Caribbean Information &
Credit Rating Services Limited

MEDIA RELEASE

October 17, 2018

CariCRIS assigns 'good' project finance ratings to the proposed US $85 million senior secured syndicated loan of NiQuan Energy Trinidad Limited

*Cari***A+** **(Regional Scale Foreign Currency)**
*tt***A+** **(Trinidad & Tobago National Scale)**

Caribbean Information and Credit Rating Services Limited (CariCRIS) has assigned preliminary project finance issue ratings of *Cari***A+** (Foreign Currency Rating) on the regional rating scale and *tt***A+** on the Trinidad and Tobago (T&T) national scale to the proposed US $85 million senior secured syndicated loan of NiQuan Energy Trinidad Limited (NETL). These ratings indicate that the level of creditworthiness of this proposed debt obligation, adjudged in relation to other obligations in the Caribbean and within T&T is **good.**

We will finalize our ratings when we obtain greater clarity on Petrotrin's current restructuring efforts, particularly as they relate to the negotiated off-take arrangement with NETL.

The ratings are supported by low construction and technology risk, due to a fixed price lump sum turnkey contract with plant performance guarantees, and the use of reputable and commercially tested technology. The ratings are also supported by a favourable natural gas supply arrangement with the Government, and a negotiated take-or-pay offtake agreement with Petrotrin for 25 years. Favourable demand conditions driven by the importance of the end products and a changing regulatory and macroeconomic environment also serve as a credit driver. Further, assuming a successful start-up of operations in October 2019, we expect favourable financial performance with adequate debt servicing capacity based on minimum output levels. The Owner-Controlled Insurance Program (OCIP) provides an additional layer of protection to the lenders and the company's knowledgeable and experienced Board of Directors and Executive management team also support the ratings. These rating strengths are tempered by NETL's vulnerability to the cyclicality of global energy prices.

About the company:

NiQuan Energy Trinidad Limited (NETL) is a limited liability company incorporated on July 17, 2012 in the Republic of Trinidad and Tobago (T&T). The principal activity of NETL is to complete, commission and ultimately operate the former World GTL Trinidad and Tobago Limited (WGTL) plant, which when completed will produce zero sulphur diesel and naphtha via the Gas-to-Liquids (GTL) process[1]. As at June 2018, NETL's shareholders comprised of NiQuan Energy, LLC (NQE)[2] (80.7%), Investments Limited (11.9%) and other individual investors (7.4%). Included in the individual investors are several distinguished nationals of T&T.

The WGTL plant was originally designed and developed under a joint venture between the Petroleum Corporation of Trinidad and Tobago (Petrotrin) and a private developer. The WGTL initiative was premised on the notion that a gas–to-liquids plant was required to improve the quality of the diesel and other refined products from the Petrotrin refinery, given the high level of Sulphur content and the increasing stringent regulations arising in the international markets for refined products regarding sulphur levels. Construction of the plant commenced in 2007 and the cost of construction was estimated to have been of the order of US $135 million. In 2009 the project fell into bankruptcy as a result of significant cost overruns, delinquency on the part of the joint venture partner to fund its portion of the project and failure to meet project deadlines.

A receiver, PriceWaterhouse Coopers (PwC), was appointed in 2009 by Petrotrin to sell the WGTL assets, and NETL was selected as the preferred bidder for the plant in 2012. On May 19, 2016, a Sale and Purchase (SPA) agreement was executed which gave NETL the exclusive rights to purchase all the assets. NETL acquired the GTL plant at a cost of US $35 million[3]. The GTL plant is estimated to be approximately 85% completed and as part of GTL Plant Purchase Agreement, NETL obtained the following:

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[1] *The GTL process converts natural gas and other gaseous hydrocarbons into refined products such as gasoline or diesel fuel. Two general approaches to conversion are: (1) direct partial combustion of methane and (2) the Fischer-Tropsch (FT) process that converts partially oxidized natural gas into hydrocarbon products. The FT process is well-utilized on a commercial basis in GTL plants around the world including the Pearl GTL plant owned by Shell and the Escravos GTL plant owned by Chevron Corporation.*

[2] *NQE is a clean energy company incorporated in the United States that specializes in the development and operations of small and mid-scale gas-to-liquid (GTL) projects.*

[3] *This comprised of an initial cash payment of US $10 million and preference shares sold to Petrotrin in the amount of US $25 million.*

1. The execution of a 25-year Product Offtake Agreement (for GTL diesel and naphtha) with Petrotrin for 100% of the output from its GTL plant;
2. The execution of a 25-year Gas Delivery, Sale and Purchase Agreement with the Government to provide for a supply of natural gas for the Proposed GTL plant;
3. An Interconnections Agreement and Interconnections Lease with Petrotrin for an initial term equal to the Product Offtake Agreement;
4. A land lease with Petrotrin;
5. An electricity supply agreement with Petrotrin; and
6. The assignment of the License Agreement with WGTL and other associated agreements.

On July 11, 2018, NETL acquired the ownership title for the plant.

NETL plans to bring the GTL plant into commercial operations in 2 phases. Phase 1 aims to complete the plant as originally intended by WGTL with a production capacity of 2,044 barrels/day (bpd), with an 80/20 split between GTL diesel and GTL naphtha fuels. Phase 1 is broken down into Phases 1A and 1B. Phase 1A involves the inspection of the plant as is, and the drawing up of a detailed scope of works (SOW) for the project, while Phase 1B comprises the completion of construction works, the pre-commissioning and full commissioning of the plant, bringing it into commercial operation with output products as per design specifications. Phase 2 of the project involves optimizing the plant throughput by way of a change of catalyst to increase production capacity.

To raise the funding required for Phase 1A, NETL issued a short-term US $24.5 million senior secured bridging loan in June 2018. The proceeds of this debt are to be used as follows:

1. To fund costs incurred for the transfer of title (Completed)
2. For the settlement and discharge of existing loan notes and payables (Completed)
3. To finance corporate and operational expenses until long-term construction financing arrangements are in place (In-progress)
4. To finance the costs to be incurred for inspection of Phase 1 A of the project (In-progress)

NETL now plans to complete the financing for the project by way of a long-term loan of US $85 million. The proceeds of the proposed US $85 million 15-year senior secured syndicated loan will be used as follows:

1. To repay the senior secured bridging loan
2. To complete the construction works in Phase 1B
3. To facilitate plant optimization (debottlenecking) which involves the replacements of the original catalyst to increase production capacity to 2,640 bpd
4. To fund all other operating and administrative expenses.

So as to ensure a successful start-up and avoid cost overruns and other risks incurred by the previous WGTL plant, NETL has sought to de-risk the project by:

1. Partnering with highly experienced and knowledgeable experts in the field, which include a leading global engineering, procurement and construction (EPC) manager, Black and Veatch (B&V) and Emerging Fuels Technology (EFT), one of the world's primary authorities in GTL technology specialising in licensing catalysts and catalytic technologies;
2. Hiring international experts who previously worked on other GTL plants as part of its executive team;
3. Developing a lump sum turnkey (LSTK) fixed price contract that specifies that the statement of works includes the start-up of the facility and achievement of the normal operating status and are part of the contractors' responsibilities. It also includes a plant performance guarantee which will legally ensure that the contractors complete the plant in a manner such that output is in accordance with design specifications (quality and quantity); and by
4. Purchasing an Owner-Controlled Insurance Program (OCIP) which was developed by Aon Energy Caribbean Limited (AECL), a leading provider of insurance risk solutions in the region. The OCIP covers virtually all liability and loss arising from the project including the loss of revenue from delays and debt service payments during this period to prevent default. AECL operates as a subsidiary of Aon plc, which provides risk management services, insurance and reinsurance brokerage, and human resource consulting and outsourcing services worldwide.

For more information on NETL's ratings, please visit www.caricris.com or contact:

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