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KrisEnergy announces proposed financial restructuring

The Board of Directors of KrisEnergy Ltd. ("**KrisEnergy**" or the "**Company**"), announces today that, after an extensive period of evaluation and consideration of all available options, the Company proposes to undertake a financial restructuring ("**Proposed Restructuring**").

The Proposed Restructuring comprises the following elements:

- A Proposed Consent Solicitation (as defined below) in relation to the Company's S$130 million 6.25 per cent. notes due 2017 ("**2017 Notes**") and S$200 million 5.75 per cent. notes due 2018 ("**2018 Notes**" and, together with the 2017 Notes, "**Existing Notes**");
- A Proposed Preferential Offering (as defined below) to raise up to S$140 million;
- A proposed restructuring of the Company's existing revolving credit facility with DBS Bank Ltd. (the "**RCF**") to (i) extend the maturity; (ii) provide a bridge upsize for up to six months ("**Bridge Upsize**"); and (iii) remove financial covenants (the "**Proposed RCF Restructuring**"); and
- A proposed restructuring of the terms of, or financing and addressing the exposure under the Swap Transactions (as defined below).

<u>Background to and Rationale for the Proposed Restructuring</u>

KrisEnergy is an independent upstream company focused on the production and development of oil and gas in Southeast Asia. Fluctuations in oil prices will have an immediate impact on the Company's revenue, which is derived from the sale of crude oil, liquids and gas. Commencing in 2014, certain adverse developments have affected global markets resulting in a general slowing of economic growth globally, substantial volatility in commodity markets, particularly in oil prices and equity securities markets, and a tightening of liquidity in credit markets. While there has been an uptick in oil prices from 13-year lows witnessed at the beginning of 2016, the markets remain uncertain.

Following the issuance of the Existing Notes, there has been, and continues to be, significant fluctuations in the price of crude oil. The average monthly price of Dubai crude oil, a relevant benchmark in Asia, ranged from US$27.00/bbl to US$46.55/bbl from September 2015 to September 2016 and the average monthly price of Brent crude ranged from US$31.92/bbl to US$49.29/bbl from September 2015 to September 2016, and achieved a 13-year low slightly below US$28.00/bbl in January 2016.

Such conditions have adversely impacted, and continue to present risks for the oil and gas and offshore marine sectors. These conditions have similarly impacted the Company and its subsidiaries (the "**Group**") and the Group's results of operations, financial condition and prospects. This, in turn, has affected the Company's traditional strategy of financing investments in projects through an optimal funding mix of operating cash flow and debt and equity financing and has also led to increasing pressure on the Company's ability to comply with financial maintenance covenants in its various financing arrangements, including the financial covenants in the terms and conditions of the Existing Notes.

As a result of all the above factors, the Company has implemented several strategies over the last two years to preserve short-term liquidity and the ability of the Group to invest in future development projects, which are expected to ultimately grow production and thereby increase cash flow. These measures have included:

- Cost reduction and cost management measures;
- Deferral of capital expenditure;
- Consideration of numerous capital raising and capital restructuring alternatives;
- A consent solicitation exercise in respect of the Existing Notes;
- Extension and upsizing of the RCF; and
- Entry into a one-year forward sale agreement for the supply of crude oil.

Following the successful implementation of the short-term measures described above and in order to implement a long-term solution in light of prevailing uncertainty in the oil and gas industry, and following a portfolio review of the Company’s assets in 2016, the Board of Directors approved and adopted a new business plan in October 2016 (the “**New Business Plan**”).

The New Business Plan will focus on improving operational efficiencies, maximising the Group’s existing production and progressing its pipeline of development projects in order to enhance future production and as a result, free cash flow.

A summary of the key elements of the New Business Plan is as follows:

Revised operational strategy

The Company is implementing major changes to its existing operational strategy in order to ensure the long-term stability and sustainability of the Group in light of prevailing economic and industry conditions, and which will mitigate exploration risk through an increased focus on development and production operations in the Gulf of Thailand. The Gulf of Thailand is an area of particular expertise for the Group. The Group operates three concessions in the Gulf of Thailand containing near-term oil developments thereby giving it more control in terms of timing, development concept and allocation of capital.

The Company intends to concentrate on the further development of G10/48, and development of the G6/48 and Cambodia Block A oil fields, all of which are operated by the Group, and all of which have multiple low-risk development opportunities with significant exploration upside. These developments will be core to the Group's strategy to generate cash flow from operations.

The Group will retain some high impact exploration prospects, which it does not believe will require significant funding in the next two to three years. The retention of such exploration acreage may provide future upside potential, albeit deferred in the near-term.

Portfolio rationalisation

As part of the revised operational strategy, the Company is rationalising its existing asset portfolio. The Group operates two major development blocks (G10/48, where the producing Wassana field is located, and Cambodia Block A) where it has working interests in excess of 85.0 per cent. in each concession. The Company believes that, following appropriate risk management and prudent oilfield practice, a farm-out or sale process aimed at reducing the Group's working interest in these blocks will be optimal, subject to obtaining a fair price for such farm-out or sale process.

The Company will continually consider, assess and prioritise the expenditure of available funds and investment in assets, which in turn may lead to certain of its existing assets becoming non-core and potentially available for sale at the right consideration. Any net cash proceeds from the portfolio rationalisation process will be applied to capital expenditure for the Group's assets in the Gulf of Thailand.

The Company believes that, if successful, the Proposed Restructuring will provide the Group with a stable and sustainable capital structure, reduced short-term cash debt service obligations and greater liquidity. These would then enable the Company to deliver on its strategic objectives and preserve, and maximise the value of its assets for all stakeholders.

Jeff MacDonald, Interim Chief Executive Officer of KrisEnergy, commented:

"After an extensive period of evaluation and consideration of all available options, we would like to announce today that we intend to undertake comprehensive measures to place KrisEnergy on a stronger footing while enhancing our capital structure to weather the strong headwinds in the upstream oil and gas industry. We believe that, with the support of our stakeholders, these measures will enable us to deliver value to all of our stakeholders in the medium term.

We have substantially reduced costs over the last two years and significantly cut capital expenditure this year. The business is focused on improving operational efficiencies, maximising our existing production and progressing our pipeline of development projects to enhance future production and therefore cash flow.

With the continued volatility and uncertainty over the direction of oil prices, we have reviewed a range of alternative funding and liquidity options over a two-year period and this has resulted in the Proposed Restructuring measures announced today. The Proposed Restructuring, if executed successfully on the proposed terms, is expected to provide a longer runway for the Group to deliver on its existing development projects.

Global macroeconomic factors and industry-wide circumstances have provided many challenges and continue to do so in the current downturn. The Board of Directors remains confident of the long-term prospects and potential of the KrisEnergy portfolio and business strategy, and is of the view that the Proposed Restructuring will ultimately preserve value for all stakeholders."

Material Terms of the Proposed Restructuring

Proposed Consent Solicitation:

- The Company proposes to undertake a consent solicitation exercise in relation to the Existing Notes ("**Proposed Consent Solicitation**"), to seek the approval of holders of Existing Notes ("**Noteholders**") to exchange Existing Notes for new senior unsecured notes ("**Senior Unsecured Notes**") with the following amended terms and conditions, amongst others:
    - maturity dates of five years longer than the maturity date of the relevant series of the Existing Notes being exchanged;
    - fixed interest rate of 4 per cent. per annum, comprising 2 per cent. in cash and 2 per cent. in relation to which the Company retains the discretion to pay in cash or to accrue to the principal amount; and

   - removal of financial maintenance covenants, and in its place, the terms and conditions of the Senior Unsecured Notes will include: (i) a debt incurrence covenant restricting the Group from incurring debt unless certain conditions are satisfied or such debt falls within certain exceptions, (ii) a covenant prohibiting the Company from paying dividends and repaying the Zero Coupon Secured Notes (as defined below) so long as the Senior Unsecured Notes are outstanding (subject to certain exceptions).
- The Proposed Consent Solicitation (which includes the issuance of the Senior Unsecured Notes in exchange for the Existing Notes) will be conditional on, *inter alia*, all necessary waivers, consents and approvals having been obtained from, *inter alia*, the Securities Industry Council of Singapore (the "**SIC**"), the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and shareholders of the Company (the "**Shareholders**") in connection with the Proposed Preferential Offering.

Proposed Preferential Offering

- In conjunction with and conditional on the Proposed Consent Solicitation being approved by Noteholders, the Company proposes to undertake a preferential offering of up to S$140 million in principal amount of senior secured zero coupon notes due 2024 ("**Zero Coupon Secured Notes**") with free detachable warrants ("**Warrants**") to its Shareholders on a non-renounceable, non-underwritten basis ("**Proposed Preferential Offering**"). Each Warrant will carry the right to subscribe for one new share in the capital of the Company (collectively, "**New Shares**").
- The net proceeds from the Proposed Preferential Offering will be used for (i) capital expenditures relating to the Group's existing assets; (ii) repayment of the Bridge Upsize; and (iii) general working capital.
- The Company is in discussions with First Reserve Fund XII, L.P. ("**FR XII**"), FR XII-A Parallel Vehicle, L.P. ("**FR XII-A**") and Keppel Oil & Gas Pte. Ltd. ("**KOG**") to each give an irrevocable undertaking to the Company on the terms set out below. Devan International Limited ("**Devan**") has a 39.99 per cent. shareholding[1] in the Company (such shares, the "**Existing Devan Shares**") and is currently in the process of transferring the Existing Devan Shares to its 100 per cent. shareholder, KOG, a wholly-owned subsidiary of Kepventure Pte. Ltd., which is in turn wholly owned by Keppel Corporation Limited.
- KOG is in discussions with the Company to provide an irrevocable undertaking to, *inter alia*, (i) vote, or procure that Devan votes, all of the Existing Devan Shares in favour of the resolution to issue Warrants and New Shares pursuant to the Proposed Preferential Offering ("**Preferential Offering Resolution**"); (ii) have, or will procure that Devan will, as at the record date ("**Record Date**"), have in aggregate not less than 598,263,893 Existing Devan Shares; (iii) subscribe and pay for, or procure that Devan subscribes and pays for, the full entitlement of the Zero Coupon Secured Notes with Warrants arising from the Existing Devan Shares under the Proposed Preferential Offering; and (iv) subscribe and pay for, or procure that Devan subscribes and pays for, excess Zero Coupon Secured Notes with Warrants that are not successfully subscribed for under the Proposed Preferential Offering.
- FR XII and FR XII-A, which have a 37.47 per cent. shareholding in the Company are also in discussions with the Company to provide an irrevocable undertaking to, *inter alia*, (i) procure that KrisEnergy Holdings Ltd. (wholly-owned by FR XII and FR XII-A) votes all the Existing KE Holdings Shares (as defined below) in favour of the Proposed Preferential Offering Resolution

[1] As at the date of this announcement, based on a total issued share capital of the Company of 1,495,972,523 shares.

and the resolution to waive the rights of the Shareholders (other than Keppel Corporation Limited, its subsidiaries and associated companies (including Devan, KOG and Kepventure Pte. Ltd.) (the "**Devan Holding Group**") and any other parties acting or deemed to be acting in concert with the Devan Holding Group in respect of the shares of the Company (the "**Concert Party Group**"), who are deemed to be independent for the purposes of voting on such resolution) to receive a mandatory general offer from the Concert Party Group for all the remaining shares not already owned or controlled by the Concert Party Group arising from the acquisition of New Shares by Devan or KOG (as the case may be) pursuant to the exercise of the Warrants to be acquired pursuant to the irrevocable undertaking to be provided by KOG (the "**Whitewash Resolution**"), (ii) procure that as at the Record Date, KrisEnergy Holdings Ltd. will have in aggregate not less than 560,505,995 shares of the Company (the "**Existing KE Holdings Shares**"), representing approximately 37.47 per cent. of the total number of issued shares of the Company, and (iii) procure that until the closing date to be determined, KrisEnergy Holdings Ltd. will have in aggregate not less than 560,505,995 Existing KE Holdings Shares.

- The Proposed Preferential Offering is subject to regulatory approvals and an extraordinary general meeting of the Shareholders will be convened subsequently to approve the Preferential Offering Resolution and the Whitewash Resolution.

The Proposed Consent Solicitation and the Proposed Preferential Offering are inter-conditional, with the Senior Unsecured Notes to be issued only if (i) Noteholders duly pass the relevant extraordinary resolutions approving the Proposed Consent Solicitation; and (ii) all necessary waivers, consents and approvals have been obtained from, *inter alia*, the SIC, the SGX-ST and the Shareholders in connection with the Proposed Preferential Offering. Similarly, the Proposed Preferential Offering will only be completed if the Proposed Consent Solicitation is approved by the Noteholders.

Proposed RCF Restructuring

It has been commercially agreed with DBS Bank Ltd. to amend certain terms and covenants of the RCF, including, *inter alia*, the (i) extension of the maturity of the RCF from March 2017 to June 2018; (ii) provision of the Bridge Upsize to fund the Company's capital expenditures, general working capital requirements and debt service pending the completion of the Proposed Preferential Offering (which is conditional on the completion of the Proposed Consent Solicitation); and (iii) removal of financial covenants, in line with the approach proposed to be adopted for the Senior Unsecured Notes.

Swap Transactions

Standard Chartered Bank and The Hongkong and Shanghai Banking Corporation (the "**Swap Banks**") extended currency swaps to the Company with respect to the 2017 Notes and 2018 Notes following completion of the issuance of such notes ("**Swap Transactions**"). The Swap Banks are in constructive discussions with the Company to restructure the terms of the Swap Transactions or finance and address the exposure under the Swap Transactions.

<u>Notice of Informal Meeting for Noteholders</u>

In connection with the Proposed Consent Solicitation, the Company will be convening an informal meeting with Noteholders on 9 November 2016 at 12.00 p.m. (Singapore time) (the "**Informal**

Noteholders' Meeting"), for the purposes of (i) updating the Noteholders on the financial and operating position and prospects of the Group; (ii) explaining the terms of the Proposed Restructuring; and (iii) providing the Noteholders with an opportunity to pose questions relating to the Proposed Restructuring to certain directors and senior management of the Company and the Company's advisers. The Informal Noteholders' Meeting will be held on a 'without prejudice' basis. The notice for the Informal Noteholders' Meeting has been published separately in the Business Times and published on the websites of the Company at www.krisenergy.com and the SGX-ST at www.sgx.com.

The extraordinary general meetings of the Noteholders of both the 2017 Notes and the 2018 Notes will be convened subsequently upon the formal launch of the Proposed Consent Solicitation.

Further Information

For more details on the Proposed Restructuring, please refer to announcements titled "***Proposed Restructuring Presentation to Noteholders***", "***Notice of Informal Noteholders' Meeting***" and "***Proposed Non-Renounceable Non-Underwritten Preferential Offering of Notes with Warrants***" published on the websites of the Company at www.krisenergy.com and the SGX-ST at www.sgx.com.

By Order of the Board

Jeffrey S. MacDonald
Executive Director & Interim Chief Executive Officer
3 November 2016

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Jeffrey MacDonald (Executive Director & Interim Chief Executive Officer)
Kiran Raj (Chief Financial Officer)
Tanya Pang (VP, Investor Relations)

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Bert Grisel (Managing Director)
Chris Liu (Vice President)

Consent Solicitation Agent with respect to the Proposed Consent Solicitation

Standard Chartered Bank[2]

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[2] *Standard Chartered Bank is a full service financial institution engaged in various activities which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, market marking, financing, brokerage and other financial and non-financial activities and services. In the ordinary course of their various business activities, Standard Chartered Bank and its affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment*

CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution in trading their shares in the Company and Noteholders are advised to exercise caution in trading their Existing Notes. There is no certainty or assurance as at the date of this announcement of the Proposed Restructuring to be undertaken by the Company. The Company will make further announcements as appropriate or when there are further developments. Shareholders and Noteholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders and Noteholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

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advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Standard Chartered Bank and its affiliates may have engaged in, and may in the future engage in, investment banking and other commercial dealings with the Issuer and its subsidiaries, jointly controlled entities or associated companies, as well as shareholders of the Issuer and with persons and entities with relationships with the Issuer and its shareholders, for which they have received or will receive customary fees and expenses.