



ABN 73 122 948 805

2 February 2016

CORPORATE UPDATE

Highlights

- **Pawnee Energy executes binding agreement with Resource Capital Limited to provide \$1m of funding to pay down existing creditors and pursue new investment opportunities**
- **Pawnee Energy will secure the funding by way of an issue of 1m convertible notes, convertible into ordinary shares in the Company, subject to shareholder approval**
- **The Company to pursue new investment opportunities in suitable energy, resources and infrastructure-related assets in USA & elsewhere**
- **Mr Marcus Boland to be appointed to the Board subject to receipt of first tranche of funding**

Pawnee Energy Ltd (ASX:PAW) (the **Company**) is pleased to announce that it has signed a binding Heads of Agreement with Sydney-based investment firm, Resource Capital Limited (**RCL**), which has agreed to provide \$1m of funding to the Company by way of convertible notes to pay down existing creditors and to assist the Company in its pursuit of suitable investment opportunities.

The convertible notes will be placed with RCL, clients of RCL and sophisticated investors nominated by RCL.

This funding will enable the Company to seek new opportunities to acquire suitable energy, resources and infrastructure-related assets, both in the USA and elsewhere, with a view to providing operational cashflow for the Company to support and enable further opportunities for revenue and capital growth through future acquisitions over time, and to underpin the raising of necessary development capital and re-quotation of the Company's shares later this year.

Pawnee Energy will seek attractive high-yielding low-multiple traditional production assets, and appropriate properties with significant upside through enhancement programs. The Company will also be seeking to participate in infrastructure-related investments that are value-accretive.

Initially the Company will concentrate its search in the USA and will focus on quality onshore production assets that are believed to be available on attractive bases and relatively low multiples. The Company will also be looking at opportunities to increase shareholder value through appropriate equity investment in other infrastructure and energy supply related sectors, both in the USA and in Australia.

Registered Office

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Heads of Agreement

Under the Heads of Agreement RCL will make or procure an interest free loan of A\$1 million to the Company in exchange for the issue of 1 million convertible notes which are convertible into ordinary shares in the Company.

The key terms of the Heads of Agreement include:

- RCL will make or procure an interest free loan of A\$1 million to be paid to the Company in the following tranches:
 - a first tranche of A\$500,000 to be paid to the Company on or before 19 February 2016; and
 - a second tranche of A\$500,000 to be paid to the Company on or before 30 June 2016.
- Upon the receipt of the first tranche payment, the Company will issue 500,000 convertible notes to RCL which will, subject to shareholder approval, be automatically converted into shares on or before the first tranche drop dead date of 31 March 2016;
- Upon the receipt of the second tranche payment, the Company will issue a further 500,000 convertible notes to RCL which will, subject to shareholder approval, be automatically converted into shares on or before the second tranche drop dead date of 31 August 2016;
- The number of shares to which RCL will be entitled upon conversion of the convertible notes will be equal to the number of convertible notes divided by the following conversion prices:
 - with respect to the first tranche, a conversion price of \$0.015;
 - with respect to the second tranche, a conversion price of at least \$0.015, but which will be subject to adjustment upwards to reflect any improvements in the Company's balance sheet, in accordance with a formula set out in the Heads of Agreement.

The issue of the securities above will be subject to shareholder approval in accordance with the ASX Listing Rules and the Corporations Act at a general meeting of the Company which is expected to be held in mid to late March. The Company will seek to finalise and dispatch a notice of meeting to shareholders as soon as possible.

Use of Funds

The Company proposes to use the proceeds of the first and second tranche from the issue of the convertible notes in reducing outstanding creditors and for working capital.

Board Appointment – Mr Marcus Boland

As part of the transaction with RCL and subject to the receipt of the first tranche of funding by the Company, the Company has agreed to appoint a representative of RCL, Mr Marcus Boland, as an executive director of the Company. Mr Boland has a background in commerce, law and finance, with more than 20 years' experience

in corporate advisory and public market listing transactions in the mining and energy, medical and IT sectors, and including both IPOs and back-door listings.

Mr Boland is a director of RCL as well as a number of private energy and infrastructure-related development and investment companies in Australia and overseas. In particular, Mr Boland has held both Board and executive positions encompassing specific responsibility for deal origination and the identification of appropriate assets and acquisitions as a Director of Corporate Development and Strategy.

On behalf of the Board,

Jonathan W Lindh
Company Secretary