



**ISSUED CAPITAL**  
Shares **372.1M**  
Options **7.0M**

**KPS CONTRACT CAPACITY**  
**292MW**

**HYDRO CONTRACT CAPACITY**  
**6MW**

**NOVAPOWER PEAKING CAPACITY**  
**10MW**

**23 March 2018**

## **PACIFIC ENERGY TO ACQUIRE CONTRACT POWER GROUP**

### **Highlights**

- **Pacific Energy to acquire Contract Power [www.contractpower.com.au](http://www.contractpower.com.au)**
- **\$90m enterprise value**
- **Acquisition to be debt funded**
- **\$20m rights issue to be completed post-settlement plus one year suspension of dividends pursuant to capital management strategy**

Power generation specialist Pacific Energy Limited (“Pacific Energy” or the “Company”) is pleased to announce that it has executed formal agreements to acquire the businesses known as Contract Power Group (“Contract Power”).

The acquisition is subject to several conditions precedent and the parties are aiming to settle the transaction by the end of March or early April. Further details are described below.

Contract Power 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.

The business has significant expertise and a proven track record in remote diesel and gas power generation as well as renewables and its end users include mining projects and remote townships. The capabilities and operating history of Contract Power provide Pacific Energy with additional geographic, customer and delivery diversity.

Contract Power has an increasing portfolio of long-term power supply contracts and is widely regarded as a leader in the industry, alongside Pacific Energy’s KPS business. The two companies have remained

**PACIFIC ENERGY LIMITED**  
Registered & Principal Office  
338 Gnangara Road  
Landsdale WA 6065 AUSTRALIA  
ABN 22 009 191 744

**CONTACT**  
[info@pacificenergy.com.au](mailto:info@pacificenergy.com.au)  
T: +61 8 9303 8888  
F: +61 8 9303 8899

**ASX Code PEA**  
[pacificenergy.com.au](http://pacificenergy.com.au)  
[kps.com.au](http://kps.com.au)  
[kpspowerafrica.com](http://kpspowerafrica.com)  
[novapower.com.au](http://novapower.com.au)

healthy competitors for over two decades and the combination of technical knowledge, in-house capabilities, resources, assets and experience will be of significant value to existing and future customers.

Contract Power counts amongst its customers, Pilbara Minerals, Horizon Power, Galaxy Resources, Blackham Resources and the Tawana Resources/Alliance Mineral Assets Joint Venture. It has 82MW of installed power generation (58MW under long term contracts; 24MW care & maintenance) as well as additional power generation assets, stock and equipment available for use.

Of considerable note is that the acquisition will result in Pacific Energy quickly establishing itself as the leading BOO power supplier in the producing and near-term production hard-rock lithium mines in WA, with long term contracts in place with Altura Mining, Pilbara Minerals, Tawana/Alliance JV and Galaxy. This provides significant strategic value as WA continues to consolidate its position as the global leader in hard-rock lithium.

The Company is already the leading BOO power supplier in the gold sector and following the Contract Power acquisition will consolidate its position with 245MW of contracted capacity across 16 sites.

The business' founder and owner, Mr Leon Hodges, will continue to manage the Contract Power subsidiary under an initial 2 year services agreement.

Pacific Energy's Managing Director, Mr James Cullen commented "The transaction with Contract Power gives Pacific Energy significantly more scale and reach, now with over 30 long term power generation contracts for remote mines and townships and a weighted average remaining contract duration rising above 4 years across the entire portfolio. This provides us with stronger and longer earnings visibility. I am very excited for our shareholders and staff and greatly look forward to working with Leon and his team".

Mr Hodges stated that "During the due diligence process it became very clear that the high standards, quality and culture of the KPS and Contract Power businesses were remarkably similar. I am looking forward to continuing to drive the business with our team and the support of Pacific Energy's resources and I am also excited about becoming a Pacific Energy shareholder. This is certainly a landmark transaction in our industry".

The consideration for the acquisition is \$90 million which will be satisfied by way of \$85 million cash and \$5 million in Pacific Energy shares. Contract Power will be acquired on a working capital neutral/debt free basis.

The cash component of the consideration will be funded through a new debt facility provided by ANZ and NAB. ANZ and NAB have provided a funding commitment to provide Pacific Energy with a total debt facility of \$140 million, subject to execution of formal documentation and certain customary conditions precedent. Further details of the funding are described below.

Pacific Energy will undertake a 1 for 9 non-underwritten renounceable rights issue at \$0.50 per share to raise approximately \$20m shortly following settlement of the transaction. The Rights issue prospectus will be dispatched in April and further information will be provided by the Company at a later date.

Pacific Energy's major (50%) shareholder, Mr Ken Hall, has confirmed that he will take up his rights issue entitlement in full, as have all other directors. As part of its funding and capital management

strategy, Pacific Energy will suspend its dividends for a period of one year commencing with the final dividend normally paid in October each year.

Mr Cullen advised that, subject to settlement of the transaction, the estimated EBITDA for Contract Power in FY19 is in the range of \$14m - \$16m and that based on likely contract awards and expansions this range should increase to \$17m - \$19m in the following year. The transaction is forecast to be EPS accretive in its first full financial year.

“In addition to a dependable and growing earnings profile, the transaction is also backed by strong underlying asset values, both installed on site and available to be installed in future, and gives both companies access to an expanded asset base and therefore lower joint future capital expenditure and improved utilisation”, he said.

Pacific Energy will update the market once formal loan documentation has been signed, conditions precedent satisfied and the transaction settled.

### Key commercial terms of Contract Power acquisition

- Pacific Energy to acquire 100% of the shares in Contract Power Australia Pty Ltd and certain assets of other related entities for \$90m, comprising \$85 million cash and \$5 million in Pacific Energy shares, on a working capital neutral/debt free basis
- The acquisition is subject to conditions precedent, including Mr Leon Hodges entering into a service agreement with Pacific Energy and receipt of third party consents for the novation of certain contracts and power supply agreements.
- Working capital adjustment to be calculated post-settlement
- Standard representations and warranties, indemnities and undertakings by Contract Power relating to the conduct of business prior to settlement that are usual for a transaction of this nature. Both parties may terminate the agreement if there is a breach of any obligations under the sale agreements (including a material breach of representations and warranties) and by Pacific Energy if there is a material adverse change to the Contract Power business.

### Key commercial terms of debt

- \$140m facility consisting of:
  - \$80m term loan facility amortising to 60% by the end of the initial 3-year term
  - \$20m capital expenditure facility amortising to 60% by the end of the initial 3-year term
  - \$40m revolving multi-option facility
- Initial Term of 3 years
- Customary Conditions Precedent to drawdown
- Conditions subsequent:
  - PEA to undertake at least a \$20m capital raising within three months of financial close
  - One year dividend lock

End

## About Pacific Energy

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

**Kalgoorlie Power Systems**, a wholly owned subsidiary of Pacific Energy Limited, is a leading provider of power generation infrastructure to the mining and resources sector in Australia. The business operates a build, own, maintain execution model with 292MW of contracted capacity at 22 mine site locations across Australia.

**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.