

PACIFIC CURRENT GROUP LIMITED (ASX:PAC) AND THE SEA GOD NEREUS PART 2

WILL THE REAL NEREUS PLEASE SHOW ITSELF AND TELL THE PACIFIC CURRENT GROUP SHAREHOLDERS WHAT IT IS DOING WITH THEIR TRUST MONEY

ASI is continuing to investigate the Nereus entities, but to this point, so little verifiable information exists, it is difficult to ascertain whether actually, any of them exist, and in what form.

Perhaps, against the grain of its now customary opacity and secrecy, Pacific Current will deign to tell its shareholders the status of these entities – after all, the shareholders still appear to be funding them. Where has the \$6,466,474 million that Pacific Current Group shareholders' Aurora Trust (*Trust) has given Nereus gone?

And what is the reason behind Trust further agreeing to place a further US\$5,000,000 in an escrow account with the Hong Kong and Shanghai Banking Corporation Limited Singapore (the Escrow Account) somewhat described on page 42 of the Trust's accounts?

*Trust: Broadly a unit trust, as in the case of Aurora, is a relationship in relation to identified property; it is not an entity. It is a relationship between the legal owner (the trustee) of property (the trust property) and the beneficial owner or owners of that property (the beneficiaries and by extension Pacific Current Group shareholders) to whom the trustee owes obligations.

Of all the grounds for anger that the shareholders of Pacific Current Group Limited – formerly known as Treasury Group Limited – have over their company's disastrous merger with US-based Northern Lights Capital Group LLC in November 2014, the sheer dubiousness of their "asset" Nereus Capital LLC takes the cake. <http://www.researchpeindia.com/?q=news/276>

The experience that former Treasury Group Limited shareholders have had with Nereus exemplifies the merger, in which a cuckoo – in the form of the Northern Lights portfolio of boutique managers that was vended into the merger – was introduced into the nest, where it has chewed up more than \$100 million worth of shareholders' funds in less than two years. And which continues to be chewed up.

Moreover, the debt load that came with the cuckoo has put Treasury Group/Pacific Current in a position where current liabilities exceed current assets. Treasury Group entered the merger with a simplified debt-free structure only to end up, bow broken on the rocks spewing debt courtesy of an adept enriched crew and ship masters of spin!

Constructivist equity investment manager Advocate Strategic Investments (ASI), a Pacific Current Group shareholder, is investigating the deterioration in Pacific Current Group's financial standing since the Treasury/Northern Lights merger. ASI says Nereus – one of the "assets" that Northern Lights vended into the merger – exemplifies both the disaster that the merger has brought to Pacific Current, and the habitual opacity and secrecy that characterises the merged group's governance and reporting practices.

Treasury Group shareholders were told at the time of the merger that Nereus was an Indian-based private equity boutique manager focused on renewable energy infrastructure. Through its 65.15% holding in Aurora Trust (the vehicle created to hold the merged fund management assets of Treasury Group and Northern Lights Capital Group), Pacific Current has funded Nereus to the tune of about \$6.5 million.

But PAC shareholders have absolutely no way of knowing which of at least eight entities bearing the name of Nereus, that exist to ASI's knowledge, have received this money.

Moreover, PAC shareholders have absolutely no way of knowing, as of December 2016, which, if any, of the at least eight entities bearing the name of Nereus are active, solvent going concerns.

In a tangible sense, all that PAC shareholders have seen from their relationship with Nereus is that Aurora Trust wrote down the value of its holding in Nereus by \$8.9 million in FY15 and by a further \$11.2 million in FY16.

At the time of the November 2014 merger, Northern Lights vended into the newly created Aurora Trust an asset called Nereus Capital LLC (entity one). <https://www.usaid.gov/news-information/press-releases/first-its-kind-investment-guarantee-100-million-clean-energy-india>

Nereus is supposed to have two funds, the India Alternative Energy Fund, which provides finance to independent power producers for construction and implementation of renewable energy projects, and the India Solar Investment Trust, which provides construction finance to utility-scale solar power projects that provide electricity to commercial or industrial users, and seeks to generate stable, low-volatility, annual yields from the contracted sale of power.

<http://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/651aeb16abd09c1f8525797d006976ba/b225291aef38262e852579c600683e06?opendocument>
<https://cleantechnica.com/2014/08/29/pe-backed-hareon-solar-plans-add-150-mw-solar-power-capacity-india/>

But in August 2015, Treasury Group Limited announced an investment in an Indian renewable energy infrastructure fund called Nereus Capital Investments Pty. Ltd., or NCI (entity two) – and stated that this investment represented "continued strategic support of current affiliate, Nereus Holdings LP" or Nereus (entity three). <https://www.companybooknetworking.com/KY0000000815555145>

<http://www1.nyc.gov/nyctpo/organizationDetails.htm?orgId=132837&orgName=NEREUS%20HOLDINGS,%20LP>

The announcement said that Aurora Trust “will make a small initial equity capital investment in NCI, but will provide a contingent commitment of up to US\$25 million, which can be called no sooner than the sixth anniversary of the deal.” At the same time, Chinese solar energy company Hareon Solar Technology Company Limited (listed on the Shanghai Stock Exchange) entered into a joint venture with Nereus Capital and Treasury Group: the joint venture company Nereus Capital Investments Singapore Pte. Ltd. (entity four) would be majority owned by Hareon Solar, and would invest in solar projects in India. According to the company’s website, Hareon has no operating projects in India, and none under construction. <http://en.hareonsolar.com/index.php?c=content&a=list&catid=141>

There was already a Nereus Capital Advisors Pvt. Ltd, (entity five) an Indian private limited company, established to provide investment advisory services to the Nereus India Alternative Energy Fund LLC (entity six).

<http://www.vccircle.com/news/banking/2012/03/20/ifc-invest-20m-nereus-capital%C2%92s-cleantech-fund>

Then we find (entity seven) the Nereus’ India Solar Investment Trust which in 2014 it was announced Nereus was joining forces with Hareon Solar Technology Co Ltd a Chinese solar panels manufacturer to develop over 150MW of solar power projects in India over the next two years. however, the true value of the deal was not revealed and cannot be found today.

That announcement followed an earlier media announcement by Nereus which said “Nereus Capital’s India Alternative Energy Fund had last year received a fresh USD100 million commitment from overseas limited partners (LPs) for its maiden fund targeting USD250 million. This investment came from Northern Lights Capital Group and US Agency for International Development (USAID). In 2012, the fund closed a USD20 million commitment from International Finance Corporation, the investment arm of World Bank”. What is the status of this fund?

<http://smartcity.eletsonline.com/hareon-solar-and-nereus-capital-to-develop-150mw-solar-power-projects-in-india/>

Researching the various corporate entities called Nereus involved in solar power in India has led ASI to the Ministry of Corporate Affairs (MCA) of the Government of India. A search of the records at MCA disclosed interests associated with NCI. The records disclose that NCI has an interest in two companies in India, Medak Solar Projects Private Limited and Dubbak Solar Projects Private Limited.

The business address of both Medak and Dubbak is the same: Flat No. 1105-1106, Ashoka Estate, New Delhi 110001 India.

ASI found a listing for a company called Nereus Consultants Private Limited (NCPL) (entity eight). As it happens, this company’s address is the same as Nereus Capital: Suite 1806 at the Four Seasons Hotel in Mumbai. Nereus also has another Indian office, in Delhi, which is also a suite in a luxury hotel, The Leela Kempinski Gurgaon Hotel and Residences. Effectively, Medak Solar Projects Private Limited and Dubbak Solar Projects Private Limited qualify as Nereus entities nine and ten, seeing that MCA records disclose that NCI has been channelling money from Singapore into both companies. The latest funds channelled were recorded at MCA on 3 November 2016. As far as ASI is aware, PAC shareholders have never been told of the existence of the companies Medak and Dubbak.

Further research about solar farms, led us to ask our stock broking connections in London where we were informed about another Nereus qualifier to fill the position of entity eleven. That position goes to the proposed Nereus sponsored, Indian Solar Energy PLC £200,000,000 Sterling Medium Note Programme which we were told, was to be listed on the Irish Stock Exchange and rejected, the alternative was to then approach the Channel Island Stock Exchange to consider the proposal (which we were also told happened).

We have in our possession draft copies of the two prospectuses (Irish and for the Channel Islands) dated 23 November 2015 and 21 January 2016 (provided by London Solicitors). They both disclose the proceeds of the issue were to be on-lent to Nereus Capital Investments (Singapore) Private Limited (NCI) (as the "Initial Borrower"). NCI is 50% owned by the Aurora Trust which the documents show, is a subsidiary of Nereus Holdings LP (Nereus) in which the Trust holds a limited partnership (50% share). Nereus’ other limited partner from other records we have, disclose that partner as being, Enfield Hill LP (Cayman 10/29/2010) whose ultimate beneficial owner (77.50%) is a Jonathan Winer. The beneficial owner holding the balance (22.50%) we have been informed by a third party, could be a former executive of Pacific Current Group (to be confirmed).

We have also been advised the London-based securities dealer (bond placement agent) and the leading legal firm charged with drafting the legal documents, have both been left holding unpaid accounts amounting to some £500k, owed by Nereus, relating to several hundred pages of legal documentation and advice, as agreed to, concerning the proposed Nereus driven £200m bond issue.

As far as we know, Pacific Current Group has never disclosed to its shareholder’s details of the proposed £200m bond issue. However, that itself is not unusual, as the shareholders are quite used to being kept in the dark by the company (more questions to come).

On 9 December 2016, ASI asked Pacific Current Limited the following questions:

1. PAC and its trustee company Aurora Investment Management (AIM) discloses and mentions several entities called “Nereus.” Can AIM tell PAC shareholders which Nereus entities received (in part or all) the proceeds from the \$6,466,474 as distributed and paid out in financial years 2015 and 2016, as disclosed in Aurora Trust’s accounts dated 3 October 2016? 2. Can AIM provide an explanation for the payments? 3. In relation to the existence of Nereus Holdings LP, what can AIM tell PAC’s shareholders about this company, which seems to have just materialised?
4. Does AIM know of the existence of the Indian companies Medak Solar Projects Private Limited and Dubbak Solar Projects Private Limited, and if so, can it explain to PAC shareholders what it knows about them? 5. If AIM knows of the existence of Medak and Dubbak, why hasn’t it disclosed the fact of their existence to PAC’s shareholders?
6. Is AIM also aware that NCI has been channeling funds to Medak and Dubbak from its bank accounts?
7. If AIM is aware of the movement of those monies, what explanation can it provide to PAC’s shareholders about the matter? 8. PAC told its

shareholders on 21 August 2015, NCI was an alternative asset manager. We note that NCI is based in Singapore. Can PAC tell us:

- (a) Is NCI licensed to operate as an investment manager by the Monetary Authority of Singapore (MAS), and if not, why not? (b) Is NCI licensed as an investment manager in any other jurisdiction and if so which one(s)? (c) Who are NCI's team members?
- (d) What is the name or the names of the fund or funds that NCI manages?
- (e) What is the domicile of the fund or funds that NCI manages?
- (f) Does NCI use external parties, such as independent placement agents, to raise assets? If so, how are they compensated? (g) Does the manager have a written code of ethics and a compliance manual?
- (h) Does the firm have any oversight committees for risk, valuation, compliance, etc.? (i) Is there a separate compliance officer for international offices, if any, and is this person familiar with local regulations? (j) Who are the outside attorneys or outsourced compliance providers in Singapore?
- (k) Who is NCI's auditing firm?

9. Can AIM tell PAC's shareholders whether any of the monies finding their way to the Indian companies named Medak and Dubbak belong to them? 10. Is AIM aware of any person who has attempted to engage, or has engaged, in activities designed to defraud – or has defrauded – PAC and its minority shareholders? If so, could AIM please explain this to PAC shareholders? 11. Is AIM aware of any Trust funds belonging to PAC shareholders as having been misappropriated? If so, what is the potential for any recovery of these funds? 12. Is AIM aware of the Company called Nereus Consultants Private Limited (NCPL)? If so, what can it tell PAC's shareholders about that company? 13. Is AIM aware of any misfeasance, deceptive and misleading conduct, which may affect (or has affected) PAC's financial interests? 14. Has PAC's trustee company AIM, having regard to its special relationships and fiduciary obligations, become aware of any conduct that may potentially constitute equitable fraud?

ASI looks forward to updating the market on Pacific Current's answers, which hopefully might solve the burning issue for PAC shareholders, namely where has their share of the Trust money gone?

Pacific Current either does not know itself – or is unwilling to tell its shareholders – into which of the Nereus entities the money it has paid has gone. Stand by for the next edition of ASI's attempts to search, identify and locate the activities of Nereus and its various entities.

<https://www.google.com.au/search?q=nereus+northern+lights&aq=chrome..69i57.16422j0j7&sourceid=chrome&ie=UTF-8#q=nereus+northern+lights+capital+solar+%24>

As a constructivist equity investment manager, ASI will be engaging with the board and executive of Pacific Current Limited more earnestly to suggest strategic, operational and governance changes that it believes could help the broader stock market to better understand the Pacific Current Limited business, and thus begin to redress the steep valuation discount currently being applied.

ASI maintains that both Pacific Current Limited and Aurora Trust are, as constituted at present, deliberately opaque with respect to their accounts and the operating performance of their assets, to the extent that shareholders cannot discover the true economic performance of their investment in Pacific Current Limited. Thus shareholders cannot have any confidence in the board and management of Pacific Current Limited with respect to redressing the dismaying loss of shareholder value since the company struck what ASI believes to have been a poorly thought-out merger. ASI has also questioned the scope of the company's audit, and the independence of the auditors, given the related advisory fees paid to the firm in 2014-2015.

ASI will engage with Pacific Current Limited in a constructive manner. It will continue to seek answers to specific questions that have been put to the Company which to date, have been mostly ignored, as well as others continuing to arise.

About ASI

ASI is a Melbourne-based independent investment management firm that provides institutional and sophisticated investor clients with customised alternative investment strategies. The firm's senior investment team uses its unique, company-specific, value-oriented investment approach, with a strong focus on equity special events and credit opportunities. ASI's approach is focused on the preservation of capital through extensive and rigorous investment analysis on a position and portfolio basis. ASI is the manager and adviser to the Advocate Partners Constructivist investment strategy. Shareholder constructivism is about advocating an owner's perspective in relation to how a public company is governed and operated, in order to build the conditions necessary for its equity value to appreciate.

Disclaimer

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