note the following:

- Pacific Energy acquired CPG in late FY18. This acquisition is a driving factor behind the increase in revenue of 77% for FY19. We note that FY19 revenue includes c. \$28 million from EPC contracts which are not ongoing.
- Revenue in FY19 includes c. \$93 million from BOO contracts with the remaining c. \$28 million from EPC contracts.

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- Despite revenue increasing from FY17 to FY18, PEA's EBITDA decreased from c. \$41 million to c. \$31 million, largely as a result of a number of non-recurring expenses as follows:

| Underlying EBITDA | | | |
|------------------------------------------------|---------------|---------------|---------------|
| A\$'000s | FY17 | FY18 | |
| EBITDA | 40,835 | 31,275 | 65,807 |
| 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) | 40,019 | 44,105 | 65,807 |

Source: Audited accounts for FY19 and Management

- As illustrated above, despite a reduction in EBITDA, a large portion of FY18 expenses were of a non-recurring nature and hence underlying EBITDA with one-off expenses removed increased from \$40.8 million in FY18 to \$44.1 million in FY18. We note, Management have informed that there are no normalisations for FY19.
- For FY18, \$1.61 million of Consumables was attributable to fuel expenses, which significantly increased to \$7.15 million in FY19. This increase was as a result of NovaPower and Contract Power being operational for the entire financial year. The change in expense classification was in response to fuel expense becoming a significant expense item for Pacific Energy.
- Construction costs are related to EPC projects completed by CPG FY19.

4.4.2 Financial position

The consolidated statement of financial position of Pacific Energy as at FY17, FY18 and FY19 is summarised in the table below:

| Consolidated statement of financial position | FY17 | FY18 | FY19 |
|----------------------------------------------|----------------|----------------|----------------|
| A\$'000s | Audited | Audited | Audited |
| Assets | | | |
| Cash and cash equivalents | 5,019 | 12,095 | 8,079 |
| Trade and other receivables | 6,312 | 16,357 | 12,345 |
| Inventory | 1,261 | 1,530 | 1,361 |
| Other current assets | - | 4,684 | 50 |
| Current tax asset | - | 1,942 | - |
| Total current assets | 12,592 | 36,608 | 21,834 |
| Cash and cash equivalents | 103 | 203 | 203 |
| Property, plant and equipment | 160,011 | 223,992 | 228,877 |
| Intangible assets | 24,132 | 55,267 | 55,986 |
| Total non-current assets | 184,246 | 279,462 | 285,066 |
| Total assets | 196,838 | 316,070 | 306,900 |
| Liabilities | | | |
| Trade and other payables | 3,783 | 19,215 | 17,720 |
| Employee benefits | 819 | 1,307 | 1,790 |
| Provisions | 1,381 | 1,644 | 1,185 |
| Current tax liabilities | 302 | - | 2,200 |
| Loans and borrowings | 6,869 | 11,805 | 11,741 |
| Total current liabilities | 13,154 | 33,971 | 34,636 |
| Loans and borrowings | 25,892 | 95,196 | 61,644 |
| Provisions | 772 | 1,911 | 1,807 |
| Employee benefits | 129 | 628 | 374 |
| Derivative financial instruments | 265 | 496 | 1,596 |
| Deferred tax liabilities | 11,528 | 12,339 | 13,812 |
| Other payables | - | - | 1,500 |
| Total non-current liabilities | 38,586 | 110,570 | 80,733 |
| Total liabilities | 51,740 | 144,541 | 115,369 |
| Net Assets | 145,098 | 171,529 | 191,531 |

Source: Pacific Energy annual financial reports

We note the following in relation to Pacific Energy's financial position:

- From FY17 to FY18, the primary account movements were in relation to the CPG acquisition in late FY18, which resulted in an increase in property, plant and equipment from \$160 million to \$224 million. The acquisition was substantially funded through borrowings which increased from \$33 million in FY17 to \$107 million in FY18.
- The reduction in cash and cash equivalents from 30 June 2018 was primarily a result of Pacific Energy using the existing cash reserves and cash generated during the year to repay borrowings, which is evident in the reduction in both short and long term borrowings from a total of \$107 million in FY18 to \$73 million in FY19.

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- The current tax asset of \$1.9 million in FY18 and current tax liability of \$2.2 million in FY19 are the result of timing differences with respect to the payment of tax.
- Pacific Energy's working capital has historically remained reasonably stable due to their capital intensive operations. We note, there has been fluctuation recently as a result of the CPG acquisition, however, we would not expect this volatility to continue going forward.
- We have set out below a breakdown of the net debt:

| Pacific Energy Net Debt | | | |
|--------------------------------------------|---------------|---------------|---------------|
| A\$'000 | FY17 | FY18 | FY19 |
| Gross drawn debt (current and non-current) | 32,761 | 107,001 | 73,386 |
| Less: Net cash | (5,122) | (12,298) | (8,282) |
| Net Debt of Pacific Energy | 27,639 | 94,703 | 65,104 |

Source: Management

- The intangibles balance includes goodwill, electricity supply contract and customer relationships arising from the acquisitions of CPG and NovaPower. The significant increase from \$24 million in FY17 to \$55 million in FY18 was a result of the acquisition of CPG by Pacific Energy.
- Other current assets comprises capital work in progress, which was completed by 30 June 2019.
- PEA's gross debt is comprised solely of 3 facilities which are collectively treated as a syndicated facility. Under the current terms, the facility has a total limit of \$140 million, of which, c. \$73 million has been drawn down. Over FY19, Pacific Energy Management sought to free up the debt facility utilised for the CPG acquisition to enable capacity for future capex growth.

4.4.3 Cash flow statement

The cash flow statement for Pacific Energy for FY17, FY18 and FY19 are set out below:

| Consolidated statement of cash flow A\$'000s | FY17 Audited | FY18 Audited | FY19 Audited |
|--------------------------------------------------------------------|-----------------|------------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | 57,503 | 70,422 | 127,330 |
| Payments to suppliers and employees | (16,341) | (25,684) | (56,430) |
| Interest received | 106 | 55 | 180 |
| Interest paid | (1,559) | (2,493) | (4,252) |
| Income taxes paid | (4,698) | (6,379) | (6,464) |
| Net cash provided by operating activities | 35,011 | 35,921 | 60,364 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (19,581) | (22,187) | (22,921) |
| Payments for the acquisition of businesses, net of cash acquired | - | (94,710) | (3,500) |
| Proceeds from the sale of property, plant and equipment | 1 | 6 | 26 |
| Proceeds from the sale of other assets and investments | 2,016 | - | - |
| Payments relating to new electricity supply contracts | (73) | (70) | (66) |
| Net cash used in investing activities | (17,637) | (116,961) | (26,462) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 3,166 | 140,307 | 5,251 |
| Repayment of borrowings | (12,518) | (65,816) | (38,854) |
| Proceeds from issue of shares | 600 | 21,429 | - |
| Dividends paid | (9,261) | (7,225) | (4,015) |
| Payment for share buy back | - | (130) | - |
| Payment for transaction costs | (42) | (419) | (308) |
| Net cash used in financing activities | (18,055) | 88,146 | (37,926) |
| Net increase/(decrease) in cash and cash equivalents | (681) | 7,106 | (4,023) |
| Cash and cash equivalents at the beginning of the financial period | 5,707 | 5,019 | 12,095 |
| Exchange rate movements | (7) | (30) | 7 |
| Cash and cash equivalents at end of financial period | 5,019 | 12,095 | 8,079 |

Source: Pacific Energy annual financial reports

- Overall there was a net decrease in cash from c. \$12 million in FY18 to c. \$8 million in FY19 as the free cash flow generated by the business was used to repay debt (\$39 million) and pay a dividend distribution (\$4 million).
- Cash flow from operating activities has increased significantly from c. \$36 million in FY18 to c. \$60 million in FY19, in line with the improved EBITDA performance, as a result of the CPG acquisition.
- The difference observed between income tax expense for FY19 and cash paid for FY19 is due to timing differences.
- The proceeds from issue of shares in FY18 was in relation to a rights issue announced on 26 April 2018 to aid in the repayment of debt and give Pacific Energy sufficient capital for growth opportunities following its acquisition of CPG.

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4.5 Share capital structure

As at the date of this report, the Company has 430,578,102 shares outstanding and 11,000,000 options. The Pacific Energy Options will be settled by Pacific Energy for cash at a price equal to the difference between the \$1.07⁴⁶ per share less their exercise price.

4.5.1 Share price and market analysis

Our analysis of the daily movements in Pacific Energy's trading share prices and volume for the period from 1 August 2018 to 17 September 2019 is set out below:

Historical share trading prices and volume for Pacific Energy



Source: Capital IQ, GTCF Analysis

⁴⁶ Given that the option holders are not entitled to the Final Dividend. If the Contingent Consideration is paid, these options will be settled based on a cash value of \$1.075.

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The following table describes the key events which may have impacted the share price and volume movements shown above.

| Event | Date | Comments |
|-------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | 21-Aug-18 | Variation to the EPC Mineral Resources Limited contract announced: - Contract has been extended to include a further 17MW of remote power supplied |
| 2 | 24-Aug-18 | PEA released the FY18 accounts: - Acquisitions of CPG and NovaPower contributed to a 40% increase in property, plant and equipment - Revenue increase by 19%, however significant impairment resulted in a decrease in EBITDA - The two acquisitions were largely funded by borrowings, increasing the Company's net debt |
| 3 | 11-Oct-18 | Gwalia gas-fired power station expansion of 6MW was announced, taking the contracted MW at the site to 20.7MW. |
| 4 | 30-Oct-18 | CPG announces a new contract with Panoramic Resources Limited to supply 14MW over a term of 8 years. |
| 5 | 15-Nov-18 | PEA announces 4MWs of expansion through various sites, bringing newly contracted MWs for the financial year to 24MW. |
| 6 | 23-Nov-18 | 2018 AGM discussing growth in numerous key areas including underlying EBITDA and contracted MWs. |
| 7 | 12-Feb-19 | PEA released half-year results for FY19 - Significant revenue growth of 126% over the 6 months to 31 December 2017 was driven by CPG completing their first full 6 months of operations - Revised guidance for underlying EBITDA for FY19 increased from \$54-55 million to \$60-61 million. |
| 8 | 21-Feb-19 | Fully franked interim dividend of 1.0 cents was announced. |
| 9 | 6-May-19 | PEA announced the expansion of existing contracts by 8MW with current project expansions on track for completion. |
| 10 | 27-Jun-19 | PEA announced a further increase in FY19 EBITDA guidance from \$60-61 million to \$65 million. |
| 11 | 24-Jul-19 | Board recommends proposal by QIC to acquire PEA for \$0.975 per share. |
| 12 | 9-Sep-19 | PEA received a competing offer from OPTtrust for \$1.085 per share. |

Source: ASX Announcements, GTCF Analysis

The monthly share price performance of Pacific Energy since July 2018 and the weekly share price performance of Pacific Energy over the last 16 weeks is summarised below:

| Pacific Energy Limited | Share Price | | | Average weekly volume '000' |
|------------------------|-------------|--------|----------|-----------------------------|
| | High \$ | Low \$ | Close \$ | |
| Month ended | | | | |
| Aug 2018 | 0.590 | 0.525 | 0.565 | 625 |
| Sep 2018 | 0.575 | 0.530 | 0.545 | 926 |
| Oct 2018 | 0.565 | 0.500 | 0.545 | 880 |
| Nov 2018 | 0.620 | 0.530 | 0.605 | 663 |
| Dec 2018 | 0.630 | 0.550 | 0.580 | 227 |
| Jan 2019 | 0.605 | 0.540 | 0.590 | 392 |
| Feb 2019 | 0.670 | 0.575 | 0.660 | 3,071 |
| Mar 2019 | 0.665 | 0.612 | 0.635 | 1,404 |
| Apr 2019 | 0.655 | 0.615 | 0.640 | 427 |
| May 2019 | 0.650 | 0.580 | 0.625 | 1,842 |
| Jun 2019 | 0.700 | 0.605 | 0.685 | 1,435 |
| Jul 2019 | 0.985 | 0.650 | 0.975 | 3,710 |
| Aug 2019 | 1.000 | 0.965 | 0.965 | 19,910 |
| Week ended | | | | |
| 3 Jun 2019 | 0.630 | 0.620 | 0.620 | 374 |
| 10 Jun 2019 | 0.635 | 0.620 | 0.630 | 338 |
| 17 Jun 2019 | 0.640 | 0.605 | 0.610 | 2,228 |
| 24 Jun 2019 | 0.700 | 0.635 | 0.645 | 2,798 |
| 1 Jul 2019 | 0.695 | 0.650 | 0.675 | 2,325 |
| 8 Jul 2019 | 0.690 | 0.660 | 0.665 | 1,297 |
| 15 Jul 2019 | 0.695 | 0.665 | 0.665 | 1,549 |
| 22 Jul 2019 | 0.985 | 0.690 | 0.720 | 9,852 |
| 29 Jul 2019 | 1.000 | 0.975 | 0.980 | 3,654 |
| 5 Aug 2019 | 0.980 | 0.965 | 0.980 | 14,407 |
| 12 Aug 2019 | 0.970 | 0.965 | 0.965 | 21,924 |
| 19 Aug 2019 | 0.970 | 0.965 | 0.965 | 22,918 |
| 26 Aug 2019 | 0.970 | 0.965 | 0.965 | 26,741 |
| 2 Sep 2019 | 0.975 | 0.967 | 0.970 | 6,285 |
| 9 Sep 2019 | 1.110 | 0.970 | 0.970 | 8,662 |
| 16 Sep 2019 | 1.130 | 1.110 | 1.110 | 2,065 |

Source: S&P Global, GTCF calculations

We have considered the recent trading share prices of Pacific Energy for the purpose of our valuation. Refer to Section 6.3.2 for further details and analysis on the trading price of Pacific Energy.

4.5.2 Top 5 shareholders

We have provided in the table below the top 5 shareholders of Pacific Energy as recorded in Pacific Energy's register of shareholders as at 4 September 2019:

| Top 5 shareholders of ordinary shares as at 4 September 2019 | | | |
|--------------------------------------------------------------|---------------------------------------------------------|--------------------|----------------|
| Rank | Name | Number of shares | Interest (%) |
| 1 | Mr Kenneth Joseph Hall (including Hall Family Fund A/C) | 209,267,229 | 48.66% |
| 2 | Credit Suisse | 20,295,067 | 4.72% |
| 3 | Lakeville Capital Mgt | 16,078,517 | 3.74% |
| 4 | Colonial First State - Growth Australian Equities | 15,883,239 | 3.69% |
| 5 | Ryder Capital | 12,795,810 | 2.98% |
| Top 5 shareholders total | | 274,319,862 | 63.78% |
| Remaining shareholders | | 155,772,731 | 36.22% |
| Total ordinary shares outstanding | | 430,092,593 | 100.00% |

Source: Sharetrak

4.5.3 Dividend Payout

| Pacific Energy Limited | | | | | |
|-----------------------------------------------------|-------|-------|-------|-------------------|-------|
| Dividend Policy | FY15 | FY16 | FY17 | FY18 ⁴ | LTM |
| Dividend on ordinary share (A\$/share) ¹ | 0.025 | 0.025 | 0.025 | 0.025 | 0.010 |
| Payout ratio ² | 77% | 59% | 56% | 139% | 13% |
| Dividend yield ³ | 7% | 5% | 3% | 4% | 2% |

Source: Capital IQ, Pacific Energy annual reports

Notes: (1) Dividend payouts are based on the results declared for the previous year although these may be paid in the current year; (2) Dividend paid out per share ("DPS") dividend by underlying earnings per share ("EPS"); (3) Dividend yield has been calculated by dividing the annual dividend by the trading prices at the year-end; (4) In FY18, EPS for Pacific Energy was affected by multiple one-off expenses, in particular the impairment of fixed and intangible assets, and hence resulted in an abnormally high payout ratio.

Pacific Energy has historically paid two dividends each year, one in 1HFY (1st half of FY) and one in 2HFY (2nd half of FY), however in FY19, no 1HFY dividend was paid resulting in the reduction to annual dividends per share from 2.5 cents per share to 1 cent per share in LTM (Last Twelve Months to 31 December 2018).

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5 Valuation methodologies

5.1 Introduction

As discussed in Section 2, our fairness assessment involves comparing the Scheme Consideration of A\$1.07⁴⁷ per Pacific Energy share to the fair market value of Pacific Energy shares on a control and fully diluted basis.

Grant Thornton Corporate Finance has assessed the value of Pacific Energy using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (“DCF Method”).
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders on an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted

⁴⁷ We are determining our fair market value for Pacific Energy on an ex-dividend basis therefore we are considering the Offer Price excluding the final dividend

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and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Selected valuation methods

In our assessment of the fair value of Pacific Energy, Grant Thornton Corporate Finance has relied on three valuation methodologies as outlined below:

- *DCF Method:* For the purpose of our valuation assessment of Pacific Energy utilising the DCF method, Grant Thornton Corporate Finance has built a valuation model based on the cash flow projections prepared by management of Pacific Energy until 30 June 2053. For the purpose of our DCF, we have not assumed a traditional terminal value, rather, we have assumed the salvage value of assets forecast by Management will represent the terminal value. In assessing the salvage values, we have had regard to the cost of new equipment, mid-life and end of life rebuild costs and transportation costs. We have compared these to historical costs and estimates provided by equipment manufacturers.

We believe the DCF Method is appropriate due to the following:

- Pacific Energy has a long history of profitability.
 - Capital expenditure requirements are directly tied to forecasted growth, and hence known and able to be modelled in a robust way.
 - Working capital requirements are minimal and have been historically reasonably consistent, and hence able to be modelled in a robust way.
 - The DCF Method is one of the most commonly used methodologies for the valuation of companies operating with finite life projects and contracts.
- *EBITDA Multiple Method:* We have cross-checked our valuation assessment based on the DCF having regard to the EBITDA multiple implied in our valuation assessment which we have compared with listed peers and comparable transactions. We have adopted the EBITDA multiple approach due to the following key considerations:
 - EBITDA is a frequently used valuation metric to assess the value of a company as it is not affected by differences in earnings caused by varying capital structures and depreciation and amortisation policies.
 - Investment analysts and other market commentators in the remote power, energy, and mining services sectors typically adopt EBITDA metrics to assess the value of companies. Pacific Energy is also covered by several investment analysts which provide forecast consensus EBITDA.
 - The Company is a mature business with a history of profitability, which is expected to continue over the long term.
 - Availability of transactional evidence and listed comparable companies for the calculation and analysis of implied EBITDA multiples.

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- *Quoted Security Price Method:* We have also had regard to the Quoted Security Price Method which is based on the Efficient Market Hypothesis which assumes that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. We note that in the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment.

6 Valuation Assessment of Pacific Energy Shares

6.1 DCF Method

6.1.1 Introduction and the GT Model

For the purpose of our valuation assessment of Pacific Energy utilising the DCF method, Grant Thornton Corporate Finance developed the GT Model based on a critical review and consideration of the following:

- Historical financial performance of Pacific Energy.
- Board approved budget for FY20.
- Management long term projections Internal Model, which are based on a bottom up approach by contract per division, including organic growth of current contracts, and a pipeline for extension of current contracts and new contracts.
- Market updates from various investment analysts who provide coverage of Pacific Energy's historical and expected performance and of the industry as a whole.
- Key industry risks, growth prospects and general economic outlook.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for presentation of prospective financial information as set out in ASIC Regulatory Guide 170 "*Prospective Financial Information*".

In accordance with the requirement of RG 111, we have undertaken a critical analysis of the FY19 actual financials and of the Internal Model before integrating them into the GT Model and relying on them for the purpose of our valuation assessment. Specifically, we have performed the following analysis:

- Conducted high level checks, including limited procedures in relation to the mathematical accuracy of the Internal Model.
- Performed a broad review, critical analysis and benchmarking with the historical performance of Pacific Energy and current trends in the industry.
- Held discussions and interviews with Management of the Company and its advisor to discuss the Internal Model and the key underlying assumptions.
- Reviewed and benchmarked revenue growth rates and earnings margins with listed peers.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope

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for differences of opinion. It should be noted that the value of Pacific Energy could vary materially based on changes to certain key assumptions.

In our assessment of Pacific Energy based on the DCF, we have considered the most likely scenario which could be reasonably be adopted by market participants in their pricing of the Company, and have tested this scenario through sensitivity analysis of key assumptions. The forecasts assume that the business will continue to operate as usual, benefiting from organic and new growth in addition to being able to replace expiring contracts with new ones. The scenario also includes a level of cash flows to the African expansion of KPS which is currently still in its infancy.

6.1.2 Key valuation assumptions

We have outlined below the key assumptions which we have adopted for the purpose of our valuation assessment. Some of the below assumptions have been tested for sensitivity in our assessment of value.

- *Existing Contracts (KPS and CPG)* – We assumed that all contracts will continue beyond contract expiry to the end of the mine life and have factored in known or expected capacity increases over the life of the contracts (organic growth) based on the profile of the mine site to which they are contracted. The organic growth of these contracts is in line with levels historically achieved by Pacific Energy and in line with our understanding of future mine site energy requirements. We are of the opinion this is reasonable given that the switching costs for the off-taker typically deter a change in energy provider mid mine life, and historically, Pacific Energy has had a track record of retaining clients until the end of their mine life.
- *New Growth (KPS & CPG)* – New growth has been forecast on a 28.5MW per annum basis. Given that KPS and CPG at a combined level have won c. 64% of the total market tenders⁴⁸ over the past 4 years, it has been assumed in the model that they will be able to continue this going forward. This new growth is in addition to the level of organic growth forecast, and is expected to occur concurrently with organic growth. The new growth forecast is slightly higher than has historically been achieved by KPS standalone given that an allowance for CPG's growth has been included on a proportionate basis. We note, as a result of the inherent difficulty in forecasting long term, new contracts are estimated to be for a period of 7 years (the period in which Pacific Energy has a level of visibility over their pipeline).
- *Recontracting (KPS & CPG)* – Given KPS' and CPG's track record of new growth, it has been assumed that in addition to the new growth they will be able to recontract for a new term following the expiry of the new growth contracts, or alternatively redeploy the fleet to alternative sites. The recontracting phase assumes a long term level of total capacity of c. 400 MW is maintained, with two 7 year contract terms assumed for each contract.
- *Pricing* – The power pricing for existing projects and any extensions are based on the individual contractual arrangements, however for new growth the fixed capacity and variable charges are forecast to be in line with the weighted average historical pricing achieved by KPS and CPG, grown at a rate of CPI. We note, while Zenith has been a disruptive

⁴⁸ Representing 52% of total MWs up for tender.

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presence in the market, Pacific Energy has not experienced significant pricing changes in recent years and do not expect material movements in the short to medium term.

- *CPG EPC Projects* – We understand that CPG engages in ad hoc EPC projects, however, CPG does not actively seek these opportunities. In our valuation assessment, it is assumed that a consistent level of EPC revenue will be generated in line with historical financial performance.
- *Victorian Hydro* – the Victorian Hydro assets are forecast to continue into the future based on their current and historical operating performance. Whilst the current contract for Blue Rock is expected to expire in FY22, it is assumed that the Blue Rock PPA will be extended for a further 5 years. The price assumed is based on the current contractual rates and the last 3 years average generation output. The current contract for the Cardinia power station is expected to expire in November 2023, however it is assumed that this power station also extends its contract for a further 5 years to November 2028. The price assumed is based on the current contractual rates and the last 3 years average generation output.
- *NovaPower* – it has been assumed in the Internal Model that NovaPower will continue to operate indefinitely as a peaking facility in the NEM, based on the average of the prior two years' operating revenue until FY30, before continuing at a lower rate indefinitely. Whilst we note that wholesale electricity prices in the NEM was higher than longer term historical levels during this period, it is expected that power prices will remain at similar levels over the long term.
- *KPS Africa* – Currently KPS are actively seeking BOO and BOOT opportunities in the African market. We have assumed that the letter of intent in place for a 24 MW Thermal and 7MW solar facility in Senegal will be converted to a contract, with construction expected to commence in FY20 and complete during FY21. The LOI is a 10 year BOOT project, therefore it has been assumed that the facility will be transferred to the counterparty at the end of the contract at an agreed purchase price. We note, historically Pacific Energy has had their African projects delayed, and are yet to have a formal contract in place. As such, we have assumed limited further growth in Africa and have discounted the cash flows associated with Africa separately reflecting their greater risks.
- *Operating and Corporate costs* – Corporate costs have been forecast based on a historical costs observed per month on a \$/MW basis. Please note that for the purpose of our DCF, we have assumed the removal of listing costs and other ASX compliance costs, as we are valuing Pacific Energy on a 100% basis.
- *EBITDA Margin* – EBITDA margins are forecast to be in line with historical levels, with a slight uplift in the expected margin of CPG to reflect Management's targets and impact of changing composition of contracts.
- *Tax rate* – For all Australian operations, a tax rate of 30% has been assumed. For Africa, a tax rate of 29% has been assumed.
- *CPI* – We have selected a CPI rate of 2.20% to be applied across the business. In selecting this rate we have held regard to the 10-year average GDP growth rate, 10-year average inflation rate, and the RBA's long term inflationary target as detailed below. We note, given

that no terminal value has been calculated, the valuation is not significantly sensitive to the selected rate, as detailed in our sensitivity analysis. This is further detailed in the table below:

| Assessment of reasonableness of terminal growth rate | Australia |
|------------------------------------------------------|----------------|
| Reserve bank long-term inflation target | 2.00% to 3.00% |
| Average 10-year quarterly GDP growth rate | 2.62% |
| Average 10-year quarterly inflation | 2.09% |
| Selected Inflation Rate | 2.20% |

Source: RBA

- *Capital expenditure* – Three categories of capital expenditure have been considered, as follows:
 - *Maintenance Capex* – The on-going expenses that are required to keep the asset in working conditions and avoid downside. It has been forecast that maintenance capex will be in line with historical averages on a per MW basis.
 - *Rebuild Capex* – Midlife rebuild capex has been assumed to be required every 4 years of operation, with a full rebuild assumed every 9 years. For the purpose of the long term forecasts, Management undertook a review of the costs of both midlife rebuilds and full rebuilds for each type of generator (diesel, gas or dual fuel) on a per MW basis based on historical costs. In preparing the DCF, it is assumed the future portfolio will be an equal mix of gas and diesel projects, and hence, an average rebuild capex cost has been applied. We have performed a sensitivity analysis on this assumption and included in the following section.
 - *Growth Capex* – Growth capex is assumed to be the cost of purchasing a new power generating assets. For the purpose of the DCF, it is assumed that growth capex is required at the start of every new contract and levels forecast are reflective of historical costs escalated at a rate of CPI. Given there is currently uncertainty over the future mix of power assets, it is assumed that it is a 50/50 split between diesel and gas will installed. Further, it has not been assumed that any of the new facilities will be renewable, eg. solar. At the expiry of a contract, the generation assets are typically able to be easily redeployed to new sites.

Over the past 12 months, Pacific Energy has reduced debt from c. \$107 million to \$73 million. Accordingly Pacific Energy expects to be able to fund growth capex through a mix of the cash flows from the operating business and available debt facilities.

- *Changes in working capital* – In calculating NWC we have looked at historical NWC to revenue ratios for both Pacific Energy and their peers, and cross checked against the opinion of brokers. In doing this, we arrived at the assessment that NWC typically represents 7% of total sales. As such, we have modelled movements in NWC under the assumption that the closing balance will represent 7% of total sales for that financial year. Please note, we have made the following cash flow adjustments when calculating NWC:

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- *Deferred Consideration* – As at 30 June 2019, there is c. \$4.5 million outstanding in deferred consideration for the purchase of a new property included in accrued charges. This is forecast to be paid over the next 2 years (\$3 million in FY20 and \$1.5 million in FY21).
- *Deferred Revenue* – There is currently c. \$3.8 million in deferred revenue as at 30 June 2019, in relation to EPC contracts. This revenue will be considered earned over FY20.
- *Net debt* – We have adopted a net debt after cash adjustments of c. \$81.5 million as at 30 June 2019. This value has been taken from audited accounts, with additional adjustments made based on GTCF analysis. We have detailed these additional adjustments below.

| Pacific Energy Net Debt | | | |
|----------------------------------------------------------|---------------|---------------|---------------|
| A\$'000 | FY17 | FY18 | FY19 |
| Gross drawn debt (current and non-current) | 32,761 | 107,001 | 73,386 |
| Less: Net cash | (5,122) | (12,298) | (8,282) |
| Add: final dividend | na | na | 6,463 |
| Add: Settlement of options | na | na | 3,620 |
| Add: Settlement of performance rights | na | na | 284 |
| Add: Stamp duty to be paid | na | na | 3,500 |
| Add: Break Fee | na | na | 2,500 |
| Less: Surplus Assets - Investment in shares | na | na | (18) |
| Net Debt After Cash and Surplus Asset Adjustments | 27,639 | 94,703 | 81,453 |

Source: Management and GTCF Analysis

- *Options* – As discussed before, they will be settled before the Scheme for the Scheme Consideration less the exercise price⁴⁹.
- *Performance Rights* – As mentioned previously 265,140 performance rights were exchanged for the Scheme Consideration. As such, we have applied a net debt adjustment to reflect the cash impact.
- *Break Fee* – For the purpose of our valuation we have assumed that the \$2.5 million break fee owing to the OPTrust/ICG Consortium will be paid.
- *Dividend* – We have undertaken our valuation assessment on an ex-Final Dividend basis, but we have excluded the Special Dividend.
- *Stamp Duty* – The stamp duty on the purchase of CPG has yet to be finalised with the Office of State Revenue for Western Australia. We note, historically this has been considered as accrued charges, however, given that it is a debt like item, we have not considered it for the purpose of calculating net working capital, rather including it as a net debt adjustment.

⁴⁹ If the Contingent Consideration is payable, the additional \$0.005 will be factored into the consideration paid to cancel the options.

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- *Surplus Assets* – Pacific Energy has 222,477 shares in Millennium Minerals Limited. As at 17 August 2019, the share price was \$0.082⁵⁰, resulting in a surplus asset of c. \$18k.
- *Discount rate* – For Australia, a discount rate has been based on the WACC of 7.7% to 8.5%. For Africa, a discount rate has been based on the WACC of 12.3% to 12.8% Refer to Appendix E for details.
- *Shares on issue* – We have assessed the valuation of Pacific Energy on a fully diluted basis of 430,578,102 outstanding shares.

6.1.3 Value summary based on the DCF approach

| DCF Valuation Assessment of Pacific Energy A\$'000 | Section Reference | Low | High |
|---------------------------------------------------------------|----------------------|----------------|----------------|
| Discount rate - Australia | Appendix E | 8.5% | 7.7% |
| Discount rate - Africa | Appendix E | 12.8% | 12.3% |
| Enterprise Value | 6.1.3 | 470,279 | 517,438 |
| Net Debt Adjustments | | | |
| Less: Gross Debt as at 30 June 2019 | 4.4.2 | (73,386) | (73,386) |
| Add: Cash as at 30 June 2019 | 4.4.2 | 8,282 | 8,282 |
| Less: Final Dividend | 6.1.2 | (6,463) | (6,463) |
| Less: Net consideration to be paid for Pacific Energy Options | 6.1.2 | (3,620) | (3,620) |
| Less: Cash to be paid for performance rights | 6.1.2 | (284) | (284) |
| Less: Stamp Duty | 6.1.2 | (3,500) | (3,500) |
| Less: Break Fee | 6.1.2 | (2,500) | (2,500) |
| Surplus Assets Adjustment | | | |
| Add: Investment in shares | 4.4.2 | 18 | 18 |
| Equity Value | | 388,826 | 435,985 |
| Number of shares outstanding (fully diluted) | 6.1.2 | 430,578 | 430,578 |
| Equity Value per Share (control basis) (A\$ per share) | | 0.90 | 1.01 |

Source: GTCF analysis

Our value per share of Pacific Energy on a control basis under the DCF method is between A\$0.90 and A\$1.01.

It should be noted that the equity value of Pacific Energy could vary materially based on changes in certain key assumptions. The DCF analysis is highly dependent on Pacific Energy's ability to secure new growth opportunities and recontract for future periods. To the extent this is not achieved, this would have an impact on value. Accordingly, we have considered the Quoted Security Price method when assessing fair value. In addition, we have conducted certain sensitivity analyses below to highlight the impact on the value of Pacific Energy's equity value based on the DCF method caused by movements in certain key assumptions. The following table summarises our results.

In particular, we note that Pacific Energy's exposure to the mining industry and increasing competition in the remote power generation sector, may impede Pacific Energy's ability to secure new capacity at historical levels, potentially placing downward pressure in the value available to shareholders.

⁵⁰ S&P Global

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| Sensitivity Analysis (A\$ per share) | Low | High | % Change (low) | % Change (high) |
|------------------------------------------------------|-------------|-------------|----------------|-----------------|
| Base | 0.90 | 1.01 | na | na |
| PPA Rate | | | | |
| + 5% | 1.03 | 1.15 | 14.4% | 14.1% |
| - 5% | 0.77 | 0.87 | (14.4%) | (14.1%) |
| CPI Rate | | | | |
| 2.0% | 0.88 | 0.99 | (2.1%) | (2.2%) |
| 2.4% | 0.92 | 1.04 | 2.2% | 2.2% |
| Quantum of MW Growth | | | | |
| + 10% | 0.92 | 1.03 | 1.6% | 1.6% |
| - 10% | 0.89 | 0.99 | (1.9%) | (1.9%) |
| Opex - Organic / New / Recontracting Growth | | | | |
| + 10% | 0.87 | 0.98 | (3.4%) | (3.3%) |
| - 10% | 0.93 | 1.05 | 3.4% | 3.3% |
| Rebuild Capex Costs | | | | |
| + 10% | 0.87 | 0.98 | (3.6%) | (3.5%) |
| - 10% | 0.94 | 1.05 | 3.6% | 3.5% |
| Contract life - Organic / New / Recontracting | | | | |
| 5 Years | 0.89 | 0.99 | (1.9%) | (1.9%) |
| 6 Years | 0.89 | 1.00 | (0.9%) | (0.9%) |
| 7 Years (Base) | 0.90 | 1.01 | 0.0% | 0.0% |

Source: Management Forecast and GTCF Analysis

6.2 EBITDA Multiple Method

6.2.1 Implied EBITDA Multiple

We have set out in the table below the historical (FY19) and forecast (FY20, FY21 and FY22) EBITDA multiples implied in our valuation assessment of Pacific Energy based on our DCF valuation.

| Implied EBITDA multiples | Low | High |
|--------------------------------------------------|---------|---------|
| A\$'000 | | |
| Enterprise value on a control basis ¹ | 470,279 | 517,438 |
| EBITDA² | | |
| FY19 EBITDA (Actual) | 65,807 | 65,807 |
| FY20 EBITDA (Consensus forecast) | 57,100 | 57,100 |
| FY21 EBITDA (Consensus forecast) | 63,100 | 63,100 |
| FY22 EBITDA (Consensus forecast) | 64,000 | 64,000 |
| Implied EV/EBITDA | | |
| FY19 EV/EBITDA | 7.1x | 7.9x |
| FY20 EV/EBITDA | 8.2x | 9.1x |
| FY21 EV/EBITDA | 7.5x | 8.2x |
| FY22 EV/EBITDA | 7.3x | 8.1x |

Sources: S&P Global, Management, GTCF Analysis

Notes (1) Consensus EBITDA forecasts represent the average of investment analysts' forecast EBITDA as at 30 June 2019. (2) Consensus EBITDA forecasts represent the average of 4 investment analysts' forecast EBITDA as at 31 July 2019.

We note the following in relation to the calculations above:

- The enterprise values are calculated on a 100% basis having regard to our DCF analysis.
- The FY20, FY21 and FY22 implied EBITDA multiple has been estimated based on brokers' consensus estimates. We note that Pacific Energy is covered by a number of investment analysts who provide regular market updates on the financial performance of the Company and of the industry as a whole. We are of the opinion that it is more appropriate to rely on broker consensus in relation to the forecast EBITDA to calculate the EBITDA multiple implied in the DCF approach rather than adopt a normalised EBITDA in order to preserve a consistent approach with the multiple of listed peers. The available broker consensus estimates for Pacific Energy are set out below.

| Broker forecasts | | | | |
|------------------------|---------|-------------|-------------|--------------|
| A\$m | Date | FY20 | FY21 | FY22 |
| Revenue | | | | |
| Broker 1 | Jul-19 | 89.4 | N/A | N/A |
| Broker 2 | May -19 | 94.0 | 97.1 | 100.5 |
| Broker 3 | Jun-19 | 93.2 | 102.1 | N/A |
| Broker 4 | Jun-19 | 93.0 | 99.0 | N/A |
| Average | | 92.4 | 99.4 | 100.5 |
| <i>Forecast growth</i> | | | 7.58% | 1.11% |
| EBITDA | | | | |
| Broker 1 | Jul-19 | 57.5 | N/A | N/A |
| Broker 2 | May -19 | 55.6 | 61.6 | 64.0 |
| Broker 3 | Jun-19 | 57.0 | 65.1 | N/A |
| Broker 4 | Jun-19 | 58.1 | 62.6 | N/A |
| Average | | 57.1 | 63.1 | 64.0 |
| <i>EBITDA Margin</i> | | 61.74% | 63.48% | 63.68% |

Source: Various broker reports

Note: Date for FY22 only includes one broker's forecast, lowering the degree of reliability for these estimates.

We note that data for FY22 only includes one broker's forecast, lowering the degree of reliability for these estimates.

Further, we note that the broker consensus is that both revenue and EBITDA for Pacific Energy in FY20 (A\$92.4 million and A\$57.1 million respectively) will be below that of FY19 (A\$123.3 million and A\$65.8 million respectively). These lower forecast results are primarily due to the termination of the Newmont Tanami mine contract in FY19 and the significant revenue and EBITDA generated from the EPC contracts in FY18. These projects significantly contributed to FY19 revenue, however they will not be continuing in FY20 and beyond. CPG may win further EPC contracts, however the timing and nature of these are sporadic, and based on historical figures they may not be as material in FY19. Despite the forecast decline in FY20, both revenue and EBITDA are predicted to increase in both FY21 and FY22.

6.2.2 EV/EBITDA Multiple of listed peers and comparable transactions

The selection of the appropriate EBITDA multiple to apply is a matter of professional judgement and involves consideration of a number of factors including the stability and quality of earnings,

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the nature of the business, the financial structure of the company and gearing levels, future prospects of the business, and the cyclical nature of the industry.

Summarised below are the trading multiples of the selected Australian listed companies:

| Trading Multiples | Market Cap | Enterprise Value | EV/EBITDA | | | | | |
|-----------------------------------------------|--------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | FY18 | LTM | FY19 | FY20 | FY21 | FY22 |
| Company | A\$m | A\$m | Actual | Actual | Projected | Projected | Projected | Projected |
| Australian Contracted Power Generation | | | | | | | | |
| Tilt Renewables Limited | 1,193 | 1,593 | 15.6x | 12.2x | 12.2x | 13.0x | 10.6x | 9.4x |
| Zenith Energy Limited | 94 | 183 | 10.2x | 8.8x | 8.8x | 6.7x | NA | NA |
| Infigen Energy Limited | 617 | 1,158 | 7.7x | 7.0x | 7.0x | 6.5x | 7.7x | 9.6x |
| ERM Power Limited | 594 | 651 | 6.7x | 6.9x | 6.9x | 6.8x | 6.4x | 6.4x |
| Windlab Limited | 54 | 46 | NM | NM | NA | NA | NA | NA |
| Genex Power Limited | 104 | 210 | NM | 97.9x | 97.9x | 13.8x | 14.5x | 10.7x |
| Average | 443 | 640 | 10.0x | 26.6x | 26.6x | 10.0x | 9.8x | 9.0x |
| Average (excl. Genex) | 510 | 726 | 10.0x | 8.7x | 8.7x | 8.8x | 8.2x | 8.4x |
| Median | 349 | 430 | 8.9x | 8.8x | 8.8x | 9.9x | 9.2x | 9.5x |
| Median (excl. Genex) | 594 | 651 | 8.9x | 7.9x | 7.9x | 6.8x | 7.7x | 9.4x |
| Australian Mining Services Providers | | | | | | | | |
| Ausdrill Limited | 1,578 | 2,114 | 15.6x | 7.0x | 7.0x | 4.6x | 4.4x | 4.3x |
| Macmahon Holdings Limited | 439 | 491 | 4.4x | 3.0x | 0.0x | 2.5x | 2.4x | 2.2x |
| NRW Holdings Limited | 916 | 951 | 10.8x | 6.6x | 6.6x | 5.6x | 5.2x | 5.4x |
| MACA Limited | 247 | 325 | 4.4x | 4.2x | 4.2x | 3.3x | 2.9x | 2.9x |
| Average | 795 | 970 | 8.8x | 5.2x | 4.5x | 4.0x | 3.7x | NA |
| Median | 677 | 721 | 7.6x | 5.4x | 5.4x | 4.0x | 3.6x | NA |
| Low | 54 | 46 | 4.4x | 3.0x | 0.0x | 2.5x | 2.4x | 2.2x |
| Average | 584 | 772 | 9.4x | 17.1x | 16.7x | 7.0x | 6.8x | 6.4x |
| Average Excl Genex | 637 | 835 | 9.4x | 7.0x | 6.6x | 6.1x | 5.7x | 5.7x |
| Median | 516 | 571 | 8.9x | 7.0x | 7.0x | 6.1x | 5.8x | 5.9x |
| Median Excl Genex | 594 | 651 | 8.9x | 6.9x | 6.9x | 5.6x | 5.2x | 5.4x |
| High | 1,578 | 2,114 | 15.6x | 97.9x | 97.9x | 13.8x | 14.5x | 10.7x |
| Pacific Energy Limited | 477 | 544 | 11.9x | 8.3x | 7.5x | 8.6x | 7.8x | 7.7x |

Source: S&P Global, GTCF Analysis

Note: (1) PEA multiples for FY19, FY20, FY21 and FY22 are based on the implied EV/EBITDA multiple calculated using the enterprise value from our DCF and the consensus forecast from multiple brokers; (2) Market capitalisation as at 17 September 2019; (3) Zenith's multiple for FY20 were derived from the most recent Zenith management EBITDA guidance's; (4) Where data for a company shows "NA" this represents that no broker estimates are available, while "NM" results are considered not meaningful eg. Negative multiple. (5) LTM for ERM Power and Zenith Energy is the last twelve months from 30 June 2019

A brief description of the selected comparable companies is set out in Appendix C.

In relation to the comparability of the above assessed multiples, we note the following key considerations:

- The EV/EBITDA multiples presented above reflect the value of underlying companies on a minority basis and do not include a premium for control.
- We have selected two tiers of comparable companies. The first tier consists predominately of Australian contracted power generation companies, supplying either to remote sites

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similar to Pacific Energy or to Australian electricity grids under long term contracted agreements.

- The 2nd tier includes companies that provide services to Australia's mining industry. Whilst their operations do differ from Pacific Energy, mining service providers bear similar risk to Pacific Energy in that their business is largely dependent on the performance of the mining industry.
- Genex Power Limited is considered a comparable company, however it is relatively new with large projects expected to become operational during the forecast period. We are of the opinion that this limits the comparability and have hence also included an average excluding Genex.
- We note that on 22 August 2019, ERM Power announced that it had entered into a scheme implementation deed with Shell Energy Australia Pty Ltd. As a result the observed multiples of ERM Power reflect the terms of the transaction, in particular the higher share price. We note the observed multiples are substantially below the multiples implied by our DCF, reflecting the different business model of ERM relative to Pacific Energy and their low margins.

In our opinion, the Australian contracted power generation companies are the most comparable to Pacific Energy. They operate in the same industry and share the prominent business risk that long-term contracts may expire and contribute to lower revenues.

We consider the EBITDA multiple implied by our DCF to be supported by the comparable companies below:

Zenith Energy Limited ("Zenith")

We consider Zenith to be the most comparable business to Pacific Energy as it is its closest competitor. Zenith's operations are directly comparable with Pacific Energy, focusing primarily on gas and diesel BOO, as well as the management and maintenance of client owned facilities. We note, like Pacific Energy, Zenith also has a presence in other power generating assets such as wind and hydro.

We observe that Zenith is trading at an FY19 EBITDA multiple of 8.8 times, however, this declines to 6.7 times for FY20 on a minority basis. If a typical premium for control is added (refer to Appendix F for details), the EBITDA multiple of Zenith is at a discount to the forecast EBITDA multiple of Pacific Energy implied in the DCF.

We note the following in relation to Zenith:

- Zenith has been pursuing growth opportunities to generate market penetration post listing on the ASX. The impact of this is that Zenith's revenue and earnings are expected to grow over the next couple of years.
- Zenith are currently in a more highly geared position than Pacific Energy, with c. 49% debt to enterprise value which is equitable to 6.01 times EBITDA compared to Pacific Energy with c. 15% debt to enterprise value and debt equal to 1.36 times EBITDA.

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- Zenith owns only 49% of its capacity under contract, the remainder is managed by Zenith under contracted arrangements.
- We have also given consideration to the Enterprise Value to MW multiple as a cross-check. We note that Pacific Energy is valued at a significantly higher per MW multiple than Zenith. If a typical premium for control was applied to Zenith we note that its valuation on a per MW multiple would still be lower than Pacific Energy as a result of Zenith's lower margin profile and high debt leverage. This is illustrated in the table below:

| Enterprise Value per MW | Pacific Energy Limited (low) | Pacific Energy Limited (high) | Zenith ¹ |
|------------------------------|---------------------------------|----------------------------------|---------------------|
| Enterprise Value (\$million) | 470 | 517 | 183 |
| MW Under Control (\$million) | 360 | 360 | 219 |
| Enterprise Value / MW | 1.31 | 1.44 | 0.84 |

Source: Zenith market announcements, Management, and GTCF Analysis
Note: (1) MW under control for Zenith refer to their owned capacity.

As a result of higher leverage and proportion of assets owned, we consider it appropriate that Zenith trade at a discount to the FY20 multiple implied by the DCF.

Tilt Renewables Limited

Tilt Renewables is similar to Pacific Energy as their primary business operation is the supply of electricity, however, Tilt Renewables develops and operates through wind and solar farms to supply to the NEM rather than remote sites. Similar to Pacific Energy, Tilt Renewables enter into Power Purchase Agreements which mitigates the risk of price fluctuations, however Tilt Renewables does have some merchant electricity price exposure. At the expiry of Tilt Renewables' current PPAs they would be likely to sell the electricity to the wholesale market electricity, albeit at a more variable price.

In addition to the 717 MW of generating assets, Tilt Renewables has over 3,000 MW in projects in the development phase and 336 MW in construction. Whilst there is some risk in the development and construction of renewable projects, including from a funding perspective, the significant opportunity these present are likely to lead to a higher multiple.

We observe that the multiples observed for Tilt Renewables are higher than those of Pacific Energy implied by the DCF. We have attributed this premium to the following:

- Tilt Renewables' EBITDA for FY19 was 30% higher than their FY18 result, with the company raising \$560 million of funding for the development of the Dundonnell wind farm that will increase their asset base by 50%. This was achieved through a \$300 million debt facility and \$260 million equity rights offer, contributing to an increase in their level of net debt. Despite causing some capital constraints for further growth, the newly installed Dundonnell wind farm will boost Tilt Renewable's growth once operational, with over 85% of production already contracted⁵¹. We note that management EBITDA guidance for FY20 show a decrease in EBITDA, however in the FY21 and beyond EBITDA is predicted to grow, predominately as a result of the mentioned wind farm becoming operational. EBITDA growth

⁵¹ Tilt Renewables FY19 annual report

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for FY21 and FY22 is estimated to be c. 18% and c. 17%⁵², which exceeds the growth expected for Pacific Energy's FY21 EBITDA at c. 11%.

As a result, we believe the higher EBITDA multiples observed for Tilt Renewables to be primarily a result of Tilt Renewables' higher growth forecasts and development pipeline, and therefore is not unreasonable.

Infigen Energy Limited

Infigen Energy Limited is comparable to Pacific Energy as their primary business operation is the supply of electricity, however, Infigen generates its energy through wind farms to supply to the NEM and other Australian grids rather than remote sites. Infigen enter contracts to sell a majority of their energy through power purchase agreements and wholesale contracts, with the remaining sold on the spot market. This gives them some degree of confidence with regards to their expected levels of revenue for the year as they are only partially exposed to changes in the price of wholesale electricity.

We observe that Infigen Energy is trading at a FY20 EBITDA multiple of 6.2 times on a minority basis. We note the following:

- Infigen Energy have a higher degree of capital constraint to that of Pacific Energy, with Infigen having a net debt/EBITDA (underlying) ratio of c. 3.6 times in comparison to Pacific Energy's c. 1.36 times. As a result, it is likely that Pacific Energy have further potential to secure funding for growth projects.
- For FY18, Infigen recorded a growth in underlying EBITDA of 7%⁵³, with an expected FY19 EBITDA growth of c. 11%, with the completed Bodangora wind farm contributing through an increase in annual production of 24%. These short term growth forecasts are similar to those of Pacific Energy, with an almost identical EBITDA growth forecast for FY19, however beyond FY19, Infigen EBITDA is expected to grow by c. 4% and then fall by c. 17% in FY20 and FY21⁵⁴. This is below that of Pacific Energy, who have EBITDA forecasted to increase by c. 11% and c. 1% over the same period.
- Infigen are listed on multiple ASX index's, including the S&P/ASX 300 and S&P/ASX Small Ordinaries, exposing them to a larger group of institutional investors. They were recently removed from the S&P/ASX 200 index on 8 March 2019 following a rebalance. As a result it is expected that Infigen shares have a higher level of liquidity than Pacific Energy shares, and hence would add a premium to Infigen shares.

As a result, we believe the similar EBITDA multiple's (including a control premium for Infigen) not to be unreasonable.

We have also considered the multiples of companies in the mining services industry due to their exposure to the mining industry under long term contractual arrangements. Whilst Pacific Energy is similarly exposed to the mining industry, its exposure is based around productivity where most of the mining services companies' exposure is based on new project development. Furthermore,

⁵² Capital IQ

⁵³ Infigen annual report FY18

⁵⁴ Consensus forecasts

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the competitive landscape experienced by the mining services companies can lead to a lower multiple than has been implied by our DCF.

6.2.3 Transaction multiples

We have also considered multiples implied by historical transactions involving Australian companies operating in the remote power and electricity generation industries, these are set out below. A brief description of the comparable companies and each transaction is provided in Appendix C and D.

| Date | Target Company | Bidder Company | Stake (%) | Deal Value (A\$m) | EBITDA Multiple (Times) | Status |
|----------------|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------|-------------------|-------------------------|-----------|
| Aug-19 | ERM Power Limited ¹ | Shell Energy Australia Pty Ltd | 100% | 617 | 7.7 | Announced |
| May-18 | Tilt Renewables Limited | Mercury NZ Limited | 20% | 144 | 12.7 | Effective |
| Mar-18 | Snowy Hydro Limited | NA | 87% | 7,069 | 11.1 | Closed |
| Aug-18 | Tilt Renewables Limited | Infratil Limited; Mercury NZ Limited | 14% | 96 | 10.6 | Closed |
| Mar-17 | Redbank Energy Limited | Chow Tai Fook Enterprises Limited | 100% | 4,100 | 9.8 | Effective |
| Jul-15 | Energy Developments Limited | DUET Group | 100% | 1,955 | 8.8 | Closed |
| Apr-18 | Infigen Energy Limited | BIF Ill Logan Aggregator L.P. | 9% | 50 | 7.3 | Effective |
| Mar-16 | Diamantina Power Station Pty Ltd | APA Group | 50% | 151 | 8.0 | Closed |
| Sep-14 | Infratil Energy Australia Pty Ltd. (nka:Lumo Generation SA Pty Ltd) | Snowy Hydro Limited | 100% | 648 | 12.0 | Closed |
| Nov-09 | Energy Developments Limited | Pacific Equity Partners Power Assets Holdings Limited; Cheung Kong Infrastructure Holdings Limited | 80% | 819 | 7.2 | Closed |
| Dec-16 | DUET Group | (nka:CK Infrastructure Holdings Limited); Cheung Kong Property Holdings Limited (nka:CK Asset Holdings Limited) | 100% | 14,123 | 14.5 | Closed |
| Jul-11 | Energy Generation Pty Ltd | Energy Developments Limited | 100% | 101 | NA | Closed |
| Average | | | 72% | 2,490 | 10.0 | |
| Median | | | 94% | 633 | 9.8 | |

Source: S&P Global, GTCF Analysis, ASX announcements

Note: (1) EBITDA multiple calculated based on the reported FY19 EBITDA as per ERM Power Limited's audited accounts and an Enterprise Value calculated as follows: 250,288,527 shares at \$2.465 plus net debt equal to borrowings and lease liabilities less cash and cash equivalents (excluding restricted cash).

In relation to the multiples implied by the comparable transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special value paid for by acquirers. In particular, the multiples may reflect synergies paid which are unique to the acquirers.
- Economic and market factor may be materially different at the respective transactions date from those that are at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.
- The transaction multiples are calculated based on the historical EBITDA of the acquired companies (unless otherwise stated).

In relation to the comparable transactions above, we note the following:

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- Energy Developments Limited (“EDL”) is an electricity generator which operates a portfolio of remote and renewable/clean energy power stations. They often compete with Pacific Energy on tenders for new remote power generation sites and are seen as a close comparable company. In 2015, they entered into a Scheme Implementation Deed which proposed that DUET Group would acquire 100% of their shares, with EDL continuing to operate as a subsidiary of DUET Group. We have placed a significant reliance on this transaction given that we consider EDL to be a direct competitor and comparable company. This transaction was subsequent to a controlling stake in EDL being acquired by Pacific Equity Partners in 2009. We note that EDL is considerably larger than Pacific Energy, with more diversified operations, including land fill gas. Further, EDL typically contracts for longer periods with higher credit rated counterparties than Pacific Energy. As at the date of the transaction, EDL had control of more than 900MW⁵⁵ and a global presence. Subsequent to this acquisition, 100% of DUET Group was acquired by a syndicate of investment companies lead by Cheung Kong Infrastructure Holdings Ltd. We consider the premium on the historical multiple to the implied valuation based on our DCF to be consistent with our expectations.
- Tilt Renewables Limited generate and supply renewable energy to the NEM, entering contracts with retailers to guarantee the price of electricity. In May 2018, Tilt Renewables were approached by Mercury NZ Limited and Infratil Limited to acquire the remaining 29% of shares in the company. Whilst the directors recommended shareholder to not accept the offer, an acquisition of 14% of shares was completed prior to close. Combined these two companies own c. 85% of total shares in the company. Despite both companies engaging in the generation of electricity, the two distinct target markets of Tilt Renewables and Pacific Energy have resulted in us being of the opinion that these multiples are less comparable than the EDL transaction.
- The recently announced acquisition of ERM Power by Shell Energy Australia is at a discount to the implied multiple of Pacific Energy. ERM Power operate heavily in the energy retailing market, resulting in lower margins (c. 3%⁵⁶ for FY19) compared to Pacific Energy (c. 55% for FY19) and therefore this discount is not unreasonable.

6.2.4 Multiples conclusion

Based on the above analysis, we are of the opinion that the FY19 and FY20 EBITDA multiples implied in our assessment based on the DCF between 7.1 times and 7.9 times for FY19 and between 8.2 times and 9.1 times for FY20 is not unreasonable due to the following:

- Zenith’s FY20 EBITDA multiple on a minority basis is 6.7 times. If a typical premium for control was added, the multiple for Zenith would be at a discount to Pacific Energy, as a result of lower margins and higher leverage of Zenith. This is supported by Zenith’s LTM EBITDA margin of 33%⁵⁷ compared to Pacific Energy’s FY19 EBITDA margin of 53%. Further when cross-checked to the EV/MW of the two companies, Pacific Energy’s multiple implied in the DCF is at a premium to that of Zenith.
- Pacific Energy’s FY19 multiple is substantially in line with a majority of the comparable transactions, in particular the two where EDL was the target company. Our implied multiple

⁵⁵ Duet Group ASX announcement 10 July 2015

⁵⁶ ERM Power Limited financial report FY19

⁵⁷ S&P Global, LTM to 31 December 2018

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range is between the 8.8 times and 7.2 times multiples from those transactions. Although the more recent EDL transaction in 2015 was at a slight premium to our observed range of Pacific Energy FY19 multiples, this is to be expected due to EDL's larger size and operational and geographical diversification.

6.3 Quoted Security Pricing Method

In our assessment of the fair market value of Pacific Energy shares, we have also had regard to the trading price of the listed securities on the ASX in the period prior to 23 July 2019 when the Company halted trading prior to the Initial Scheme announcement.

In accordance with the requirements of RG111, we have analysed the liquidity of Pacific Energy shares before relying on them for the purpose of our valuation assessment. We have set out below the monthly trading volume of Pacific Energy shares since January 2018 as a percentage of the total shares outstanding as well as free float shares outstanding⁵⁸.

| Liquidity analysis Month end | Volume traded ('000s) | Monthly VWAP (\$) | Total value shares traded (\$'000s) | Volume traded as | Cumulative volume traded | Volume traded as | Cumulative volume traded |
|---------------------------------|-----------------------|-------------------|-------------------------------------|------------------------|---------------------------|-------------------|--------------------------|
| | | | | % of free float shares | as % of free float shares | % of total shares | as % of total shares |
| Jan-18 | 15,978 | 0.53 | 8,421 | 9.3% | 9.3% | 4.3% | 4.3% |
| Feb-18 | 7,319 | 0.53 | 3,886 | 4.3% | 13.6% | 2.0% | 6.3% |
| Mar-18 | 3,305 | 0.54 | 1,770 | 1.9% | 15.6% | 0.9% | 7.2% |
| Apr-18 | 10,537 | 0.53 | 5,585 | 6.2% | 21.7% | 2.8% | 10.0% |
| May-18 | 4,106 | 0.56 | 2,304 | 2.3% | 24.0% | 1.1% | 11.0% |
| Jun-18 | 6,155 | 0.57 | 3,508 | 3.5% | 27.5% | 1.6% | 12.6% |
| Jul-18 | 5,722 | 0.56 | 3,221 | 2.9% | 30.4% | 1.3% | 14.0% |
| Aug-18 | 2,873 | 0.56 | 1,614 | 1.5% | 31.9% | 0.7% | 14.6% |
| Sep-18 | 3,705 | 0.55 | 2,036 | 1.9% | 33.7% | 0.9% | 15.5% |
| Oct-18 | 4,049 | 0.53 | 2,138 | 2.1% | 35.8% | 0.9% | 16.5% |
| Nov-18 | 2,917 | 0.56 | 1,641 | 1.5% | 37.3% | 0.7% | 17.1% |
| Dec-18 | 952 | 0.60 | 572 | 0.5% | 37.8% | 0.2% | 17.4% |
| Jan-19 | 1,724 | 0.58 | 997 | 0.9% | 38.6% | 0.4% | 17.8% |
| Feb-19 | 12,285 | 0.64 | 7,811 | 6.2% | 44.9% | 2.9% | 20.6% |
| Mar-19 | 5,898 | 0.64 | 3,771 | 3.0% | 47.8% | 1.4% | 22.0% |
| Apr-19 | 1,877 | 0.64 | 1,199 | 1.0% | 48.8% | 0.4% | 22.4% |
| May-19 | 8,472 | 0.61 | 5,143 | 4.3% | 53.1% | 2.0% | 24.4% |
| Jun-19 | 5,738 | 0.65 | 3,703 | 2.9% | 56.0% | 1.3% | 25.7% |
| Low | | | | 0.48% | | 0.22% | |
| Average | | | | 3.11% | | 1.43% | |
| Median | | | | 2.61% | | 1.20% | |
| High | | | | 9.34% | | 4.29% | |

Source: S&P Global, GTCF analysis

Note: The analysis is based on the period prior to 23 July 2019, when the company announced it entered into a trading halt before the announcement of the Scheme.

⁵⁸ Free float shares excludes those owned by Company employees, individual insiders, related parties and other strategic investors.

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We make the following observations in relation to the table above:

- The level of the free float of Pacific Energy shares is c.46%⁵⁹. From January 2018 to June 2019, approximately 56.0% of the free float shares were traded with an average monthly volume of 3.11% of the total free float shares. This indicates that the level of liquidity is moderate.
- A relatively higher level of trading can be noticed in January 2018 and more recently between February and May 2019. The increased volume in January 2018 was likely a result of Pacific Energy's acquisition of NovaPower in late December 2017. The recent volumes were associated with two sales of Pacific Energy shares by Perennial Value Management Limited in February and March. Perennial Value Management Limited subsequently repurchased a majority of these shares later in March.
- Pacific Energy is recognised as a major player in the industry and forms part of the S&P/ASX Emerging Companies Index⁶⁰, which includes companies with a market capitalisation between A\$350 million to A\$600 million that have met a reasonable liquidity test.
- There is a substantial difference between the volume of free float and total shares, due to the founder of KPS having a majority shareholding of 48% of total shares.
- In the absence of a takeover or other transactions, the trading price represents the value at which minority shareholders could realise their portfolio investment.
- Pacific Energy complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Pacific Energy.
- Pacific Energy stock is covered by a number of investment analysts who provide updates to the market on a regular basis.

As part of our liquidity assessment, we have benchmarked Pacific Energy's liquidity level to its peers as set out in the table below.

| Liquidity analysis | | Free float | Average volume traded as a % of total shares | Average volume traded as a % of free float shares | Cumulative volume traded as a % of total shares | Cumulative volume traded as a % of free float shares |
|-------------------------|-----------|--------------|----------------------------------------------|---------------------------------------------------|-------------------------------------------------|------------------------------------------------------|
| Company | Country | (%) | | | | |
| Pacific Energy Limited | Australia | 46.0% | 1.4% | 3.1% | 25.7% | 56.0% |
| Tilt Renewables Limited | Australia | 14.3% | 1.5% | 10.3% | 26.4% | 185.1% |
| Zenith Energy Limited | Australia | 68.2% | 5.5% | 8.0% | 98.7% | 144.8% |
| Infigen Energy Limited | Australia | 68.5% | 4.1% | 5.9% | 73.2% | 106.8% |
| ERM Power Limited | Australia | 63.5% | 2.6% | 4.1% | 47.4% | 74.7% |
| Windlab Limited | Australia | 51.3% | 2.5% | 4.9% | 45.7% | 88.9% |
| Genex Power Limited | Australia | 69.6% | 1.7% | 2.5% | 31.3% | 45.0% |
| Low | | 14.3% | 1.4% | 2.5% | 25.7% | 45.0% |
| Average | | 54.5% | 2.8% | 5.6% | 49.8% | 100.2% |
| Median | | 63.5% | 2.5% | 4.9% | 45.7% | 88.9% |
| High | | 69.6% | 5.5% | 10.3% | 98.7% | 185.1% |

⁵⁹ This comprises of the total shares outstanding 430,092,593 less the shares held by company employees and strategic corporate investors

⁶⁰ ASX Website

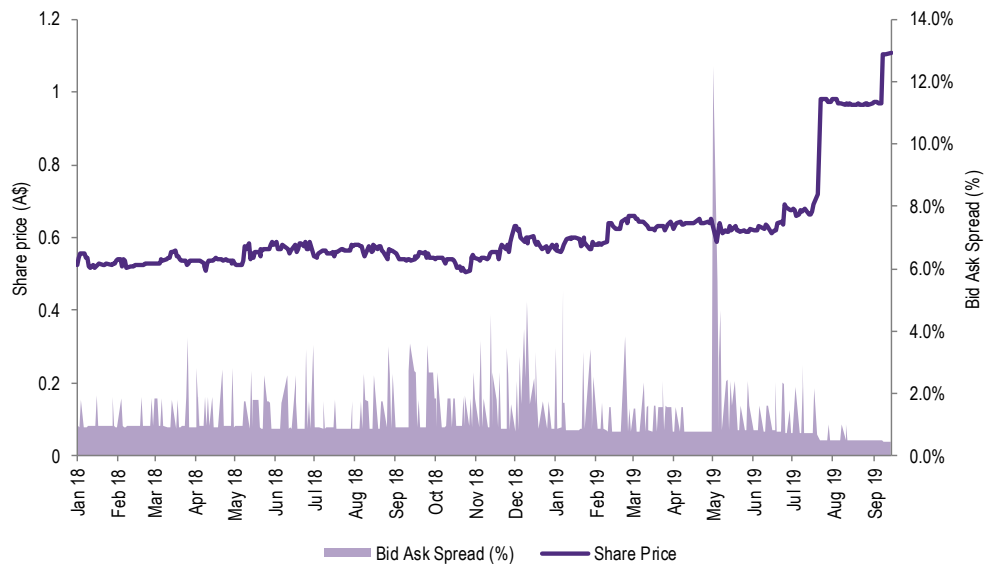
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Source: S&P Global, GTCF analysis

Note: (1) For the 18 months prior to July 2019, when the Company entered in the Scheme.

In relation to the above we note that a majority of peers show a higher liquidity that Pacific Energy. Their closest comparable company Zenith Energy Limited has a higher level of liquidity with 98.7% of total shares and 144.8% of free float shares traded over the review period. Overall, the volume traded in Pacific Energy's shares of 26% based on total shares on issue or 56% based on the free float shares is at the lower end of its peers.

In addition to the above, where a company's stock is not heavily traded or relatively illiquid, the market typically observes a sizeable difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. As set out in the graph below, we note that the historical average bid-ask spread has not been material (1.4%) in the twelve months prior to the company announcing the Scheme, being at a comparable level to its peers.



Source: S&P Global, GTCF analysis.

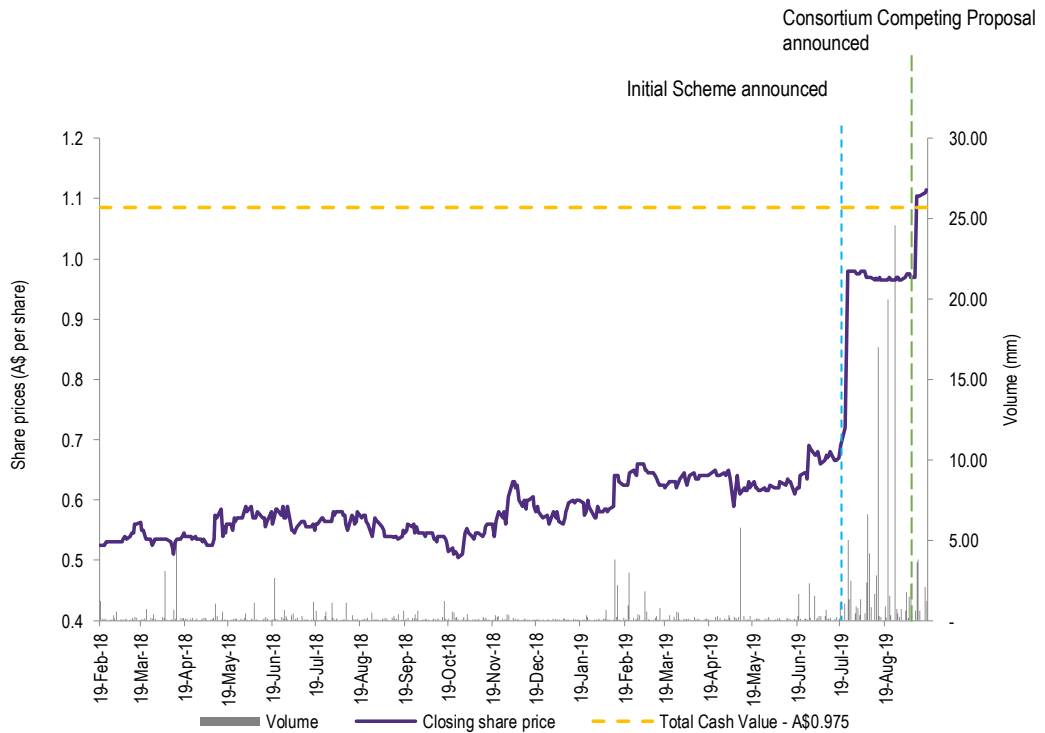
Based on the analysis above, we note that Pacific Energy has a more modest level of liquidity when compared to its peers. A lower portion of their free float shares were traded over the last 18 months, however their bid-ask spread is at a comparable level and their inclusion in the S&P/ASX Emerging Index requires them to have met reasonable liquidity tests⁶¹. Therefore, we believe that it is not unreasonable to adopt the Quoted Share Price security method as a reference point for the fair market value of Pacific Energy.

6.3.1 Valuation assessment of Pacific Energy based on the trading price

As part of our valuation procedures based on the trading price, we have analysed the performance of Pacific Energy's Shares prices over the last 18 months.

⁶¹ S&P/ASX Emerging Companies Index Fact Sheet

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Source: S&P Global, GTCF analysis.

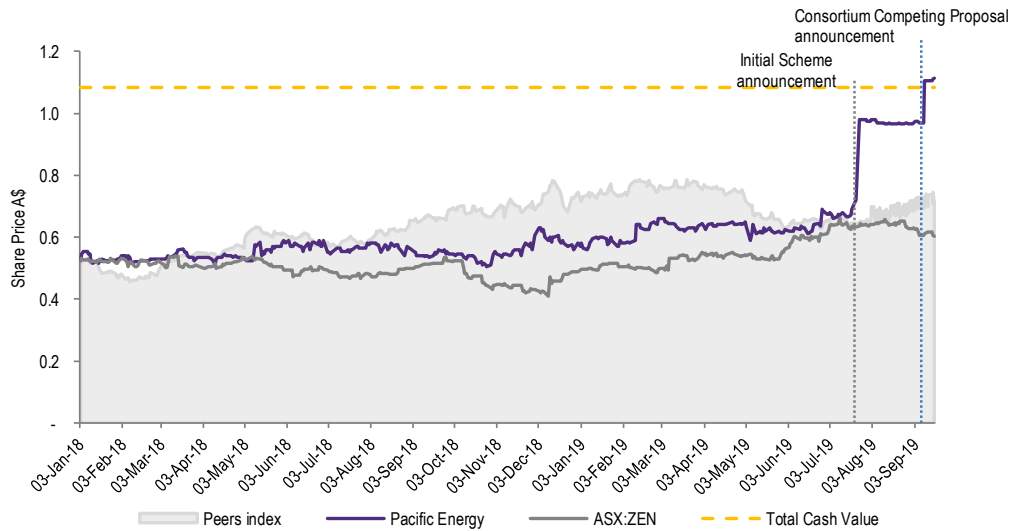
We make the following observations in relation to the chart above:

- Despite certain periods of volatility, from January 2018 until November 2018, Pacific Energy's share price was mostly stable, trading between A\$0.51 and A\$0.59 throughout the period.
- Subsequent to the low of A\$0.51 on 26 October 2018, Pacific Energy's share price has steadily increased over the following 8 months until the trading halt on 23 July 2019 due to the Scheme announcement. Positive earnings and tender news contributed to this upwards share price trend. In particular throughout FY19, there were two increases to the EBITDA guidance on 12 Feb 2019 and 27 June 2019, which both resulted in an increase in share price that day of \$0.05.
- Pacific Energy is a dividend paying stock with historical dividends of \$0.025 per share per annum⁶².

⁶² However, in FY18 it was only \$0.01.

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As part of our analysis, we have also outlined in the graph below the relative performance of Pacific Energy trading prices compared to its listed peers. We have rebased the trading prices of Zenith and the peer index ("Peer Index")⁶³ comprising of comparable electricity generation companies.



Source: S&P Global, GTCF analysis

Having regard to the above, Pacific Energy's share price movement has been in line with the Peer Index, trading at a slightly lower level for a majority of the review period. In relation to Zenith's share price, we make the following observations:

- Zenith's trading price has been below that of its peers and Pacific Energy for a majority of the review period, with all rebased share prices converging from June 2019.
- Zenith's trading prices began diverging materially from Pacific Energy in October 2018, at a similar time to Pacific Energy's announcement of the successful tender of a new 14MW site, in addition to the later announcement of an expansion to the Gwalia gas fired power station.
- Following the divergence in October 2018, Zenith's share price has performed in a relatively consistent trend to that of Pacific Energy and its peer group, with a slightly stronger level of growth resulting in the June 2018 convergence.

Overall, we note that immediately before the announcement of the Initial Scheme, the share price performance gap between Pacific Energy and Zenith since October had reduced with Zenith trading at \$0.64 and Pacific Energy trading at \$0.72⁶⁴.

Based on the above with increased significance on Zenith's share price performance, we are of the opinion that Pacific Energy's share price movements are in line with their Australasian peers, trading between Zenith and its wider peer group for a majority of the review period. Accordingly, we are of the opinion that it is appropriate to adopt them for the purpose of our valuation assessment.

⁶³ The Peer Index includes all Australian Contracted Power Generation companies as outlined in Section 6.2.2. A further list of all comparable companies including the wider mining services industry is detailed in Appendix C.

⁶⁴ Note that Pacific Energy's share price increased from \$0.67 in the days leading up to the announcement.

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6.3.2 Conclusion on the selected valuation range

Set out below is a summary of the VWAP of Pacific Energy shares before the trading halt on 23 July 2019 related to the announcement of the Initial Offer.

| VWAP | | | |
|-----------------------|-------|-------|-------|
| A\$ per share | Low | High | VWAP |
| Prior to 23 July 2019 | | | |
| 1 day prior | 0.690 | 0.720 | 0.699 |
| 5 days prior | 0.665 | 0.720 | 0.689 |
| 10 days prior | 0.665 | 0.720 | 0.685 |
| 30 days prior | 0.635 | 0.720 | 0.677 |
| 2 months prior | 0.605 | 0.720 | 0.661 |
| 3 months prior | 0.580 | 0.720 | 0.640 |
| 4 months prior | 0.580 | 0.720 | 0.639 |
| 5 months prior | 0.580 | 0.720 | 0.640 |
| 6 months prior | 0.555 | 0.720 | 0.637 |
| 9 months prior | 0.500 | 0.720 | 0.628 |

Source: S&P Global, GTCF analysis

Note: The VWAP's in the table above include the volume from special crossings.

Whilst the Final Dividend was declared as part of the Initial Scheme, we consider that given Pacific Energy's track record of paying consistent dividends, the share price reflects some expectation of a final dividend. As we are considering the fairness of the Scheme Consideration after the payment of a dividend, we have considered the expectation of a dividend in our assessment of fair market value of the Quoted Security.

Based on the above and the discussions/analysis in the previous sections, we have assessed the fair market value of Pacific Energy's shares based on the trading price before 23 July 2019 between A\$0.65 and A\$0.70 on a minority basis.

6.3.3 Premium for control

Evidence from studies suggests that successful takeovers in Australia have completed based on the premium for control in the range of 20% to 40% (see Appendix F).

In addition, we have considered the premium for control paid by acquirers in the energy industry. The analysis below indicated a control premium paid between 18% and 43% based on the 1 Month prior to announcement. We have considered transactions from a wider range of industries, including the broader utilities and energy sectors, and hence some transactions may not necessarily be fully comparable to the specific operations of Pacific Energy. Regardless, we are of the opinion that together these transactions still provide directional evidence of the premium for control paid in the remote energy industry.

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| Transaction Multiples | | | | | Trading Price Premium | |
|-----------------------|-----------------------------|------------------------------------------------------|-----------|-----------|-----------------------|--------------|
| Date | Target Company | Bidder Company | Stake (%) | Status | 1 Day | 1 Month |
| Aug-19 | ERM Power Limited | Shell Energy Australia Pty Ltd | 100% | Announced | 43.3% | 29.1% |
| Aug-18 | Tilt Renewables Limited | Infratil Limited; Mercury NZ Limited | 14% | Closed | 20.9% | 29.4% |
| May-18 | Tilt Renewables Limited | Mercury NZ Limited | 20% | Effective | 66.7% | 29.0% |
| Dec-16 | DUET Group | Cheung Kong Infrastructure Holdings Ltd ² | 100% | Closed | 22.9% | 38.3% |
| Jul-15 | Energy Developments Limited | DUET Group | 100% | Closed | 22.0% | 42.8% |
| Nov-09 | Energy Developments Limited | Pacific Equity Partners | 80% | Closed | 11.1% | 17.6% |
| Low | | | | | 11.1% | 17.6% |
| Average | | | | | 31.2% | 31.1% |
| Median | | | | | 22.5% | 29.3% |
| High | | | | | 66.7% | 42.8% |

Source: S&P Global, GTCF Analysis

Note: (1) The control premium has been calculated based on the 1-day and 1-month VWAP share price of the target from the last trading day before trading was halted for the transaction announcement; (2) Cheung Kong Infrastructure Holdings Ltd was the lead company in a syndicate that purchased DUET Group.

Given the distribution of the control premium in the Australian market in general and in the above transactions in particular, we have applied in our valuation assessment based on the trading prices a control premium in the range of 35% to 40% as set out in the table below. Given that the Energy Developments Limited transaction in 2015 is the most comparable, we have placed the greatest significance on this transaction.

| Valuation Summary - Quoted Security Price Method | Section Reference | Low | High |
|-------------------------------------------------------------|-------------------|-------------|-------------|
| A\$ per share | | | |
| GT assessed value per PEA Share (on a minority basis) | 6.3.2 | 0.65 | 0.70 |
| Estimated control premium | 6.3.3 | 35% | 40% |
| GT assessed value per PEA Share (on a control basis) | | 0.88 | 0.98 |

Source: GTCF analysis

We note that our valuation assessment based the trading prices plus a premium for control is in line with, our valuation assessment based on the DCF approach.

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7 Sources of information, disclaimer and consents

7.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Scheme Booklet.
- Annual reports / consolidated accounts of Pacific Energy for FY16 to FY19.
- FY19 budget pack and minutes of Board meetings.
- Management Presentation and Projections.
- Press releases and announcements by Pacific Energy on the ASX.
- Management accounts from FY16 to FY19.
- Management reports for the last 6 months before the announcement of the Scheme.
- S&P Global / Capital IQ
- Aswath Damodaran
- Pacific Energy customer contracts
- Various industry and broker reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of Pacific Energy and its advisers.

7.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to assist the Directors of Pacific Energy in advising the Pacific Energy shareholders in relation to the Scheme. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Scheme is in the best interest of Pacific Energy shareholders.

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Pacific Energy has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Scheme Booklet to be sent to Pacific Energy shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

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Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain

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features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Appendix B – Options Valuation

We have been requested by the Board of Pacific Energy to also consider if the Scheme is in the best interests of the option holders. Grant Thornton Corporate Finance has concluded that the Scheme is fair and reasonable and therefore in the best interests of the option holders.

Fairness assessment – Option holders

For the purpose of assessing whether the transaction is fair for option holders we have calculated the option consideration based on the intrinsic value at the Offer Price of \$1.07⁶⁵ and compared this with the value of each option. In calculating the value of each option, we have adopted the Cox-Ross-Rubenstein Binomial Model for a European call option (“Binomial Model”), which is widely recognized as the preferred method of valuing European and American style options. In using the Binomial Model, we have been required to make a range of assumptions. We have detailed the key information about each tranche of options and the range of assumptions below.

| Details of Option Tranches | | | | |
|----------------------------|-----------|------------|------------|---------------------|
| Tranche | Number | Vesting | Expiry | Exercise Price (\$) |
| Tranche 1 | 1,000,000 | 14/05/2016 | 2/06/2020 | 0.55 |
| Tranche 2 | 2,000,000 | 14/05/2017 | 2/06/2020 | 0.60 |
| Tranche 3 | 2,000,000 | 14/05/2018 | 2/06/2020 | 0.65 |
| Tranche 4 | 1,000,000 | 10/05/2019 | 31/03/2021 | 0.80 |
| Tranche 5 | 1,000,000 | 10/05/2020 | 31/03/2022 | 0.90 |
| Tranche 6 | 2,000,000 | 24/04/2020 | 24/04/2023 | 0.80 |
| Tranche 7 | 2,000,000 | 24/04/2021 | 24/04/2023 | 0.90 |

Source: Pacific Energy Annual Report - Appendix 3B

| Details of Binomial Assumptions | | | | | Days to |
|---------------------------------|-----------|----------------|------------|----------------|---------|
| Tranche | Number | Risk-Free Rate | Volatility | Dividend Yield | Expiry |
| Tranche 1 | 1,000,000 | 0.71% | 30.00% | 2.5% to 2.8% | 306 |
| Tranche 2 | 2,000,000 | 0.71% | 30.00% | 2.5% to 2.8% | 306 |
| Tranche 3 | 2,000,000 | 0.71% | 30.00% | 2.5% to 2.8% | 306 |
| Tranche 4 | 1,000,000 | 0.67% | 30.00% | 2.5% to 2.8% | 608 |
| Tranche 5 | 1,000,000 | 0.75% | 30.00% | 2.5% to 2.8% | 973 |
| Tranche 6 | 2,000,000 | 0.86% | 30.00% | 2.5% to 2.8% | 1,362 |
| Tranche 7 | 2,000,000 | 0.86% | 30.00% | 2.5% to 2.8% | 1,362 |

Source: Pacific Energy Annual Report - Appendix 3B and GTCF analysis

- **Underlying share price (spot price)** – We have calculated the underlying value based on the equity value range per share as determined as part of our DCF. We have applied a minority interest discount of 26% to 29%⁶⁶ on the basis that upon exercise the option holder would receive a share representing a minority interest.
- **Dividend yield** – We have assumed that the yield is based on the historical total annual dividend of \$0.025.

⁶⁵ If the Contingent Consideration is payable, the additional \$0.005 will be factored into the consideration paid to cancel the options.

⁶⁶ Calculated based on a control premium of 35% to 40%

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- *Risk free rate* – We have based our rate on the current spot rate of Australian Zero-Coupon bonds with matching maturities to each tranche of option. Where no matching maturity was available, we have used linear interpolation of the rates of bonds with the nearest maturities.
- *Volatility* – In order to estimate the future volatility of a share, its historical volatility is often used as an appropriate proxy measure of the future volatility over the Performance Period. For the purpose of this valuation, we matched the length of historical volatility observed to the period of evaluation of one to four years and applied this rate across all tranches. We are of the opinion that given the low commodity environment over the past 2 to 5 years, the recovery over the past 2 years is most reflective of the market conditions going forward, and in turn volatility over the medium term. Please note, when assessing the volatility we have also held regard to Pacific Energy's peer group, and the ASX 200 Energy and ASX 200 Resources indices.

As mentioned above, when assessing the fairness, we have considered the value of each option and compared it with the consideration to be received as part of the transaction for each tranche of option holder. As detailed below we are of the opinion that the Scheme is FAIR for all option holders and hence in their best interests.

| Fairness Assessment - Option Holders | | Value per | Value per | Offer | Fairness |
|--------------------------------------|-----------|--------------|---------------|------------|-------------|
| Tranche | Number | Option (low) | Option (high) | per Option | Assessment |
| Tranche 1 | 1,000,000 | 0.11 | 0.19 | 0.52 | FAIR |
| Tranche 2 | 2,000,000 | 0.08 | 0.15 | 0.47 | FAIR |
| Tranche 3 | 2,000,000 | 0.06 | 0.12 | 0.42 | FAIR |
| Tranche 4 | 1,000,000 | 0.04 | 0.08 | 0.27 | FAIR |
| Tranche 5 | 1,000,000 | 0.04 | 0.07 | 0.17 | FAIR |
| Tranche 6 | 2,000,000 | 0.07 | 0.12 | 0.27 | FAIR |
| Tranche 7 | 2,000,000 | 0.05 | 0.09 | 0.17 | FAIR |

Source: GTCF analysis

Reasonableness assessment – Option holders

We have also considered the following when assessing whether the scheme is in the best interests of all option holders:

- The consideration offered is based on the Scheme Consideration (exclusive of the Final Dividend), which considers a control premium to the trading price prior to the Scheme being announced. At the offer price of \$1.07, all options are considered to be “in the money”, however prior to the announcement of the Scheme only Tranches 1, 2 and 3 were “in the money”.
- The consideration provides the option holders with certainty to realise the intrinsic value of the options immediately. The options are not tradeable and therefore option holders would not have the ability to liquidate until exercise.
- Any risks associated with the share price of Pacific Energy falling below the strike price prior to exercise are removed.
- Any unvested options would have been forfeited upon resignation from the Company,

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giving the senior executives more flexibility in terms of their longer term employment arrangements.

Based on the qualitative factors identified above, the Scheme is also reasonable to all option holders of Pacific Energy.

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Appendix C – Comparable companies

| Company | Description |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tilt Renewables Limited | Tilt Renewables Limited, together with its subsidiaries, develops, owns, and manages renewable energy generation assets. It generates electricity from renewable energy sources, such as wind and solar energy sources. The company owns 440 MW of wind generation assets in Australia and 196 MW of wind generation assets in New Zealand. It also offers financial services. The company is headquartered in Melbourne, Australia. Tilt Renewables Limited is a subsidiary of Infratil Limited. |
| Zenith Energy Limited | Zenith Energy Limited, together with its subsidiaries, builds, owns, operates, manages, and maintains remote power plants for the resources industry in Australia and Papua New Guinea. It offers various fuel source options, including thermal (diesel or gas), renewable, or hybrid systems (diesel/gas or thermal/renewables). The company has a total generation capacity of approximately 350 MW. Zenith Energy Limited was founded in 2006 and is based in Belmont, Australia. |
| Infigen Energy Limited | Infigen Energy Limited develops, owns, and operates renewable energy generation assets in Australia. It has 557 megawatts of installed generation capacity in New South Wales, South Australia, and Western Australia. The company's development pipeline comprises approximately 1,100 megawatts of wind and solar projects in Australia. Infigen Energy Limited was founded in 2003 and is headquartered in Sydney, Australia. |
| ERM Power Limited | ERM Power Limited, a diversified energy company, engages in the generation and sale of electricity in Australia and the United States. It operates through Business Energy Australia, Generation Assets, and Other segments. The company operates 662 megawatts of low emission gas-fired power stations in Western Australia and Queensland. It is also involved in the gas, metering, data analytics, and lighting solutions businesses, as well as retailing of electricity. The company sells electricity to the commercial and industrial customers, and small to medium enterprises. ERM Power Limited was founded in 1980 and is headquartered in Brisbane, Australia. |
| Windlab Limited | Windlab Limited develops, finances, constructs, and operates wind farms in Australia, Kenya, South Africa, Tanzania, and the United States. It also provides asset management services to various operating wind farms. The company has development projects with a capacity of approximately 7,000 megawatts. Windlab Limited was founded in 2003 and is headquartered in Canberra, Australia. |
| Ausdrill Limited | Ausdrill Limited operates as a mining services company worldwide. It operates through Drilling Services Australia, Equipment Services and Supplies, Contract Mining Services Africa, and All Other segments. The company engages in the reverse circulation (RC), diamond drilling, rotary air blast, and air core drilling activities; geochemical and precious metals analysis activities; production and monitoring of bores, as well as depressurization and dewatering, and surface hole drilling; and procurement and supply of exploration equipment, parts, and consumables. It also designs, manufactures, and maintains blast hole, RC and diamond drill rigs, and support and ancillary equipment. In addition, the company engages in the drill and blast, and grade control drilling activities; rental of earthmoving equipment; mine development and civil works; grade control rental; manufacture of bulk explosives; and provision of blasting services. Further, it is involved in dry or maintained hire of mining, earthmoving, and drilling equipment; production drilling and down-the-hole bulk explosives supply activities; and clearing, pre-strip, access, and haul road construction, excavation, loading, hauling, dumping, and equipment hire activities. Additionally, the company offers consulting, feasibility, management, planning, mine development, and production services; procures and supplies underground equipment, parts, and consumables; and rents and maintains pressure control and pump products for the oil and gas sector. Ausdrill Limited was founded in 1987 and is based in Canning Vale, Australia. |

Source: S&P Global

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| Company | Description |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Genex Power Limited | Genex Power Limited engages in the generation and storage of renewable energy in Australia. It generates power through hydro and solar projects. The company was formerly known as Allied Resources Limited and changed its name to Genex Power Limited in August 2013. Genex Power Limited was incorporated in 2011 and is based in Sydney, Australia. |
| Macmahon Holdings Limited | Macmahon Holdings Limited provides mining services to clients in Australia and Southeast Asia. It offers surface mining services, including mine planning and analysis, mine management, drill and blast, bulk and selective mining, crushing and screening, fixed plant maintenance, water management, and equipment operation and maintenance. The company also provides underground mining services, such as mine development and production, raise drilling, cablebolting, shotcreting, remote shaft lining, production drilling, and shaft sinking. In addition, it offers mining infrastructure services comprising topsoil and overburden stripping, bulk earthworks, road design and construction, train loading facilities; and water infrastructure, including dams, creek diversions, flood levies, and drainage structures. Further, the company provides engineering electrical, fabrication, infrastructure construction, and mechanical services; underground pumping and infrastructure construction services; and emergency egress systems, and conveying, crushing and materials handling systems. Additionally, it offers complete on-site maintenance and plant management support services. The company was founded in 1963 and is headquartered in Perth, Australia. |
| NRW Holdings Limited | NRW Holdings Limited, through its subsidiaries, provides civil and mining contracting, urban development, and drilling and blasting services in Australia. It operates through three business segments: Civil, Mining, and Drill & Blast. The Civil segment delivers private and public civil infrastructure, mine development, bulk earthworks, and commercial and residential projects. Its civil construction projects include roads, bridges, tailings storage facilities, rail formations, ports, water infrastructure, and concrete installations. The Mining segment engages in the mine management, contract mining, load and haul, dragline, and coal handling prep plants operations; maintenance activities; and fabrication of water and service vehicles. The Drill & Blast segment offers integrated end to end production drill and blast services to the mining and civil construction sectors. The company also sells plants and tires. NRW Holdings Limited was founded in 1994 and is headquartered in Belmont, Australia. |
| MACA Limited | MACA Limited engages in contract mining and crushing, civil construction, infrastructure, and mineral processing equipment business in Australia and Brazil. The company offers loading and hauling services; and drilling and blasting services, including production drilling and blasting for surface mining operations or quarries, pre-split drilling, contour drilling and pioneering, blast hole sample drilling, probe drilling, pre-split and final wall blasting, drill and blast design, blasting solutions for civil construction, and controlled blasting. It also provides crushing and screening services to deliver tailored screening and sizing solutions, as well as materials handling solutions. In addition, the company provides a range of civil infrastructure and maintenance services, including construct only, or design and construct in greenfields and urban brownfields environments for state and federal road authorities, local municipalities, and private organizations. Further, it engages in mineral processing equipment business, including the delivery of small to large scale structural, mechanical, and piping projects, process plant and equipment, and maintenance of, and consumables. MACA Limited was incorporated in 2002 and is headquartered in Welshpool, Australia. |

Source: S&P Global

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Appendix D – Comparable transactions’ target company descriptions

| Target Company | Description |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tilt Renewables Limited | Tilt Renewables Limited, together with its subsidiaries, develops, owns, and manages renewable energy generation assets. It generates electricity from renewable energy sources, such as wind and solar energy sources. The company owns 440 MW of wind generation assets in Australia and 196 MW of wind generation assets in New Zealand. It also offers financial services. The company is headquartered in Melbourne, Australia. Tilt Renewables Limited is a subsidiary of Infratil Limited. |
| DUET Group | DUET Group, together with its subsidiaries, owns and operates energy utility assets. It operates through Dampier Bunbury Pipeline, DBP Development Group, Energy Developments, United Energy, and Multinet Gas segments. The company’s asset portfolio includes a 100% interest in the Dampier Bunbury Pipeline, which connects natural gas reserves of the Carnarvon and Browse basins on Western Australia’s North West Shelf with customers in Perth and the surrounding regions; DBP Development Group, which owns and operates the Wheatstone Ashburton West Pipeline that connects the domestic Wheatstone LNG complex to the DBNGP; and Energy Developments that manages approximately 900 MW of power generation facilities in remote energy, natural gas and diesel, landfill gas, and waste coal mine gas areas in Australia, the United States, the United Kingdom, and Europe. Its asset portfolio also comprises a 100% interest in the Multinet Gas, a gas distribution company, which covers an area of 1,860 square kilometers of eastern and south-eastern suburbs of Melbourne; and 66% interest in the United Energy distribution that covers an area of approximately 1,472 square kilometers of south-east Melbourne and Mornington Peninsula. The company serves industrial, commercial, and residential customers. DUET Group is based in Sydney, Australia. |
| Energy Developments Limited | Energy Developments Limited engages in the development and operation of power generation projects. It is involved in project development, finance, design, operation, and maintenance of power generating and energy delivery projects. The company generates power using a range of fuel sources, such as remote energy, natural gas, liquefied natural gas, compressed natural gas, diesel, landfill gas, and waste coal mine gas. In addition, it generates and sells environmental credits in international, national, and state-based schemes; and provides greenhouse gas emissions energy and remote energy solutions. The company owns and operates various power stations with a generation capacity of approximately 900 MW in Australia, the United States, and Europe. Energy Developments Limited sells its electricity to direct customers, including electricity retailers and mining companies; public companies or government bodies; and landfill site owners. The company is headquartered in Eight Mile Plains, Australia. As of October 22, 2015, Energy Developments Ltd. operates as a subsidiary of DUET Group. |
| Snowy Hydro Limited | Snowy Hydro Limited generates and markets renewable electrical energy in Australia. It owns, operates, and maintains gas-fired power stations and gas-fired generator; and owns and operates diesel fired peakers. The company operates and maintains the Snowy Mountains Scheme, an integrated water and hydro-electric power utility located in Australia’s Southern Alps. It operates 16 power stations with a generation capacity of approximately 5,500 megawatts across New South Wales, Victoria, and South Australia. The company also provides peak, renewable electricity and risk management financial hedge products to the National Electricity Market. It retails electricity and gas to retail customers, small to medium enterprises, and commercial and industrial customers. Snowy Hydro Limited is based in Cooma, Australia. |

Source: S&P Global

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| Target Company | Description |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Redbank Energy Limited | Redbank Energy Limited owns and manages Redbank power station in Australia. The company's Redbank power station is a 151MW coal fired base load power station located near Singleton in the Hunter Valley, New South Wales. It also offers an interactive energy house to provide consumers with the information they need to take action to reduce their energy consumption and bills using natural gas. The company was formerly known as Alinta Energy Limited and changed its name to Redbank Energy Limited in March 2011. Redbank Energy Limited is based in Sydney, Australia. |
| Diamantina Power Station Pty Ltd | Diamantina Power Station Pty Ltd. operates a natural gas-fired power generation plant. It supplies electricity to consumers in North West Queensland. The company was incorporated in 2011 and is based in Sydney, Australia. Diamantina Power Station Pty Ltd operates as a subsidiary of APA Group.¶ |
| Infratil Energy Australia Pty Ltd. (nka:Lumo Generation SA Pty Ltd) | Lumo Generation SA Pty Ltd generates electricity by operating diesel power stations. Lumo Generation SA Pty Ltd was formerly known as Infratil Energy Australia Pty Ltd and changed its name to Lumo Generation SA Pty Ltd in September, 2014. The company was incorporated in 2005 and is based in Sydney, Australia. As of September 30, 2014, Lumo Generation SA Pty Ltd operates as a subsidiary of Snowy Hydro Limited. |
| Energy Generation Pty Ltd | Energy Generation Pty Ltd, doing business as Energy Developments Remote Energy, designs, constructs, operates and maintains diesel and gas fired power stations. Energy Generation Pty Ltd was formerly known as StateWest Power Pty Ltd. and changed its name to Energy Generation Pty Ltd in March 2005. The company was founded in 1978 and is based in Canning Vale, Australia. As of August 31, 2011, Energy Generation Pty Ltd operates as a subsidiary of Energy Developments Limited. |
| Infigen Energy Limited | Infigen Energy Limited develops, owns, and operates renewable energy generation assets in Australia. It has 557 megawatts of installed generation capacity in New South Wales, South Australia, and Western Australia. The company's development pipeline comprises approximately 1,100 megawatts of wind and solar projects in Australia. Infigen Energy Limited was founded in 2003 and is headquartered in Sydney, Australia. |

Source: S&P Global

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Appendix E – Discount rate

Introduction

The cash flow assumptions underlying the DCF Approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows. As discussed in section 6, we have assessed the Australian and African operations separately, selecting different WACCs for each to best reflect their risk profile.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\text{WACC} = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are

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correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market – it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_c = R_f + \beta_e (R_m - R_f) + SRP$$

Where:

- Rf = risk free rate
- β_e = expected equity beta of the investment
- (Rm – Rf) = market risk premium
- SRP = Specific Risk Premium

Risk free rate

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years.

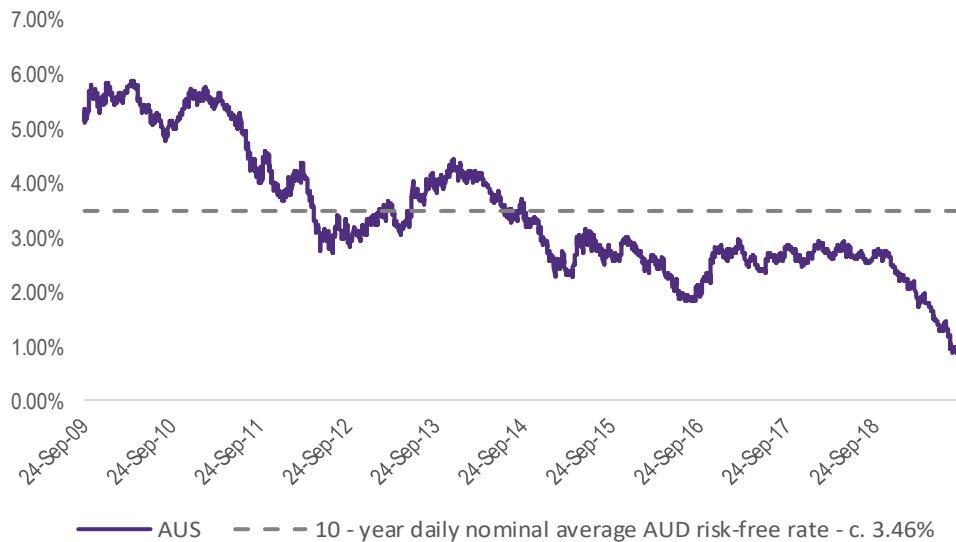
| Australia Government Debt - 10 Year as at 16 September 2019 | Range | | | Daily average Nominal |
|----------------------------------------------------------------|-------|---|-------|--------------------------|
| Previous 5 trading days | 1.08% | - | 1.20% | 1.15% |
| Previous 10 trading days | 0.94% | - | 1.20% | 1.08% |
| Previous 20 trading days | 0.89% | - | 1.20% | 1.00% |
| Previous 30 trading days | 0.89% | - | 1.20% | 0.98% |
| Previous 60 trading days | 0.89% | - | 1.46% | 1.14% |
| Previous 1 year trading | 0.89% | - | 2.79% | 1.94% |
| Previous 2 years trading | 0.89% | - | 2.93% | 2.32% |
| Previous 3 years trading | 0.89% | - | 2.99% | 2.41% |
| Previous 5 years trading | 0.89% | - | 3.71% | 2.50% |
| Previous 10 years trading | 0.89% | - | 5.88% | 3.43% |

Source: S&P Global, GTCF analysis

Currently, global financial markets are witnessing significant volatility with several geopolitical factors (like the ongoing US-China trade war and the pending outcome of Brexit) adding to the

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fluctuation of bond rates. In addition, the US Federal Reserve has indicated that no further interest rate hikes are expected in 2019, the historically low cash rate environment in Australia, and uncertainty over future Australian cash rate movements⁶⁷. Although we note that the spot rate is 1.20%, given the significant volatility in the global financial markets, we have placed more emphasis on the median risk free rate observed over a longer period of time as shown in the graph below:



Source: S&P Global

Having regard to the above, we have adopted a risk-free rate of 3.50% for calculating an Australian dollar discount rate.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium of 6.0% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%. We note, the same market risk premium has been applied for both Australia and Africa, with a separate country risk premium applied to Africa.

Country risk premium

The country risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in a foreign country. In calculating the country risk premium, we have used the country risk premium of Senegal for KPS Africa. This has been selected given that Pacific Energy's current LOI is for a location in Senegal.

⁶⁷ Given that the RBA's expectation of an interest rate cut is as likely as a rate hike.

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For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a country risk premium of 4.9%⁶⁸ for KPS Africa. We note, should other outstanding tenders be won in other African countries, this will change the country risk premium and may materially impact our valuation.

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

Grant Thornton Corporate Finance has observed the betas of the comparable companies of Pacific Energy by reference to the local index of each company (based on country of domicile) over 2 years based on weekly observations and over 5 years based on weekly observations. We consider the local index betas to be appropriate as the Pacific Energy currently is only profit making in Australia.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for companies operating in the agriculture industry, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable company, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

⁶⁸ As sourced from Aswath Damodaran, NYU Stern.

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We used the following formula to undertake the degearing and regearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

The betas are de-gearing using the average historical gearing levels observed for each company and then re-gearing based on an optimal capital structure of 40% debt to 60% equity (see Capital Structure Section below for further discussions).

Based on the above, the regearred betas for the comparable companies for Pacific Energy are set out in the table below:

| Beta Analysis | | | 2-year weekly betas | | | | 5-year weekly betas | | | |
|----------------------------------------|-----------|---------------------------|--------------------------|-------------|-------------|-------------|--------------------------|-------------|-------------|-------------|
| Company | Country | Market Cap A\$Millions | Equity | Gearing | | Ungeared | Equity | Gearing | | Ungeared |
| | | | Beta (²) | R squared | Ratio | Beta | Beta (²) | R squared | Ratio | Beta |
| Australian Contracted Power Generation | | | | | | | | | | |
| Tilt Renewables Limited | Australia | 1,286 | 0.21 | 0.02 | 58% | 0.15 | 0.24 | 0.02 | 68% | 0.16 |
| Zenith Energy Limited | Australia | 84 | 0.63 | 0.03 | 69% | 0.42 | 0.64 | 0.04 | 49.1% | 0.48 |
| Infigen Energy Limited | Australia | 469 | 1.43 | 0.20 | 90% | 0.88 | 0.63 | 0.04 | 152.9% | 0.30 |
| ERM Power Limited | Australia | 427 | 0.16 | 0.00 | 24% | 0.13 | 0.97 | 0.08 | 19.8% | 0.85 |
| Windlab Limited | Australia | 50 | (0.05) | 0.00 | (13.5%) | (0.06) | (0.05) | 0.00 | (6.8%) | -0.05 |
| Genex Power Limited | Australia | 98 | 1.00 | 0.07 | 108% | 0.57 | 0.87 | 0.04 | 37.3% | 0.69 |
| Average | | | 0.56 | 0.05 | 56% | 0.35 | 0.55 | 0.04 | 53% | 0.40 |
| Average (R Squared ≥ 0.05) | | | 0.81 | 0.09 | 66% | 0.48 | 0.97 | 0.08 | 0.20 | 0.85 |
| Median | | | 0.42 | 0.03 | 63% | 0.29 | 0.63 | 0.04 | 43% | 0.39 |
| Median (R Squared ≥ 0.05) | | | 1.22 | 0.13 | 99% | 0.72 | 0.87 | 0.04 | 37% | 0.69 |
| Australian Mining Services Providers | | | | | | | | | | |
| Ausdrill Limited | Australia | 1,214 | 2.04 | 0.20 | 32% | 1.67 | 1.43 | 0.09 | 115.1% | 0.79 |
| Macmahon Holdings Limited | Australia | 343 | 0.83 | 0.05 | 6% | 0.80 | 0.65 | 0.03 | (23.3%) | 0.78 |
| NRW Holdings Limited | Australia | 763 | 1.95 | 0.18 | 4% | 1.90 | 2.52 | 0.06 | 84.3% | 1.59 |
| MACA Limited | Australia | 240 | 0.90 | 0.06 | 5.1% | 0.87 | 0.79 | 0.06 | (7.0%) | 0.83 |
| Average | | | 1.43 | 0.12 | 12% | 1.31 | 1.35 | 0.06 | 42% | 1.00 |
| Average (R Squared ≥ 0.05) | | | 1.43 | 0.12 | 0.12 | 1.31 | 1.58 | 0.07 | 64% | 1.07 |
| Median | | | 1.43 | 0.12 | 5% | 1.27 | 1.11 | 0.06 | 39% | 0.81 |
| Median (R Squared ≥ 0.05) | | | 1.43 | 0.12 | 5% | 1.27 | 1.43 | 0.06 | 84% | 0.83 |
| Average | | | 0.91 | 0.08 | 38% | 0.73 | 0.87 | 0.05 | 49% | 0.64 |
| Average (R Squared ≥ 0.05) | | | 1.36 | 0.13 | 41% | 1.11 | 1.25 | 0.06 | 77% | 0.84 |
| Median | | | 0.87 | 0.06 | 28% | 0.69 | 0.72 | 0.04 | 43% | 0.73 |
| Median (R Squared ≥ 0.05) | | | 1.22 | 0.13 | 19% | 0.87 | 0.87 | 0.06 | 84% | 0.79 |

Source: S&P Global and GTCF calculations

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Note: (1) R-squared. Betas with a correlation less than 5% are considered not meaningful, however, given the limited comparable companies from a beta perspective, have been included as a guide only; (2) Equity betas are calculated using data provided by S&P Global. The betas are based on a five year period with weekly observations and have been degeared based on the average gearing ratio over five years. The betas based on a two year period with weekly observations are degeared based on the average gearing ratio over two years.

We note the following:

- Despite being the most operationally comparable, we have placed limited reliance on Zenith. This is due to the historical volatility of their share price, driven by their rapid growth strategy and heavy gearing levels. Additionally, Zenith has only been trading for c. 2 years, and hence has a limited trading history.
- Tilt Renewables Limited and Infigen Energy Limited operate in the power generation industry, however, generate a majority of their revenue through supplying energy to national energy grids, as opposed to remote power sites. As such, while they enter into long term contracts to secure the electricity price, they are able to continue supplying at the spot price should contracts not be renewed, thus are a lower risk business compared with Pacific Energy.
- Genex is a selected comparable company operating in the power generation industry supplying to the national grid. We note, Genex are only in their infancy and as such, are likely to have a higher risk than Tilt and Infigen who also operate in the same sector.
- We have held limited regard to Windlab given that it is currently exiting a loss making period and thus, not comparable with the current risk profile of Pacific Energy which has seen steady earnings historically.
- We have also considered a range of Australian Mining Services Providers in our analysis, however, placed limited reliance on these companies given that they are heavily dependent on the mining industry under committed arrangements, which has been reasonably volatile over the past 2-5 years.

While these companies have differences in comparison to Pacific Energy, and certain companies exhibit a higher correlation to the market, we believe this group provides a reasonable measure of the industry beta. As such, we have selected an asset beta range of 0.60 to 0.70, which translates to an equity beta of 0.88 to 1.03, based on the optimal capital structure of 40% debt and 60% equity.

Specific risk premium

Specific Risk Premium – Australia

When assessing the specific risk premium, we have considered a number of factors including:

- The nature and size of Pacific Energy compared to the selected comparable companies.
- The uncertainty associated with cash flow forecasts, in particular the cash flow forecasts include a significant amount of growth and recontracting in the cash flows which is not yet proven.

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- The current competition in the market placing pressure on Pacific Energy's ability to secure future contracts.

Based on our analysis, we have adopted a specific risk premium in the range of 1.5% to 2.0% for the Australian operations of Pacific Energy.

Specific Risk Premium – Africa

In addition to the above, we have considered the following when assessing the specific risk premium for Africa:

- Currently there is only one letter of intent in place and no signed contracts.
- Previously, Pacific Energy has had other letters of intent that have not materialised into a signed contract.

Based on our analysis, we have adopted a specific risk premium of 3% for the African operations of Pacific Energy.

We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

Cost of debt

Australia

For the purpose of estimating the cost of debt applicable to Pacific Energy, Grant Thornton Corporate Finance has considered the following:

- The margin implicit in corporate bond yields over the Australian Government bond yields. Given the relatively low interest rate environment, this is likely to yield a low interest rate, which, in our opinion, does not reflect the long-term interest rate that is likely to be paid by companies borrowing debt in Australian dollars.
- The average yield on Australian BBB corporate bonds over the last 10 years as published by the Reserve Bank of Australia.
- Expectations of the yield curve.
- The average borrowing cost incurred by Pacific Energy on its debt facilities.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt of 5.5% on a pre-tax basis.

Africa

For the purpose of calculating risk-free rate for Africa, we have held regard to a number of additional factors to the above:

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- The African market is inherently higher risk than the Australian market, and currently has an interest rate premium of c. 2.5% over the Australian market⁶⁹.

Given that Pacific Energy are unlikely to be able to access financing in the Australian market under the same conditions they currently do for Australian operations, we have adopted a rate of 8.0% for the African cost of debt on a pre-tax basis.

Capital structure

Grant Thornton Corporate Finance has considered the gearing ratio which a hypothetical purchaser of the business would adopt in order to generate a balanced return given the inherent risks associated with debt financing. Factors which a hypothetical purchaser may consider include the shareholders' return after interest payments, and the business' ability to raise external debt.

The appropriate level of gearing that is utilised in determining the WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- The quality and life cycle of a company.
- The quality and variability of earnings and cash flows.
- Working capital.
- Level of capital expenditure.
- The risk profile of the company.

In determining the appropriate capital structure for Pacific Energy, we have also had particular consideration to the following:

- The average gearing ratio of comparable companies over the last five year period as set out in the beta section of this report.
- The historic, forecast, and target gearing for comparable companies.
- Discussions with Management on their targeted capital structure going forward.

Based on the above observations, for the purpose of the discount rate assessment Grant Thornton Corporate Finance has adopted a capital structure of 40% debt and 60% equity for Pacific Energy.

⁶⁹ As sourced from Aswath Damodaran, NYU Stern

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WACC calculation

WACC – Australia

The discount rate for Pacific Energy Australia on a standalone basis is determined as set out below:

| WACC calculation | Low | High |
|--------------------------------|--------------|--------------|
| Cost of equity | | |
| Risk free rate | 3.5% | 3.5% |
| Beta Unlevered | 0.60 | 0.70 |
| Beta | 0.88 | 1.03 |
| Market risk premium | 6.0% | 6.0% |
| Specific risk premium | 1.5% | 2.0% |
| Cost of equity | 10.3% | 11.6% |
| Cost of debt | | |
| Cost of debt (pre tax) | 5.5% | 5.5% |
| Tax | 30.0% | 30.0% |
| Cost of debt (post tax) | 3.9% | 3.9% |
| Capital structure | | |
| Proportion of debt | 40% | 40% |
| Proportion of equity | 60% | 60% |
| | 100% | 100% |
| WACC (post tax) | 7.7% | 8.5% |

Source: S&P Global and GTCF analysis

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WACC – Africa

The discount rate for Pacific Energy's African business on a standalone basis is determined as set out below:

| WACC calculation | Low | High |
|--------------------------------|--------------|--------------|
| Cost of equity | | |
| Risk free rate | 3.5% | 3.5% |
| Beta Unlevered | 0.60 | 0.70 |
| Beta | 0.88 | 1.03 |
| Market risk premium | 6.0% | 6.0% |
| Country Risk Premium | 4.9% | 4.9% |
| Specific risk premium | 3.0% | 3.0% |
| Cost of equity | 16.7% | 17.6% |
| Cost of debt | | |
| Cost of debt (pre tax) | 8.0% | 8.0% |
| Tax | 29.0% | 29.0% |
| Cost of debt (post tax) | 5.7% | 5.7% |
| Capital structure | | |
| Proportion of debt | 40% | 40% |
| Proportion of equity | 60% | 60% |
| | 100% | 100% |
| WACC (post tax) | 12.3% | 12.8% |

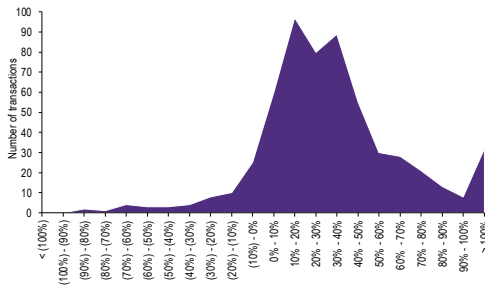
Source: S&P Global and GTCF analysis

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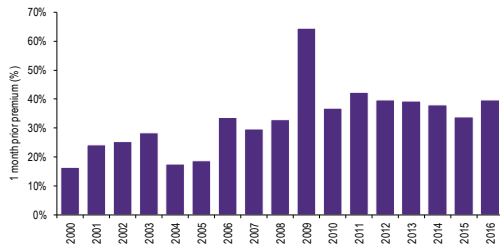
Appendix F – Premium for control study

Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium vary significantly for each transaction.

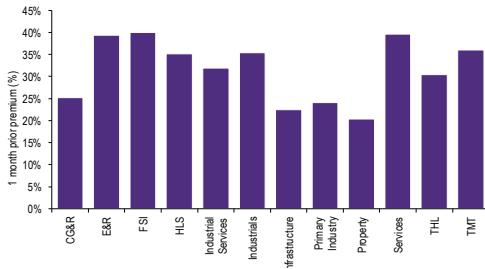
1 Month Prior Control Premium



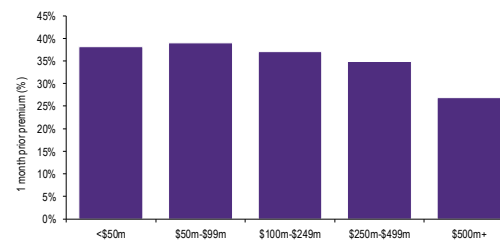
Control premium per completion date



Control premium per industry



Control premium and size



| | Control premium |
|---------|-----------------|
| Average | 34.33% |
| Median | 29.34% |

Source: GTCF analysis.

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Appendix G – Contract Descriptions

We have detailed a summary of the key contracts mentioned in Section 4.2.1 and 4.2.2 below. Please note, for both KPS and CPG, typical contracts observed include the following terms:

- Term of contract, usually with an extension clause.
- A fixed capacity/rental expense charged on a monthly basis.
- A variable charge based on electricity supplied for the month. This is charged on a kWh basis and is adjusted annually. A 'take-or-pay' clause where the counterparty face a penalty if they fail to consume a certain electricity amount in a particular month.
- A maximum monthly energy supply that KPS is contractually obliged to be able to supply if required.
- The counterparty supplies the fuel, however, a fuel guarantee which limits the amount of fuel KPS / CPG can consume per kWh. If KPS / CPG fail to meet this maximum L/kWh measure, they incur all excess costs. Any fuel savings are shared between KPS and the counterparty.
- KPS will incur a penalty in the case of a power outage, with the penalty per hour of outage determined on a contract by contract basis.

The key difference noted is that additional fuel costs beyond the guarantee are incurred entirely by KPS, whilst CPG share the extra cost with the counterparty.

KPS Key Contracts:

- *AngloGold – Tropicana*

AngloGold is the third largest producer of gold in the world, with ongoing operations involving the exploration, mining and refinement of gold in Africa, Americas, Australasia and South Africa. The Tropicana mine opened in 2013 upon which KPS were awarded the contract for the remote power supply of 48.1MW for the life of the mine until May 2028. Power was initially supplied via diesel generators, however in 2016, the station was converted to gas with the diesel generators being redeployed. Despite the mine life expiring in 2028, it is estimated that the resource life of the mine extends until 2039, providing opportunities for future growth in supplied MW's. As at the date of this report, the Tropicana mine is undergoing an underground expansion, which will require an additional 4-6MW's. In addition to the growth opportunities within this mine site, establishing a good relationship with AngloGold may help with securing future contracts in Australia and Africa. This site operates in the 1st quantile in terms of costs per output⁷⁰.

- *Sandfire Resources – DeGrussa*

Sandfire Resources is an ASX listed mining and exploration company with a focus on copper and gold. DeGrussa is Sandfire's flagship mine site, with an initial requirement of

⁷⁰Wood MacKenzie, IGO 20 Dec 2018 announcement, IGO March 2019 Quarterly presentation, IGP CY18 Statement of Reserves and Resources

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20MW, contracted until 2019, through a remote diesel power station. In 2016, Sandfire expanded the contracted MW's and life to 27MW until December 2020, which was supplied via an integrated solar and diesel hybrid station – the largest in the world. Despite the contract life expiring shortly, the sophisticated power station installed would present significant costs if the power supplier was changed, leaving KPS in a strong position to retain the contract until mine life expiry in 2022. Sandfire management have also suggested they are conducting further exploration in the DeGrussa region, to possibly extend the mine life beyond 2022. This site operates near the 50th percentile in terms of costs per output for comparable mining sites⁷¹.

- *St. Barbara – Gwalia Deeps*

St. Barbara is an ASX listed gold producer and exporter, with assets in Australia, Papua New Guinea and Canada. St. Barbara's main asset is the Gwalia mine, which was commissioned in 2008 along with the initial remote power supply contract of 17MW being awarded to KPS. In 2016, the contract was re-tendered, being secured by KPS for a further 9 years at 20MW's. A further 6MW's are in the process of being installed, with the potential for an additional 10MW's as the mine expands. KPS will need to re-tender for the contract in 2024, with the mine life extending to 2031, however a high percentage of incumbent suppliers win re-tenders due to the significant capital outlay in generator installation. This mine operates in the 1st quartile in terms of costs per output⁷².

CPG Key Contracts:

- *Blackham Resources – Matilda Gold*

Blackham Resources is an ASX listed gold mining company that owns and operates various mine sites in Western Australia. Their Matilda Gold open cut mine was commissioned in 2016 with KKPS being awarded the initial remote power supply contract of 19MW. The contract extends until December 2021, however current expectations have the mine life extending until 2029, with the possibility of resources being found in the area until 2065. There is currently 8MW of spare generator capacity on this mine site which is available for redeployment if there is not sufficient organic growth to warrant the extra electricity supply. The mine operates in the 3rd quartile in terms of costs per output⁷³.

- *Pilbara Minerals – Pilgangoora*

Pilbara Minerals is an Australian lithium producer on the ASX200 Index. The 2018 commissioned Pilgangoora mine is contributing to Pilbara Minerals progression towards becoming the largest lithium raw materials producer in the world, with a further two stages of development imminent. These planned expansions would require a further 10-12MW, which CPG would supply via a redeployment of some of the generators from the Newmont Tanami mine. The current contract extends until 2025, however there is a possible extension clause until 2028 which involves the installation of gas pipelines to fuel generators. The large deposits of minerals observed to date suggest a mine life until 2044, with the possibility of further exploration resulting in the availability of resources at the site

⁷¹ Wood MacKenzie, SFR March 2019 Investor Presentation, SFR announcement 27 April 2018, SFR FY18 Annual Report

⁷² Wood MacKenzie, SBM March 2019 Investor Presentation, announcement 27 March 2017, FY18 Annual Report

⁷³ Wood MacKenzie, company disclosures, BLK March 2019 Investor Presentation, BLK March 2019 Investor Presentation

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until 2064. The Pilgangoora mine is within the lowest 25% of comparable sites in terms of costs and sustaining capex per output⁷⁴, which provides a degree of confidence that the mine can continue operating if commodity prices fall.

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⁷⁴ Wood MacKenzie, PLS April 2019 Investor Presentation, PLS Feb 2019 Investor Presentation

Appendix H – Glossary

| | |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| \$ or A\$ | Australian Dollar |
| 1Hxx | 1 st half of FYxx |
| ACCC | Australian Competition and Consumer Commission |
| AEMC | Australian Energy Market Commission |
| AEMO | Australian Energy Market Operator |
| APES | Accounting Professional and Ethical Standards |
| APES225 | Accounting Professional and Ethical Standard 225 "Valuation Services" |
| ARENA | Australian Renewable Energy Agency |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| ATO | Australian Tax Office |
| Binomial Model | Cox-Ross-Rubenstein Binomial Model |
| BOO | Build, own, operate |
| BOOT | Build, own, operate, transfer |
| CEFC | Clean Energy Finance Corporation |
| Consortium Break Fee | Pacific Energy have entered into a deed with the OPTrust/ICG Consortium, pursuant to which, subject to certain qualifications, the OPTrust/ICG Consortium may be entitled to receive a break fee of \$2.5 million from Pacific Energy |
| Consortium Competing Proposal | Proposal received on 10 September 2019 from OPTrust/ICG Consortium |
| Consortium Competing Total Cash Value | Total cash value of the proposal received on 10 September 2019 from OPTrust/ICG Consortium of \$1.085 per Pacific Energy Share |
| Contingent Consideration | If the Consortium Break Fee is not paid, or paid and refunded, prior to the Record Date, Pacific Energy Shareholders will be entitled to additional consideration of \$0.005 per Pacific Energy Share |
| Corporations Act | Corporations Act 2001 |
| Court | Supreme Court of Western Australia |
| CPG | Contract Power Group |
| DCF | Discounted Cash Flow |
| DCF Method | Discounted Cash Flow and the estimated realisable value of any surplus assets |
| DPS | Dividend paid out per share |
| EBITDA | Earnings before, interest, tax, depreciation and amortisation |
| EBITDA Multiple | Enterprise Value divided by unaudited Underlying EBITDA |
| EDL | Energy Developments Limited |
| Effective Date | The date when a copy of the Court order approving the Scheme is lodged with ASIC. |
| EPC | Engineering, procurement and construction |
| EPS | Earnings per share |
| EV | Enterprise Value |
| Final Dividend | \$0.015 to be paid on 10 October 2019 to most Pacific Energy Shareholders on the share register on 19 September 2019. |
| Final Dividend Payment Date | 10 October 2019 |
| Final Dividend Record Date | 19 September 2019 |
| FME Method | Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets |
| FSG | Financial Services Guide |
| FYxx | 12 month financial year ended 30 September 20xx |
| Gearing Ratio | Net Debt over Equity |
| GDP | Gross Domestic Product |
| GST | Goods and Services Tax |
| GT Model | Financial model prepared by GTCF, projecting the post-tax free cash flows of Pacific Energy based on the Internal Model. |
| GTCF, Grant Thornton, or Grant Thornton Corporate Finance | Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987) |

| | |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IER or Report | Independent Expert Report |
| Implementation Date | The fifth Business Day after the Record Date, or such other date agreed to in writing by Pacific Energy and QIC |
| Initial Offer | The initial proposal from QIC announced on 24 July 2019 with a total cash value of \$0.975 per Pacific Energy share |
| Initial Total Cash Value | Total cash value in the Initial Offer of per share of \$0.975 |
| Internal Model | Company's internal Management forecast FY23 |
| KPS | Kalgoorlie Power Systems |
| kWh | Kilowatt hour |
| L/kWh | Litres per kilowatt hour |
| LOI | Letter of Intent |
| LTM | Last twelve months |
| Management or Pacific Energy Management | Senior management and directors of Pacific Energy |
| MRET | Mandatory Renewable Energy Target set by the Australian Government in 2001 |
| MW | Megawatt |
| NA | Not Available |
| NAV Method | Amount available for distribution to security holders on an orderly realisation of assets |
| NEM | National Electricity Market |
| NM | Not Meaningful |
| OPTrust/ICG Consortium | OPTrust Private Markets Group ("OPTrust PMG"), a division of OPSEU Pension Plan Trust Fund ("OPTrust") and a fund managed by Infrastructure Capital Group ("ICG") |
| Pacific Energy or the Company | Pacific Energy Limited |
| Pacific Energy Model | Cash flow projections prepared by management of Pacific Energy for the period until 30 June 2023 |
| Pacific Energy shareholder | An individual/entity beneficially holding Pacific Energy share(s) |
| Pacific Energy share | 1 outstanding ordinary share in Pacific Energy |
| Peer Index | Comprising of listed contracted power generation companies in the Australian market |
| PPA | Power Purchase Agreement |
| Q1 Reforecast | Budget for FY19 and the reforecast which was completed in the first quarter of FY19 |
| QIC or the Buyer | QIC Limited |
| Quoted Security Price Method | Quoted price for listed securities, when there is a liquid and active market |
| RET | Renewable Energy Target |
| Record Date | 7.00pm (WST) on the fifth business day following the Effective Date, or such other date (after the Effective Date) as Pacific Energy and QIC may agree in writing or as ordered by the Court or as may be required by the ASX. |
| Revised QIC Offer | QIC's matching offer on 13 September 2019 for a total cash payment of up to \$1.085 ⁷⁵ for every Pacific Energy Share |
| RG | Regulatory Guide |
| RG111 | ASIC Regulatory Guide 111 "Contents of expert reports" |
| RG112 | ASIC Regulatory Guide 112 "Independence of experts" |
| RG60 | ASIC Regulatory Guide 60 "Scheme of arrangement" |
| S&P/ASX Emerging Companies Index | 200 Australian microcap companies with a market capitalisation between \$350m and \$600m, that have met reasonable liquidity tests |
| Scheme Booklet | The Scheme Booklet, including each attachment |
| Scheme Implementation Deed or SID | Scheme Implementation Deed dated 23 July 2019 (as varied on 15 September 2019) entered into between Pacific Energy and QIC |
| Scheme | Scheme of Arrangement whereby QIC will acquire all outstanding shares of Pacific Energy |
| Scheme Consideration | Cash consideration under the Scheme of A\$1.07 for each Pacific Energy Share held at the Record Date, less the amount of any Special Dividend |
| SID | Scheme Implementation Deed |
| Special Dividend | \$0.065 |
| Special Dividend Record Date | The date at which the shareholders entitled to the Special Dividend is determined. As at the date of this report, it is expected to be 21 November 2019. |
| SWIS | South Western Interconnected System |

⁷⁵ \$1.09 if the Contingent Consideration is payable.

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| | |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Takeovers Panel | Australian Takeovers Panel |
| Total Cash Value | Scheme consideration under the Scheme of A\$1.07 per Pacific Energy Share held as at the Record Date plus the Final Dividend of \$0.015 to be paid on 10 October 2019 to most Pacific Energy Shareholders on the share register on 19 September 2019. |
| UK | United Kingdom |
| USA | United States of America |
| Valuation Date | 17 September 2019 |
| VWAP | Volume Weighted Average Price |
| WACC | Weighted Average Cost of Capital |
| ZEN | Zenith Energy Limited |

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Schedule 2 – Scheme Implementation Deed

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DEED OF VARIATION - SCHEME IMPLEMENTATION DEED

Pacific Energy Limited

QGIF Swan Bidco Pty Ltd

DLA Piper Australia
Level 31, Central Park
152-158 St Georges Terrace
Perth WA 6000
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DETAILS

Date 15 September 2019

Parties

Target

Name Pacific Energy Limited
ABN 22 009 191 744
Address 338 Gnangara Rd, Landsdale, WA 6065
Fax +61 8 9303 8899
Email michael.kenyon@pacificenergy.com.au
Attention Michael Kenyon

Bidder

Name QGIF Swan Bidco Pty Ltd
ABN/ACN 634 920 773
Address Level 5, 66 Eagle Street, Brisbane QLD 4000
Email A.Jennings@qic.com
Attention Andrew Jennings

BACKGROUND

- A The parties are party to a scheme implementation deed dated 23 July 2019 (**Scheme Implementation Deed**).
- B The parties have agreed to vary the terms of the Scheme Implementation Deed according to the terms set out in this Deed.

AGREED TERMS

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalised terms in this Deed have the meaning given in the Scheme Implementation Deed.

1.2 Interpretation

This Deed is supplemental to the Scheme Implementation Deed and the principles of interpretation contained in section 1 (Defined Terms and Interpretation) of the Scheme Implementation Deed apply, with any necessary changes, to this Deed.

2 AMENDMENT

2.1 Amendment of Agreement

On and from the date of this Deed, the Scheme Implementation Deed is varied as follows:

2.1.1 the following definitions are included in clause 1.1:

"APC means APC BidCo Pty Ltd ACN 634 981 409.

APC Break Fee means a break fee of up to \$2,500,000 (exclusive of GST).

Contingent Consideration means \$0.005 per Scheme Share."

- 2.1.1 in the definition of 'End Date' in clause 1.1 at the end of paragraph (a) the words "*of this deed*" are deleted and replaced with the words "*this deed is amended*";
- 2.1.2 in the definition of 'Implementation Date' in clause 1.1 the word "*third*" is deleted and replaced with the word "*fifth*";
- 2.1.3 in the definition of 'Material Adverse Change' in clause 1.1 paragraph (e) is deleted and replaced with the following:

"(e) to the extent that the event, matter or circumstance was actually known to Bidder prior to the date this deed is amended;";
- 2.1.4 in the definition of 'Prescribed Occurrence' in clause 1.1 paragraphs (u) and (v) are deleted and replaced with the following:

"(u) any matter Fairly Disclosed in writing to Bidder prior to the date this deed is amended;

(v) any matter Fairly Disclosed in filings of Target with the ASX or ASIC in each case during the period commencing 3 years prior to the date of this deed and ending on the Business Day prior to the date this deed is amended; or

(w) any matter the undertaking of which Bidder has approved in writing.";
- 2.1.5 in the definition of 'Proposed Transaction' in clause 1.1 the words "*Target Shares*" are deleted and replaced with the word "*Scheme Shares*";
- 2.1.6 the defined term "**Scheme Amount per Share**" in clause 1.1 is deleted and replace with the following:

*"**Scheme Amount per Share** means the consideration to be provided by Bidder in consideration for the transfer of the Target Shares held by a Scheme Shareholder to Bidder, being, in respect of each Scheme Share, \$1.07 cash (subject to adjustment under clause 4.4 for the payment of any Permitted Dividend or clause 4.7 for the payment of any Contingent Consideration)."*;
- 2.1.7 in the definition of 'Scheme Shareholder' in clause 1.1 the words "*(other than a member of the Bidder Group)*" are deleted, and the words "*Scheme Shares*" are deleted and replaced with the word "*Target Shares*";
- 2.1.8 the following clause is included as a new clause 4.7:

"4.7 The Scheme Amount per Share will be increased by the amount of the Contingent Consideration if on or before the Implementation Date:

(a) the APC Break Fee has not been paid by Target to APC or any of its Related Bodies Corporate; or

(b) if the APC Break Fee has been paid by Target to APC or any of its Related Bodies Corporate, an amount equal to the APC Break Fee has been repaid or otherwise refunded to the Target by APC or any of its Related Bodies Corporate.";
- 2.1.9 in clause 11.6 the words "*\$4,100,000.00*" are deleted and replaced with the words "*\$4,700,000*";

2.1.10 the following clauses are included as a new clauses 15.30 to 15.32:

"Foreign resident capital gains withholding

- 15.30 *Subject to clause 15.31, if Bidder is required by Subdivision 14-D of Schedule 1 of the Taxation Administration Act 1953 (Cth) (Subdivision 14-D) to pay amounts to the Australian Taxation Office (ATO) in respect of the acquisition of Scheme Shares from certain Scheme Shareholders, Bidder is permitted to deduct the relevant amounts from the payment of the Scheme Amount per Share to those Scheme Shareholders and remit such amounts to the ATO. The aggregate sum payable to Scheme Shareholders shall not be increased to reflect the deduction and the net aggregate sum payable to those Scheme Shareholders shall be taken to be in full and final satisfaction of the amounts owing to those Scheme Shareholders.*
- 15.31 *If a Scheme Shareholder that passes the non-portfolio interest test in respect of its interest in the Target provides the Bidder with a relevant written declaration prior to the implementation of the scheme confirming that they are an Australian resident or that their interest in the Target is not an indirect Australian real property interest, then the Bidder shall not deduct any amount from the payment of the Scheme Amount per Share to that Scheme Shareholder pursuant to Subdivision 14-D.*
- 15.32 *The parties agree to consult in good faith as to the application of Subdivision 14-D. The parties agree to take all actions that they agree (each acting reasonably) are necessary or desirable following that consultation which may include, without limitation, making amendments to the Transaction Documents to ensure that relevant representations or declarations are obtained from Scheme Shareholders."*

2.1.11 the table in schedule 1 is deleted and replaced with the following:

| Event | Date |
|----------------------------------------------------------------------------------|------------------------------|
| Lodge Scheme Booklet with ASIC for review and comment | Week commencing 26 August |
| First Court Date | Week commencing 30 September |
| Scheme Booklet registered with ASIC | Week commencing 30 September |
| Despatch Scheme Booklet to Target Shareholders | Week commencing 7 October |
| Scheme Meeting | Week commencing 4 November |
| Second Court Date | Week commencing 11 November |
| Effective Date – lodge office copy of Court order approving the Scheme with ASIC | Week commencing 11 November |

| Event | Date |
|---------------------|-----------------------------|
| Record Date | Week commencing 18 November |
| Implementation Date | Week commencing 25 November |

2.1.12 clause 5 (Scheme Amount Per Share) in schedule 3 is deleted and replaced with the following:

"5 SCHEME AMOUNT PER SHARE AND CONTINGENT CONSIDERATION

5.1 The Scheme Amount per Share to be provided to each Scheme Shareholder will be the payment by Bidder to that Scheme Shareholder of \$1.07 cash for each Scheme Share held by that Scheme Shareholder, subject to adjustment under clause 4.4 or clause 4.7 of the Scheme Implementation Deed."; and

2.1.13 the following clauses are included as a new clauses 4.13 and 4.14 in schedule 3 after clause 4.12:

"Withholding

4.13 The Target or Bidder may deduct and withhold from any consideration which would otherwise be payable to a Scheme Shareholder in accordance with this Scheme any amount which the Target or Bidder determine is required to be deducted and withheld from that consideration under any applicable law, including any order, direction or notice made or given by a court of competent jurisdiction or by another Regulatory Authority.

4.14 To the extent that amounts are so deducted or withheld, such deducted or withheld amounts will be treated for all purposes under this Scheme, the Deed Poll and the Scheme Implementation Deed as having been paid to the person in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate Regulatory Authority."

2.2 Amendments not to affect validity, rights, obligations

2.2.1 Nothing in this Deed affects any right or obligation arising under the Scheme Implementation Deed prior to the date of this Deed.

2.2.2 The amendments to the Scheme Implementation Deed contained in section 2.1 do not affect the validity or enforceability of the Scheme Implementation Deed.

3 AFFIRMATION

3.1 The parties ratify and confirm the Scheme Implementation Deed as varied by this Deed and confirm that the Scheme Implementation Deed is in full force and effect

3.2 Bidder acknowledges and agrees that, as at the date of this Deed, it has no right to terminate the Scheme Implementation Deed.

4 GENERAL

Counterparts

- 4.1 This Deed may be executed in more than one counterpart, each of which when executed by all the parties and delivered is deemed to be an original.

Entire Agreement

- 4.2 This Deed, together with the Scheme Implementation Deed, is the entire agreement between the parties about its subject matter and replaces all previous agreements, understandings, representations and warranties about that subject matter.

Further assurances

- 4.3 Except as expressly provided in this Deed, each party must, at its own expense, do all things reasonably necessary to give full effect to this deed and the matters contemplated by it.

Variation

- 4.4 No variation of this Deed is effective unless made in writing and signed by each party.

Governing Law

- 4.5 This Deed is governed by the law of Western Australia and the parties submit to the jurisdiction of that State's courts in relation to disputes concerning this Deed.

EXECUTION

Executed and delivered as a Deed.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Pacific Energy Limited:**

(Executed)

(Executed)

Director Signature

~~Director~~/Secretary Signature

James Cullen

Michael Kenyon

Print Name

Print Name

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EXECUTION

Executed and delivered as a Deed.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **QGIF Swan Bidco Pty Ltd:**

(Executed)

Director Signature

Matthew Hall

Print Name

(Executed)

Director/Secretary Signature

Andrew Jennings

Print Name

For personal use only



For personal use only

SCHEME IMPLEMENTATION DEED

Pacific Energy Limited

QGIF Swan Bidco Pty Ltd

DLA Piper Australia

Level 31, Central Park
152-158 St Georges Terrace
Perth WA 6000
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DETAILS

Date 23 July 2019

Parties**Target**

Name Pacific Energy Limited
ABN 22 009 191 744
Address 338 Gnangara Rd, Landsdale, WA 6065
Fax +61 8 9303 8899
Email michael.kenyon@pacificenergy.com.au
Attention Michael Kenyon

Bidder

Name QGIF Swan Bidco Pty Ltd
ABN/ACN 634 920 773
Address Level 5, 66 Eagle Street, Brisbane QLD 4000
Email A.Jennings@qic.com
Attention Andrew Jennings

BACKGROUND

- A Target has agreed to propose a members' scheme of arrangement pursuant to which Bidder will acquire all of the Scheme Shares, and Target and Bidder have agreed to implement the Proposed Transaction on and subject to the terms and conditions of this deed.
- B Target and Bidder have agreed certain other matters in connection with the Proposed Transaction as set out in this deed.

AGREED TERMS**1 DEFINED TERMS AND INTERPRETATION****Defined terms**

- 1.1 In this deed, unless the context otherwise requires, the following words and expressions have meanings as follows:

Accounting Standards means the accounting standards made or in force under the Corporations Act, and if any matter is not covered by those accounting standards, generally accepted Australian accounting principles.

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to Target or Bidder or any of their respective Related Bodies Corporate.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this deed and, when the term 'Associate' is used in the definition of 'Target Competing Proposal', Target is the designated body.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.

Authorised Person means, in respect of a person:

- (a) a director, officer, member or employee of the person;
- (b) an Adviser of the person; and
- (c) a director, officer or employee of an Adviser of the person.

Bidder Counterproposal is defined in clause 12.12.

Bidder Group means Bidder and its Subsidiaries.

Bidder Indemnified Party means any member of the Bidder Group, QIC Group or any director, officer, employee or Adviser of any member of the Bidder Group or QIC Group, who held such position at any time before the Implementation Date.

Bidder Information means such information regarding the Bidder Group, the Combined Group, the Scheme Amount per Share and Bidder's intentions in relation to Target Group's business, assets and employees that is provided by or on behalf of Bidder to Target or the Independent Expert:

- (a) to enable the Scheme Booklet to be prepared and completed in compliance with all applicable laws;
- (b) to enable applications for Regulatory Approvals to be made; and
- (c) otherwise in compliance with Bidder's obligations under clause 5.2.1 and 5.2.3,

but excludes any Target Information or any information concerning or referable to Target in relation to the Combined Group that is prepared or provided by the Target or its Authorised Persons.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Perth, Australia.

Claim means any claim, demand, legal proceeding or cause of action in any way relating to this deed or any agreement or indemnity entered into pursuant to this deed, however arising and whether present, unascertained, immediate, future or contingent.

Combined Group means the merged Bidder and Target entity following implementation of the Scheme.

Conditions means the conditions set out in clause 3.1 and Condition means any one of them.

Confidentiality Deed means the confidentiality deed between Target and QIC Private Capital Pty Ltd dated 6 June 2019.

Control has the meaning given under section 50AA of the Corporations Act. **Controlled** has the equivalent meaning.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Deed Poll means the deed poll to be executed by Bidder on the date of this deed, in the form set out in schedule 2 or in such other form as is acceptable to Target acting reasonably.

EBITDA means earnings of the Target, before net interest, abnormals, taxes, depreciation and amortisation, calculated in accordance with the accounting policies and practices applied by Target as at the date of this deed.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) (subject, if applicable, to any alterations or conditions required under section 411(6)) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means:

- (a) the date which is six months after the date of this deed; or
- (b) such other date and time agreed in writing between Bidder and Target.

Exclusivity Period means the period commencing on the date of this deed and ending on the earliest of:

- (a) the End Date;
- (b) the Implementation Date; and
- (c) the date this deed is terminated in accordance with its terms.

Fairly Disclosed means disclosed in sufficient detail to enable a reasonable purchaser to assess the matter in question.

First Court Date means the date the Court first hears the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act.

FY20 means the financial year ending 30 June 2020.

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Target Shareholders present and voting, either in person or by proxy.

Implementation Date means, with respect to the Scheme, the third Business Day, or such other Business Day as the parties agree or as may be required by ASX, following the Record Date for the Scheme.

Independent Expert means an expert, independent of the parties, engaged by Target in good faith to opine on whether the Scheme is in the best interests of Target Shareholders.

Independent Expert's Report means the report prepared by the Independent Expert and stating whether the Scheme is in the best interests of Target Shareholders, and any update to such report that the Independent Expert issues prior to the Scheme Meeting.

Insolvency Event means in relation to a person:

- (a) **(insolvency official)** the appointment of an Insolvency Official to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;
- (b) **(arrangements)** the entry by the person into a compromise or arrangement with its creditors generally;
- (c) **(winding up)** the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;
- (d) **(suspends payments)** the person suspends or threatens to suspend payment of its debts as and when they become due;
- (e) **(ceasing business)** the person ceases or threatens to cease to carry on business;
- (f) **(insolvency)** the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (g) **(deregistration)** the person being deregistered as a company or otherwise dissolved;
- (h) **(deed of company arrangement)** the person executing a deed of company arrangement;
- (i) **(person as trustee or partner)** the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:
 - (i) a breach of trust or obligation as partner by the person;
 - (ii) the person acting outside the scope of its powers as trustee or partner;

- (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability; or
- (iv) the assets of the trust or partnership being insufficient to discharge the liability; or
- (j) **(analogous events)** anything analogous to those set out in any of paragraphs (a) to (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction.

Insolvency Official means a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law).

Listing Rules means the official listing rules of ASX as amended from time to time.

Loss means losses, liabilities, costs, damages and expenses of any kind and however arising, including penalties, fines and interest and including those which are prospective or contingent and those the amount of which for the time being is not ascertained or ascertainable.

Material Adverse Change means an event, matter or circumstance that occurs after the date of this deed, or which occurs before the date of this deed but is announced or becomes known (in each case whether or not it becomes public) to Bidder after the date of this deed, which:

- (a) has or could reasonably be expected to have individually or when aggregated with all such events, matters or circumstances the effect of diminishing the net assets of the Target Group by 15% or more (as compared to Target's most recent audited financial statements as at the date of this deed);
- (b) has or could reasonably be expected to have individually or when aggregated with all such events, matters or circumstances the effect of reducing the ongoing EBITDA of the Target Group by 15% or more (as compared to Target's most recent audited financial statements as at the date of this deed), but excluding any one-off or non-recurring event specifically disclosed in the Target Disclosure Letter; or
- (c) has the result (or could reasonably be expected to have the result) that the business of the Target Group is unable to be carried on in substantially the same manner as carried on at the date of this deed,

but does not include any event, matter or circumstance:

- (a) required or permitted to be done or procured by Target or a member of the Target Group pursuant to this deed or the Scheme;
- (b) done with the express prior written consent of Bidder;
- (c) to the extent that it was Fairly Disclosed in Target Due Diligence Material or in any announcement to or filing with ASX or in a document lodged by Target with ASIC that is publicly available, in each case during the period commencing 3

years prior to the date of this deed and ending on the Business Day prior to the date of this deed;

- (d) relating to the payment of Transaction Costs;
- (e) to the extent that event, matter or circumstance was actually known to Bidder prior to the date of this deed (but which does not include Bidder's knowledge of the risk of an event, matter or circumstance occurring);
- (f) resulting from changes in general economic, regulatory or political conditions, the securities market in general or law and interpretation of laws or government policy; or
- (g) resulting from changes in generally accepted accounting principles in Australia.

Ordinary Dividend means a dividend or distribution declared by the Target with a record date for payment before the Record Date not exceeding \$0.015 per Target Share.

Permitted Dividend means a special dividend declared by Target, with a record date for payment prior to the Record Date, which will be no greater than the maximum amount for the dividend to be fully franked by reference to the franking account balance of the Target as at 30 June 2019 less any franking debits after 30 June 2019 attributable to tax refunds attributable to financial years ending on or before 30 June 2019, and also ensuring that in no circumstances will the franking account of the Target be in deficit after the payment of the dividend.

Prescribed Occurrence means the occurrence of any of the following on or after the date of this deed, whether authorised, procured or committed by a member of the Target Group:

- (a) Target converts all or any of its shares into a larger or smaller number of shares;
- (b) any member of the Target Group reduces or resolves to reduce its share capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any of its shares;
- (c) any member of the Target Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) any member of the Target Group issues securities, or grants a performance right or an option over its securities or to subscribe for its securities, or agrees to make such an issue or grant such a right or an option, other than as a result of an issue required under clause 7.7 of this deed and any performance rights granted in respect of the financial year ended 30 June 2019 which are Fairly Disclosed in the Target Due Diligence Material or otherwise disclosed in writing to Bidder before this deed is executed;

- (e) any member of the Target Group issues, or agrees to issue, convertible notes or any other security or instrument convertible into shares or any debt security;
- (f) any member of the Target Group disposes, offers to dispose or agrees to dispose, whether by way of sale, transfer, joint venture or otherwise, of any part of its business, assets or property (including any beneficial or economic interest or right in such business, assets or property) where the amount or value involved in such transactions exceeds \$20 million in aggregate (except as disclosed in the Target Due Diligence Materials);
- (g) any member of the Target Group acquires, offers to acquire or agrees to acquire, any assets, securities, entities, properties or businesses (or any interest in any of the foregoing), or any interest in any joint venture or partnership, where the amount or value involved in such transactions exceeds \$20 million in aggregate (except as disclosed in the Target Due Diligence Materials);
- (h) any member of the Target Group enters into a commitment or a series of commitments for capital expenditure where the amounts or value involved in such commitments or commitments exceeds \$20 million in aggregate; (except as disclosed as a potential result of a tender as disclosed in or provided as part of the Target Due Diligence Materials);
- (i) any member of the Target Group creates or agrees to create, any Security Interest over, or declares itself the trustee of, any part of its business or property securing indebtedness or performance of an obligation exceeding \$2,000,000, other than in the ordinary course of business or in respect of any transaction contemplated by this deed (except as disclosed in the Target Due Diligence Materials);
- (j) an Insolvency Event occurs in relation to any member of the Target Group;
- (k) Target pays or determines to pay, declares, distributes or incurs a liability to make or pay a dividend, bonus (other than as Fairly Disclosed in the Target Due Diligence Material in respect of the financial year ended 30 June 2019 for management of the Target Group) or other share of its profits, income, capital or assets by way of dividend or other form of distribution, except for the Ordinary Dividend and any Permitted Dividend;
- (l) any member of the Target Group makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any member of the Target Group;
- (m) any member of the Target Group ceases, or threatens to cease to, carry on the business it conducts as at the date of this deed;
- (n) any member of the Target Group (other than a dormant, non-operating member of the Target Group) being deregistered as a company or being otherwise dissolved;
- (o) any disposal of shares or securities by a member of the Target Group in any member of the Target Group other than to a member of the Target Group; or

- (p) any member of the Target Group undertaking, authorising, committing or agreeing to take or announcing any of the actions referred to in clause 6.2 insofar as it applies to the member of the Target Group the subject of such undertaking, authorisation, commitment, agreement or announcement,

provided that a Prescribed Occurrence will not include:

- (q) the paying of the Ordinary Dividend;
- (r) the paying of a Permitted Dividend where the Scheme Amount per Share is reduced by that amount per Target Share;
- (s) any matter required or permitted to be done or procured by Target or a member of the Target Group pursuant to this deed or the Scheme;
- (t) any matter to the extent it is Fairly Disclosed in the Target Due Diligence Material;
- (u) any matter Fairly Disclosed in filings of Target with the ASX or ASIC in each case during the period commencing 3 years prior to the date of this deed and ending on the Business Day prior to the date of this deed; or
- (v) any matter the undertaking of which Bidder has approved in writing.

Proposed Transaction means the proposed acquisition by Bidder, in accordance with the terms and conditions of this deed, of all of the Target Shares through the implementation of the Scheme.

QIC Group means QIC Private Capital Pty Ltd, QIC Investments No 1 Pty Ltd as trustee of QIC Global Infrastructure Fund (Australia) No 1 Trust, QIC Infrastructure Management No 2 Pty Ltd as trustee of QIC Global Infrastructure Fund (Australia) No 2 Trust, QIC Investments No. 3 Pty Limited as trustee of the Horizon Infra Trust No. 1 and QGIF Swan HoldCo Pty Ltd, and each of their Related Bodies Corporates.

Record Date means, in respect of the Scheme, 7.00pm on the fifth Business Day (or such other Business Day as the parties agree in writing or as may be required by ASX) following the Effective Date.

Regulatory Approvals means:

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Regulatory Authority; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Regulatory Authority intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action,

and includes the approvals set out in clause 3.1.1.

Regulatory Authority means:

- (a) any government or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; and
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognised stock or securities exchange.

Related Body Corporate means, in relation to a person, a related body corporate of that person under section 50 of the Corporations Act but on the basis that:

- (a) 'subsidiary' has the meaning given to Subsidiary in this deed;
- (b) 'body corporate' includes any entity and a trust;
- (c) any partnership comprised of related bodies corporate (as defined in the Corporations Act) of a person is, for the purposes of this deed, a Related Body Corporate of that person; and
- (d) in the case of a party that comprises a partnership, a related body corporate (as defined in the Corporations Act) of a partner in that partnership is, for the purposes of this deed, a Related Body Corporate of that party.

RG 60 means Regulatory Guide 60 issued by ASIC on 22 September 2011.

Scheme means the proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Target and Scheme Shareholders in respect of all Scheme Shares, substantially in the form set out in schedule 3 or in such other form as the parties agree in writing, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each party.

Scheme Amount per Share means the consideration to be provided by Bidder in consideration for the transfer of the Target Shares held by a Scheme Shareholder to Bidder, being, in respect of each Scheme Share, \$0.96 cash (subject to adjustment under clause 4.4 for the payment of any Permitted Dividend).

Scheme Booklet means the scheme booklet to be prepared in respect of the Scheme in accordance with the terms of this deed and to be despatched by Target to Target Shareholders.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Target Share held by a Scheme Shareholder at the Record Date.

Scheme Shareholder means each person (other than a member of the Bidder Group) who is registered on the Target Register as a holder of Scheme Shares at the Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the first day on which the adjourned application is heard or scheduled to be heard.

Security Interest has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

Sensitive Confidential Information is defined in clause 3.10.

Share Splitting means the splitting by a holder of Target Shares into two or more parcels of Target Shares whether or not it results in any change in beneficial ownership of the Target Shares.

Specified Contract means any contract the parties agree in writing is a specified contract for the purposes of this definition.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act but so that:

- (a) a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;
- (b) a corporation or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and
- (c) a corporation or trust may be a subsidiary of a partnership if a majority of the shares, units or other beneficial interests of that corporation or trust (as relevant) are held by the partners in that partnership.

Target Board means the board of directors of Target as constituted from time to time (or any committee of the board of directors of Target constituted from time to time to consider the Proposed Transaction on behalf of Target).

Target Competing Proposal means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement other than the Proposed Transaction) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates (other than the Bidder or its Related Bodies Corporate) would directly or indirectly:

- (a) acquire, or obtain a right to acquire, an economic interest, relevant interest or voting power in or become the holder of more than 10% of the Target Shares;
- (b) acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 10% or more by value of the business or property of Target or any member of the Target Group;
- (c) acquire Control of Target; or
- (d) otherwise acquire or merge with Target or amalgamate with, or acquire a significant shareholding or economic interest in, Target or any member of the

Target Group comprising 10% or more by value of the total assets or business of the Target Group,

whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Target or the Target Group or other synthetic merger or any other transaction or arrangement.

Target Disclosure Letter means the letter so entitled from Target provided to Bidder prior to execution of this deed and countersigned by Bidder.

Target Due Diligence Material means the following information disclosed by or on behalf of the Target Group to Bidder or any of its Authorised Persons prior to the date of this deed:

- (a) the documents and information contained in the Project Eagle virtual data room hosted at the Ansarada platform as at the time of the Target Disclosure Letter, as extracted in a folder named 'Project Eagle' to a USB and attached to the Target Disclosure Letter;
- (b) written responses to requests for information; and
- (c) the Target Disclosure Letter.

Target Group means Target and its Subsidiaries including, notwithstanding that the relevant share transfers are yet to be formally registered, Contract Power Australia Pty Ltd.

Target Incentive Rights means:

- (a) the Target Options; and
- (b) the Target Performance Rights.

Target Information means all information included in the Scheme Booklet, including any information to be included by Target in the Scheme Booklet that explains the effect of the Scheme and sets out the information prescribed by the Corporations Act and the *Corporations Regulations 2001* (Cth), and any other information that is material to the making of a decision by Target Shareholders whether or not to vote in favour of the Scheme, being information that is within the knowledge of Target's directors and has not previously been disclosed to Target Shareholders, and any updates to that information prepared by or on behalf of the Target, other than the Bidder Information and the Independent Expert's Report.

Target Indemnified Party means any member of the Target Group, or any director, officer, employee or Adviser of any member of the Target Group, who held such position at any time before the Implementation Date.

Target Options means 11,000,000 options over Target Shares.

Target Performance Rights means 51,859 unquoted fully vested performance rights and any performance rights granted in respect of the financial year ended 30 June 2019 which are

Fairly Disclosed in the Target Due Diligence Material or otherwise disclosed in writing to Bidder before this deed is executed.

Target Register means the register of members of Target maintained by or on behalf of Target in accordance with section 168(1) of the Corporations Act.

Target Relevant Notice is defined in clause 12.10.4.2.

Target Rival Acquirer is defined in clause 12.9.1.

Target Share means an issued fully paid ordinary share in the capital of Target.

Target Shareholder means each person who is registered in the Target Register as a holder of Target Shares.

Target Superior Proposal means a bona fide, written Target Competing Proposal which in the determination of the Target Board acting in good faith in order to satisfy what the Target Board considers to be its fiduciary or statutory duties (after having received written advice from their external legal and, if appropriate, financial advisers):

- (a) is reasonably capable of being completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Target Competing Proposal; and
- (b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Target Shareholders than the Proposed Transaction, taking into account all of the terms and conditions of the Target Competing Proposal.

Target Warranties means the representations and warranties of Target set out in clauses 8.4 and 8.5.

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) paid, payable or assessed as being payable by any authority together with any fines, penalties and interest in connection with them.

Tax Return means any returns, declarations, statements, claim for refund, election, estimate, reports, forms and information returns and any schedules or amendments thereto relating to Taxes.

Timetable means the indicative timetable in relation to the Proposed Transaction set out in schedule 1 with such modifications as may be agreed in writing by the parties.

Transaction Costs means legal, financial, tax, accounting, counsel, expert and court fees and fees payable to government agencies incurred by the Target Group in connection with the transactions contemplated by this deed which must not exceed the amount specified in the Target Disclosure Letter.

Transaction Documents means this deed, the Deed Poll and the Scheme.

Interpretation

- 1.2 In the interpretation of this deed, the following provisions apply unless the context otherwise requires:
- 1.2.1 a reference to 'dollars' or '\$' means Australian dollars and all amounts payable under this deed are payable in Australian dollars;
 - 1.2.2 an expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency;
 - 1.2.3 where a word or phrase is given a defined meaning another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning;
 - 1.2.4 a word which indicates the singular also indicates the plural, a word which indicates the plural also indicates the singular, and a reference to any gender also indicates any other gender;
 - 1.2.5 a reference to the word 'include' or 'including' is to be interpreted without limitation;
 - 1.2.6 a reference to the word 'owing' means actually or contingently owing, and 'owe' and 'owed' have an equivalent meaning;
 - 1.2.7 a reference to a party, clause, part, schedule, annexure or attachment is a reference to a party, clause, part, schedule, annexure or attachment of or to this deed;
 - 1.2.8 a reference to Fairly Disclosed to a party means disclosed in writing to any of that party or any of its Authorised Persons in good faith and in sufficient detail so as to enable a reasonable and sophisticated buyer (or one of its Authorised Persons) experienced in transactions similar to the Proposed Transaction and experienced in a business similar to any business conducted by the Target Group (if disclosed to Bidder), to identify the nature and scope of the relevant matter, event or circumstance;
 - 1.2.9 a reference to any document or agreement is to that document or agreement as amended, novated, supplemented or replaced;
 - 1.2.10 the schedules, annexures and attachments form part of this deed;
 - 1.2.11 headings are inserted for convenience only and do not affect the interpretation of this deed; and
 - 1.2.12 a reference to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision, in either case whether before, on or after the date of this deed.

Business day, references to and calculations of time

- 1.3 In this deed, unless the context otherwise requires:
- 1.3.1 a reference to a business day means a day other than a Saturday or Sunday on which banks are open for business generally in the place the laws of which govern the construction of this deed;
 - 1.3.2 a reference to a time of day means that time of day in the place whose laws govern the construction of this deed;
 - 1.3.3 where a period of time is specified and dates from a given day or the day of an act or event it must be calculated exclusive of that day; and
 - 1.3.4 a term of this deed which has the effect of requiring anything to be done on or by a date which is not a business day must be interpreted as if it required it to be done on or by the next business day.

Knowledge

- 1.4 Where this deed makes reference to the knowledge or awareness of a party, or any similar reference, such knowledge or awareness will be taken to mean the actual knowledge and awareness of the party, but will not include any deemed or imputed knowledge of the party.
- 1.5 Notwithstanding anything contained in clause 1.4, where any of the Target Warranties is qualified by the expression '*so far as Target is aware*' or '*to the best of the Target's knowledge, information and belief*' or any similar expression, that statement is taken to include an additional statement that it has been made after reasonable enquiries by each of Jamie Cullen, Leon Hodges, Michael Kenyon and Roy Pascoe.

2 AGREEMENT TO PROPOSE SCHEME

- 2.1 Target agrees to propose and implement the Scheme on and subject to the terms and conditions of this deed, and to use all reasonable endeavours to do so as soon as is reasonably practicable and otherwise substantially in accordance with the Timetable.
- 2.2 Bidder agrees to assist Target in proposing and implementing the Scheme on and subject to the terms and conditions of this deed, and to use all reasonable endeavours to do so as soon as is reasonably practicable and otherwise substantially in accordance with the Timetable.

3 CONDITIONS PRECEDENT AND PRE-IMPLEMENTATION STEPS**Conditions to Scheme**

- 3.1 Subject to this clause 3, the Scheme will not become Effective, and the obligations of Target under clause 5.1.15 and Bidder's obligations to provide, or procure the provision of, the Scheme Amount per Share in accordance with the Deed Poll and clauses 4.3 to 4.6 will not be

binding, until and unless each of the following conditions precedent is satisfied or waived in accordance with this clause 3:

- 3.1.1 **(ASIC and ASX)** before 8.00am on the Second Court Date, Target receives from ASIC and ASX all consents, approvals, waivers or authorisations as are necessary, or which Target and Bidder agree are reasonably necessary or desirable, to implement the Scheme, and none of those consents, approvals, waivers or authorisations have been withdrawn, cancelled or revoked before such time;
- 3.1.2 **(No Material Adverse Change)** no Material Adverse Change occurs between the date of this deed and 8.00am on the Second Court Date;
- 3.1.3 **(Specified Contracts)** before 8.00am on the Second Court Date:
- 3.1.3.1 each of the counterparties to the Specified Contracts have provided (as applicable):
- (a) written consent to the change of control or ownership of Target (or a subsidiary of Target) that will arise from the implementation of the Scheme; or
 - (b) written confirmation that it will not terminate the Specified Contract as a result of the fact that a change of control or ownership of Target (or a subsidiary of Target) will arise from the implementation of the Scheme (and, where the contract provides for termination for convenience or on notice, will not terminate the Specified Contract for convenience or with notice prior to, or on, implementation of the Scheme),
- in each case, in the manner agreed between Bidder and Target (acting reasonably); and
- 3.1.3.2 such consent or confirmation is not withdrawn, cancelled or revoked, except that this condition will be deemed to be satisfied if:
- 3.1.3.3 the aggregate expected EBITDA contribution for FY20 from all Specified Contracts for which sub-paragraph (a) or (b) above (as applicable) is not satisfied does not exceed \$7 million; and
- 3.1.3.4 the expected EBITDA contribution for FY20 for any Specified Contract for which sub-paragraph (a) or (b) above (as applicable) is not satisfied does not exceed \$3.5 million;
- 3.1.4 **(No Prescribed Occurrence)** no Prescribed Occurrence occurs between the date of this deed and 8.00am on the Second Court Date;

- 3.1.5 **(Target Warranties)** the Target Warranties being true and correct in all material respects on the date of this deed and at 8.00am on the Second Court Date, or any breach being substantially remedied as envisaged by clause 10.3.2;
- 3.1.6 **(Shareholder approval)** Target Shareholders approve the Scheme at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act;
- 3.1.7 **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- 3.1.8 **(Independent Expert)** the Independent Expert:
- 3.1.8.1 concluding in the Independent Expert's Report that in its opinion the Scheme is in the best interests of Target Shareholders on or before the date on which the Scheme Booklet is registered by ASIC under the Corporations Act; and
 - 3.1.8.2 not having notified Target in writing that it has withdrawn or qualified this conclusion as at 8.00am on the Second Court Date; and
- 3.1.9 **(Restraining orders)** no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Regulatory Authority of competent jurisdiction remains in effect as at 8.00am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme or any Transaction Document.

Benefit and waiver of conditions precedent

- 3.2 The Conditions in clauses 3.1.1 and 3.1.9 can only be waived by agreement between both parties. The Conditions in clauses 3.1.6 and 3.1.7 cannot be waived.
- 3.3 The Condition in clause 3.1.8 is for the sole benefit of Target and any breach or non-fulfilment of it may only be waived by Target giving its written consent (which may be given or withheld at its absolute discretion). Any waiver under this clause 3.3 must take place on or prior to 8.00am on the Second Court Date.
- 3.4 The Conditions in clauses 3.1.2, 3.1.3, 3.1.4 and 3.1.5 are for the sole benefit of Bidder and any breach or non-fulfilment of them may only be waived by Bidder giving its written consent (which may be given or withheld at its absolute discretion). Any waiver under this clause 3.4 must take place on or prior to 8.00am on the Second Court Date.
- 3.5 If, pursuant to clause 3.4 Bidder waives the breach or non-fulfilment of any of the Conditions, that waiver will not prevent it from suing Target for any breach of this deed including, without limitation, for a breach that resulted in the breach or non-fulfilment of the Condition that was waived.

- 3.6 Waiver of a breach or non-fulfilment in respect of one Condition does not constitute:
- 3.6.1 a waiver of breach or non-fulfilment of any other Condition resulting from the same event; or
 - 3.6.2 a waiver of breach or non-fulfilment of that Condition resulting from any other event.

Reasonable endeavours

- 3.7 Target and Bidder must use their respective reasonable endeavours to procure that:
- 3.7.1 each of the Conditions in clauses 3.1.1, 3.1.6, 3.1.7 and 3.1.9 are satisfied as soon as reasonably practicable after the date of this deed and (if applicable) continue to be satisfied at all times until the last time they are to be satisfied,
 - 3.7.2 there is no occurrence within its control or the control of its Related Bodies Corporate that prevents, or would be reasonably likely to prevent, the satisfaction of any Condition.
- 3.8 Target must use reasonable endeavours to procure that the Conditions in clauses 3.1.2, 3.1.3, 3.1.4, 3.1.5 and 3.1.8 are satisfied as soon as reasonably practicable after the date of this deed and (if applicable) continue to be satisfied at all times until the last time they are to be satisfied.
- 3.9 Without limiting clauses 3.11 and 3.12, each of Target and Bidder must:
- 3.9.1 promptly apply for all relevant Regulatory Approvals and provide the other party with a copy of all applications for Regulatory Approvals;
 - 3.9.2 take all the steps for which it is responsible as part of the Regulatory Approvals process;
 - 3.9.3 respond to all requests for information in respect of the applications for Regulatory Approvals at the earliest practicable time;
 - 3.9.4 except to the extent prohibited by the relevant Regulatory Authority, provide the other with all information and assistance reasonably requested in connection with the applications for Regulatory Approvals;
 - 3.9.5 to the extent that it is within either party's respective control, use its reasonable endeavours to procure that there is no occurrence that would prevent the Condition being satisfied and no other party shall take any action that will or is likely to hinder or prevent the satisfaction of the Condition except to the extent that such action is required by law; and
 - 3.9.6 except to the extent prohibited by the relevant Regulatory Authority, allow the other party and its Authorised Persons the opportunity to be present and make submissions at any meetings with the relevant Regulatory Authority in relation to the Regulatory Approvals in respect of the Scheme.

3.10 Before providing any document or other information to the other party (in this clause 3.10, the **Recipient**) pursuant to clause 3.9.4, a party (in this clause 3.10, the **Discloser**) may redact any part of that document, or not disclose any part of that information, which contains or is confidential, non-public information (**Sensitive Confidential Information**) if the Discloser reasonably believes that:

3.10.1 the Sensitive Confidential Information is of a commercially sensitive nature; or

3.10.2 the disclosure of the Sensitive Confidential Information to the Recipient would be damaging to the commercial or legal interest of the Discloser or any of its Related Bodies Corporate,

and may provide the document or disclose the information to the Recipient with any Sensitive Confidential Information redacted or excluded, provided that, where Sensitive Confidential Information is so redacted or excluded, the Discloser must provide:

3.10.3 the Recipient with as much detail about the relevant communication, submission or correspondence (and any other relevant circumstances) as is reasonably possible without disclosing Sensitive Confidential Information; and

3.10.4 a complete version of the document or other information, without any redaction or exclusion of information, to the Recipient's external lawyers on the basis that the Recipient's external lawyers will not disclose the Sensitive Confidential Information to the Recipient or any other third party without the Discloser's prior written consent and will only use the information for the purpose of satisfying the Condition in clause 3.1.1 and, if applicable, clause 3.1.9.

Notifications

3.11 Each of Bidder and Target must:

3.11.1 keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;

3.11.2 promptly notify the other in writing if a Condition has been satisfied, in which case that party must comply with any reasonable request for evidence of such satisfaction made by the other party; and

3.11.3 promptly notify the other in writing if it becomes aware:

3.11.3.1 that any Condition is or has become incapable of being satisfied (having regard to the respective obligations of each party under clauses 3.7 to 3.10); or

3.11.3.2 of any fact, matter or circumstance that has resulted, will result, or is reasonably likely to result in a Condition becoming incapable of being satisfied or a material breach of this deed by that party, and

where a party is entitled to waive that Condition upon receipt or delivery of such a notice (as applicable) that party must notify the other party in accordance with clauses 3.2 to 3.6 as soon as possible (in any event before 5.00pm on the Business

Day before the Second Court Date) as to whether the party waives the non-fulfilment of the Condition.

Certificate

- 3.12 On the Second Court Date:
- 3.12.1 Bidder must provide a certificate to the Court (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not the Conditions have been satisfied or waived in accordance with the terms of this deed;
 - 3.12.2 Target must provide a certificate to the Court (or such other evidence as the Court may request) confirming (in respect of matters within its knowledge) whether or not the Conditions have been satisfied or waived in accordance with the terms of this deed;
 - 3.12.3 Target will provide a certificate to Bidder confirming whether or not it has breached any of its obligations under this deed (including a breach of a representation, warranty or covenant), and if it has, giving details of such breach; and
 - 3.12.4 Bidder will provide a certificate to Target confirming whether or not it has breached any of its obligations under this deed (including a breach of a representation, warranty or covenant), and if it has, giving details of such breach.
- 3.13 Each party must provide the other party a draft of the relevant certificate to be provided by it pursuant to clause 3.12 by 5:00pm on the day that is two Business days prior to the Second Court Date, and must provide to the other party on the Second Court Date a copy of the final certificate or other evidence provided to the Court.

Scheme voted down

- 3.14 If the Scheme is not approved by Target Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and Target or Bidder considers acting reasonably that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied then Target must:
- 3.14.1 apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
 - 3.14.2 make such submissions to the Court and file such evidence as counsel engaged by Target to represent it in Court proceedings related to the Scheme, in consultation with Bidder, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

Conditions not capable of being fulfilled

- 3.15 If:
- 3.15.1 any Condition is not satisfied or (where capable of waiver) waived by the date specified in this deed for its satisfaction (or an event occurs which would or is likely to prevent a Condition being satisfied by the date specified in this deed);
 - 3.15.2 an event or circumstance occurs with the result that a Condition is not capable of being fulfilled and (where capable of waiver), the relevant party does not waive the Condition within five Business Days after the occurrence of the event or circumstance; or
 - 3.15.3 the Scheme does not become Effective by the End Date,
and neither of the following has occurred:
 - 3.15.4 the Independent Expert opines to the effect that the Scheme is not in the best interests of Target Shareholders; or
 - 3.15.5 a Target Superior Proposal has been publicly announced,then Target and Bidder must consult in good faith with a view to determining whether:
 - 3.15.6 the Scheme may proceed by way of alternative means or methods;
 - 3.15.7 to extend the relevant time or date for satisfaction of the Condition;
 - 3.15.8 to change the date of the application to be made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the parties; or
 - 3.15.9 to extend the End Date.
- 3.16 Subject to clause 3.17, if a Condition becomes incapable of being satisfied before the End Date and Target and Bidder are unable to reach agreement under clause 3.15 within five Business Days of the date on which they both become aware that the Condition has become incapable of being satisfied (or, if earlier, by 8.00am on the Second Court Date), then unless the relevant Condition (where capable of waiver) is waived:
- 3.16.1 in relation to the Conditions in clause 3.1.1, 3.1.6, 3.1.7 and 3.1.9, either Bidder or Target may terminate this deed by giving the other written notice;
 - 3.16.2 in relation to the Condition in clause 3.1.8, Target may terminate this deed by giving written notice to Bidder; and
 - 3.16.3 in relation to the Conditions in clause 3.1.2, , 3.1.3, 3.1.4 or 3.1.5 Bidder may terminate this deed by giving written notice to Target,
- within 10 Business Days of the date on which they both become aware that the Condition has become incapable of being satisfied (or, if earlier, by 8.00am on the Second Court Date),

without any liability to any other party by reason of that termination alone except as otherwise contemplated in this deed.

- 3.17 A party will not be entitled to terminate this deed pursuant to clause 3.16 if the relevant Condition has not been satisfied as a result of:
- 3.17.1 a breach of this deed by that party; or
 - 3.17.2 a deliberate act or omission of that party which either alone or together with other circumstances directly and materially contributed to that Condition not being satisfied.

Interpretation

- 3.18 For the purposes of this clause 3, a Condition will be incapable of satisfaction, or incapable of being fulfilled if:
- 3.18.1 in the case of a Condition relating a Regulatory Approval, the relevant Regulatory Authority makes or has made a final adverse determination in writing to the effect that it will not provide the Regulatory Approval or such Regulatory Approval will be subject to conditions that are unacceptable to Target or Bidder (acting reasonably); and
 - 3.18.2 in all other cases, there is an act, failure to act or occurrence that will prevent the Condition being satisfied by the End Date (and the breach or non-fulfilment that would otherwise have occurred has not already been waived in accordance with this deed).

4 SCHEME STRUCTURE

Scheme

- 4.1 Target must, as soon as reasonably practicable after the date of this deed and otherwise substantially in compliance with the Timetable, propose the Scheme under which, subject to the Scheme becoming Effective, all of the Scheme Shares will be transferred to Bidder on the Implementation Date and the Scheme Shareholders will be entitled to receive, for each Scheme Share held at the Record Date, the Scheme Amount per Share, in each case in accordance with the terms of the Scheme.
- 4.2 Target must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Bidder.

Scheme Amount per Share

- 4.3 Subject to the Scheme becoming Effective, Bidder covenants in favour of Target, in consideration for the transfer to Bidder of the Scheme Shares held by each Scheme Shareholder under the terms of the Scheme, to provide or procure provision of the Scheme Amount per Share to each Scheme Shareholder on the Implementation Date and otherwise in accordance with the Scheme.

- 4.4 The Scheme Amount per Share will be reduced by the amount per Target Share of any Permitted Dividend.
- 4.5 Subject to the Scheme becoming Effective, at 10.00am on the Implementation Date, the transactions which form part of the Scheme will be implemented as follows:
- 4.5.1 all existing Scheme Shares at the Record Date will be transferred to Bidder; and
- 4.5.2 in exchange, each Scheme Shareholder will receive the Scheme Amount per Share for each Scheme Share held by that Scheme Shareholder at the Record Date.
- 4.6 In order to facilitate the provision of the Scheme Amount per Share, Target must provide, or procure the provision of, to Bidder a complete copy of the Target Register as at the Record Date (which must include the name, registered address and registered holding of each Scheme Shareholder as at the Record Date), within one Business Day after the Record Date. The details and information to be provided under this clause 4.6 must be provided in such form as Bidder or Bidder's share registry may reasonably require, as notified to Target by Bidder prior to the Record Date.

5 SCHEME – PARTIES' RESPECTIVE IMPLEMENTATION OBLIGATIONS

Target's obligations

- 5.1 Target must take all steps reasonably necessary to implement the Scheme on and subject to the terms of this deed as soon as reasonably practicable after the date of this deed and otherwise substantially in accordance with the Timetable, including without limitation taking each of the following steps:
- 5.1.1 **(Scheme Booklet)** prepare the Scheme Booklet in accordance with clauses 5.3 to 5.14;
- 5.1.2 **(Independent Expert)** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report (and any update to any such report) for inclusion in the Scheme Booklet;
- 5.1.3 **(Consult on drafts of Target Information)** make available to Bidder drafts of the Target Information, consult with Bidder in relation to the content of those drafts, and consider in good faith, for the purpose of amending those drafts, comments from Bidder on those drafts provided such comments are provided in a timely manner, and provide to Bidder revised drafts of the Target Information within a reasonable time before the draft Scheme Booklet contemplated in clause 5.1.4 is finalised and allow Bidder to review that draft before the date of its submission to ASIC;
- 5.1.4 **(Approval of draft for ASIC)** as soon as reasonably practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procure that a meeting of the Target Board, or of a committee of the Target Board appointed for the purpose, is held to consider approving that draft as being

in a form appropriate for provision to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act;

- 5.1.5 **(Liaison with ASIC)** as soon as reasonably practicable after the date of this deed:
- 5.1.5.1 provide an advanced draft of the Scheme Booklet, in a form approved in accordance with clause 5.2.6, to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of the same to Bidder immediately thereafter; and
 - 5.1.5.2 liaise with ASIC during the period of its consideration of that draft of the Scheme Booklet and keep Bidder reasonably informed of any matters raised by ASIC in relation to the Scheme Booklet and use reasonable endeavours, in consultation with Bidder, to resolve any such matters (including allowing Bidder to participate in Target's meetings and discussions with ASIC);
- 5.1.6 **(Indication of intent)** apply to ASIC for a letter indicating whether ASIC proposes to make submissions to the Court, or intervene to oppose the Scheme, on the First Court Date;
- 5.1.7 **(Approval of Scheme Booklet)** as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the Target Board, or of a committee of the Target Board appointed for the purpose, is held to consider approving the Scheme Booklet for registration with ASIC in accordance with section 411(6) of the Corporations Act, subject to orders of the Court under section 411(1) of the Corporations Act;
- 5.1.8 **(Section 411(17)(b) statements)** apply to ASIC for a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- 5.1.9 **(First Court hearing)** prepare and lodge all documents with the Court and take all other reasonable steps to ensure that promptly after, and provided that, the approvals in clauses 5.1.8 and 5.2.7 have been received, an application is heard by the Court for an order under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting and provide Bidder with drafts of those documents for review and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from Bidder and its Authorised Persons on those drafts;
- 5.1.10 **(Registration of Scheme Booklet)** if the Court directs Target to convene the Scheme Meeting, arrange, subject to clause 5.2.7, for registration of the Scheme Booklet with ASIC in accordance with section 412(6) of the Corporations Act;
- 5.1.11 **(Convening Scheme Meeting)** as soon as reasonably practicable following registration of the Scheme Booklet with ASIC, take all reasonable steps necessary to comply with the orders of the Court including, as required, despatching the Scheme Booklet to the Target Shareholders and convening and holding the Scheme Meeting;

- 5.1.12 **(Updating Scheme Booklet)** until the date of the Scheme Meeting, promptly update the Scheme Booklet should it become aware that any information included in the Scheme Booklet that has been despatched to Target Shareholders is or has become misleading or deceptive in any material respect (whether by omission or otherwise) and to the extent it is reasonably practicable to do so, provide Bidder with drafts of any documents that it proposes to issue to Target Shareholders under this clause 5.1.12 and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments received in a timely manner from Bidder or its Authorised Persons on those drafts;
- 5.1.13 **(Court approval application if parties agree that conditions are capable of being satisfied)** if the resolution submitted to the Scheme Meeting is passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act (or, where clause 3.14 applies, the majority required under section 411(4)(a)(ii)(B) of the Corporations Act) and, if necessary, the parties agree on the Business Day immediately following the Scheme Meeting that it can be reasonably expected that all of the Conditions will be satisfied or waived prior to the proposed Second Court Date, apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme;
- 5.1.14 **(Appeal process)** if the Court refuses to make any orders directing Target to convene the Scheme Meeting or approving the Scheme, Target and Bidder must:
- 5.1.14.1 consult with each other in good faith as to whether to appeal the Court's decision; and
 - 5.1.14.2 appeal the Court decision unless the parties agree otherwise or an independent senior counsel opines that, in his or her view, an appeal would have no reasonable prospect of success;
- 5.1.15 **(Implementation of Scheme)** if the Scheme is approved by the Court:
- 5.1.15.1 for the purposes of section 411(1) of the Corporations Act, promptly lodge with ASIC an office copy of the orders made by the Court under section 411(4)(b) of the Corporations Act approving the Scheme;
 - 5.1.15.2 determine entitlements to the Scheme Amount per Share as at the Record Date in accordance with the Scheme;
 - 5.1.15.3 execute proper instruments of transfer of and effect and register the transfer of the Scheme Shares to Bidder on the Implementation Date; and
 - 5.1.15.4 do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- 5.1.16 **(Regulatory notifications)** in relation to the Regulatory Approvals required to be applied for by Target, lodge with any Regulatory Authority within the relevant time periods all documentation and filings required by law to be so lodged by Target in relation to the Proposed Transaction;

- 5.1.17 **(Bidder Information)** during the period until that Bidder Information becomes publicly available, not use that Bidder Information for any purposes other than those expressly contemplated by this deed or the Scheme without the prior written consent of Bidder;
- 5.1.18 **(Listing)** not do anything to cause the Target Shares to cease being quoted on the ASX or to become permanently suspended from quotation prior to the Implementation Date;
- 5.1.19 **(Representation)** allow, and not oppose, any application by Bidder for leave of the Court to be represented, or the separate representation of Bidder by counsel, at the Court hearings in relation to the Scheme;
- 5.1.20 **(Documents)** consult with Bidder in relation to the content of the court documents required for the purpose of the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders, and any documents required in respect of an appeal), and provide Bidder with drafts of those documents for review and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from Bidder and its Authorised Persons on those drafts;
- 5.1.21 **(Keep Bidder informed)** from the First Court Date until the Implementation Date, promptly inform Bidder if it becomes aware that the Scheme Booklet contains a statement that is or has become misleading or deceptive in a material respect or that there has been a material omission;
- 5.1.22 **(Proxy information)** procure that Target's share registry delivers to Bidder:
- 5.1.22.1 promptly at Bidder's request, any information which Bidder reasonably requires for the purpose of understanding legal and beneficial ownership of Target Shares; and
- 5.1.22.2 on the date three weeks before the Scheme Meeting date, on the date two weeks before the Scheme Meeting date, and each Business Day in the week prior to the Scheme Meeting date (inclusive) the following information in a form reasonably requested by Bidder: the total number of voting proxies in respect of the resolution to approve Scheme delivered by Target Shareholders to Target, providing details of the aggregate number of proxies in favour of, against and abstaining from the relevant resolution and the aggregate number of Target Shares to which those proxies relate; and
- 5.1.23 **(Compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws, regulations and policy.

Bidder's obligations

- 5.2 Bidder must take all steps reasonably necessary to assist Target to implement the Scheme on and subject to the terms of this deed as soon as reasonably practicable and otherwise

substantially in accordance with the Timetable including, without limitation, taking each of the following steps:

- 5.2.1 (**Bidder Information**) prepare and provide to Target, in a form appropriate for inclusion in the Scheme Booklet, the Bidder Information that is required by all applicable law, the Listing Rules and ASIC Regulatory Guides for inclusion in the Scheme Booklet and as may be necessary to ensure that Bidder Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (whether by omission or otherwise);
- 5.2.2 (**Regulatory notifications**) in relation to the Regulatory Approvals required to be applied for by Bidder, lodge with any Regulatory Authority within the relevant time periods all documentation and filings required by law to be so lodged by Bidder in relation to the Proposed Transaction;
- 5.2.3 (**Independent Expert**) subject to the Independent Expert agreeing to reasonable confidentiality restrictions, promptly provide all assistance and information reasonably requested by the Independent Expert or Target to enable the Independent Expert to prepare the Independent Expert's Report for inclusion in the Scheme Booklet;
- 5.2.4 (**Liaison with ASIC**) promptly provide assistance reasonably requested by Target to assist Target in resolving any matter raised by ASIC regarding the Scheme Booklet or the Scheme during its review of the Scheme Booklet;
- 5.2.5 (**Review of Scheme Booklet**) as soon as reasonably practicable after delivery, review the drafts of the Scheme Booklet prepared by Target and provide comments on those drafts in good faith;
- 5.2.6 (**Approval of draft for ASIC**) as soon as reasonably practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, approve the Bidder Information contained in that draft as being in a form appropriate for provision to ASIC for review;
- 5.2.7 (**Approval of Scheme Booklet**) as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, approve those sections of the Scheme Booklet that comprise the Bidder Information as being in a form appropriate for despatch to the Target Shareholders, subject to approval of the Court;
- 5.2.8 (**Representation**) procure that, if requested by Target, Bidder is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act;
- 5.2.9 (**Deed Poll**) on or prior to the date of this deed, execute the Deed Poll;
- 5.2.10 (**Target Information**) during the period until that Target Information becomes publicly available, not use that Target Information for any purposes other than those expressly contemplated by this deed or the Scheme without the prior written consent of Target;

- 5.2.11 (**Documents**) consult with Target in relation to the content of the court documents required for the purpose of the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders);
- 5.2.12 (**Compliance with laws**) do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws, regulations and policy; and
- 5.2.13 (**Financing**) do everything necessary to ensure that all finance agreements and arrangements or equity funding commitments to which Bidder is party relating to the availability of funds for the purposes of paying the Scheme Amount per Share to each Scheme Shareholder remain on foot, that all conditions precedent to draw down of funds or contribution of equity have been satisfied or waived under those agreements, arrangements or commitments and to hold the proceeds of the financing to the extent required to pay the Scheme Amount per Share to the Scheme Shareholders on the Implementation Date. For the avoidance of doubt, nothing in this paragraph requires Bidder to provide credit or credit support to Target for the purpose of enabling Target to pay a dividend or otherwise.

Scheme Booklet – preparation principles

- 5.3 As soon as reasonably practicable after the date of this deed and otherwise substantially in accordance with the Timetable, Target must prepare the Scheme Booklet in compliance with:
- 5.3.1 all applicable laws and ASIC Regulatory Guides, and in particular with the Corporations Act, RG 60 and the Listing Rules; and
- 5.3.2 clauses 5.3 to 5.14,
- except that the obligations to do so in respect of the Bidder Information is subject to Bidder complying with its obligations under clause 5.2.1 and clauses 5.3 to 5.14.
- 5.4 The Scheme Booklet will include or be accompanied by:
- 5.4.1 the terms of the Scheme;
- 5.4.2 the notice convening the Scheme Meeting, and any other notice of meeting in respect of any resolution that is necessary, expedient or incidental to give effect to the Scheme, together with a proxy form for the Scheme Meeting and for any ancillary meeting;
- 5.4.3 the Target Information;
- 5.4.4 the Bidder Information;
- 5.4.5 a copy of this deed (without the schedules or annexures) or a summary of the terms of this deed;
- 5.4.6 a copy of the executed Deed Poll; and
- 5.4.7 a copy of the Independent Expert's Report.

- 5.5 Target must make available to Bidder drafts of the Scheme Booklet (excluding any draft of the Independent Expert's Report) and any update to or replacement of the Scheme Booklet, consult with Bidder in relation to the content of those drafts (other than the Bidder Information), and consider in good faith, for the purpose of amending those drafts, comments from Bidder on those drafts. Bidder acknowledges and agrees that Target has ultimate discretion with respect to the preparation, form and content of the Scheme Booklet, other than as expressly provided in this deed with respect to the Bidder Information.
- 5.6 Target must seek approval from Bidder for the form and context in which the Bidder Information appears in the Scheme Booklet, which approval Bidder must not unreasonably withhold or delay, and Target must not lodge the Scheme Booklet with ASIC until such approval is obtained from Bidder.
- 5.7 Bidder must provide written consent to Target in relation to the form and context in which the Bidder Information (and any information solely derived from, or prepared solely in reliance on, the Bidder Information) is used in the Scheme Booklet, such consent not to be unreasonably withheld or delayed by Bidder.
- 5.8 Target must take all reasonable steps to ensure that the Scheme Booklet (other than the Bidder Information and the Independent Expert's Report) is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date it is despatched to Target Shareholders.
- 5.9 Bidder must take all reasonable steps to ensure that the Bidder Information is not misleading or deceptive in any material respect (whether by omission or otherwise) as at the date on which the Scheme Booklet is despatched to Target Shareholders.
- 5.10 Target must provide to Bidder all such further or new information of which Target becomes aware (or ought reasonably to have become aware after making all reasonable and diligent enquiries) that arises after the Scheme Booklet has been despatched until the date of the Scheme Meeting where this is or may be necessary to ensure that the Scheme Booklet continues to comply with the Corporations Act, RG 60 and the Listing Rules (and all other laws and ASIC Regulatory Guides) or that the Target Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (whether by omission or otherwise).
- 5.11 Bidder must provide to Target all such further or new information of which Bidder becomes aware (or ought reasonably to have become aware after making all reasonable and diligent enquiries) that arises after the Scheme Booklet has been despatched until the date of the Scheme Meeting where this is or may be necessary to ensure that the Bidder Information continues to comply with the Corporations Act, RG 60 and the Listing Rules (and all other laws and ASIC Regulatory Guides) or that the Bidder Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (whether by omission or otherwise).
- 5.12 Target and Bidder each agree that the efficient preparation of the Scheme Booklet and the implementation of the Scheme are in the interests of Target Shareholders and Bidder and that they will use all reasonable endeavours and utilise all necessary resources (including management resources and the resources of external advisers) to comply with their respective obligations under clauses 5.3 to 5.14 and to implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable.

5.13 Bidder and Target are entitled to separate representation at all Court proceedings affecting the Proposed Transaction. Nothing in this deed provides one party with any right or power to give undertakings to the Court on behalf of the other party without that party's written consent.

5.14 Target must undertake appropriate verification processes in relation to the Target Information contained in the Scheme Booklet, and Bidder must undertake appropriate verification processes in relation to the Bidder Information contained in the Scheme Booklet.

Responsibility statement

5.15 The Scheme Booklet must contain a responsibility statement to the effect that:

5.15.1 Bidder is responsible for the Bidder Information contained in the Scheme Booklet, other than any information provided by Target to Bidder regarding the Target Group contained in, or used in the preparation of, the information regarding the Combined Group;

5.15.2 Target is responsible for the Target Information contained in the Scheme Booklet, and is also responsible for the information contained in the Scheme Booklet provided by Target to Bidder or obtained from Target public filings on the relevant stock exchange regarding the Target Group contained in, or used in the preparation of, the information regarding the Combined Group; and

5.15.3 the Independent Expert is responsible for the Independent Expert's Report.

Target Board recommendation

5.16 Subject to clause 5.17, Target must use all reasonable endeavours to procure that the Scheme Booklet and all public announcements or statements by Target in relation to the Proposed Transaction must include statements that:

5.16.1 the Target Board unanimously (or such number of the directors of Target who may lawfully provide a recommendation taking into account clause 5.17) recommends that Target Shareholders vote in favour of the Scheme; and

5.16.2 each director of Target intends to vote, or cause to be voted, all Target Shares held or controlled by him or her in favour of the Scheme,

qualified only by the words to the effect of:

5.16.3 *'in the absence of a superior proposal'*; and

5.16.4 other than in respect of the Scheme Booklet or any document issued after the issue of the Scheme Booklet, *'subject to the Independent Expert opining, and continuing to opine, that the Scheme is in the best interests of Target Shareholders'*.

5.17 Target must use all reasonable endeavours to ensure that the directors of Target only make a statement or take any action that qualifies their support of the Scheme or contradict, or

subsequently change, withdraw or modify the recommendation referred to in clause 5.16, in any of the following circumstances:

- 5.17.1 the Independent Expert opines either prior to the despatch of the Scheme Booklet or prior to the Scheme Meeting to the effect that the Scheme is not in the best interests of Target Shareholders; or
- 5.17.2 a majority of the directors of Target determine, after Bidder's rights under clauses 12.9 to 12.12 have been exhausted, that a Target Competing Proposal constitutes a Target Superior Proposal, and the Target Board has determined in good faith and acting reasonably, after having consulted with its financial and legal advisers, that failure to take this action would or would be likely to constitute a breach of the directors of Target's fiduciary or statutory obligations; or
- 5.17.3 in the case of the recommendation in clause 5.16.1 by an executive director of the Target (but not the voting intention statement referred to in clause 5.16.2), the executive director may withdraw his or her recommendation so as to not make any recommendation only to the extent that, after first obtaining written advice from independent senior counsel of the Western Australian bar, the executive director reasonably determines that he or she has an interest in the Scheme that renders it inappropriate for him or her to maintain any such recommendation (**Scheme Interest**), and the Court would be unlikely to grant an order under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting or under section 411(4)(b) and 411(6) of the Corporations Act approving the Scheme, in each case solely as a result of the Scheme Interest.
- 5.18 Subject to clause 5.17, Target represents and warrants to Bidder that it has been advised by each director of Target in office at the date of this deed that he or she will act in accordance with clauses 5.16 to 5.17 and 7.1.
- 5.19 Target must promptly notify Bidder if any fact matter or circumstance arises (including the receipt or expected receipt of an unfavourable report from the Independent Expert including any supplementary or updated report) which may lead to any one or more Target directors changing, withdrawing or modifying his or her recommendation in favour of the Scheme.

6 CONDUCT OF BUSINESS BEFORE THE IMPLEMENTATION DATE

- 6.1 Subject to clauses 6.2 to 6.4, from the date of this deed up to and including the Implementation Date, Target must conduct its business, and must cause each of its Subsidiaries to conduct their businesses, in the ordinary and usual course of business and:
- 6.1.1 operate those businesses consistent with past practice, in substantially the same manner as previously conducted;
- 6.1.2 use reasonable endeavours to preserve their relationships with customers, suppliers, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;

- 6.1.3 ensure that all assets are maintained in the normal course of business consistent with past practice;
- 6.1.4 comply in all material respects with all material contracts to which a member of the Target Group is a party;
- 6.1.5 in accordance with all applicable laws, authorisations and licenses; and
- 6.1.6 not take any action that constitutes a Prescribed Occurrence or that could reasonably be expected to result in a Prescribed Occurrence, or, where a Prescribed Occurrence could reasonably be expected to occur due to a failure to take any action, fail to take that action.
- 6.2 Without limiting clause 6.1 but subject to clause 6.3, Target must not, and must procure that its Subsidiaries do not, from the date of this deed up to and including the Implementation Date, do any of the following (or agree or offer to do any of the following):
- 6.2.1 incur or commit to, or bring forward the time for incurring or committing to, any additional financial indebtedness (except for draw-downs on existing banking facilities or utilisation of existing securitisation programs) or guarantee or indemnify the obligations of any person other than a member of the Target Group, or forego any revenue, other than in the usual and ordinary course of business and consistent with past practice;
- 6.2.2 announce, declare, determine or pay any distributions or dividends (other than the Ordinary Dividend and any Permitted Dividend);
- 6.2.3 (except as pursuant to contractual arrangements in effect on the date of this deed and Fairly Disclosed in the Target Due Diligence Materials) enter into any enterprise bargaining agreement or similar collective employment agreement;
- 6.2.4 in respect of any single transaction or series of related or similar transactions, acquire or dispose, or offer to acquire or dispose, of any interest in a business, assets, real property, entity, securities or undertaking, or any interest in any joint venture or partnership, the value of which exceeds \$20 million, individually or when aggregated with all such businesses, assets, real property, entities, securities or undertakings, or interests in a joint venture or partnership, the subject of the transaction or series of related or similar transactions;
- 6.2.5 incur or enter into commitments involving capital expenditure of more than \$20 million whether in one transaction or a series of related transactions;
- 6.2.6 enter into, vary or terminate any contract, joint venture, partnership or commitment for a duration of over two years involving total expenditure greater than \$20 million per annum, individually or when aggregated with all such contracts, joint ventures, partnerships or commitments;
- 6.2.7 vary, modify, waive, fail to enforce or terminate any contract, joint venture, partnership or commitment where such action or failure to enforce has or is likely to have the effect of reducing the ongoing EBITDA of the Target Group on an annualised basis by at least \$3.5 million individually or at least \$7 million when

- aggregated with the effect or likely effect of such actions taken in respect of, or failures to enforce, all other contracts or joint ventures, partnerships or commitments but excluding the termination of any contract, joint venture, partnership or commitment in accordance with its terms where the relevant counterparty is in payment default;
- 6.2.8 enter into, vary or terminate any contract, joint venture, partnership or commitment (or any series of related contracts, joint ventures, partnerships or commitments):
- 6.2.8.1 waiving any third party default which has a financial impact upon the Target Group, or accepting as a compromise anything less than the full compensation due to the Target Group, in each case where the applicable expenditure or impact is or will be in excess of \$5 million in any financial year;
- 6.2.8.2 restraining any member of the Target Group (including, following completion of the Proposed Transaction, any member of the Bidder Group) from competing with any person or conducting activities of any type in any market (including in respect of how those activities may be conducted); or
- 6.2.8.3 with any related party of any member of the Target Group (other than a member of the Target Group) as defined in section 228 of the Corporations Act;
- 6.2.9 enter into any new financing arrangement, agreement or otherwise provide financial accommodation other than with or to members of the Target Group (irrespective of what form that accommodation takes), or amend the terms of any existing financing arrangement, agreement or instrument;
- 6.2.10 enter into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges or interest rate hedges (including basis swaps on interest rates, such that the net period for the floating interest on the swaps is the same period as the net floating interest period on the relevant loan) or electricity or gas supply related hedges made in the ordinary course of business consistent with past practice and in accordance with existing policy as at the date of this deed;
- 6.2.11 give or agree to give any financial benefit to one of its related parties, as defined in section 228 of the Corporations Act;
- 6.2.12 make any elections with respect to tax, change methodologies in respect of tax or reach any agreement with a revenue authority on any tax or related duty matter;
- 6.2.13 do anything that would result in the de-consolidation of the Target tax consolidated group;

- 6.2.14 pay any fee to any adviser where such fee is contingent on the Proposed Transaction (other than as Fairly Disclosed in writing to the Bidder or an Authorised Person of the Bidder before the date of this deed);
- 6.2.15 issue, or agree to issue, or grant an option to subscribe for, debentures (as defined in section 9 of the Corporations Act) other than under an existing financing arrangement which has been Fairly Disclosed in the Target Disclosure Letter;
- 6.2.16 alter any accounting policy of any member of the Target Group other than any change required by the Accounting Standards;
- 6.2.17 hire any employee or engage any contractor for total annual remuneration (including cash, non-cash financial benefits, contingent remuneration and superannuation) of more than \$200,000 on a full-time equivalent basis, pro-rated if the relevant contract is for less than one year, or increase any existing employee's or contractor's total annual remuneration (as described above) such that it will exceed that amount;
- 6.2.18 increase the remuneration of, or pay any bonus, termination or retention payment or benefit, or otherwise vary the employment arrangements with any of its senior executives, directors or officers other than a bonus payment that does not exceed \$20,000 individually or \$60,000 in aggregate with all other bonus payments;
- 6.2.19 cancel, terminate, materially amend or reduce the level of cover under, fail to comply with the terms of, fail to renew, or fail to pay any premium on time in respect of, any material insurance policy maintained by the Target Group as at the date of this deed;
- 6.2.20 amend in a material respect or terminate any existing shareholders' agreement, joint venture agreement or other similar investor agreements or arrangements, or enter into any shareholders agreement, joint venture agreement or other similar investor agreement or arrangement; or
- 6.2.21 authorise or agree, offer, commit or resolve to do any of the things referred to above whether conditionally or otherwise.
- 6.3 The obligations of Target under clauses 6.1 to 6.2 do not apply in respect of any matter:
- 6.3.1 required or permitted to be done or procured by a party pursuant to, or which is otherwise contemplated by, this deed or the Scheme;
- 6.3.2 subject to clause 6.4, Fairly Disclosed in the Target Due Diligence Material as being actions that the Target Group may carry out between the date of this deed and the Implementation Date, but in the case of any board minutes contained in the Target Due Diligence Material only actions which Target is in the process of implementing as at the date of this deed, subject only to final board approval;
- 6.3.3 Fairly Disclosed by Target in any announcement to or filing with ASX or in a document lodged by Target with ASIC that is publicly available, in each case on or before the Business Day prior to the date of this deed;

- 6.3.4 required by law, stock exchange rules or by order of a court or any applicable government agency;
- 6.3.5 required to be done by any member of the Target Group or its Authorised Persons to reasonably and prudently respond to an emergency or disaster (including a situation giving rise to a risk of personal injury or material damage to property);
- 6.3.6 that involves the payment of Transaction Costs; or
- 6.3.7 the undertaking of which Bidder has approved in writing (which approval must not be unreasonably withheld, conditioned or delayed).
- 6.4 Target must, in respect of any matter referred to in clause 6.3.2 that it proposes to undertake:
- 6.4.1 if the Target Disclosure Letter permits the carrying out of the action only in accordance with certain conditions, ensure those conditions are met;
- 6.4.2 not undertake that matter (or commit to undertake that matter) without first consulting with the Bidder; and
- 6.4.3 promptly provide Bidder with any information regarding the matter reasonably requested by Bidder.
- For the avoidance of doubt, clause 6.4 does not operate to provide the Bidder with a veto right in respect of any matter referred to in clause 6.3.2.
- 6.5 Subject to clause 6.7, prior to the Effective Date:
- 6.5.1 Target must keep Bidder reasonably informed of all material developments relating to the Target Group and provide to Bidder monthly management, financial and operational reports provided to the Target Board; and
- 6.5.2 Target and Bidder must share such information as is reasonably required to implement the Proposed Transaction.
- 6.6 Subject to clause 6.7, on and from the Effective Date:
- 6.6.1 Target must provide Bidder (and its Authorised Persons) with reasonable access to its records and reasonable co-operation for the purpose of:
- 6.6.1.1 implementation of the Scheme;
- 6.6.1.2 Bidder obtaining an understanding, or furthering its understanding, of the operations of the Target Group's business or assets in order to allow and facilitate the smooth implementation of the plans for those businesses following implementation of the Scheme; and
- 6.6.1.3 any other purpose which is agreed between the parties; and

6.6.2 Target must promptly provide Bidder (and must cause each of its Subsidiaries to promptly provide Bidder) with any information reasonably requested by Bidder (including, without limitation, information from its share registry),

subject to the proper performance by Target's directors and officers, and the directors and officers of its Subsidiaries, of their fiduciary duties.

6.7 Nothing in clauses 6.5 to 6.6 obliges Target to provide to Bidder or its Authorised Persons:

6.7.1 any information:

6.7.1.1 concerning its directors' consideration of the Scheme;

6.7.1.2 which would breach an obligation of confidentiality to any person or any applicable privacy laws;

6.7.1.3 on the basis that it is or contains Sensitive Confidential Information,

in which case it will provide the document or disclose the information to the recipient with any Sensitive Confidential Information redacted or excluded; or

6.7.2 any information that is different or in addition to the information it provides to the Target Board or its senior managers in the usual and ordinary course of business consistent with past practice.

7 BOARD AND DIRECTOR MATTERS

Composition of Board

7.1 Target represents and warrants to Bidder that it has been advised by each Target director that he or she will, and Target must procure that the Target Board will, on the Implementation Date immediately after the aggregate Scheme Amount per Share has been despatched to Scheme Shareholders, take all actions necessary to ensure that:

7.1.1 those persons nominated by Bidder to the Target in writing prior to the Record Date are lawfully appointed as directors of Target and other members of the Target Group, subject to those persons having provided a consent to act as directors of Target or other members of the Target Group (as applicable); and

7.1.2 those existing directors of Target and other members of the Target Group, nominated by Bidder to the Target in writing prior to the Record Date, resign from their office as a Target director or a director of other members of the Target Group by providing to the Target Board or the board of other members of the Target Group their resignation in writing (such resignation to include a release by way of deed poll in favour of the Target and Bidder and their Related Bodies Corporate, that the outgoing director has no Claim outstanding against any member of the Target Group and that they unconditionally release all members of the Target Group in respect of all such Claims including for loss of office or remuneration or otherwise.

Change of control

- 7.2 For each Specified Contract that contains a change of control or similar provision or restriction in favour of the relevant counterparty which would be triggered by the implementation of the Scheme (each a **Change of Control Right**), Target must provide Bidder with such reasonable assistance as it requests for the purposes of obtaining any consents required in accordance with such Change of Control Right as soon as practicable after the date of this deed and in any event before the Second Court Date and on terms reasonably acceptable to Bidder, which assistance includes (without limitation):
- 7.2.1 agreeing a proposed strategy to obtain any consents required in accordance with a Change of Control Right and using reasonable endeavours to promptly seek those consents in accordance with the agreed strategy and reasonable requests of the Bidder;
 - 7.2.2 only if required by the Bidder, initiating contact with the relevant counterparty to make any notifications required by the relevant contract and requesting that such counterparty promptly provide the required consent in accordance with the Change of Control Right;
 - 7.2.3 if required by Bidder or the relevant counterparty, Target participating in discussions with the relevant counterparty;
 - 7.2.4 consulting with Bidder in good faith in relation to the method and content of communications with each relevant counterparty which has a Change of Control Right; and
 - 7.2.5 promptly providing any information reasonably required by the relevant counterparty and making representatives available, where necessary and reasonable, to meet with the relevant counterparty to deal with issues arising in relation to the matter.
- 7.3 Bidder must take all reasonable action necessary to comply with any reasonable requirement of relevant counterparties that is necessary to obtain the consents or confirmations from those parties in respect of the Change of Control Rights, including providing any information or security reasonably requested and as relevant counterparties may reasonably request on terms and conditions substantially the same and not more onerous as the existing arrangements, and make officers and employees available, where necessary and reasonable, to meet with any counterparties to deal with any issues arising in relation to the matter.
- 7.4 Without limiting Bidder's rights under clause 3.1.3, if Target has provided all reasonable assistance requested by Bidder as required by clause 7.2, a failure by a member of the Target Group to obtain any consent or confirmation in respect of a Change of Control Right, or the exercise of a termination right, will not constitute a breach of this deed by Target.
- 7.5 Nothing in clauses 7.2 to 7.4 or any other provision of this deed requires Bidder to agree to any new conditions or to provide any new guarantees or security to a contract or lease counterparty which are not reasonably acceptable to Bidder.

D&O Insurance

7.6 Target must:

7.6.1 undertake a tender process in accordance with clause 7.6.1.1 for the directors' and officers' run-off insurance policy in respect of any directors and officers and relevant former directors and officers of any member of the Target Group that applies for no less than a 7 year period following the Implementation Date (**D&O run off policy**) by:

7.6.1.1 engaging the independent consultant, which Bidder approved prior to the date of this document, to run a tender process for the D&O run off policy seeking at least 3 proposals from reputable insurance brokers (approved by the Bidder, such approval not to be unreasonably withheld, conditioned or delayed) to provide a D&O run off policy from a panel of reputable insurers that have a rating that is the same as, or better than, the rating of the insurers for the Target directors and officers' insurance policy in place as at 15 June 2019 for the current financial year (each such insurer being an **Equivalent Insurer**) on the following basis:

- (a) the same amount of coverage;
- (b) the same deductible or excess; and
- (c) otherwise on terms that are no less favourable to the current directors or officers of the Target Group than the Target directors' and officers' insurance policy in place as at 15 June 2019 for the current financial year; and

7.6.1.2 keeping the Bidder reasonably informed of all material developments in the tender process and providing a copy of the proposals received under the tender process.

7.6.2 Before 8.00 am on the Second Court Date, Target must enter into the D&O run off policy which is the lowest cost (inclusive of the costs of brokerage, stamp duty and any other transaction costs in relation thereto) of the 3 proposals received under the tender process in clause 7.6.1.1, provided such policy satisfies the requirements in clauses 7.6.1.1(a) to 7.6.1.1(c) (the **Policy Requirements**) and is from an Equivalent Insurer. If such policy does not satisfy the Policy Requirements or is not from an Equivalent Insurer, Target must enter into the D&O run off policy that is the next lowest cost that satisfies the Policy Requirements and is from an Equivalent Insurer.

7.6.3 Any consent or approval required from Bidder under this clause 7.6 is deemed to have been given by Bidder if Bidder does not respond within five Business Days following any request from Target for such consent or approval.

Deeds of indemnity and insurance

- 7.6.4 Subject to the Scheme becoming Effective, Bidder undertakes in favour of Target and each other Target Indemnified Party that it will procure that:
- 7.6.4.1 for a period of 7 years from the Implementation Date, the constitution of Target and each member of the Target Group will continue to contain such rules as are contained in those constitutions at the date of this deed that provide for each company to indemnify each of its previous directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a member of the Target Group;
 - 7.6.4.2 Target and each member of the Target Group complies with any deeds of indemnity, access and insurance entered into by them in favour of their respective directors and officers from time to time; and
 - 7.6.4.3 directors' and officers' run-off insurance cover for such directors and officers obtained in accordance with clause 7.6 is maintained (and Target may, at its election, pay any reasonable amounts necessary to ensure such maintenance upfront and prior to the implementation of the Scheme).
- 7.6.5 The undertakings contained in clause 7.6.4 are subject to any restriction in the Corporations Act.
- 7.6.6 Target receives and holds the benefit of clause 7.6.4 to the extent it relates to other Target Indemnified Parties, for and on behalf of, and as trustee for, them.
- 7.6.7 The undertakings in clause 7.6.4 are given until the date on which the relevant Target Group member ceases to be part of the Target Group.

Target Incentive Rights

- 7.7 Target must ensure that after the Effective Date and prior to the Record Date Target issues the number of Target Shares required by the terms of the Target Performance Rights to the holders of those Target Performance Rights so that the relevant holders of the Target Performance Rights can participate as Target Shareholders in the Scheme so that there are no Target Performance Rights on issue after the Record Date.
- 7.8 Target must ensure that after the Effective Date and on or prior to the Implementation Date all Target Options are cancelled in exchange for a payment equal to the intrinsic value of the Target Options (pursuant to a binding agreement between the Target and the holder of the Target Options on terms approved in writing by the Bidder (acting reasonably)) so that there are no Target Options on issue after the Implementation Date.

8 REPRESENTATIONS AND WARRANTIES

Bidder representations

- 8.1 Bidder represents and warrants to Target each of the matters set out in clause 8.2 as at the date of this deed and at 8.00am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).
- 8.2 Bidder represents and warrants that:
- 8.2.1 Bidder is a validly existing corporation registered under the laws of its place of incorporation;
 - 8.2.2 the execution and delivery of this deed by Bidder has been properly authorised by all necessary corporate action and Bidder has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed;
 - 8.2.3 this deed constitutes legal, valid and binding obligations on Bidder and the execution of this deed of itself does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which Bidder or any of its Subsidiaries is a party or to which they are bound, where such breach or default would have a material adverse effect on the Bidder Group;
 - 8.2.4 the Bidder Information provided to Target in accordance with clause 5.2.1 for inclusion in the Scheme Booklet will:
 - 8.2.4.1 be prepared and provided in good faith;
 - 8.2.4.2 comply in all material respects with the requirements of the Corporations Act, RG 60 and the Listing Rules; and
 - 8.2.4.3 be provided on the understanding that Target and its Related Bodies Corporate and Authorised Persons will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act;
 - 8.2.5 as at the date the Scheme Booklet is despatched to Target Shareholders, the Bidder Information, in the form and context in which that information appears in the version of the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act will not be misleading or deceptive in any material respect (whether by omission or otherwise);
 - 8.2.6 other than expressly contemplated in this deed, as far as Bidder is aware, no Regulatory Approvals are required to be obtained by Bidder in order for it to execute and perform the Transaction Documents to which it is a party;
 - 8.2.7 all information provided by or on behalf of Bidder to the Independent Expert to enable the Independent Expert's Report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the

understanding that the Independent Expert will rely upon that information for the purposes of preparing the Independent Expert's Report for inclusion in the Scheme Booklet;

- 8.2.8 Bidder will, as a continuing obligation, provide to Target all such further or new information which may arise after the Scheme Booklet has been despatched until the date of the Scheme Meeting which is necessary to ensure that the Bidder Information, in the form and context in which that information appears in the version of the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act, is not misleading or deceptive in any material respect (whether by omission or otherwise); and
- 8.2.9 by 8.00am on the Second Court Date, Bidder will have available to it on an unconditional basis (other than conditions relating to the approval of the Court and other conditions within the control of Bidder) sufficient cash reserves (whether from internal cash reserves or external funding arrangements, including equity and debt financing or a combination of both) to satisfy Bidder's obligations to pay the aggregate Scheme Amount per Share to all Scheme Shareholders in accordance with its obligations under this deed, the Scheme and the Deed Poll. For the avoidance of doubt, nothing in this paragraph requires Bidder to provide credit or credit support to Target for the purpose of enabling Target to pay a dividend or otherwise.

Bidder indemnity

- 8.3 Bidder agrees with Target to indemnify Target from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which Target may suffer or incur by reason of any breach of any of the representations and warranties in clauses 8.1 or 8.2.

Target representations

- 8.4 Target represents and warrants to Bidder each of the matters set out in clause 8.5 as at the date of this deed and at 8.00am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).
- 8.5 Target represents and warrants that:
- 8.5.1 Target is a validly existing corporation registered under the laws of its place of incorporation;
- 8.5.2 the execution and delivery of this deed by Target has been properly authorised by all necessary corporate action and Target has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed;
- 8.5.3 this deed constitutes legal, valid and binding obligations on Target and the execution of this deed of itself does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which Target or any of its Subsidiaries is a party or to which they are bound, where such breach or default would have a material adverse effect on the Target Group;

- 8.5.4 the Target Information contained in the Scheme Booklet:
- 8.5.4.1 will be prepared and included in the Scheme Booklet in good faith; and
 - 8.5.4.2 will comply in all material respects with the requirements of the Corporations Act, RG 60 and the Listing Rules;
- 8.5.5 as at the date the Scheme Booklet is despatched to Target Shareholders, the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act (excluding the Bidder Information, and the Independent Expert's Report) will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- 8.5.6 as at the date of this deed, Target is not in breach of its continuous disclosure obligations under Listing Rule 3.1 and is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Proposed Transaction or as disclosed in writing to Bidder on or before the date of this deed);
- 8.5.7 as at the date of this deed, the total issued capital of Target is 430,092,593 Target Shares and the Target Incentive Rights, there are no other Target options, instruments, performance rights, shares, convertible notes or other securities (including any other instruments convertible into shares) and Target has not offered, entered into any agreements to offer or issue, and is not subject to any obligations to issue any of the foregoing other than any performance rights granted in respect of the financial year ended 30 June 2019 which are Fairly Disclosed in the Target Due Diligence Material or otherwise disclosed in writing to Bidder before this deed is executed;
- 8.5.8 Target's audited financial statements as disclosed to ASX have been prepared in accordance with the Accounting Standards on a basis consistent with past practice and provide a true and fair view of the financial position and performance of the Target Group as at the dates they were prepared and, so far as Target is aware, there has not been any event, change, effect or development which would require Target to restate its financial statements as disclosed to ASX;
- 8.5.9 no member of the Target Group has any indebtedness or liabilities required under the Accounting Standards to be reflected on a balance sheet or the notes thereto, other than those (i) specifically reflected in, fully reserved against or otherwise described in the Target's audited financial statements as disclosed to ASX or the notes thereto; (ii) incurred under this deed or in connection with the Scheme; or (iii) Fairly Disclosed in the Target Due Diligence Material;
- 8.5.10 any statement of opinion or belief contained in the Target Information is honestly held and there are reasonable grounds for holding the opinion or belief;
- 8.5.11 the Target Due Diligence Material has been collated and disclosed in good faith and, so far as the Target Board and the senior management of Target are aware after due and diligent enquiry, Target has not:

- 8.5.11.1 omitted anything from such information that makes any part of that information materially false or misleading; or
- 8.5.11.2 included anything materially false or misleading in such information;
- 8.5.12 as at the date of this deed, and so far as the Target Board and the senior management of each member of the Target Group are aware after due and diligent inquiry, there are no material agreements, other than the Specified Contracts, to which any member of the Target Group is a party which contain any provision that may be triggered by the implementation of the Proposed Transaction and which would have a material adverse effect on the implementation of the Proposed Transaction or might otherwise materially adversely affect the business of the Target Group (whether before or after the implementation of the Proposed Transaction);
- 8.5.13 other than expressly contemplated in this deed, no Regulatory Approvals are required to be obtained by Target in order for it to execute and perform the Transaction Documents to which it is a party;
- 8.5.14 no shareholder approval of Target is required to complete the Proposed Transaction other than the approval referred to in clause 3.1.6;
- 8.5.15 all information provided by or on behalf of Target to the Independent Expert to enable the Independent Expert's Report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purposes of preparing the Independent Expert's Report for inclusion in the Scheme Booklet;
- 8.5.16 Target will, as a continuing obligation until the date of the Scheme Meeting, ensure that the Target Information, in the form and context in which that information appears in the version of the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act, is updated to include all further or new information which arises after the Scheme Booklet has been despatched to Target Shareholders which is necessary to ensure that the Target Information is not misleading or deceptive (including by way of omission) in any material respect;
- 8.5.17 as at the date of this deed, there is no judgment, injunction, order or decree binding on any member of the Target Group that has or would be likely to have the effect of prohibiting, materially restricting or materially impairing after the Effective Date any business of Target Group as presently being conducted;
- 8.5.18 as at the date of this deed, no member of the Target Group, nor the assets, properties or business of any member of the Target Group, is subject to any judgment, order, writ, injunction or decree of any court, Regulatory Authority or arbitration tribunal and so far as Target is aware after due and diligent inquiry:
- 8.5.18.1 there are no material actions, suits, arbitrations, legal or administrative proceedings pending against any member of the Target Group;

- 8.5.18.2 no member of the Target Group is the subject of any pending investigation; and
- 8.5.18.3 the Target Group has not received any written notice of Claim threatening the commencement of any material litigation, prosecution, mediation, arbitration, regulatory investigation or other proceeding in respect of any of the business operated by the Target Group;

8.5.19 so far as the Target Board and the senior management of each member of the Target Group are aware after due and diligent inquiry, there is no material breach, and execution and performance of this deed will not result in any material breach, by Target or any of its Authorised Persons, of any Australian or foreign law, treaty or regulation applicable to them, nor of any order of any Australian or foreign Regulatory Authority having jurisdiction over them, which breach, alone or together with any other breaches of law or regulation, has or could reasonably be expected to have the effect of causing:

- 8.5.19.1 any material contract to be terminable or terminated;
- 8.5.19.2 Target or any of its Authorised Persons to be restricted in doing business in any jurisdiction or with any customer or supplier, or being subject to criminal liability; or
- 8.5.19.3 any other material adverse effect on the Target Group (including in relation to the conduct of the business of the Target Group, the value of the Target Group, the reputation of the Target Group, or which has resulted in or is reasonably likely to result in any criminal liability of any member of the Target Group involving proof of intention or any criminal penalty exceeding \$15,000),

and without limiting the generality of the foregoing or any other representation or warranty in this deed, no member of the Target Group has, to the knowledge of the Target Board and the senior management of each member of the Target Group, any customer, supplier or distributor relationship with, or is a party to any contract with any person:

- 8.5.19.4 organised or domiciled in a country subject to comprehensive territorial sanctions as determined by the U.S. Department of the Treasury (including any Regulatory Authority within any such country); or
- 8.5.19.5 that is the target of any sanction administered by the U.S. Department of the Treasury, the European Union (including under Council Regulation (EC) No. 194/2008), the United Nations Security Council or Her Majesty's Treasury, including any person that appears on the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Controls in the United States Department of the Treasury or in the Annexes to the United States Executive Order 13224 – Blocking Property and Prohibiting Transactions with Person Who Commit, Threaten to Commit, or Support Terrorism;

- 8.5.20 each member of the Target Group has all material licenses and permits necessary for it to conduct its business as carried on as at the date of this deed;
- 8.5.21 for the three year period prior to the date of this deed, no Target Group member or, so far as the Target Board and the senior management of each member of the Target Group are aware, any of its Authorised Persons has, directly or indirectly, in connection with the business of the Target Group:
- 8.5.21.1 requested, received, made, offered or promised to make or offer any unlawful payment, loan or transfer of anything of value or advantage to or for the benefit of or from any person, including any government official, candidate for public office, political party or political campaign;
 - 8.5.21.2 requested, received, paid, offered or promised to make or offer any bribe, payoff, influence payment, kickback, unlawful rebate, or other similar unlawful payment of any nature;
 - 8.5.21.3 requested, received, made, offered or promised to make or offer any unlawful contributions (including political or charitable contributions), gifts, entertainment or other unlawful expenditures;
 - 8.5.21.4 established or maintained any unlawful fund of corporate monies or other properties;
 - 8.5.21.5 created or caused the creation of any false or inaccurate books and records of the Target Group or any of its members related to any of the foregoing; or
 - 8.5.21.6 otherwise violated any provision of the FCPA, the UK Bribery Act, or any other local or international anti-corruption or antibribery law applicable to the Target Group,
- and, so far as Target is aware, there are no, and no such person has received any notice of any, Claims threatening the commencement of any litigation, prosecution, mediation, arbitration, investigation or other proceeding in respect of such matters; and
- 8.5.22 as at the date of this deed, neither ASIC nor ASX (as applicable) has made a determination against any member of the Target Group for any contravention of the requirements of the Corporations Act or the Listing Rules or any rules, regulations or policy statements under the Corporations Act or the Listing Rules.

Target's indemnity

- 8.6 Target agrees with Bidder to indemnify Bidder from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which Bidder or any member of the Bidder Group may suffer or incur by reason of any breach of any of the representations and warranties in clauses 8.4 or 8.5.

Notifications

- 8.7 Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 8.

Qualifications on Target's representations

- 8.8 The Target representations in clause 8.5 and the indemnity in clause 8.6 are each subject to matters that:
- 8.8.1 are expressly provided in this deed;
 - 8.8.2 are Fairly Disclosed in the Target Due Diligence Material;
 - 8.8.3 are Fairly Disclosed in Target's announcements to or filings with ASX, or a document lodged with ASIC that is publicly available, in each case during the period commencing 3 years prior to the date of this deed and ending on the Business Day prior to the date of this deed;
 - 8.8.4 would have been disclosed to Bidder had Bidder conducted searches of the following on the second Business Day prior to the date of this deed:
 - 8.8.4.1 public records maintained by ASIC;
 - 8.8.4.2 the register established under the Personal Property Securities Act 2009 (Cth);
 - 8.8.4.3 public records maintained by the registries of the High Court of Australia, Federal Court of Australia and the Supreme Courts of each state and territory in Australia; and
 - 8.8.5 are within the actual knowledge of Bidder as at the date of this deed.

Survival of representations

- 8.9 Each representation and warranty in clauses 8.1 to 8.2 and 8.4 to 8.5:
- 8.9.1 is severable;
 - 8.9.2 will survive the termination of this deed; and
 - 8.9.3 is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this deed.

Survival of indemnities

- 8.10 Each indemnity in this deed (including those in clauses 8.3 and 8.6) will:
- 8.10.1 be severable;
 - 8.10.2 be a continuing obligation;

8.10.3 constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and

8.10.4 survive the termination of this deed.

9 CONFIDENTIALITY AND PUBLIC ANNOUNCEMENT

9.1 Each party agrees and acknowledges that it is bound by the terms of the Confidentiality Deed, save that the terms of this deed will prevail to the extent of any inconsistency with the Confidentiality Deed.

Public announcements on execution

9.2 Immediately after the execution of this deed, the parties must issue public announcements in a form previously agreed to in writing between them.

Further public announcements

9.3 Except if a Target Competing Proposal exists, any further public announcements by Target or Bidder in relation to, or in connection with, the Proposed Transaction or any other transaction the subject of this deed or the Scheme may only be made in a form approved by each party in writing (acting reasonably), subject to where a party is required by law or the Listing Rules to make any announcement or to make any disclosure in relation to, or in connection with, the Proposed Transaction or any other transaction the subject of this deed or the Scheme.

10 TERMINATION

Termination by notice

10.1 Bidder or Target may, by notice in writing to the other, terminate this deed at any time prior to 8.00am on the Second Court Date:

10.1.1 if the other party is in material breach of any of its obligations under this deed and:

10.1.1.1 the other party has failed to remedy that breach within ten Business Days (or, if earlier, 8.00am on the Second Court Date) of receipt by it of a notice in writing from the terminating party setting out details of the relevant breach and requesting the other party to remedy the breach; or

10.1.1.2 the breach cannot be remedied by the other party before 8.00am on the Second Court Date; or

10.1.2 in accordance with clauses 3.15 to 3.17.

10.2 Target may, by notice in writing to Bidder, terminate this deed at any time prior to 8.00am on the Second Court Date if, at any time before then:

10.2.1 a majority of the directors of Target withdraw or adversely modify their recommendation of the Proposed Transaction or publicly recommend a Target Competing Proposal in accordance with clause 5.17; or

10.2.2 Bidder breaches a Bidder Warranty, and:

10.2.2.1 Bidder fails to remedy that breach within ten Business Days of receipt by it of a notice in writing from Target setting out details of the relevant breach and requesting Bidder to remedy the breach; or

10.2.2.2 the breach cannot be remedied to the reasonable satisfaction of Target by Bidder before 8.00am on the Second Court Date,

and the breach was of a kind that, had it been disclosed to Target prior to its entry into this deed, could reasonably be expected to have resulted in Target either not entering into this deed or entering into it on materially different terms.

10.3 Bidder may, by notice in writing to Target, terminate this deed at any time prior to 8.00am on the Second Court Date if, at any time before then:

10.3.1 a majority of the directors of Target:

10.3.1.1 fail to recommend the Scheme in accordance with clause 5.16;

10.3.1.2 withdraw or adversely modify their recommendation of the Scheme or make any public statement that is inconsistent with a recommendation of the Scheme in accordance with clause 5.17; or

10.3.1.3 recommend a Target Competing Proposal; or

10.3.2 Target breaches a Target Warranty and:

10.3.2.1 Target fails to remedy that breach within ten Business Days of receipt by it of a notice in writing from Bidder setting out details of the relevant breach and requesting Target to remedy the breach; or

10.3.2.2 the breach cannot be remedied to the reasonable satisfaction of Bidder by Target before 8.00am on the Second Court Date; and

the breach was of a kind that, had it been disclosed to Bidder prior to its entry into this deed, could reasonably be expected to have resulted in Bidder either not entering into this deed or entering into it on materially different terms.

Effect of termination

10.4 In the event of termination of this deed under clauses 3.15 to 3.17 or 10.1 to 10.3, this deed will become void and have no effect, except that the provisions of this clause 10 and clauses 1, 8.9, 8.10, 11, 13, 14 and 15 survive termination.

- 10.5 Termination of this deed does not affect any accrued rights of a party in respect of a breach of this deed prior to termination.

Survival of obligations

- 10.6 The rights and obligations of the parties under the Confidentiality Deed survive termination of this deed.

Disclosure on termination of deed

- 10.7 The parties agree that, if this deed is terminated under this clause 10, any party may disclose:

- 10.7.1 the fact that this deed has been terminated, where such disclosure is required by the relevant Listing Rules or is in the reasonable opinion of that party required to ensure that the market in its securities is properly informed;
- 10.7.2 the fact that this deed has been terminated to ASIC and the Court; and
- 10.7.3 information that is required to be disclosed as a matter of law or in any proceedings.

11 TARGET BREAK FEE

Background

- 11.1 Target acknowledges that, if the parties enter into this deed and the Scheme is subsequently not implemented, Bidder will incur significant costs, including those described in clauses 11.4 to 11.5.
- 11.2 In the circumstances referred to in clause 11.1, Bidder has requested that provision be made for the payments outlined in clause 11.6, without which Bidder would not have continued the negotiations leading up to and entered into this deed.
- 11.3 The Target Board, having received legal advice on this deed and the operation of this clause 11, believes that the Scheme will provide benefits to Target and Target Shareholders and that it is appropriate for Target to agree to the payments referred to in this clause 11 in order to secure Bidder's participation in the Proposed Transaction.

Costs incurred by Bidder

- 11.4 The fee payable under clause 11.6 has been calculated to reimburse Bidder for the following:
- 11.4.1 fees for legal, technical, accounting, tax and financial advice in planning and implementing the Proposed Transaction;
- 11.4.2 reasonable opportunity costs incurred in engaging in the Proposed Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
- 11.4.3 costs of management and directors' time in planning and implementing the Proposed Transaction;

- 11.4.4 out of pocket expenses incurred in planning and implementing the Proposed Transaction;
- 11.4.5 costs associated with the financing arrangements in respect of the Proposed Transaction; and
- 11.4.6 any damage to the Bidder's reputation associated with a failed transaction and the implications of those damages if Bidder seeks to execute alternative acquisitions in the future,

in each case, incurred by Bidder directly or indirectly as a result of having entered into this deed and pursuing the Proposed Transaction.

11.5 The parties acknowledge and agree that:

- 11.5.1 the amount of fees, costs and losses referred to in clause 11.4 are of such a nature that they cannot be precisely quantified and that, even after termination of this deed, the costs will not be able to be accurately ascertained; but that
- 11.5.2 the amount of the costs payable under clause 11.6 is a genuine and reasonable pre-estimate of those fees, costs and losses (it being acknowledged and agreed by the parties that the costs would most likely be in excess of this amount).

Payment by Target to Bidder

11.6 Subject to clauses 11.7 to 11.8 and 11.10, Target agrees to pay to Bidder \$4,100,000.00 (exclusive of GST) (**Target Break Fee**) if:

- 11.6.1 (**Target Competing Proposal**) a Target Competing Proposal is publicly announced or made prior to the End Date and within nine months from the date of the public announcement, of such Target Competing Proposal the proponent of that Target Competing Proposal (or one of its Associates):
 - 11.6.1.1 completes, implements or consummates that Target Competing Proposal;
 - 11.6.1.2 without limiting clause 11.6.1.1, acquires a relevant interest in at least 50% of the Target Shares under a transaction that is or has become unconditional; or
 - 11.6.1.3 otherwise acquires Control of Target or the Target Group or merges or amalgamates with the Target, or acquires (directly or indirectly) an interest in all or a substantial part of the business or assets of the Target Group;
- 11.6.2 (**Change of recommendation**) at any time prior to the Second Court Date, any director of Target at that point in time:
 - 11.6.2.1 withdraws or adversely modifies or qualifies their recommendation of the Proposed Transaction or recommends or supports a Target Competing Proposal;

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- 11.6.2.2 does not recommend in the Scheme Booklet that Target Shareholders approve the Scheme; or
- 11.6.2.3 makes any public statement to the effect that the Scheme is not, or is no longer, recommended,
- other than:
- 11.6.2.4 as a result of the Independent Expert opining (including in the Independent Expert's Report or any update, revision or amendment thereto) to the effect that the Scheme is not in the best interests of Target Shareholders (other than where the reason for that opinion is a Target Competing Proposal or Target Superior Proposal);
- 11.6.2.5 as a result of any matter or thing giving Target the right to terminate this deed under clause 10.1.1 or 10.2.2;
- 11.6.2.6 as a result of failure of a condition precedent in clause 3.1.1, other than as a result of a breach by Target of clauses 3.7 to 3.9; or
- 11.6.2.7 to the extent an executive director withdraws his or her recommendation that Target Shareholders vote in favour of the Scheme so as to not make any recommendation to Target Shareholders in respect of voting on the Scheme in accordance with clause 5.17.3; or

11.6.3 (**breach**) Bidder has terminated this deed under clause 10.1.1.

Break Fee not payable

11.7 Despite any other terms of this deed:

11.7.1 the Target Break Fee will not be payable to Bidder if the Scheme becomes Effective; and

11.7.2 the Target Break Fee is only payable once.

11.8 For the avoidance of doubt, the Target Break Fee will not be payable merely by reason that the Scheme is not approved by the Target Shareholders.

Target's limitation of liability

11.9 Notwithstanding any other provisions of this deed but subject to clause 11.10:

11.9.1 the maximum liability of Target to Bidder under or in connection with this deed, including in respect of any breach of the deed, will be the Target Break Fee referred to in clause 11.6;

11.9.2 a payment by Target of the Target Break Fee in accordance with this clause 11 represents the sole and absolute liability of Target under or in connection with this deed and no further damages, fees, expenses or reimbursements of any kind

will be payable by Target in connection with this deed, provided that Target will remain liable to Bidder in respect of all other Claims in connection with this deed to the extent of any Target Impugned Amount (as defined in clause 11.10) refunded by Bidder pursuant to clause 11.10.5; and

- 11.9.3 Bidder is not liable to make any payments (whether by way of indemnity, damages or otherwise) for any breach of this deed or for negligence in respect of any indirect loss or if the payment, when aggregated with all other such payments, exceeds the amount of the Target Break Fee referred to in clause 11.6.

Compliance with law

- 11.10 If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the Target Break Fee (**Target Impugned Amount**):
- 11.10.1 would, if paid, be unlawful for any reason;
- 11.10.2 involves a breach of the fiduciary or statutory duties of the Target Board; or
- 11.10.3 constitutes unacceptable circumstances (within the meaning of the Corporations Act) or breaches an order of the Takeovers Panel,
- then:
- 11.10.4 the requirement to pay the Target Break Fee does not apply to the extent of the Target Impugned Amount; and
- 11.10.5 if Bidder has received the Target Impugned Amount, it must refund it within five Business Days of the final determination being made.
- 11.11 Target must not seek any such determination and must use all reasonable endeavours to ensure that no such determination is made.

12 EXCLUSIVITY – TARGET

No existing discussions and enforcement of rights

- 12.1 Target represents and warrants that, as at the date of this deed, neither Target nor any of its Authorised Persons is in negotiations or discussions in respect of any Target Competing Proposal with any person.
- 12.2 Target must:
- 12.2.1 observe the terms of any confidentiality agreement, deed or undertaking (or similar document) entered into with a person in the 12 months prior to the date of this deed in relation to any Target Competing Proposal (excluding the Confidentiality Deed); and
- 12.2.2 not waive any standstill obligations of any such person.

No shop

- 12.3 During the Exclusivity Period, Target must not, and must procure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly, solicit, invite, initiate or encourage any Target Competing Proposal or any enquiries, expressions of interest, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a Target Competing Proposal, or communicate to any person any intention to do any of these things.

No Talk

- 12.4 Subject to clause 12.13, during the Exclusivity Period, Target must not, and must procure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:

12.4.1 negotiate, enter into, participate in, or resume negotiations or discussions with any person; or

12.4.2 communicate any intention to do any of these things,

in relation to (or which may reasonably be expected to lead to) a Target Competing Proposal, even if:

12.4.3 that Target Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Target or any of its Related Bodies Corporate or their respective Authorised Persons; or

12.4.4 that other person has publicly announced the Target Competing Proposal.

No due diligence

- 12.5 During the Exclusivity Period, except with the prior written consent of Bidder, Target must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:

12.5.1 solicit, invite, initiate, or encourage, or (subject to clause 12.13) facilitate, enable or permit, any person (other than Bidder) to undertake due diligence investigations in respect of Target, its Related Bodies Corporate, or any of their businesses, assets and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an actual, proposed or potential Target Competing Proposal; or

12.5.2 subject to clause 12.13, make available to any person (other than Bidder) or permit any such person to receive any non-public information relating to Target, its Related Bodies Corporate, or any of their businesses, assets and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an actual, proposed or potential Target Competing Proposal.

Notification of approaches

- 12.6 During the Exclusivity Period, Target must promptly (and in any event within 2 Business Days) notify Bidder in writing of:
- 12.6.1 any approach, inquiry or proposal made by any person to Target, any of its Related Bodies Corporate or any of their respective Authorised Persons, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Target Competing Proposal;
 - 12.6.2 any request made by any person to Target, any of its Related Bodies Corporate, or any of their respective Authorised Persons, for any information relating to Target, its Related Bodies Corporate, or any of their businesses, assets and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Target Competing Proposal; or
 - 12.6.3 the provision by Target or any of its Related Bodies Corporate or their Authorised Persons of any information relating to Target or any of its Related Bodies Corporate or any of their businesses or operations to any person in connection with or for the purposes of an actual, proposed or potential Target Competing Proposal.
- 12.7 A notice given under clause 12.6 must be accompanied by all material details of the relevant event, including (as the case may be):
- 12.7.1 the identity of the person who made the relevant approach, inquiry or proposal to initiate discussions or negotiations referred to in clause 12.6.1, or who made the relevant request for information referred to in clause 12.6.2; and
 - 12.7.2 the material terms and conditions (including price, conditions precedent, timetable and break fee (if any)) of any Target Competing Proposal or any proposed Target Competing Proposal (to the extent known).
- 12.8 During the Exclusivity Period, Target must promptly provide Bidder with:
- 12.8.1 in the case of written materials, a copy of; or
 - 12.8.2 in any other case, a written statement of,

any non-public information relating to Target, its Related Bodies Corporate, or any of their businesses, assets and operations made available or received by any person in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Target Competing Proposal and which has not previously been provided to Bidder.

Target's response to Target Rival Acquirer and Bidder's right to respond

- 12.9 If Target is permitted by virtue of clause 12.13 to engage in activity that would otherwise breach any of clauses 12.4, 12.5.1 and 12.5.2:
- 12.9.1 Target must enter into a confidentiality agreement with the person who has made the applicable Target Competing Proposal (**Target Rival Acquirer**) on customary terms and must not enter into any other agreement, understanding or commitment in respect of a Target Competing Proposal or a potential Target Competing Proposal except as permitted by clause 12.10; and
 - 12.9.2 Bidder and Target acknowledge and agree that the Confidentiality Deed will be read down such that the obligations of Bidder under the Confidentiality Deed are no more onerous in any material respect than the obligations of the proposed acquirer under any confidentiality agreement referred to in clause 12.9.1.
- 12.10 If Target receives a Target Competing Proposal and as a result, any Target director proposes to either:
- 12.10.1 change, withdraw or modify his or her recommendation of the Scheme; or
 - 12.10.2 approve or recommend entry into any agreement, commitment, arrangement or understanding relating to the Target Competing Proposal (other than a confidentiality agreement contemplated by clause 12.9),
- Target must ensure that no Target director does so:
- 12.10.3 unless the Target Competing Proposal is bona fide; and
 - 12.10.4 until each of the following has occurred:
 - 12.10.4.1 the Target directors have made the determination contemplated by clause 12.13.2 in respect of that Target Competing Proposal;
 - 12.10.4.2 Target has given Bidder written notice (**Target Relevant Notice**) of the Target director's proposal to take the action referred to in clauses 12.10.1 or 12.10.2 (subject to Bidder's rights under clause 12.12);
 - 12.10.4.3 subject to clause 12.11, Target has given Bidder all information that would be required by clause 12.7 as if it was not subject in any way to clause 12.13;
 - 12.10.4.4 Bidder's rights under clause 12.12 have been exhausted; and
 - 12.10.4.5 the Target directors have made the determination contemplated by clause 12.10.4.1 in respect of that Target Competing Proposal after Bidder's rights under clause 12.12 have been exhausted and after evaluation of any Bidder Counterproposal (as defined in clause 12.12).

- 12.11 Prior to giving Bidder the information under clause 12.10.4.3, Target must advise the Target Rival Acquirer that the Target Rival Acquirer's name and other details which may identify the Target Rival Acquirer will be provided by Target to Bidder on a confidential basis.
- 12.12 If Target gives a Target Relevant Notice to Bidder under clause 12.10.4.2, Bidder will have the right, but not the obligation, at any time during the period of four Business Days following the receipt of the Target Relevant Notice, to amend the terms of the Proposed Transaction including altering the amount of consideration offered under the Proposed Transaction or proposing any other form of transaction (each a **Bidder Counterproposal**), and if it does so then the Target directors must review the Bidder Counterproposal in good faith. If the Target directors determine that the Bidder Counterproposal would be more favourable or no less favourable to Target and the Target Shareholders than the Target Competing Proposal (having regard to the matters noted in clause 12.13.2), then Target and Bidder must use reasonable endeavours to agree the amendments to this deed that are reasonably necessary to reflect the Bidder Counterproposal and to enter into an amended deed to give effect to those amendments and to implement the Bidder Counterproposal, and Target must use its best endeavours to procure that the Target directors recommend the Bidder Counterproposal to Target Shareholders and not recommend the applicable Target Competing Proposal.

Fiduciary out

- 12.13 The restrictions in clauses 12.4, 12.5.1 and 12.5.2 do not apply to the extent they restrict Target or any Target director from taking or refusing to take any action with respect to a Target Competing Proposal (in relation to which there has been no contravention of this clause 12) provided that:
- 12.13.1 the Target Competing Proposal is bona fide, in writing, made without any breach by Target of its obligations under this clause 12; and
- 12.13.2 the Target Board has determined in good faith, after consultation with Target's financial and legal advisers, that:
- 12.13.2.1 the Target Competing Proposal is, or may reasonably be expected to lead to, a Target Superior Proposal; and
- 12.13.2.2 failing to take the action or refusing to take the action (as the case may be) with respect to the Target Competing Proposal would be reasonably likely to constitute a breach of their fiduciary or statutory obligations.

Legal advice

- 12.14 Target represents and warrants to Bidder that:
- 12.14.1 prior to entering into this deed it has received legal advice on this deed and the operation of this clause 12; and
- 12.14.2 it and the Target Board consider this clause 12 to be fair and reasonable and that it is appropriate to agree to the terms in this clause 12 in order to secure the

significant benefits to it and the Target Shareholders resulting from the transactions contemplated hereby.

13 NOTICES

13.1 Any communication under or in connection with this deed:

13.1.1 must be in writing;

13.1.2 must be addressed as shown below:

Target

Address: 338 Gnangara Rd, Landsdale, WA 6065

E-mail: michael.kenyon@pacificenergy.com.au

For the attention of: **Michael Kenyon**

With a copy to:

Email: michael.bowen@dlapiper.com

And with a copy to:

Email: hedley.roost@dlapiper.com

Bidder

Address: Level 5, 66 Eagle Street, Brisbane QLD 4000

E-mail: A.Jennings@qic.com

For the attention of: Andrew Jennings

With a copy to:

Email: Chelsey.Drake@allens.com.au, Charles.Ashton@allens.com.au and Greg.Travers@allens.com.au

(or as otherwise notified by that party to the other party from time to time);

13.1.3 must be signed by the party making the communication or by a person duly authorised by that party or, in the case of email, set out the full name and position or title of the duly authorised sender;

13.1.4 must be delivered or posted by prepaid post to the address or emailed to the email address, of the addressee, in accordance with clause 13.1.2; and

- 13.1.5 will be deemed to be received by the addressee:
- 13.1.5.1 **(in the case of prepaid post)** on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
- 13.1.5.2 **(in the case of email)** the earlier of:
- (a) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;
 - (b) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient; and
 - (c) two hours after the email is sent (as recorded in the device from which the sender sent the email) unless the sender receives, within that two hour period, an automated message that the email has not been delivered,
- but if the result is that a notice would be taken to be deemed to have been received at a time that is later than 5.00pm or on a day that is not a Business Day, then it will be deemed to have been received at 9.00am on the next Business Day; and
- 13.1.5.3 **(in the case of delivery by hand)** on delivery at the address of the addressee as provided in clause 13.1.2, unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, in which case that communication will be deemed to be received at 9.00am on the next Business Day.

14 RELEASES

Release of Target Indemnified Parties

- 14.1 Subject to clause 14.2, Bidder releases, with effect from the date of this deed, any and all rights that it has or may have or that may otherwise accrue to it after the date of this deed, whether known (actually or constructively) or unknown to it or any of its Related Bodies Corporate, and agrees with Target that it will not make any Claim, against any Target Indemnified Party (excluding Target) at any time in connection with:
- 14.1.1 any breach of any representation or warranty given by Target under this deed;
- 14.1.2 any breach of any covenant given by Target under this deed;
- 14.1.3 any disclosures of information provided in connection with this deed or the Scheme containing any statement which is false or misleading (whether by omission or otherwise); or

14.1.4 any failure to provide information in connection with this deed or the Scheme, except where that Target Indemnified Party has:

14.1.5 in the case of the release in clause 14.1.1, engaged in fraud; or

14.1.6 in the case of clauses 14.1.2 to 14.1.4 (but other than in connection with any breach of any representation or warranty referred to in clause 14.1.1), not acted in good faith, engaged in wilful misconduct, wilful concealment or fraud.

To avoid doubt nothing in this clause 14 limits the rights of Bidder to terminate this document under clause 10.

14.2 The release in clause 14.1 is subject to any restriction imposed by law and will be read down to the extent that any such restriction applies.

14.3 Target receives and holds the benefit of clause 14.1 as trustee for the other Target Indemnified Parties.

Release of Bidder Indemnified Parties

14.4 Target releases, with effect from the date of this deed, any and all rights that it has or may have or that may otherwise accrue to it after the date of this deed, whether known (actually or constructively) or unknown to it or any of its Related Bodies Corporate, and agrees with Bidder that it will not make any Claim, against any Bidder Indemnified Party (excluding Bidder) at any time in connection with:

14.4.1 any breach of any representation or warranty given by Bidder under this deed:

14.4.2 any breach of any covenant given by Bidder under this deed;

14.4.3 any disclosures of information provided in connection with this deed or the Scheme containing any statement which is false or misleading (whether by omission or otherwise); or

14.4.4 any failure to provide information in connection with this deed or Scheme,

except where that Bidder Indemnified Party has:

14.4.5 in the case of the release in clause 14.4.1, engaged in fraud; or

14.4.6 in the case of clauses 14.4.2 to 14.4.4 (but other than in connection with any breach of any representation or warranty referred to in clause 14.4.1), not acted in good faith, engaged in wilful misconduct, wilful concealment or fraud.

To avoid doubt nothing in this clause 14 limits the rights of Target to terminate this document under clause 10.

14.5 The release in clause 14.4 is subject to any restriction imposed by law and will be read down to the extent that any such restriction applies.

- 14.6 Bidder receives and holds the benefit of clause 14.4 as trustee for the other Bidder Indemnified Parties.

Survival of releases

- 14.7 Each release in this clause 14:

- 14.7.1 is severable;
- 14.7.2 survives termination of this agreement;
- 14.7.3 is a continuing obligation; and
- 14.7.4 constitutes a separate and independent obligation of the party giving the release from any other obligation of that party under this document.

15 MISCELLANEOUS

Amendments

- 15.1 No variation of this deed will be of any force or effect unless it is in writing and signed by each party to this deed.

Assignment

- 15.2 A party must not assign, novate or transfer any of its rights or obligations under this deed or attempt to do so without the prior written consent of each other party.

Business Day

- 15.3 Except where otherwise expressly provided, where under this deed the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

Consents or approvals

- 15.4 A party may:

- 15.4.1 give conditionally or unconditionally; or

- 15.4.2 withhold,

its approval or consent in its absolute discretion unless this deed expressly provides otherwise.

Counterparts

- 15.5 This deed may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the deed of each party who has executed and

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delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same deed.

- 15.6 This deed is binding on the parties on the exchange of duly executed counterparts.
- 15.7 The parties agree that a copy of an original executed counterpart sent by electronic mail to the e-mail address of the other party specified in clause 13, instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.

Entire agreement

- 15.8 This deed contains everything the parties have agreed on in relation to the subject matter it deals with. No party can rely on an earlier written document or anything said or done by or on behalf of another party before this deed was executed.
- 15.9 Despite clause 15.8, the Confidentiality Deed continues to apply to the parties in accordance with its terms, except to the extent of any express inconsistency, in which case this deed prevails.

Expenses

- 15.10 Except as otherwise provided in this deed, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this deed and the Scheme Booklet and the proposed, attempted or actual implementation of this deed and the Scheme.

Further acts

- 15.11 Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this deed.

Governing law

- 15.12 This deed is governed by the law of Western Australia. The parties submit to the non-exclusive jurisdiction of its courts and courts of appeal from them. The parties will not object to the exercise of jurisdiction by those courts on any basis.

GST

- 15.13 Any reference in clauses 15.13 to 15.17 to a term defined or used in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.
- 15.14 Unless expressly included, the consideration for any supply under or in connection with this deed does not include GST.
- 15.15 To the extent that any supply made by a party (**Supplier**) to another party (**Recipient**) under or in connection with this deed is a taxable supply, the Recipient must pay to the Supplier, in addition to the consideration to be provided under this deed but for the application of this

clause 15.15 for that supply (**GST Exclusive Consideration**), an amount equal to the amount of the GST Exclusive Consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply. This clause 15.15 does not apply to any taxable supply under or in connection with this deed that is expressly stated to include GST.

- 15.16 The amount on account of GST payable in accordance with clause 15.13 to 15.17 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.
- 15.17 Any reference in the calculation of any consideration or of any indemnity, reimbursement or similar amount to a cost, expense or liability incurred by a person (**Relevant Expense**) is a reference to the relevant expense reduced by an amount equal to any input tax credit entitlement of that person (or of the representative member of any GST group to which the person belongs) in relation to the Relevant Expense. A party will be assumed to have an entitlement to a full input tax credit unless it demonstrates otherwise prior to the date on which the relevant payment or consideration must be provided.

Interest

- 15.18 If a party fails to pay any amount payable under this deed on the due date for payment, that party must pay interest on the amount unpaid at the higher of the daily buying rate displayed at or about 10.30am on the Reuters screen BBSW page for Australian bank bills of a three month duration plus 3% per annum or the rate (if any) fixed or payable under any judgment or other thing into which the liability to pay the amount becomes merged.
- 15.19 The interest payable under clause 15.18:
- 15.19.1 accrues from day to day from and including the due date for payment up to the actual date of payment, before and, as an additional and independent obligation, after any judgment or other thing into which the liability to pay the amount becomes merged; and
 - 15.19.2 may be capitalised by the person to whom it is payable at monthly intervals.

No adverse construction

- 15.20 No term or condition of this deed will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this deed or that provision.

No merger

- 15.21 The rights and obligations of the parties will not merge on completion of any transaction under this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

No representation or reliance

- 15.22 Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements expressly set out in this deed.

- 15.23 Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this deed.

Payments

- 15.24 Unless otherwise expressly provided in this deed, where an amount is required to be paid to a party (**Receiving Party**) by another party under this deed, that amount shall be paid:

15.24.1 in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties may agree; and

15.24.2 without deduction, withholding or set-off.

Severability

- 15.25 Each provision of this deed is individually severable. If any provision is or becomes illegal, unenforceable or invalid in any jurisdiction, it is to be treated as being severed from this deed in the relevant jurisdiction, but the rest of this deed will not be affected. The legality, validity and enforceability of the provision in any other jurisdiction will not be affected.

Stamp duty

- 15.26 Bidder must pay all duties (including stamp duty), if any, and any fines, penalties and interest with respect to duty in respect of this deed or the Scheme or the steps to be taken under this deed or the Scheme (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme).

Timetable

- 15.27 The parties agree that the Timetable is indicative only and is not binding on the parties.
- 15.28 Each party must use its reasonable endeavours to ensure that each step in the Timetable is met by the relevant date and must consult with the other party on a regular basis regarding its progress in implementing the Scheme in regards to the Timetable.

Waiver

- 15.29 A waiver of any right, power or remedy under this deed must be in writing signed by the party granting it. A waiver only affects the particular obligation or breach for which it is given. It is not an implied waiver of any other obligation or breach or an implied waiver of that obligation or breach on any other occasion. The fact that a party fails to do, or delays in doing, something the party is entitled to do under this deed does not amount to a waiver.

SCHEDULE 1: INDICATIVE TIMETABLE

| Event | Date |
|----------------------------------------------------------------------------------|------------------------------|
| Lodge Scheme Booklet with ASIC for review and comment | Week commencing 26 August |
| First Court Date | Week commencing 9 September |
| Scheme Booklet registered with ASIC | Week commencing 9 September |
| Despatch Scheme Booklet to Target Shareholders | Week commencing 16 September |
| Scheme Meeting | Week commencing 14 October |
| Second Court Date | Week commencing 21 October |
| Effective Date – lodge office copy of Court order approving the Scheme with ASIC | Week commencing 21 October |
| Record Date | Week commencing 28 October |
| Implementation Date | Week commencing 4 November |

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SCHEDULE 2: DEED POLL

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DEED POLL IN FAVOUR OF SCHEME SHAREHOLDERS

QGIF Swan Bidco Pty Ltd

DETAILS

Date 2019

By **QGIF Swan Bidco Pty Ltd**
ABN/ACN 634 920 773
Address Level 5, 66 Eagle Street, Brisbane QLD 4000
Email A.Jennings@qic.com
Attention Andrew Jennings

BACKGROUND

- A QGIF Swan Bidco Pty Ltd (**Bidder**) and Pacific Energy Limited ABN 22 009 191 744 (**Target**) have entered into a Scheme Implementation Deed dated **[insert]** (**Scheme Implementation Deed**).
- B Under the Scheme Implementation Deed, Target has agreed that it will propose and implement the Scheme in accordance with the Scheme Implementation Deed, pursuant to which Bidder will acquire all of the Scheme Shares.
- C Under the Scheme Implementation Deed, Bidder has agreed to take all steps reasonably necessary to assist Target in proposing and implementing the Scheme in accordance with the Scheme Implementation Deed.
- D Bidder is entering into this Deed Poll for the purpose of:
- (i) covenanting in favour of Scheme Shareholders to perform certain of its obligations under the Scheme Implementation Deed;
 - (ii) covenanting in favour of the Scheme Shareholders to perform the steps attributed to it under the Scheme; and
 - (iii) ensuring that the Scheme Amount per Share is paid to the Scheme Shareholders.
- E The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to Bidder in exchange for the Scheme Amount per Share.

AGREED TERMS**1 DEFINED TERMS & INTERPRETATION****Defined terms**

- 1.1 Words and phrases defined in the Scheme Implementation Deed have the same meanings in this Deed Poll unless the context requires otherwise.

Interpretation

- 1.2 In this Deed Poll, unless the context otherwise requires:
- 1.2.1 the singular includes the plural and vice versa;
 - 1.2.2 reference to a person includes references to corporations, partnerships, joint ventures, associations, bodies corporate and any Regulatory Authority;
 - 1.2.3 references to agreements or deeds are to agreements or deeds as amended from time to time;
 - 1.2.4 reference to a party includes their executors, administrators and permitted assigns or, being a company, its successors and permitted assigns;
 - 1.2.5 an agreement, representation or warranty in favour of two or more persons is for the benefit of each and all of them;
 - 1.2.6 a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Deed Poll and a reference to this Deed Poll includes any annexure, exhibit and schedule; and
 - 1.2.7 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements to it.
- 1.3 Clause headings in this Deed Poll do not affect the interpretation of this Deed Poll.
- 1.4 Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

Time for performance

- 1.5 If the day on or by which a payment or an act is to be done under this Deed Poll is not a Business Day, that act must be done on the next Business Day.
- 1.6 In this Deed Poll, if a period occurs from, after or before a day or the day of an act or event, it excludes that day.
- 1.7 In this Deed Poll, a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.
- 1.8 In this Deed Poll a reference to time is a reference to Perth, Australia time.

2 NATURE OF DEED POLL

- 2.1 Bidder acknowledges that this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it.

- 2.2 Bidder acknowledges that under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against Bidder.

3 CONDITION

Condition

- 3.1 The obligations of Bidder under this Deed Poll are subject to the Scheme becoming Effective.

Termination

- 3.2 Subject to clause 6, unless Bidder and Target agree otherwise, the obligations of Bidder under this Deed Poll to Scheme Shareholders will automatically terminate and the terms of this Deed Poll will be of no further force or effect if and only if the Scheme Implementation Deed is terminated in accordance with its terms or the Scheme does not become Effective on or before the End Date.

Consequences of termination

- 3.3 If this Deed Poll is terminated under clause 3.2, then in addition and without prejudice to any other rights, powers or remedies available to it:
- 3.3.1 Bidder is released from its obligations to further perform this Deed Poll except for any obligations under clause 7.8; and
- 3.3.2 each Scheme Shareholder retains the rights, powers and remedies they have against Bidder in respect of any breach of this Deed Poll which occurs before it is terminated.

4 PERFORMANCE OF SCHEME OBLIGATIONS

Generally

- 4.1 Subject to clause 3:
- 4.1.1 Bidder covenants in favour of each Scheme Shareholder to deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Amount per Share payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account operated by Target or Target's share registry (as applicable) as trustee for the Scheme Shareholders and notified to Bidder at least three Business Days prior to Implementation Date, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account;

- 4.1.2 Bidder covenants in favour of each Scheme Shareholder to perform the steps attributed to Bidder under, and otherwise comply with, the Scheme as if Bidder were a party to the Scheme; and
- 4.1.3 Bidder covenants in favour of each Scheme Shareholder to comply with its obligations under the Scheme Implementation Deed, in so far as that deed relates to the Scheme, and, in respect of Bidder, do all things necessary or expedient on its part to implement the Scheme.

Payment of Scheme Amount per Share

- 4.2 Subject to clause 3, in consideration for the transfer to Bidder of all of the Scheme Shares and all rights and entitlement attaching to them by each Scheme Shareholder, Bidder undertakes in favour of each Scheme Shareholder to pay, or procure the payment of, the Scheme Amount per Share to each Scheme Shareholder, in accordance with the terms of the Scheme.

5 WARRANTIES

- 5.1 Bidder represents and warrants to each Scheme Shareholder that:
- 5.1.1 it is a corporation validly existing under the laws of its place of incorporation;
- 5.1.2 it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- 5.1.3 it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
- 5.1.4 this Deed Poll has been duly and validly executed and delivered by it and is valid and binding upon it; and
- 5.1.5 the execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:
- 5.1.5.1 a law, judgment, ruling, order or decree binding on it; or
- 5.1.5.2 its constitution or other constituent documents.

6 CONTINUING OBLIGATIONS

- 6.1 This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:
- 6.1.1 Bidder having fully performed its obligations under this Deed Poll; and
- 6.1.2 termination of this Deed Poll under clause 3.2.

7 MISCELLANEOUS

Assignment

- 7.1 The rights and obligations of Bidder and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with without the prior consent of Bidder and Target.
- 7.2 Any purported dealing in contravention of clause 7.1 is invalid.

Cumulative rights

- 7.3 The rights, powers and remedies of Bidder and the Scheme Shareholders under this Deed Poll are cumulative with the rights, powers or remedies provided by law independently of this Deed Poll.

Further assurances

- 7.4 Bidder will, at its own expense, do all things reasonably required of it by law to give full effect to this Deed Poll and the transactions contemplated by it.

Governing law

- 7.5 This Deed Poll is governed by and will be construed according to the laws of Western Australia.
- 7.6 Bidder irrevocably:
- 7.6.1 submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Deed Poll; and
- 7.6.2 waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 7.6.1.

Notices

- 7.7 Any communication to Bidder under or in connection with this Deed Poll must be in writing and:
- 7.7.1 sent to Bidder at:
- Address: Level 5, 66 Eagle Street, Brisbane QLD 4000
- E-mail: A.Jennings@qic.com
- For the attention of: Andrew Jennings
- With a copy to:

Email: Chelsey.Drake@allens.com.au, Charles.Ashton@allens.com.au and
Greg.Travers@allens.com.au

(or as otherwise notified by Bidder to Target from time to time);

7.7.2 must be signed by the party making the communication or by a person duly authorised by that party or, in the case of email, set out the full name and position or title of the duly authorised sender;

7.7.3 must be delivered or posted by prepaid post to the address or emailed to the email address of the addressee in accordance with clause 7.7.1; and

7.7.4 will be deemed to be received by the addressee:

7.7.4.1 **(in the case of prepaid post)** on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;

7.7.4.2 **(in the case of email)** the earlier of:

- (a) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;
- (b) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient; and
- (c) two hours after the email is sent (as recorded in the device from which the sender sent the email) unless the sender receives, within that two hour period, an automated message that the email has not been delivered,

but if the result is that a notice would be taken to be deemed to have been received at a time that is later than 5.00pm or on a day that is not a Business Day, then it will be deemed to have been received at 9.00am on the next Business Day; and

7.7.4.3 **(in the case of delivery by hand)** on delivery at the address of the addressee as provided in clause 7.7.1, unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, in which case that communication will be deemed to be received at 9.00am on the next Business Day.

Costs

7.8 Bidder must bear its own costs arising out of the negotiation, preparation and execution of this Deed Poll.

7.9 Bidder:

- 7.9.1 must pay all duty (including stamp duty) and any related fines, penalties and interest in respect of the Scheme and this Deed Poll (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this Deed Poll and each transaction effected by or made under or pursuant to the Scheme and this Deed Poll; and
- 7.9.2 indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.9.1.

Variation

7.10 A provision of this Deed Poll may not be varied, altered or otherwise amended unless:

- 7.10.1 before the Second Court Date, the variation, alteration or amendment is agreed to in writing by Target (which such agreement may be given or withheld without reference to or approval by any Target Shareholder); or
- 7.10.2 on or after the Second Court Date, the variation, alteration or amendment is agreed to in writing by Target and is approved by the Court (which such agreement may be given or withheld without reference to or approval by any Target Shareholder),

in which event Bidder will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the variation, alteration or amendment.

Waiver

- 7.11 A provision of or right under this Deed Poll may not be waived except in writing signed by the person granting the waiver.
- 7.12 A failure or delay in exercise, or partial exercise, of:
- 7.12.1 a right arising from a breach of this Deed Poll; or
- 7.12.2 a right, power, authority, discretion or remedy created or arising upon default under this Deed Poll,

does not result in a waiver of that right, power, authority, discretion or remedy.

- 7.13 Bidder is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this Deed Poll or on a default under this Deed Poll as constituting a waiver of that right, power, authority, discretion or remedy.
- 7.14 Bidder may not rely on any conduct of another person as a defence to the exercise of a right, power, authority, discretion or remedy by that other person.



EXECUTION

Executed as a Deed Poll.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by QGIF Swan Bidco Pty Ltd:

Director Signature

Director/Secretary Signature

Print Name

Print Name

For personal use only

SCHEDULE 3: SCHEME

This scheme of arrangement is made under section 411 of the *Corporations Act 2001 (Cth)* between:

Pacific Energy Limited ABN 22 009 191 744 of 338 Gnangara Rd, Landsdale, WA 6065 (**Target**)

And

Scheme Shareholders each person who holds one or more Scheme Shares.

1 DEFINITIONS AND INTERPRETATION

Definitions

1.1 In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

Authorised Person has the meaning given in the Scheme Implementation Deed.

Bidder Group has the meaning given in the Scheme Implementation Deed.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Perth, Australia.

CHESS means the Clearing House Electronic Sub-register System for the electronic transfer of securities operated by ASX Settlement.

Close of Trading means the close of normal trading on ASX on the Effective Date.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Deed Poll means the deed poll dated [insert] executed by Bidder, pursuant to which Bidder covenants in favour of the Scheme Shareholders to:

- (a) perform the steps attributed to Bidder under, and otherwise comply with, this Scheme as if Bidder were a party to this Scheme; and

- (b) comply with its obligations under the Scheme Implementation Deed, in so far as that deed relates to this Scheme, and do all things necessary or expedient on its part to implement this Scheme.

Effective means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Scheme Order in relation to this Scheme.

Effective Date means, with respect to this Scheme, the date on which this Scheme becomes Effective.

End Date means:

- (a) the date which is six months after the date of the Scheme Implementation Deed;
or
- (b) such other date and time agreed in writing between Bidder and Target.

Implementation Date means, with respect to this Scheme, the third Business Day, or such other Business Day as may be agreed in writing by Target and Bidder or as may be required by ASX, following the Record Date for this Scheme.

Listing Rules means the official listing rules of ASX as amended from time to time.

Record Date means, in respect of this Scheme, 7.00pm on the fifth Business Day (or such other Business Day as may be agreed in writing by Target and Bidder or as may be required by ASX) following the Effective Date.

Registered Address means, in relation to a Target Shareholder, the address of that Target Shareholder as recorded on the Target Register.

Regulatory Authority has the meaning given in the Scheme Implementation Deed.

Related Body Corporate of a person means a related body corporate of that person under section 50 of the Corporations Act but on the basis that:

- (a) 'subsidiary' has the meaning given to Subsidiary in the Scheme Implementation Deed;
- (b) 'body corporate' includes any entity and a trust;
- (c) any partnership comprised of related bodies corporate (as defined in the Corporations Act) of a person is, for the purposes of this deed, a Related Body Corporate of that person; and
- (d) in the case of a party that comprises a partnership, a related body corporate (as defined in the Corporations Act) of a partner in that partnership is, for the purposes of this deed, a Related Body Corporate of that party.

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Target and Scheme Shareholders in respect of all Scheme Shares, subject to any

alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Target and Bidder.

Scheme Amount per Share means the consideration to be provided to Scheme Shareholders under the terms of this Scheme for the transfer to Bidder of their Scheme Shares, as ascertained in accordance with clause 4.3.

Scheme Booklet means the Scheme Booklet prepared in respect of the Scheme in accordance with the terms of the Scheme Implementation Deed and despatched by Target to Target Shareholders.

Scheme Implementation Deed means the deed entered into between Target and Bidder dated [insert], under which each of Target and Bidder undertakes specific obligations to give effect to this Scheme.

Scheme Order means the orders of the Court approving this Scheme pursuant to section 411(4)(b) (subject, if applicable, to any alterations or additions required under section 411(6)) of the Corporations Act.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme, and includes any adjournment of that meeting.

Scheme Share means a Target Share held by a Scheme Shareholder at the Record Date.

Scheme Share Transfer means for each Scheme Shareholder, one or more proper instruments of transfer in respect of their Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of all of the Scheme Shares.

Scheme Shareholder means each person (other than a member of the Bidder Group) who is registered on the Target Register as a holder of Scheme Shares as at the Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the first day on which the adjourned application is heard or scheduled to be heard.

Second Court Hearing means the hearing of the application to the Court for the Scheme Order approving this Scheme

Security Interest has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

Target Register means the register of members of Target maintained under and in accordance with section 168 of the Corporations Act.

Target Registrar means Computershare Investor Services Pty Ltd ACN 078 279 277.

Target Share means an issued fully paid ordinary share in the capital of Target.

Target Shareholder means a person who is registered in the Target Register as a holder of Target Shares.

Unclaimed Money Act means the *Unclaimed Money Act 1990* (WA).

Interpretation

- 1.2 In this Scheme, except where the context otherwise requires:
- 1.2.1 the singular includes the plural and vice versa, and a gender includes other genders;
 - 1.2.2 another grammatical form of a defined word or expression has a corresponding meaning;
 - 1.2.3 a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this Scheme, and a reference to this Scheme includes any schedule or annexure;
 - 1.2.4 a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
 - 1.2.5 a reference to A\$, \$A, dollar or \$ is to Australian currency;
 - 1.2.6 a reference to time is to Perth, Australia time;
 - 1.2.7 a reference to a party is to a party to this Scheme, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
 - 1.2.8 a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
 - 1.2.9 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - 1.2.10 a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
 - 1.2.11 the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
 - 1.2.12 a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this Scheme or any part of it; and
 - 1.2.13 if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

2 PRELIMINARY

Target

- 2.1 Target is a public company incorporated in Australia and registered in Western Australia and is a company limited by shares. Target is admitted to the official list of ASX and its shares are officially quoted on the stock market conducted by ASX. Its registered office is at 338 Gnangara Rd, Landsdale, WA 6065.

Target securities

- 2.2 As at the date of the Scheme Booklet, Target had on issue 430,092,593 Target Shares.

Bidder

- 2.3 Bidder is a private company incorporated in Australia and registered in Victoria and is a company limited by shares. Its registered office is at Level 5, 66 Eagle Street, Brisbane QLD 4000.

Agreement to implement this Scheme

- 2.4 Each of Target and Bidder have agreed, by executing the Scheme Implementation Deed, to implement the terms of this Scheme and the steps contemplated to follow the implementation of this Scheme, to the extent those steps are required to be done by each of them.

Deed Poll

- 2.5 Bidder has executed the Deed Poll in favour of, among others, the Scheme Shareholders.

Summary of Scheme

- 2.6 If this Scheme becomes Effective:
- 2.6.1 all of the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date) will be transferred to Bidder and Target will become a subsidiary of Bidder;
 - 2.6.2 in consideration of the transfer of the Scheme Shares, Bidder will provide or procure the provision of the Scheme Amount per Share to Scheme Shareholders in accordance with the terms of this Scheme;
 - 2.6.3 Target will enter the name of Bidder in the Target Register as the holder of all the Scheme Shares;
 - 2.6.4 it will bind Target and all Scheme Shareholders, including those who do not attend the Scheme Meeting, those who do not vote at that meeting and those who vote against this Scheme at that meeting; and
 - 2.6.5 it will override the constitution of Target, to the extent of any inconsistency.

3 CONDITIONS PRECEDENT

Conditions precedent

- 3.1 This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions:
- 3.1.1 each of the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition precedent in clause 3.1.7) having been satisfied or waived in accordance with the Scheme Implementation Deed as at 8.00am on the Second Court Date or such other time specified in that condition precedent;
 - 3.1.2 neither the Scheme Implementation Deed nor the Deed Poll being terminated, as at 8.00am on the Second Court Date;
 - 3.1.3 this Scheme being approved for the purposes of section 411(4)(b) of the Corporations Act at the Second Court Hearing, subject to the matters noted in clause 8.12;
 - 3.1.4 such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme, subject to the matters noted in clause 8.12; and
 - 3.1.5 the Scheme Order comes into effect, pursuant to section 411(10) of the Corporations Act.

Effect of conditions precedent

- 3.2 The satisfaction or waiver of each condition precedent in clause 3.1 is a condition precedent to the operation of clause 4 and the binding effect of this Scheme.

Certificate

- 3.3 At or before the Second Court Hearing, Target and Bidder will each provide to the Court certificates, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not the conditions precedent to this Scheme (other than the conditions precedent in clauses 3.1.3 and 3.1.5 and the condition precedent in clause 3.1.7 of the Scheme Implementation Deed) have been satisfied or waived as at 8.00am on the Second Court Date. The certificates given by Target and Bidder constitute conclusive evidence that the relevant conditions have been satisfied or waived.

Lapsing

- 3.4 Without limiting any rights under the Scheme Implementation Deed, this Scheme will lapse and be of no further force or effect (and the Bidder is released from any obligations and any liability in connection with this Scheme or the Deed Poll) if:
- 3.4.1 the Effective Date has not occurred on or before the End Date; or
 - 3.4.2 the Scheme Implementation Deed or Deed Poll is terminated in accordance with its terms,

unless the Target or Bidder otherwise agree in writing (and, if required, as approved by the Court).

4 THE SCHEME

Lodgement of Scheme Order with ASIC

- 4.1 Target will lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Scheme Order as soon as practicable, and in any event by no later than 5.00pm on the first Business Day after the date on which the Court makes that Scheme Order (or on such other Business Day as Target and Bidder agree).

Transfer of Scheme Shares

- 4.2 Subject to this Scheme becoming Effective:

4.2.1 subject to the provision of the Scheme Amount per Share to the Scheme Shareholders in the manner contemplated by clause 4, on or before 10.00am on the Implementation Date, and subject to Bidder fulfilling its obligations under clause 4.3, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, must be transferred to Bidder without the need for any further act by any Scheme Shareholder, by Target effecting a valid transfer or transfers of the Scheme Shares to Bidder under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:

4.2.1.1 Target delivering to Bidder a duly completed Scheme Share Transfer executed by Target (as transferor) acting as the attorney and agent of each Scheme Shareholder under clause 8.2; and

4.2.1.2 Bidder duly executing the Scheme Share Transfer (as transferee), attending to the stamping of the Scheme Share Transfer (if required) and delivering it to Target for registration; and

4.2.2 on the Implementation Date, immediately after receipt of the Scheme Share Transfer from Bidder under clause 4.2.1.2 or the transfer being effected under section 1074D of the Corporations Act (as the case may be), Target must enter, or procure the entry of, the name of Bidder in the Target Register in respect of all of the Scheme Shares.

Provision of Scheme Amount per Share

- 4.3 Bidder must, and Target must use its best endeavours to procure that Bidder does, by no later than 5.00pm on the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Scheme Amount per Share payable to Scheme Shareholders, in an Australian dollar denominated trust account operated by Target or the Target Registrar (as applicable) as trustee for the Scheme Shareholders, and notified to Bidder at least three Business Days prior to Implementation Date (provided that any interest on the amounts deposited (less bank fees and other third party charges directly in connection with the account) will be credited to Bidder's account).

4.4 Subject to this Scheme becoming Effective and Bidder complying with its obligations under clause 4.3, on the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares held by each Scheme Shareholder under the terms of this Scheme, Target will provide, or procure provision, to each Scheme Shareholder the Scheme Amount per Share to which that Scheme Shareholder is entitled from the trust account and otherwise in accordance with this Scheme by either (in the sole discretion of Target):

4.4.1 despatching, or procuring the despatch, to that Scheme Shareholder of a pre-printed cheque in the name of that Scheme Shareholder and for the relevant amount (denominated in \$) drawn on the trust account, with such despatch to be made by pre-paid post to that Scheme Shareholder's Registered Address (as at the Record Date); or

4.4.2 making, or procuring the making of, a deposit for the relevant amount (denominated in \$) in any bank account in Australia notified by that Scheme Shareholder to Target and recorded in or for the purposes of the Target Register as at the Record Date.

4.5 In the event that:

4.5.1 either:

4.5.1.1 a Scheme Shareholder does not have an address recorded in the Register; or

4.5.1.2 Target as the trustee for the Scheme Shareholder believes that a Scheme Shareholder is not known at the Scheme Shareholder's address recorded in the Register,

and no bank account has been notified in accordance with clause 4.4.2 or a deposit into such an account is rejected or refunded; or

4.5.2 a cheque issued under clause 4.4.1 has been cancelled in accordance with clause 4.10,

the Unclaimed Money Act will apply in relation to any Scheme Amount per Share which becomes 'unclaimed money' (as defined in section 6 of the Unclaimed Money Act) and Target as the trustee for the Scheme Shareholder may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (*Separate Account*) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the Unclaimed Money Act. To avoid doubt, if the amount is not credited to the Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the Unclaimed Money Act. Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

4.6 If, following satisfaction of Bidder's obligations under clause 4.3 but prior to the occurrence of all of the events described in clause 4.4, the Scheme lapses under clause 3.4:

- 4.6.1 Target must immediately repay (or cause to be repaid) to or at the direction of Bidder the funds that were deposited in the trust account plus any interest on the amounts deposited (less bank fees and other charges);
- 4.6.2 the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Bidder under clause 4.2 will immediately cease;
- 4.6.3 Bidder must return the Scheme Transfers, if provided pursuant to clause 4.2; and
- 4.6.4 Target is no longer obliged to enter, or procure the entry of, the name of Bidder in the Target Register in accordance with clause 4.2.
- 4.7 To the extent that, following satisfaction of Target's obligations under clause 4.4, there is any remaining amount held in the trust account, Target must pay, or procure the payment of, that amount promptly to Bidder.
- 4.8 Where the calculation of the consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest cent.

Orders of a Court or other Regulatory Authority

- 4.9 If written notice is given to Target (or the Target's share registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that:
- 4.9.1 requires consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with this Scheme, then Target shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- 4.9.2 prevents Target from providing consideration to any particular Scheme Shareholder in accordance with this Scheme, or the payment of such consideration is otherwise prohibited by applicable law, Target shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Amount per Share until such time as provision of the consideration in accordance with this Scheme is permitted by that order or direction or otherwise by law.

Cancellation and reissue of cheques

- 4.10 Target may cancel a cheque issued under clause 4.4.1 if the cheque:
- 4.10.1 is returned to Target; or
- 4.10.2 has not been presented for payment within six months after the date on which the cheque was sent.
- 4.11 During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Target's share registry) (which request may not

be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under this clause 4.10 must be reissued.

Joint holders

- 4.12 In the case of Scheme Shares held in joint names any cheque required to be paid to Scheme Shareholders will be payable to the joint holders and will be forwarded to the holder whose name appears first in the Target Register as at the Record Date.

5 SCHEME AMOUNT PER SHARE

The Scheme Amount per Share to be provided to each Scheme Shareholder will be the payment by Bidder to that Scheme Shareholder of \$0.96 cash for each Scheme Share held by that Scheme Shareholder, subject to adjustment under clause 4.4 of the Scheme Implementation Deed.

6 ENTITLEMENT TO PARTICIPATE AND DEALINGS IN TARGET SHARES

Entitlement to participate

- 6.1 Each Scheme Shareholder will be entitled to participate in this Scheme.

Recognised dealings

- 6.2 For the purposes of determining who is a Scheme Shareholder, dealings in Target Shares will be recognised if:

6.2.1 in the case of dealings of the type effected by CHESS, the transferee is registered in the Target Register as the holder of the relevant Target Shares by the Record Date;

6.2.2 in all other cases, share transfer forms in registrable form or transmission applications in respect of those dealings are received at the place where the Target Register is kept by 5.00pm on the Record Date.

Target's obligation to register

- 6.3 Target must register any registrable transfers or transmission applications received in accordance with clause 6.2.2 by 7.00pm on the Record Date.

Transfer requests received after Record Date

- 6.4 Target will not accept for registration or recognise for any purpose any transfer, transmission or application in respect of Target Shares received after the times specified in clause 6.2, or received prior to such times but not in registrable form, other than a transfer to Bidder in accordance with this Scheme.

No disposals after Record Date

- 6.5 If this Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

Maintaining the Target Register

- 6.6 For the purpose of determining entitlements to Scheme Amount per Share, Target must, until the Scheme Amount per Share has been provided, maintain, or cause the Target Registrar to maintain, the Target Register in accordance with the provisions of this clause 6 and entitlements to the Scheme Amount per Share will be determined solely on the basis of the Target Register.

Statements of holding cease to have any effect

- 6.7 After 7.00pm on the Record Date, any share certificate or holding statement for Target Shares (other than statements of holding in favour of Bidder and its successors in title) will cease to have any effect as a document of title in respect of those shares and each current entry on the Target Register as at 7.00pm on the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Amount per Share (other than the entries in respect of Bidder).

Provision of Scheme Shareholder's details

- 6.8 As soon as practicable after the Record Date, and in any event within one Business Day after the Record Date, Target must ensure that a complete copy of the Target Register as at 7.00pm on the Record Date, including details of the names, registered addresses and holdings of Target Shares for each Scheme Shareholder, is available to Bidder in the form Bidder reasonably requires.

7 QUOTATION OF TARGET SHARES**Suspension of trading in ASX**

- 7.1 Target will apply to the ASX to suspend trading in Target Shares on ASX from the Close of Trading.

Termination from official quotation

- 7.2 Provided that this Scheme has been fully implemented in accordance with its terms, Target will apply for termination of the official quotation of Target Shares on ASX, and removal from the official list of ASX, on a date after the Implementation Date as determined by Bidder.

8 GENERAL PROVISIONS

Scheme Shareholder agreements and consents

8.1 Each Scheme Shareholder:

8.1.1 irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of the Scheme;

8.1.2 irrevocably consents to Target and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder

Authority given to Target

8.2 On this Scheme becoming Effective, each Scheme Shareholder, without the need for any further act, is deemed to have irrevocably appointed Target and all of its directors and officers (jointly and severally) as its attorney and agent for the purposes of:

8.2.1 enforcing the Deed Poll against Bidder; and

8.2.2 doing all things and executing any agreements, instruments, transfers or other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Share Transfers) as contemplated by clause 4.2,

and Target accepts such appointment. Target as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.2 to all or any of its directors and officers (jointly, severally or jointly and severally).

Status of Scheme Shares

8.3 To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, Security Interests and other interests of third parties of any kind, whether legal or otherwise.

8.4 Each Scheme Shareholder is deemed to have warranted to Target, and appointed and authorised Target as its attorney and agent to warrant to Bidder, that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) transferred to Bidder under this Scheme will, at the time of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, Security Interests and other interests of third parties of any kind, whether legal or otherwise, and that they have full power and capacity to sell and transfer their Target Shares (including any rights and entitlements attaching to those shares) to Bidder under this Scheme. Target undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidder on behalf of that Scheme Shareholder.

Further assurances

- 8.5 Each Scheme Shareholder and Target will execute documents and do all things and acts necessary or expedient in order to implement this Scheme.

Authority of Target

- 8.6 Each of the Scheme Shareholders consents to Target doing all things necessary for or incidental to the implementation of this Scheme.

Scheme binding

- 8.7 This Scheme binds Target and all Scheme Shareholders from time to time (including those who do not attend the Scheme Meeting, those who do not vote at that meeting or vote against this Scheme) and, to the extent of any inconsistency, overrides the constitution of Target.

Variation, cancellation or modification of rights

- 8.8 The Scheme Shareholders agree to the transfer of their Target Shares in accordance with this Scheme and agree to the variation, cancellation or modification of the rights attached to their Target Shares constituted or resulting from this Scheme (if any).

Beneficial entitlement to Scheme Shares

- 8.9 Immediately from the time that Bidder has satisfied its obligations under clause 4.3, pending registration by Target of Bidder in the Target Register as the holder of the Scheme Shares:

- 8.9.1 Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme; and
- 8.9.2 each Scheme Shareholder, without the need for any further act by that Scheme Shareholder:
- 8.9.2.1 irrevocably appoints Bidder as attorney and agent (and directs Bidder in each capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable, its corporate representative to attend shareholder meetings of Target, exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder and sign any shareholders resolution of Target;
 - 8.9.2.2 undertakes not to otherwise attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative other than pursuant to clause 8.9.2.1;
 - 8.9.2.3 must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
 - 8.9.2.4 acknowledges and agrees that in exercising the powers referred to in this clause 8.9.2, any director, officer, secretary or agent nominated

by Bidder may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

Notices

- 8.10 Where a notice, transfer, transmission application or other communication referred to in this Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or at the office of the Target Registrar.
- 8.11 The accidental omission to give notice of the Scheme Meeting to any Target Shareholders, or the non-receipt of such a notice by any Target Shareholders, will not, unless ordered by the Court, invalidate this Scheme or the proceedings at the Scheme Meeting.

Alterations and conditions

- 8.12 If the Court proposes to approve this Scheme subject to any conditions or alterations under section 411(6) of the Corporations Act, Target may, by its counsel on behalf of all persons concerned consent to only such of those conditions or alterations to this Scheme to which Bidder has consented, such consent not to be unreasonably withheld or delayed.

Enforcement of Deed Poll

- 8.13 Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Shareholders.

Duty

- 8.14 All duty (including stamp duty), and any related fines, penalties and interest, payable in connection with the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme will be payable by Bidder.

Limitation of liability

- 8.15 None of Target or Bidder nor any of their respective Authorised Persons is liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Governing Law

- 8.16 This Scheme is governed by and will be construed according to the laws of Western Australia.
- 8.17 Each party irrevocably:
- 8.17.1 submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
 - 8.17.2 waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings



have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 8.17.1.

For personal use only



EXECUTION

Executed and delivered as a Deed.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **Pacific Energy Limited:**

(Executed)

(Executed)

Director Signature

Director/Secretary Signature

Cliff Lawrenson

Jamie Cullen

Print Name

Print Name

For personal use only



EXECUTION

Executed and delivered as a Deed.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **QGIF Swan Bidco Pty Ltd:**

(Executed)

Director Signature

Ross Israel

Print Name

(Executed)

Director/Secretary Signature

Andrew Jennings

Print Name

For personal use only

For personal use only

SCHEDULE 3: SCHEME

This scheme of arrangement is made under section 411 of the *Corporations Act 2001 (Cth)* between:

Pacific Energy Limited ABN 22 009 191 744 of 338 Gnangara Rd, Landsdale, WA 6065 (*Target*)

And

Scheme Shareholders each person who holds one or more Scheme Shares.

1 DEFINITIONS AND INTERPRETATION

Definitions

1.1 In this Scheme, unless the context requires otherwise:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

Authorised Person has the meaning given in the Scheme Implementation Deed.

Bidder Group has the meaning given in the Scheme Implementation Deed.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Perth, Australia.

CHESS means the Clearing House Electronic Sub-register System for the electronic transfer of securities operated by ASX Settlement.

Close of Trading means the close of normal trading on ASX on the Effective Date.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Deed Poll means the deed poll dated 15 September 2019 executed by Bidder, pursuant to which Bidder covenants in favour of the Scheme Shareholders to:

- (a) perform the steps attributed to Bidder under, and otherwise comply with, this Scheme as if Bidder were a party to this Scheme; and
- (b) comply with its obligations under the Scheme Implementation Deed, in so far as that deed relates to this Scheme, and do all things necessary or expedient on its part to implement this Scheme.

Effective means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Scheme Order in relation to this Scheme.

Effective Date means, with respect to this Scheme, the date on which this Scheme becomes Effective.

End Date means:

- (a) the date which is six months after the date of the Scheme Implementation Deed;
or
- (b) such other date and time agreed in writing between Bidder and Target.

Implementation Date means, with respect to this Scheme, the third Business Day, or such other Business Day as may be agreed in writing by Target and Bidder or as may be required by ASX, following the Record Date for this Scheme.

Listing Rules means the official listing rules of ASX as amended from time to time.

Record Date means, in respect of this Scheme, 7.00pm on the fifth Business Day (or such other Business Day as may be agreed in writing by Target and Bidder or as may be required by ASX) following the Effective Date.

Registered Address means, in relation to a Target Shareholder, the address of that Target Shareholder as recorded on the Target Register.

Regulatory Authority has the meaning given in the Scheme Implementation Deed.

Related Body Corporate of a person means a related body corporate of that person under section 50 of the Corporations Act but on the basis that:

- (a) 'subsidiary' has the meaning given to Subsidiary in the Scheme Implementation Deed;
- (a) 'body corporate' includes any entity and a trust;
- (b) any partnership comprised of related bodies corporate (as defined in the Corporations Act) of a person is, for the purposes of this deed, a Related Body Corporate of that person; and
- (c) in the case of a party that comprises a partnership, a related body corporate (as defined in the Corporations Act) of a partner in that partnership is, for the purposes of this deed, a Related Body Corporate of that party.

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Target and Scheme Shareholders in respect of all Scheme Shares, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Target and Bidder.

Scheme Amount per Share means the consideration to be provided to Scheme Shareholders under the terms of this Scheme for the transfer to Bidder of their Scheme Shares, as ascertained in accordance with clause 4.3.

Scheme Booklet means the Scheme Booklet prepared in respect of the Scheme in accordance with the terms of the Scheme Implementation Deed and despatched by Target to Target Shareholders.

Scheme Implementation Deed means the deed entered into between Target and Bidder dated 23 July 2019 (as varied), under which each of Target and Bidder undertakes specific obligations to give effect to this Scheme.

Scheme Order means the orders of the Court approving this Scheme pursuant to section 411(4)(b) (subject, if applicable, to any alterations or additions required under section 411(6)) of the Corporations Act.

Scheme Meeting means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme, and includes any adjournment of that meeting.

Scheme Share means a Target Share held by a Scheme Shareholder at the Record Date.

Scheme Share Transfer means for each Scheme Shareholder, one or more proper instruments of transfer in respect of their Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of all of the Scheme Shares.

Scheme Shareholder means each person (other than a member of the Bidder Group) who is registered on the Target Register as a holder of Scheme Shares as at the Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the first day on which the adjourned application is heard or scheduled to be heard.

Second Court Hearing means the hearing of the application to the Court for the Scheme Order approving this Scheme

Security Interest has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

Target Register means the register of members of Target maintained under and in accordance with section 168 of the Corporations Act.

Target Registrar means Computershare Investor Services Pty Ltd ACN 078 279 277.

Target Share means an issued fully paid ordinary share in the capital of Target.

Target Shareholder means a person who is registered in the Target Register as a holder of Target Shares.

Unclaimed Money Act means the *Unclaimed Money Act 1990* (WA).

Interpretation

- 1.2 In this Scheme, except where the context otherwise requires:
- 1.2.1 the singular includes the plural and vice versa, and a gender includes other genders;
 - 1.2.2 another grammatical form of a defined word or expression has a corresponding meaning;
 - 1.2.3 a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this Scheme, and a reference to this Scheme includes any schedule or annexure;
 - 1.2.4 a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
 - 1.2.5 a reference to A\$, \$A, dollar or \$ is to Australian currency;
 - 1.2.6 a reference to time is to Perth, Australia time;
 - 1.2.7 a reference to a party is to a party to this Scheme, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
 - 1.2.8 a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
 - 1.2.9 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - 1.2.10 a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
 - 1.2.11 the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
 - 1.2.12 a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this Scheme or any part of it; and
 - 1.2.13 if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

2 PRELIMINARY

Target

- 2.1 Target is a public company incorporated in Australia and registered in Western Australia and is a company limited by shares. Target is admitted to the official list of ASX and its shares are officially quoted on the stock market conducted by ASX. Its registered office is at 338 Gnangara Rd, Landsdale, WA 6065.

Target securities

- 2.2 As at the date of the Scheme Booklet, Target had on issue 430,092,593 Target Shares.

Bidder

- 2.3 Bidder is a private company incorporated in Australia and registered in Victoria and is a company limited by shares. Its registered office is at Level 5, 66 Eagle Street, Brisbane QLD 4000.

Agreement to implement this Scheme

- 2.4 Each of Target and Bidder have agreed, by executing the Scheme Implementation Deed, to implement the terms of this Scheme and the steps contemplated to follow the implementation of this Scheme, to the extent those steps are required to be done by each of them.

Deed Poll

- 2.5 Bidder has executed the Deed Poll in favour of, among others, the Scheme Shareholders.

Summary of Scheme

- 2.6 If this Scheme becomes Effective:
- 2.6.1 all of the Scheme Shares (together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date) will be transferred to Bidder and Target will become a subsidiary of Bidder;
 - 2.6.2 in consideration of the transfer of the Scheme Shares, Bidder will provide or procure the provision of the Scheme Amount per Share to Scheme Shareholders in accordance with the terms of this Scheme;
 - 2.6.3 Target will enter the name of Bidder in the Target Register as the holder of all the Scheme Shares;
 - 2.6.4 it will bind Target and all Scheme Shareholders, including those who do not attend the Scheme Meeting, those who do not vote at that meeting and those who vote against this Scheme at that meeting; and
 - 2.6.5 it will override the constitution of Target, to the extent of any inconsistency.

3 CONDITIONS PRECEDENT

Conditions precedent

- 3.1 This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following conditions:
- 3.1.1 each of the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition precedent in clause 3.1.7) having been satisfied or waived in accordance with the Scheme Implementation Deed as at 8.00am on the Second Court Date or such other time specified in that condition precedent;

- 3.1.2 neither the Scheme Implementation Deed nor the Deed Poll being terminated, as at 8.00am on the Second Court Date;
- 3.1.3 this Scheme being approved for the purposes of section 411(4)(b) of the Corporations Act at the Second Court Hearing, subject to the matters noted in clause 8.12;
- 3.1.4 such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme, subject to the matters noted in clause 8.12; and
- 3.1.5 the Scheme Order comes into effect, pursuant to section 411(10) of the Corporations Act.

Effect of conditions precedent

- 3.2 The satisfaction or waiver of each condition precedent in clause 3.1 is a condition precedent to the operation of clause 4 and the binding effect of this Scheme.

Certificate

- 3.3 At or before the Second Court Hearing, Target and Bidder will each provide to the Court certificates, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not the conditions precedent to this Scheme (other than the conditions precedent in clauses 3.1.3 and 3.1.5 and the condition precedent in clause 3.1.7 of the Scheme Implementation Deed) have been satisfied or waived as at 8.00am on the Second Court Date. The certificates given by Target and Bidder constitute conclusive evidence that the relevant conditions have been satisfied or waived.

Lapsing

- 3.4 Without limiting any rights under the Scheme Implementation Deed, this Scheme will lapse and be of no further force or effect (and the Bidder is released from any obligations and any liability in connection with this Scheme or the Deed Poll) if:
- 3.4.1 the Effective Date has not occurred on or before the End Date; or
- 3.4.2 the Scheme Implementation Deed or Deed Poll is terminated in accordance with its terms,
- unless the Target or Bidder otherwise agree in writing (and, if required, as approved by the Court).

4 THE SCHEME

Lodgement of Scheme Order with ASIC

- 4.1 Target will lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Scheme Order as soon as practicable, and in any event by no later than 5.00pm on the first Business Day after the date on which the Court makes that Scheme Order (or on such other Business Day as Target and Bidder agree).

Transfer of Scheme Shares

- 4.2 Subject to this Scheme becoming Effective:
- 4.2.1 subject to the provision of the Scheme Amount per Share to the Scheme Shareholders in the manner contemplated by clause 4, on or before 10.00am on the Implementation Date, and subject to Bidder fulfilling its obligations under clause 4.3, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, must be transferred to Bidder without the need for any further act by any Scheme Shareholder, by Target effecting a valid transfer or transfers of the Scheme Shares to Bidder under section 1074D of the Corporations Act or, if that procedure is not available for any reason, by:
- 4.2.1.1 Target delivering to Bidder a duly completed Scheme Share Transfer executed by Target (as transferor) acting as the attorney and agent of each Scheme Shareholder under clause 8.2; and
- 4.2.1.2 Bidder duly executing the Scheme Share Transfer (as transferee), attending to the stamping of the Scheme Share Transfer (if required) and delivering it to Target for registration; and
- 4.2.2 on the Implementation Date, immediately after receipt of the Scheme Share Transfer from Bidder under clause 4.2.1.2 or the transfer being effected under section 1074D of the Corporations Act (as the case may be), Target must enter, or procure the entry of, the name of Bidder in the Target Register in respect of all of the Scheme Shares.

Provision of Scheme Amount per Share

- 4.3 Bidder must, and Target must use its best endeavours to procure that Bidder does, by no later than 5.00pm on the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Scheme Amount per Share payable to Scheme Shareholders, in an Australian dollar denominated trust account operated by Target or the Target Registrar (as applicable) as trustee for the Scheme Shareholders, and notified to Bidder at least three Business Days prior to Implementation Date (provided that any interest on the amounts deposited (less bank fees and other third party charges directly in connection with the account) will be credited to Bidder's account).
- 4.4 Subject to this Scheme becoming Effective and Bidder complying with its obligations under clause 4.3, on the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares held by each Scheme Shareholder under the terms of this Scheme, Target will provide, or procure provision, to each Scheme Shareholder the Scheme Amount per Share to which that Scheme Shareholder is entitled from the trust account and otherwise in accordance with this Scheme by either (in the sole discretion of Target):
- 4.4.1 despatching, or procuring the despatch, to that Scheme Shareholder of a pre-printed cheque in the name of that Scheme Shareholder and for the relevant amount (denominated in \$) drawn on the trust account, with such despatch to be made by pre-paid post to that Scheme Shareholder's Registered Address (as at the Record Date); or
- 4.4.2 making, or procuring the making of, a deposit for the relevant amount (denominated in \$) in any bank account in Australia notified by that Scheme

Shareholder to Target and recorded in or for the purposes of the Target Register as at the Record Date.

4.5 In the event that:

4.5.1 either:

4.5.1.1 a Scheme Shareholder does not have an address recorded in the Register; or

4.5.1.2 Target as the trustee for the Scheme Shareholder believes that a Scheme Shareholder is not known at the Scheme Shareholder's address recorded in the Register,

and no bank account has been notified in accordance with clause 4.4.2 or a deposit into such an account is rejected or refunded; or

4.5.2 a cheque issued under clause 4.4.1 has been cancelled in accordance with clause 4.10,

the Unclaimed Money Act will apply in relation to any Scheme Amount per Share which becomes 'unclaimed money' (as defined in section 6 of the Unclaimed Money Act) and Target as the trustee for the Scheme Shareholder may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target (*Separate Account*) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the Unclaimed Money Act. To avoid doubt, if the amount is not credited to the Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the Unclaimed Money Act. Target must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

4.6 If, following satisfaction of Bidder's obligations under clause 4.3 but prior to the occurrence of all of the events described in clause 4.4, the Scheme lapses under clause 3.4:

4.6.1 Target must immediately repay (or cause to be repaid) to or at the direction of Bidder the funds that were deposited in the trust account plus any interest on the amounts deposited (less bank fees and other charges);

4.6.2 the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Bidder under clause 4.2 will immediately cease;

4.6.3 Bidder must return the Scheme Transfers, if provided pursuant to clause 4.2; and

4.6.4 Target is no longer obliged to enter, or procure the entry of, the name of Bidder in the Target Register in accordance with clause 4.2.

4.7 To the extent that, following satisfaction of Target's obligations under clause 4.4, there is any remaining amount held in the trust account, Target must pay, or procure the payment of, that amount promptly to Bidder.

4.8 Where the calculation of the consideration to be provided to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest cent.

Orders of a Court or other Regulatory Authority

- 4.9 If written notice is given to Target (or the Target's share registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that:
- 4.9.1 requires consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with this Scheme, then Target shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
 - 4.9.2 prevents Target from providing consideration to any particular Scheme Shareholder in accordance with this Scheme, or the payment of such consideration is otherwise prohibited by applicable law, Target shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Amount per Share until such time as provision of the consideration in accordance with this Scheme is permitted by that order or direction or otherwise by law.

Cancellation and reissue of cheques

- 4.10 Target may cancel a cheque issued under clause 4.4.1 if the cheque:
- 4.10.1 is returned to Target; or
 - 4.10.2 has not been presented for payment within six months after the date on which the cheque was sent.
- 4.11 During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Target (or the Target's share registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under this clause 4.10 must be reissued.

Joint holders

- 4.12 In the case of Scheme Shares held in joint names any cheque required to be paid to Scheme Shareholders will be payable to the joint holders and will be forwarded to the holder whose name appears first in the Target Register as at the Record Date.

Withholding

- 4.13 The Target or Bidder may deduct and withhold from any consideration which would otherwise be payable to a Scheme Shareholder in accordance with this Scheme any amount which the Target or Bidder determine is required to be deducted and withheld from that consideration under any applicable law, including any order, direction or notice made or given by a court of competent jurisdiction or by another Regulatory Authority.
- 4.14 To the extent that amounts are so deducted or withheld, such deducted or withheld amounts will be treated for all purposes under this Scheme, the Deed Poll and the Scheme Implementation Deed as having been paid to the person in respect of which such deduction or withholding was made, provided that such deducted or withheld amounts are actually remitted to the appropriate Regulatory Authority.

5 SCHEME AMOUNT PER SHARE

The Scheme Amount per Share to be provided to each Scheme Shareholder will be the payment by Bidder to that Scheme Shareholder of \$1.07 cash for each Scheme Share held by that Scheme Shareholder, subject to adjustment under clause 4.4 or clause 4.7 of the Scheme Implementation Deed.

6 ENTITLEMENT TO PARTICIPATE AND DEALINGS IN TARGET SHARES

Entitlement to participate

6.1 Each Scheme Shareholder will be entitled to participate in this Scheme.

Recognised dealings

6.2 For the purposes of determining who is a Scheme Shareholder, dealings in Target Shares will be recognised if:

6.2.1 in the case of dealings of the type effected by CHESSE, the transferee is registered in the Target Register as the holder of the relevant Target Shares by the Record Date;

6.2.2 in all other cases, share transfer forms in registrable form or transmission applications in respect of those dealings are received at the place where the Target Register is kept by 5.00pm on the Record Date.

Target's obligation to register

6.3 Target must register any registrable transfers or transmission applications received in accordance with clause 6.2.2 by 7.00pm on the Record Date.

Transfer requests received after Record Date

6.4 Target will not accept for registration or recognise for any purpose any transfer, transmission or application in respect of Target Shares received after the times specified in clause 6.2, or received prior to such times but not in registrable form, other than a transfer to Bidder in accordance with this Scheme.

No disposals after Record Date

6.5 If this Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Record Date.

Maintaining the Target Register

6.6 For the purpose of determining entitlements to Scheme Amount per Share, Target must, until the Scheme Amount per Share has been provided, maintain, or cause the Target Registrar to maintain, the Target Register in accordance with the provisions of this clause 6 and entitlements to the Scheme Amount per Share will be determined solely on the basis of the Target Register.

Statements of holding cease to have any effect

- 6.7 After 7.00pm on the Record Date, any share certificate or holding statement for Target Shares (other than statements of holding in favour of Bidder and its successors in title) will cease to have any effect as a document of title in respect of those shares and each current entry on the Target Register as at 7.00pm on the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Amount per Share (other than the entries in respect of Bidder).

Provision of Scheme Shareholder's details

- 6.8 As soon as practicable after the Record Date, and in any event within one Business Day after the Record Date, Target must ensure that a complete copy of the Target Register as at 7.00pm on the Record Date, including details of the names, registered addresses and holdings of Target Shares for each Scheme Shareholder, is available to Bidder in the form Bidder reasonably requires.

7 QUOTATION OF TARGET SHARES

Suspension of trading in ASX

- 7.1 Target will apply to the ASX to suspend trading in Target Shares on ASX from the Close of Trading.

Termination from official quotation

- 7.2 Provided that this Scheme has been fully implemented in accordance with its terms, Target will apply for termination of the official quotation of Target Shares on ASX, and removal from the official list of ASX, on a date after the Implementation Date as determined by Bidder.

8 GENERAL PROVISIONS

Scheme Shareholder agreements and consents

- 8.1 Each Scheme Shareholder:
- 8.1.1 irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares, to Bidder in accordance with the terms of the Scheme;
 - 8.1.2 irrevocably consents to Target and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Scheme and the transactions contemplated by it,

without the need for any further act by that Scheme Shareholder

Authority given to Target

8.2 On this Scheme becoming Effective, each Scheme Shareholder, without the need for any further act, is deemed to have irrevocably appointed Target and all of its directors and officers (jointly and severally) as its attorney and agent for the purposes of:

8.2.1 enforcing the Deed Poll against Bidder; and

8.2.2 doing all things and executing any agreements, instruments, transfers or other documents as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Share Transfers) as contemplated by clause 4.2,

and Target accepts such appointment. Target as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.2 to all or any of its directors and officers (jointly, severally or jointly and severally).

Status of Scheme Shares

8.3 To the extent permitted by law, the Scheme Shares transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, Security Interests and other interests of third parties of any kind, whether legal or otherwise.

8.4 Each Scheme Shareholder is deemed to have warranted to Target, and appointed and authorised Target as its attorney and agent to warrant to Bidder, that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) transferred to Bidder under this Scheme will, at the time of transfer, be fully paid and free from mortgages, charges, liens, encumbrances, pledges, Security Interests and other interests of third parties of any kind, whether legal or otherwise, and that they have full power and capacity to sell and transfer their Target Shares (including any rights and entitlements attaching to those shares) to Bidder under this Scheme. Target undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidder on behalf of that Scheme Shareholder.

Further assurances

8.5 Each Scheme Shareholder and Target will execute documents and do all things and acts necessary or expedient in order to implement this Scheme.

Authority of Target

8.6 Each of the Scheme Shareholders consents to Target doing all things necessary for or incidental to the implementation of this Scheme.

Scheme binding

8.7 This Scheme binds Target and all Scheme Shareholders from time to time (including those who do not attend the Scheme Meeting, those who do not vote at that meeting or vote against this Scheme) and, to the extent of any inconsistency, overrides the constitution of Target.

Variation, cancellation or modification of rights

- 8.8 The Scheme Shareholders agree to the transfer of their Target Shares in accordance with this Scheme and agree to the variation, cancellation or modification of the rights attached to their Target Shares constituted or resulting from this Scheme (if any).

Beneficial entitlement to Scheme Shares

- 8.9 Immediately from the time that Bidder has satisfied its obligations under clause 4.3, pending registration by Target of Bidder in the Target Register as the holder of the Scheme Shares:

8.9.1 Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme; and

8.9.2 each Scheme Shareholder, without the need for any further act by that Scheme Shareholder:

8.9.2.1 irrevocably appoints Bidder as attorney and agent (and directs Bidder in each capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable, its corporate representative to attend shareholder meetings of Target, exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder and sign any shareholders resolution of Target;

8.9.2.2 undertakes not to otherwise attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative other than pursuant to clause 8.9.2.1;

8.9.2.3 must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and

8.9.2.4 acknowledges and agrees that in exercising the powers referred to in this clause 8.9.2, any director, officer, secretary or agent nominated by Bidder may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

Notices

- 8.10 Where a notice, transfer, transmission application or other communication referred to in this Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or at the office of the Target Registrar.

- 8.11 The accidental omission to give notice of the Scheme Meeting to any Target Shareholders, or the non-receipt of such a notice by any Target Shareholders, will not, unless ordered by the Court, invalidate this Scheme or the proceedings at the Scheme Meeting.

Alterations and conditions

- 8.12 If the Court proposes to approve this Scheme subject to any conditions or alterations under section 411(6) of the Corporations Act, Target may, by its counsel on behalf of all persons concerned consent to only such of those conditions or alterations to this Scheme to which Bidder has consented, such consent not to be unreasonably withheld or delayed.

Enforcement of Deed Poll

- 8.13 Target undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Shareholders.

Duty

- 8.14 All duty (including stamp duty), and any related fines, penalties and interest, payable in connection with the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme will be payable by Bidder.

Limitation of liability

- 8.15 None of Target or Bidder nor any of their respective Authorised Persons is liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Governing Law

- 8.16 This Scheme is governed by and will be construed according to the laws of Western Australia.
- 8.17 Each party irrevocably:
- 8.17.1 submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
 - 8.17.2 waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 8.17.1.

Schedule 4 – Deed Poll

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DEED POLL IN FAVOUR OF SCHEME SHAREHOLDERS

QGIF Swan Bidco Pty Ltd

DLA Piper Australia
Level 31, Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box Z5470
Perth WA 6831
Australia
DX 130 Perth
T +61 8 6467 6000
F +61 8 6467 6001
W www.dlapiper.com

DETAILS

Date September 2019

By **QGIF Swan Bidco Pty Ltd**
ABN/ACN 634 920 773
Address Level 5, 66 Eagle Street, Brisbane QLD 4000
Email A.Jennings@qic.com
Attention Andrew Jennings

BACKGROUND

- A QGIF Swan Bidco Pty Ltd (**Bidder**) and Pacific Energy Limited ABN 22 009 191 744 (**Target**) have entered into a Scheme Implementation Deed dated 23 July 2019 (**Scheme Implementation Deed**).
- B Under the Scheme Implementation Deed, Target has agreed that it will propose and implement the Scheme in accordance with the Scheme Implementation Deed, pursuant to which Bidder will acquire all of the Scheme Shares.
- C Under the Scheme Implementation Deed, Bidder has agreed to take all steps reasonably necessary to assist Target in proposing and implementing the Scheme in accordance with the Scheme Implementation Deed.
- D Bidder is entering into this Deed Poll for the purpose of:
- (i) covenanting in favour of Scheme Shareholders to perform certain of its obligations under the Scheme Implementation Deed;
 - (ii) covenanting in favour of the Scheme Shareholders to perform the steps attributed to it under the Scheme; and
 - (iii) ensuring that the Scheme Amount per Share is paid to the Scheme Shareholders.
- E The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to Bidder in exchange for the Scheme Amount per Share.

AGREED TERMS**1 DEFINED TERMS & INTERPRETATION****Defined terms**

- 1.1 Words and phrases defined in the Scheme Implementation Deed have the same meanings in this Deed Poll unless the context requires otherwise.

Interpretation

- 1.2 In this Deed Poll, unless the context otherwise requires:
- 1.2.1 the singular includes the plural and vice versa;
 - 1.2.2 reference to a person includes references to corporations, partnerships, joint ventures, associations, bodies corporate and any Regulatory Authority;
 - 1.2.3 references to agreements or deeds are to agreements or deeds as amended from time to time;
 - 1.2.4 reference to a party includes their executors, administrators and permitted assigns or, being a company, its successors and permitted assigns;
 - 1.2.5 an agreement, representation or warranty in favour of two or more persons is for the benefit of each and all of them;
 - 1.2.6 a reference to a clause, party, annexure, exhibit or schedule is a reference to a clause of, and a party, annexure, exhibit and schedule to, this Deed Poll and a reference to this Deed Poll includes any annexure, exhibit and schedule; and
 - 1.2.7 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements to it.
- 1.3 Clause headings in this Deed Poll do not affect the interpretation of this Deed Poll.
- 1.4 Where a word or phrase is defined, its other grammatical forms have a corresponding meaning.

Time for performance

- 1.5 If the day on or by which a payment or an act is to be done under this Deed Poll is not a Business Day, that act must be done on the next Business Day.
- 1.6 In this Deed Poll, if a period occurs from, after or before a day or the day of an act or event, it excludes that day.
- 1.7 In this Deed Poll, a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later.
- 1.8 In this Deed Poll a reference to time is a reference to Perth, Australia time.

2 NATURE OF DEED POLL

- 2.1 Bidder acknowledges that this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it.

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- 2.2 Bidder acknowledges that under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this Deed Poll against Bidder.

3 CONDITION

Condition

- 3.1 The obligations of Bidder under this Deed Poll are subject to the Scheme becoming Effective.

Termination

- 3.2 Subject to clause 6, unless Bidder and Target agree otherwise, the obligations of Bidder under this Deed Poll to Scheme Shareholders will automatically terminate and the terms of this Deed Poll will be of no further force or effect if and only if the Scheme Implementation Deed is terminated in accordance with its terms or the Scheme does not become Effective on or before the End Date.

Consequences of termination

- 3.3 If this Deed Poll is terminated under clause 3.2, then in addition and without prejudice to any other rights, powers or remedies available to it:
- 3.3.1 Bidder is released from its obligations to further perform this Deed Poll except for any obligations under clause 7.8; and
- 3.3.2 each Scheme Shareholder retains the rights, powers and remedies they have against Bidder in respect of any breach of this Deed Poll which occurs before it is terminated.

4 PERFORMANCE OF SCHEME OBLIGATIONS

Generally

- 4.1 Subject to clause 3:
- 4.1.1 Bidder covenants in favour of each Scheme Shareholder to deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Amount per Share payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account operated by Target or Target's share registry (as applicable) as trustee for the Scheme Shareholders and notified to Bidder at least three Business Days prior to Implementation Date, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account;
- 4.1.2 Bidder covenants in favour of each Scheme Shareholder to perform the steps attributed to Bidder under, and otherwise comply with, the Scheme as if Bidder were a party to the Scheme; and

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- 4.1.3 Bidder covenants in favour of each Scheme Shareholder to comply with its obligations under the Scheme Implementation Deed, in so far as that deed relates to the Scheme, and, in respect of Bidder, do all things necessary or expedient on its part to implement the Scheme.

Payment of Scheme Amount per Share

- 4.2 Subject to clause 3, in consideration for the transfer to Bidder of all of the Scheme Shares and all rights and entitlement attaching to them by each Scheme Shareholder, Bidder undertakes in favour of each Scheme Shareholder to pay, or procure the payment of, the Scheme Amount per Share to each Scheme Shareholder, in accordance with the terms of the Scheme.

5 WARRANTIES

- 5.1 Bidder represents and warrants to each Scheme Shareholder that:
- 5.1.1 it is a corporation validly existing under the laws of its place of incorporation;
 - 5.1.2 it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
 - 5.1.3 it has taken all necessary corporate action to authorise its entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
 - 5.1.4 this Deed Poll has been duly and validly executed and delivered by it and is valid and binding upon it; and
 - 5.1.5 the execution and performance by it of this Deed Poll and each transaction contemplated by this Deed Poll did not and will not violate in any respect a provision of:
 - 5.1.5.1 a law, judgment, ruling, order or decree binding on it; or
 - 5.1.5.2 its constitution or other constituent documents.

6 CONTINUING OBLIGATIONS

- 6.1 This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:
- 6.1.1 Bidder having fully performed its obligations under this Deed Poll; and
 - 6.1.2 termination of this Deed Poll under clause 3.2.

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7 MISCELLANEOUS

Assignment

- 7.1 The rights and obligations of Bidder and each Scheme Shareholder under this Deed Poll are personal. They cannot be assigned, charged or otherwise dealt with without the prior consent of Bidder and Target.
- 7.2 Any purported dealing in contravention of clause 7.1 is invalid.

Cumulative rights

- 7.3 The rights, powers and remedies of Bidder and the Scheme Shareholders under this Deed Poll are cumulative with the rights, powers or remedies provided by law independently of this Deed Poll.

Further assurances

- 7.4 Bidder will, at its own expense, do all things reasonably required of it by law to give full effect to this Deed Poll and the transactions contemplated by it.

Governing law

- 7.5 This Deed Poll is governed by and will be construed according to the laws of Western Australia.
- 7.6 Bidder irrevocably:
- 7.6.1 submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Deed Poll; and
- 7.6.2 waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if the venue of those proceedings fall within clause 7.6.1.

Notices

- 7.7 Any communication to Bidder under or in connection with this Deed Poll must be in writing and:
- 7.7.1 sent to Bidder at:
Address: Level 5, 66 Eagle Street, Brisbane QLD 4000
E-mail: A.Jennings@qic.com
For the attention of: Andrew Jennings
- With a copy to:
Email: Chelsey.Drake@allens.com.au, Charles.Ashton@allens.com.au and
Greg.Travers@allens.com.au
- (or as otherwise notified by Bidder to Target from time to time);

- 7.7.2 must be signed by the party making the communication or by a person duly authorised by that party or, in the case of email, set out the full name and position or title of the duly authorised sender;
- 7.7.3 must be delivered or posted by prepaid post to the address or emailed to the email address of the addressee in accordance with clause 7.7.1; and
- 7.7.4 will be deemed to be received by the addressee:
- 7.7.4.1 **(in the case of prepaid post)** on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
- 7.7.4.2 **(in the case of email)** the earlier of:
- (a) the time that the sender receives an automated message from the intended recipient's information system confirming delivery of the email;
 - (b) the time that the email is first opened or read by the intended recipient, or an employee or officer of the intended recipient; and
 - (c) two hours after the email is sent (as recorded in the device from which the sender sent the email) unless the sender receives, within that two hour period, an automated message that the email has not been delivered,
- but if the result is that a notice would be taken to be deemed to have been received at a time that is later than 5.00pm or on a day that is not a Business Day, then it will be deemed to have been received at 9.00am on the next Business Day; and
- 7.7.4.3 **(in the case of delivery by hand)** on delivery at the address of the addressee as provided in clause 7.7.1, unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, in which case that communication will be deemed to be received at 9.00am on the next Business Day.

Costs

- 7.8 Bidder must bear its own costs arising out of the negotiation, preparation and execution of this Deed Poll.
- 7.9 Bidder:
- 7.9.1 must pay all duty (including stamp duty) and any related fines, penalties and interest in respect of the Scheme and this Deed Poll (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this Deed Poll and each transaction effected by or made under or pursuant to the Scheme and this Deed Poll; and

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- 7.9.2 indemnifies each Scheme Shareholder against any liability arising from failure to comply with clause 7.9.1.

Variation

- 7.10 A provision of this Deed Poll may not be varied, altered or otherwise amended unless:
- 7.10.1 before the Second Court Date, the variation, alteration or amendment is agreed to in writing by Target (which such agreement may be given or withheld without reference to or approval by any Target Shareholder); or
- 7.10.2 on or after the Second Court Date, the variation, alteration or amendment is agreed to in writing by Target and is approved by the Court (which such agreement may be given or withheld without reference to or approval by any Target Shareholder),

in which event Bidder will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the variation, alteration or amendment.

Waiver

- 7.11 A provision of or right under this Deed Poll may not be waived except in writing signed by the person granting the waiver.
- 7.12 A failure or delay in exercise, or partial exercise, of:
- 7.12.1 a right arising from a breach of this Deed Poll; or
- 7.12.2 a right, power, authority, discretion or remedy created or arising upon default under this Deed Poll,
- does not result in a waiver of that right, power, authority, discretion or remedy.
- 7.13 Bidder is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this Deed Poll or on a default under this Deed Poll as constituting a waiver of that right, power, authority, discretion or remedy.
- 7.14 Bidder may not rely on any conduct of another person as a defence to the exercise of a right, power, authority, discretion or remedy by that other person.

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EXECUTION

Executed as a Deed Poll.

Executed as a deed in accordance with section 127 of the *Corporations Act 2001* by **QGIF Swan Bidco Pty Ltd:**

Matthew Hall,

Director Signature

Matthew Hall

Print Name

Aggs

Director/Secretary Signature

Andrew Jennings

Print Name

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Schedule 5 – Notice of Scheme Meeting

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PACIFIC ENERGY LIMITED
ABN 22 009 191 744

NOTICE OF SCHEME MEETING

**The general meeting of the Company will be held at
BDO, 38 Station Street, Subiaco Western Australia on Friday, 8 November 2019 at
10:30am (WST).**

This Notice of general meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9303 8888

Shareholders are urged to attend or vote by lodging the Proxy Form attached to this Notice.

NOTICE OF SCHEME MEETING

By an order of the Supreme Court of Western Australia (**Court**) made on 2 October 2019 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the holders of ordinary shares (**Shareholders**) in Pacific Energy Limited ACN 009 191 744 (**Pacific Energy** or the **Company**) will be held at BDO, 38 Station Street, Subiaco, Western Australia on Friday, 8 November 2019 at 10:30am (WST) (**Scheme Meeting**).

The Court has also directed that Michael Phillip Bowen act as chairman of the Scheme Meeting or failing him Scott Douglas Gibson, and has directed the chairman to report the results of the Scheme Meeting to the Court.

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement proposed to be made between Pacific Energy and Shareholders (**Scheme**).

To enable you to make an informed voting decision, important information on the Scheme is set out in the booklet accompanying this Notice (**Scheme Booklet**). The Scheme Booklet and Explanatory Memorandum to this Notice and Proxy Form both form part of this Notice. Terms and abbreviations used in this Notice and in the Scheme Booklet are defined in the Scheme Booklet.

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The general meeting of the Shareholders of the Company will be held at:

BDO, 38 Station Street, Subiaco Western Australia on Friday, 8 November 2019
at 10:30am (WST)

VOTING ENTITLEMENTS

The Pacific Energy board has determined, and the Court has ordered, that a person's entitlement to vote at the Scheme Meeting will be the entitlement of that person as set out in the Pacific Energy share register as at 5:00pm (WST) on 6 November 2019.

HOW TO VOTE

The business of the Scheme Meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

VOTING IN PERSON

To vote in person, attend the Scheme Meeting on the date and at the place set out above. The Scheme Meeting will commence at 10:30am (WST).

PROXIES

A Proxy Form accompanies this Notice of Scheme Meeting. To be effective, the Proxy Form must be completed and received at the Company's share registry, Computershare Investor Services Pty Limited, by 10:30am (WST) on 6 November 2019, being no later than 48 hours before commencement of the Scheme Meeting.

- (a) Online at:
www.investorvote.com.au and following the instructions provided
- (b) Mail to:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
- (c) Fax to:
1800 783 447 (within Australia)

+61 3 9473 2555 (outside Australia)
- (d) Mobile voting:
Scan the QR Code on your Proxy Form and follow the prompts
- (e) Custodian voting:
For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

If you are entitled to attend and cast a vote at the Scheme Meeting, you may appoint up to two proxies. A proxy may be an individual or a corporation but need not be a Shareholder. If you appoint two proxies each proxy may exercise half of your votes if no proportion or number of votes is specified.

If you appoint a proxy but attend the Scheme Meeting yourself, the rights of the proxy to speak and vote on your behalf at the Scheme Meeting will be suspended while you are present

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVES

A corporation may appoint an individual as a representative to exercise its powers as Shareholder or as a Shareholder's proxy. The representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has been previously given to the Company's share registry.

POWERS OF ATTORNEY

A person appearing as an attorney for a Shareholder should produce a properly executed original (or certified copy) of an appropriate power of attorney for admission to the annual general meeting.

AGENDA

1. RESOLUTION - APPROVAL OF THE SCHEME

To consider and, if thought fit, to pass with or without amendment, the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Pacific Energy and the holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which the Notice forms part, is approved, and the Directors of Pacific Energy are authorised to agree to such alterations or conditions as are thought fit by the Court, and subject to approval by the Court, to implement the Scheme with any such alterations or conditions."

Dated: 2 October 2019

By order of the Board

Michael Kenyon
Company Secretary

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EXPLANATORY MEMORANDUM

1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Scheme Meeting to be held at BDO, 38 Station Street, Subiaco, Western Australia on Friday, 8 November 2019 at 10:30am (WST).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the resolution set out in the Notice.

A Proxy Form is located at the end of this Explanatory Memorandum.

2. REQUIRED VOTING MAJORITY

In order for the Scheme to become effective, the resolution set out in the Notice must be passed at a meeting by:

- (a) unless the Court orders otherwise, a majority in number (more than 50%) of Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, attorney or, in the case of corporate shareholders, a corporate representative) at the meeting; and
- (b) at least 75% of the votes cast on the resolution.

The Court has the discretion under section 411(4)(a)(ii)(A) of the Corporations Act to approve the Scheme if it is approved by at least 75% of the votes cast on the resolution but not by a majority in number of Shareholders (other than excluded shareholders) present and voting at the Scheme Meeting.

Voting at the Scheme Meeting will be by poll rather than by a show of hands.

3. COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without alteration or conditions) is subject to approval of the Court. If the resolution proposed at the Scheme Meeting is approved by the requisite majority, and the relevant conditions of the Scheme (other than approval by the Court) are satisfied, or waived, by the time required under the Scheme, Pacific Energy intends to apply to the Court for the necessary orders to give effect to the Scheme.

4. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice including this Explanatory Memorandum carefully before deciding how to vote on the Resolution.

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PACIFICENERGY



PACIFICENERGY
ABN 22 009 191 744

PEA

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:30am (WST) Wednesday, 6 November 2019**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Use your computer or smartphone to appoint your proxy and vote at www.investorvote.com.au or scan your personalised QR code below using your smartphone.

Your secure access information is



Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Pacific Energy Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Pacific Energy Limited to be held at BDO, 38 Station Street, Subiaco, Western Australia on Friday, 8 November 2019 at 10:30am (WST) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | For | Against | Abstain |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| RESOLUTION | | | |
| APPROVAL OF THE SCHEME | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| To consider and, if thought fit, to pass with or without amendment, the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act: "That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Pacific Energy and the holders of its ordinary shares as contained in and more particularly described in the Scheme Booklet of which the Notice forms part, is approved, and the Directors of Pacific Energy are authorised to agree to such alterations or conditions as are thought fit by the Court, and subject to approval by the Court, to implement the Scheme with any such alterations or conditions." | | | |

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

