



Knights Investments (Aust) P/L (“KIA”)

Investment Criteria Overview

Industries

- Initially, a broad industry approach Australia wide to identify opportunities and market trends. In time, a more focused strategy concentrated on a smaller number of industries to facilitate aggregation or divestment.
- Industries that are of immediate interest in Western Australia are mining services, infrastructure and agriculture. Single-asset real estate projects are not of interest.

Investment Size and Term

- Up to \$75 million for any single investment however, KIA and its co-investors have the capability to syndicate as required.
- The more riskier an investment profile the less exposure sought e.g. the amount of unsecured growth financing for a given company would be significantly smaller than the amount of secured debt for the same company as part of a refinancing. For pure growth financing investments up of \$10 million is indicative.
- As a general rule, a maximum term of 3 years is preferred by which time an exit strategy must be identified either through refinancing, an IPO, a trade sale, amortization or other means.

Investment Funding

- KIA and its co-investors are flexible in the investment form including:
 - Mezzanine financing and bridging loans - convertible/hybrid products over straight debt;
 - Growth capital - pre-IPO capital, production expansion, brownfield (and in some cases greenfield) projects, mergers and acquisitions, re-structurings (usually in the form of convertible debt).
 - Refinancing of stressed and distressed companies - refinancing loans / debt buy-outs from banks and debt-for-equity swaps.
 - A combination of the above.

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Investee Profiles

- Companies that already have cash-generating assets/operations are preferred although absent this a smaller investment could be considered.
- Strong preference for companies and projects with established, long-term supply and sales/off-take agreements.
- Generally speaking, companies with upstream assets are appealing e.g., in agriculture a pure-play farming company over a pure-play food processing company however, a vertically integrated food company or group is highly attractive.

Investment Process

- After sighting a brief teaser, an indication of interest is communicated. The teaser should indicate to KIA what kind of investment is under consideration, a brief description of the business, some indication of company and/or investment size and other key information. The teaser can be submitted on a no-names basis.
 - If interested, KIA and its co-investors prefer to "go private" with the company/relevant party in question through a Non-Disclosure Agreement. This process requires that material information about the investment follows so as to undertake initial due diligence e.g. understanding the basic industry situation, financial analysis, etc.
 - A term sheet would then be submitted to the company/relevant party.
 - If term sheet negotiations are successful, a comprehensive due diligence process commences typically involving commercial, accounting, and legal advisers.
 - An unqualified due diligence is then followed by documentation and finally settlement.
 - KIA and its co-investors seek to take a pro-active position post-investment.
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