

PACIFIC CURRENT GROUP LIMITED (ASX:PAC) AND THE SEA GOD NEREUS, PART 3

Which Nereus has received the shareholders money?

As a shareholder in Pacific Current Limited (PAC), constructivist investor Advocate Strategic Investments (ASI) has long been concerned about – and investigating – at least \$14 million of shareholders' (and Trust) funds that PAC has handed to Nereus, without proper disclosure, which is supposedly an Indian-based private equity boutique focused on renewable energy infrastructure.

Nereus Capital LLC (NereusCap) is – at least theoretically – economically owned (50%) by Aurora Trust (Aurora Trust), which is 65.15 per cent-owned by Pacific Current.

The Aurora Trust's accounts for FY16 report these investments in Nereus Capital (see page 43 of the accounts). <http://paccurrent.com/wp-content/uploads/2016/10/30-June-2016-Trust-FS-Final-signed.pdf>

Until recently, ASI's investigation had focused on two main questions: (A) which Nereus entity – there are at least seven – received and holds the PAC investment; and (B) what this entity proposed to do with the invested funds.

More recently, confronted yet again with Pacific Current's habitual unwillingness to answer the legitimate questions of its shareholder owners, ASI has reluctantly begun to contemplate a third main question – has equitable fraud been committed against Aurora Trust?

Pacific Current seems to have handed over at least \$14 million of shareholders' (and Trust) funds to Nereus, without proper disclosure.

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. This is bad enough, but the whereabouts of PAC's shareholders' \$6.5 million paid to Nereus in financial years 2015 and 2016 is now more concerning to ASI.

To recap, ASI has identified seven Nereus entities.

1. Nereus Capital LLC (NereusCap) – at the time of the November 2014 so called merger by Treasury Group Limited (TRG) (as Pacific Current Group (PAC) was then known) of the US-based Northern Lights Capital Group (NLCG), simultaneously Northern Lights' private equity fund, Northern Lights Capital Partners LLC (NLCP) vended NereusCap into the newly created Aurora Trust.

NereusCap 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.

2. Nereus Capital Investments Pty. Ltd (NCPL)

3. Nereus Holdings LP (NHLP) 4. Nereus Capital Investments (Singapore) Pte. Ltd. (NCI) 5. Nereus Capital Advisors Pvt. Ltd. (NCA) 6. Nereus India Alternative Energy Fund LLC (NIAE) 7. Nereus Consultants Private Limited (NCPL)

ASI has since found entities 8 and 9:

Nereus Capital (Cayman) MS Limited (NCC)

NIAE Fund LLC (NF) (the acronym stands for 'Nereus India Alternative Energy'.)

Also, NCI has an interest in two companies in India, Medak Solar Projects Private Limited and Dubbak Solar Projects Private Limited. These effectively qualify as Nereus entities ten and eleven, seeing that ASI has established that NCI has been channelling money from Singapore into both companies.

PAC shareholders appear to be potentially funding all eleven of these entities, none of which can be established to be active and solvent entities, by thorough investigation – and certainly not from the minimal information provided by PAC to its shareholders and the Australian Securities Exchange (ASX).

There is also the not inconsequential matter of the US\$5 million (\$6.58 million) that Aurora Trust has placed in an escrow account with HSBC Bank, which can be drawn upon by Nereus Capital Investments (Singapore) Pty. Ltd. (NCI) "if and when certain prescribed thresholds with regard to annual revenues of NCI are not achieved."

This account relates to NCI's joint venture with Chinese company Hareon Solar Technology Company Limited (HAREON) (listed on the Shanghai Stock Exchange), known as Nereus Capital Investments (Singapore) Pte. Ltd. (entity four), which was established in 2015 to invest in solar projects in India. But according to its latest corporate brochure, Hareon has no operating projects in India and none under construction (it has Indian projects in its "global project reserve.") <http://en.hareonsolar.com/uploadfiles/file/201512/61.pdf>

What ASI finds particularly interesting is that Nereus Capital Investments (Singapore) Private Limited (NCI) acted as borrower and guarantor to a £200 million bond (medium-term note) issue program mounted by Indian Solar Energy PLC (ISE) – a possible Nereus entity number twelve – in the London retail bond market in November 2015. This followed an announcement by TRG to the ASX on 21 August 2015 about an investment in Nereus,

with the support of another beneficiary of PAC's Aurora Trust, Northern Lights Capital Partners LLC, (controlled by Laird Norton LLC, a company associated with PAC director Jeff Vincent).

ASI has learned that the London-based securities dealer (bond placement agent) and the leading legal firm charged with drafting the legal documents (prospectuses) have both been left holding unpaid accounts amounting to some £500,000 (A\$825,000), owed by Nereus (ASI has been provided with copies of the documents).

The Central Bank of Ireland rejected the prospectus for the £200 million medium-term note (MTN) issue – the notes were intended to have been traded on the main securities market of the Irish Stock Exchange – and subsequently another prospectus was filed with the Channel Islands Securities Exchange Authority Limited, for the notes to be admitted to the official list of the Channel Islands Securities Exchange. For unclear reasons, the transaction collapsed at this stage; and Nereus Capital Investments (Singapore) Pte. Ltd. appeared to disown it, dismissing all attempts to get the advisers to the transaction to be paid what they were owed.

The professional services firms have attempted to have their invoices for the work done on the MTN issue paid by forwarding their invoices to Pacific Current, but Pacific Current has told these creditors that it is not an interested party in Nereus and bears no responsibility for Nereus Consultants Private Limited's (NCPL) operations and debts. However, a document provided by a PAC whistle-blower shows that Nereus Consultants is owned 51% by Nereus Holdings LP (NHLP), in which the Aurora Trust is a 50% partner. The ownership of NCPL has also been confirmed in records obtained from the Ministry of Corporate Affairs – Government of India.

The eminent London securities house's department head has told ASI that it only entered into the Indian Solar Energy PLC MTN transaction because, Nereus, by way of the November 2014 merger, was part of Treasury Group Limited, which, as an ASX-listed company, provided it comfort. Indeed, the securities head has told ASI that it was introduced to the transaction by the London team of Treasury Group, which arranged and hosted the meetings, with all formal communication being driven out of the Treasury Group Limited (now known as Pacific Current) US office in Seattle.

What is more, it appears from information that ASI has been able to trace, that at least one of the persons involved in the negotiations with the London-based securities house had in fact previously resigned his position with the Nereus entity signing the placement terms of agreement – which was Nereus Consultants Pte. Ltd. – long before the transaction, effectively misleading the securities house. However, emails in our possession disclose that same Nereus executive was issuing instructions to the London Securities house on behalf of Nereus Capital LLC.

This is the kind of behaviour that is now associated in the capital markets with Aurora Trust, as putative "owner" of Nereus, and by extension, associated with PAC shareholders, who putatively "own" Aurora Trust.

As a PAC shareholder, ASI does not like being associated with such behaviour, which is why it has asked PAC a series of questions attempting to get to the bottom of the Nereus association – and where at least \$14 million of PAC's shareholders' funds forwarded to "Nereus" has actually gone.

Part 1 - <http://prwire.com.au/pr/64543/pacific-current-group-limited-asx-pac-and-the-sea-god-nereus> Part 2 - <http://prwire.com.au/print/pacific-current-group-limited-asx-pac-and-the-sea-god-nereus-part-2>

If PAC does not know this, the construction that equitable fraud has occurred is difficult to avoid.

To date, PAC has provided no answers whatsoever. On behalf of shareholders, ASI will keep trying to bring this secretive company to understand that there are things it has chosen not to disclose – or even worse, does not know – that it has a duty to disclose to its shareholders and the ASX about what it has done with the shareholder' money!

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 Group' 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 Group 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 with interests associated with Laird Norton Company LLC, BNP Paribas Investment Partners, and their cohorts. 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 2014-2015-2016.

Pacific Current Group' history of poor Governance, exemplified by its shabby risk management controls coupled with the opaque and highly questionable financial disclosures (and non-disclosures) is a sad reflection of corporate incompetence in Australia. Incompetence, which led to \$200 million or more of shareholders funds and equity destroyed in less than two years.

ASI will engage, where possible, 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, which has 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. Advocate Partners is the holder of Pacific Current Group Limited shares.

Disclaimer

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