



18 October 2022

ASX ANNOUNCEMENT

APA Infrastructure Limited (ASX: AP2)

APA to acquire Basslink

Attached is an announcement made by APA Group (ASX: APA) which is provided for the information of APA Infrastructure Limited securityholders.

Authorised for release by Amanda Cheney

Company Secretary

APA Infrastructure Limited

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About APA Group (APA)

APA is a leading Australian Securities Exchange (ASX) listed energy infrastructure business. We own and/or manage and operate a diverse, \$21 billion portfolio of gas, electricity, solar and wind assets. Consistent with our purpose to strengthen communities through responsible energy, we deliver approximately half of the nation's gas usage and connect Victoria with South Australia and New South Wales with Queensland through our investments in electricity transmission assets. We are also one of the largest owners and operators of renewable power generation assets in Australia, with wind and solar projects across the country. APA Infrastructure Limited is a wholly owned subsidiary of APA Infrastructure Trust and is the borrowing entity of APA Group. For more information visit APA's website, apa.com.au.

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ASX ANNOUNCEMENT

APA Group (ASX: APA)

APA TO ACQUIRE BASSLINK

Leading Australian energy infrastructure business, APA Group (ASX: APA), today announced that it had entered into a Deed of Company Arrangement (**DOCA**) in relation to the acquisition of Basslink Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) (**BPL**) and its only subsidiary Basslink Telecoms Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) (**Basslink**). This follows the second creditors' meeting at which creditors voted to approve the DOCA proposed by APA.

Under the proposal APA will acquire Basslink for \$773 million^{1,2}. These proceeds will be used to repay Basslink creditors, including APA's existing senior secured debt of \$648 million³.

The acquisition is expected to complete in the coming days and, following entry into the DOCA, is now subject to limited conditions precedent (including there being no material adverse change in relation to Basslink).

Basslink owns and operates the 370km high voltage direct current (**HVDC**) electricity interconnector between Victoria and Tasmania. Basslink began operations in 2006 and had a construction cost of approximately \$877 million.

The acquisition adds a third electricity interconnector to APA's energy infrastructure portfolio and will be funded from existing debt facilities. APA has substantial liquidity available on balance sheet, including \$2.2 billion of cash and committed un-drawn debt facilities on hand as at 30 June 2022.

Upon completion of the acquisition, contracts will be in place with Hydro Tasmania and the State of Tasmania to provide predictable revenues whilst APA works to convert Basslink to a regulated asset under an agreed consultation process, facilitate the operations of the interconnector and institute operational improvements. The revenue contract with Hydro Tasmania is in place until 30 June 2025, by which point the parties expect Basslink to become regulated⁴.

¹ Includes current estimate of stamp duty and other transaction costs of \$33 million.

² Exclusive of cash.

³ This amount represents the face value of APA's senior secured debt in Basslink plus interest accrued.

⁴ The revenue contract is primarily intended as a bridging contract to provide predictable revenues up to the expected date of regulation conversion. The revenue contract provides BPL the option for 3 x 3-year extensions, subject to mutual agreement between the parties regarding adjustment to the fee arrangements.

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APA Group Acting CEO Adam Watson said, “The acquisition of Basslink is consistent with APA’s strategy to increase its electricity transmission footprint and to play a leading role in the energy transition.”

“APA is committed to putting Basslink on a sustainable footing and ensuring the cable is ready and able to support Tasmania’s energy security long into the future,” Mr Watson said.

“We look forward to working with the Australian Energy Regulator, the State of Tasmania, the State of Victoria, Hydro Tasmania, energy consumers and other key stakeholders to convert Basslink to a regulated asset.

“As owner and operator of Basslink, a major sub-sea electricity cable, APA has expertise to potentially support the development of the Australian offshore wind industry via sub-sea electricity cables.

“And as a leading Australian energy infrastructure business, we’re proud to be operating in every State and Territory in Australia. As the energy transition gathers pace, we are well placed to play a leading role, leveraging our core skills and capabilities to deliver on our strategy for growth.”

Background

APA acquired 100% of the senior secured bank debt of Nexus Australia Management Pty Ltd (Receivers and Managers Appointed) (Administrators Appointed) (**Nexus**), which is the borrowing entity of Basslink, in March 2022 at a discount to face value and has been participating in a receiver-led process for the sale, restructure or recapitalisation of the business of Basslink. As part of the transaction the full amount of APA’s debt and interest accrued will be repaid by it being in effect set off against the purchase price.

Authorised for release by Amanda Cheney

Company Secretary
APA Group Limited

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