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KrisEnergy clarifies terms of the consent solicitation and financial restructuring

- **Terms and conditions of consent solicitation are final and will not change**

Singapore, 24 November 2016 – KrisEnergy Ltd. (“KrisEnergy” or the “Company”, and together with its subsidiaries, the “Group”), an independent upstream oil and gas company, refers to its announcements dated 3 November 2016 “*KrisEnergy launches formal restructuring plan*” together with “*Commencement of consent solicitation exercise by KrisEnergy Ltd. in connection with the Notes issued by the Company pursuant to its S\$500,000,000 multicurrency Medium Term Note Program*”.

The Company is also aware of certain views expressed regarding the financial restructuring process and the terms and conditions of the consent solicitation exercise (“Consent Solicitation”) launched on 17 November 2016.

Before the launch of the Consent Solicitation, the Company has sought the feedback of the Noteholders and has taken into account the views from the Noteholders. The Company has also implemented suggestions where possible (such as introducing an oil-linked coupon step-up mechanism that starts with immediate effect upon the approval of the Consent Solicitation and Notes Exchanges).

The terms and conditions of the Consent Solicitation are final as set forth in the *Consent Solicitation Statement* dated 17 November 2016 (which contains the *Information Memorandum*).

The Consent Solicitation is one component of the Proposed Restructuring. Each component of the Proposed Restructuring is dependent on the success of the other steps. If the Extraordinary Resolutions are not passed in respect of the Existing Notes in the Consent Solicitation, the Proposed Restructuring is unlikely to be successfully implemented and the Company may not be able to operate and meet its various commitments.

The Company wishes to highlight that it has the support of its lenders through the restructuring of the Company’s revolving credit facility together with the Bridge Commitment as well as the support of its major shareholders for the proposed Preferential Offering.

The Company believes the Proposed Restructuring offers the only option available to preserve value for all stakeholders.

The Company would like to reiterate its statement contained within the “*Notice of Meeting and Extraordinary Resolution*” published in *The Business Times* on 17 November 2016: “*If the*



Extraordinary Resolutions do not pass, the Issuer will face the risk of default on the Existing Notes and may be in default on all or substantially all of its other existing indebtedness."

In addition, if any material changes to the terms of New Notes or the terms of Preferential Offering were to be made, supplemental disclosure will need to be made and the Meetings will be adjourned to a later date than 9 December 2016, which could potentially lead to a default under the Existing Notes as well as to cross-default/cross-acceleration under other indebtedness of the Group.

Further, the Company would like to refer holders of its Notes ("Noteholders") to all risk factors stated on pages 14 to 20 of the *Consent Solicitation Statement* and to all risk factors stated on pages 60 to 86 of the *Information Memorandum*.

Following informal consultations with Noteholders, a list of certain frequently asked questions is attached for Noteholders' reference.

NOTE: this document does not constitute an invitation to participate in the Consent Solicitation. No offer or invitation to issue or redeem any securities is being made pursuant to this release. This document must be read in conjunction with the Consent Solicitation Statement. This document does not constitute or form part of, and should not be construed as, an offer for sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities of the Company or any other entity.



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Clarification and Response to Certain Frequently Asked Questions in Relation to the Consent Solicitation

KrisEnergy Ltd. ("**KrisEnergy**", "**Issuer**" or the "**Company**") refers to the Proposed Restructuring Announcement dated 3 November 2016, the notice of informal Noteholders' meeting dated 3 November 2016, the announcement dated 17 November 2016 regarding the commencement of its Consent Solicitation Exercise (the "**CSE Announcement**") and the notice convening the formal Noteholders' meeting dated 17 November 2016. The Company also refers to:

- (i) the Series 1 S\$130,000,000 6.25% Fixed Rate Notes due 2017 (ISIN: SG6RD3000000) (the "**2017 Notes**");
- (ii) the Series 2 S\$200,000,000 5.75% Fixed Rate Notes due 2018 (ISIN: SG6SE5000004) (the "**2018 Notes**");

(the 2017 Notes and the 2018 Notes, each a "**Series**" and together, the "**Existing Notes**" or the "**Notes**").

Capitalised or other terms used but not defined herein shall, unless the context otherwise requires, have the meaning set out in the CSE Announcement and the consent solicitation statement dated 17 November 2016 issued by the Company ("**Consent Solicitation Statement**"). For full details of the Extraordinary Resolutions, refer to the Consent Solicitation Statement. For avoidance of doubt, this document does not constitute as any amendment, modification, alternation, or supplement to the Consent Solicitation Statement.

The Company wishes to provide clarifications and respond to certain frequently asked questions received from holders of the Existing Notes ("**Noteholders**") following the launch of the Consent Solicitation Exercise (the "**CSE**") on 17 November 2016.

1. Is there time for the Company to improve the terms of the New Notes?

- No. The timetable for the CSE is fixed and as set out in the Consent Solicitation Statement.
- Consent Solicitation approval is required by 9 December 2016 in order for the Company to access the Bridge Commitments to pay the interest payment due on 9 December 2016 in respect of the 2017 Notes. Non-payment of the coupon is an event of default which will lead to cross default on the Group's other indebtedness.
- The Notes Exchanges of the Existing Notes to the New Notes (specifically, the 2022 Notes and 2023 Notes) on the terms and conditions as set out in the Consent Solicitation Statement are the only available option for the Company to preserve



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value for all stakeholders. See Question 2 for risks and consequences if the Extraordinary Resolutions are not approved.

2. **What are the risks and consequences if the Extraordinary Resolutions are not approved?**

- If the Extraordinary Resolutions are not approved, there is a risk of an event of default shortly after the interest payment date in respect of the 2017 Notes. The next interest payment date of the 2017 Notes is 9 December 2016.
- The Company's ability to pay the 2017 Notes interest payment is dependent upon gaining access to US\$35mm of Bridge Commitments provided by the RCF Lender. **The US\$35 million of Bridge Commitments will be made available to the Company only if the Extraordinary Resolutions are approved (among other conditions).** Without access to the Bridge Commitments, the Company is at risk of not being able to pay the 9 December 2016 coupon. Should that occur, an event of default would be triggered. Any such event of default will lead to cross-default and / or cross-acceleration under the terms of the Group's other existing indebtedness.
- **The Revolving Credit Facility is fully secured** and the amount drawn under it forms a substantial part of the Group's total consolidated indebtedness. An event of default on the 2017 Notes may result in the RCF Lender accelerating repayment thereof and initiating enforcement on the Group's assets that constitute the security under the Revolving Credit Facility. The secured assets under the Revolving Credit Facility comprise all of the Company's producing assets and majority of the development assets. It is therefore unclear whether Noteholders would be able to recover all or any of their investments in the Existing Notes in such circumstances.
- Along with significant business disruption, risk of losing customers and suppliers, loss of key employees and technicians, and a shortage of cash to continue to meet its business needs and operating as a going concern, an event of default may also lead to winding up proceedings being taken against the Company by its creditors. Any such proceedings risks the forfeiture of assets owned by the Group to the host governments under the terms of the applicable petroleum licences. *Please refer to the Consent Solicitation Statement for a comprehensive list of risk factors.*

3. **Why do Zero Coupon Secured Notes receive security?**

- This is a hard requirement of the provider of the rescue financing package.
- In addition to providing an urgently required injection of new capital into the business in order for the Company to execute the New Business Plan, the Company, its major shareholders and financial advisers believe that the terms of the Zero Coupon Secured Notes are Noteholder friendly, particularly in the context of, and when compared to, the majority of similar rescue financing packages within and outside of Singapore. The Company would therefore encourage Noteholders to examine precedent transactions in great detail.



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- As advised by our financial adviser, rescue financing packages, which are usually sourced from hedge funds/dedicated special situations funds, typically involve significantly more onerous terms and conditions compared with those proposed in the Company's financial restructuring plan. The summary table below compares certain terms of typical rescue financing packages versus the Company's Zero Coupon Secured Notes:

TERM	TYPICAL RESCUE FINANCING PACKAGE	KRISENERGY ZERO COUPON SECURED NOTES
MATURITY TENOR	Short, 1-3 years	7 years
COST OF CAPITAL	Aggressive	Zero coupon
SECURITY REQUIREMENTS	Loan-to-own structures, super senior ranking	2 nd lien ranking
VALUE IMPAIRMENT	Dilution to shareholders and/or haircut to creditors	No principal haircut to Existing Notes

- While Zero Coupon Secured Notes are secured nominally, they do not receive any interest payments and will mature **after** the New Notes. In addition, and under the proposed terms and conditions of the New Notes, the Company cannot redeem (except in the limited circumstances of a change in tax laws of the Cayman Islands or Singapore) or refinance the Zero Coupon Notes (except with a concurrent issue of new Zero Coupon Secured Notes with a final maturity date which must be at least one year after the New Notes maturity date). This provides for significant debt service cost reduction and liquidity preservation for the Company, which is beneficial to existing Noteholders.
- Part of the new financing from the Zero Coupon Secured Notes will fund capital expenditure of development projects in order to increase the Company's production, which will increase cash flow from operations to the benefit of holders of the New Notes.
- The Company wishes to re-iterate to Noteholders that it has evaluated numerous capital raising alternatives and strategic options prior to launching the Consent Solicitation Exercise. The Company believes the proposed financial restructuring plan is the only available option to preserve, invest in, and maximise the value of its assets for all stakeholders.



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4. Could the Zero Coupon Secured Notes be repaid before the New Notes?

- No, except for the following two exceptions:
 - A change in the tax laws of the Cayman Islands or Singapore (which the New Notes also have the benefit of); and
 - A refinancing of the Zero Coupon Secured Notes with a concurrent issue of a similar instrument with a final maturity date of at least one year after the New Notes' maturity date. See details of the terms and conditions of the New Notes in the Information Memorandum in the Consent Solicitation Statement.

5. Are Shareholders able to receive any dividends before the New Notes are fully repaid?

- No.
- As set out in the terms and conditions of the New Notes, the Company is not permitted (and without exception) to make any dividend payment to the Shareholders, so long as any of the New Notes remain outstanding.

6. What is the rationale behind the new coupon structure?

- The original coupon structure is no longer sustainable due to the precipitous drop and subsequent volatility in oil prices. The purpose of the new coupon structure is to preserve short-term flexibility and liquidity for the Company while sharing future potential upside with Noteholders.
- At the time of the establishment of the MTN Program and the issuance of the 6.25% 2017 Notes and 5.75% 2018 Notes in 2014, the average monthly price of global benchmark Brent crude oil exceeded US\$100 per barrel ("bbl"). Today, the Brent price hovers between US\$40/bbl and US\$50/bbl, significantly below the 2014 levels. Under the new coupon structure, the minimum coupon is 4.0% per annum and this steps up if the Brent crude price is sustained above US\$70/bbl (the maximum potential coupon is 7.0% per annum if the Brent crude price is sustained above US\$90/bbl).

7. Is this the best possible coupon the Company can offer?

- Yes. The coupon structure is aimed to preserve short to medium term liquidity for the Company while Noteholders will be able to share future potential upside from any increase in Brent crude prices.
- The potential step-up in coupon linked to increasing Brent crude prices is effective immediately from the date of the issuance of the New Notes (and will be assessed by the calculation agent in accordance with the terms and conditions of the New Notes on the first interest payment date following issuance).



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8. What is the rationale behind the five-year extension? Why is there no principal amortisation schedule in the latter years or any cash-sweep mechanism?

- In the upstream industry, oil and gas development projects are capital intensive and take several years to fully execute. The ramp up in production to increase cash flow will take several years to achieve and the Company will incur capital expenditure in that period. The 2022 and 2023 maturities are necessary to give the Company sufficient runway to execute the New Business Plan without severely testing liquidity.
- The Company gave serious consideration to amortisation features, however, owing to the size of the total New Notes outstanding, the heavy exposure to volatile oil markets and consequent fluctuations in revenue and cash flow, and the necessity to preserve as much liquidity as possible for the future to fund the development of NPV-positive projects, the Company, its board of directors and financial advisers deemed amortisation of the Existing Notes to increase the near-term risks of the Company.
- A cash-sweep mechanism is more appropriate for companies with stable and predictable cash-flow profiles. For an upstream oil and gas company, a cash-sweep mechanism could put the Company in a precarious position, with cash being swept to repay debt thereby reducing liquidity in the case of subsequent periods of declining or volatile oil prices or certain capital expenditure or other commitments beyond the Company's control.
- The Company has incorporated an option to repay the New Notes at par at any time before maturity. If Brent crude prices undergo a sustained recovery and the liquidity position of the Company improves significantly, the Company will evaluate the prudence of exercising this option at the appropriate time.

9. How can Noteholders have comfort with the development financing carve-out provided by the New Notes?

- The ability of the Company to raise limited recourse debt for development financing purposes is essential to the implementation of the New Business Plan, its long-term sustainability and the ability for the Company to increase project returns. Accordingly, although the terms and conditions of the New Notes restrict the Company and its subsidiaries' ability to incur debt and provide security therefore, such limited recourse development finance debt is permitted *provided that* any indebtedness raised in connection therewith is in a principal amount not exceeding the cost of such acquisition or development, and any security given therefore shall not extend beyond the assets that are the subject of such acquisition or development and secures a principal amount not exceeding the cost of such acquisition or development. As such, the Company and its subsidiaries' ability to incur debt (and provide security therefore) under this carve-out is carefully circumscribed to contemplate only the incurrence of indebtedness (and provision of security) in connection with the financing of an acquisition and/or development of a specific asset. It does not, therefore, permit the Company and its subsidiaries to incur an unlimited amount of debt, or further



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encumber other, non-project specific assets, outside of the context of development financing transactions, which are vital to the Company's ability to invest in NPV-positive projects that have been carefully assessed by potential development finance lenders, and which in turn, form a critical part of the implementation of the New Business Plan. The Company currently envisages to raise project limited recourse debt at asset level for selective assets, namely Block A Aceh and Cambodia Block A. The Company has been working with financial institutions to procure the development financing for Block A Aceh for almost a year where such financial institutions have undertaken a significant amount of diligence on not only the asset but the sponsors to the development. Should the Company enter into the development financing facility agreements, it shall do so conditional of the Consent Solicitation passing and by the first half of 2017. In the case of Cambodia Block A, the Company will continue to explore limited recourse funding options for the phased development of Cambodia Block A. Unlike Block A Aceh, no financial institutions have been engaged at this point in time.

10. **We would like to see the projections on which the new business plan is based. Will the company release the data?**
- The Company does not, in good faith, believe that there is any value in publishing, disclosing, disseminating or distributing information which contains forward looking statements in the form of forecasts and/or projections as to production levels, earnings or other future performance metrics or indicators. Any such information would be based on internal management estimates which would not have the benefit of an independent third-party assessment thereof. Accordingly, providing any such estimates or projections, without the benefit of independent certification and verification, bears the risk of proving to be inaccurate and inherently unreliable as it would be based on assumptions that may change over time, and the reasonableness of which assumptions cannot be independently tested or verified. In addition, to share such information on the basis of entering non-disclosure agreements with some, but not all, Noteholders would lead to risks of selectively disclosing potential non-public material information.
 - In light of the foregoing, it is not practically feasible to either negotiate and sign non-disclosure agreements on the same terms with all investors in the Existing Notes, or alternatively, to publically disseminate information which has not been independently verified and on which investors can reliably base an investment decision.

KrisEnergy wishes to express its appreciation to Noteholders and other stakeholders for their support in what have been extremely challenging times for the Company and the upstream oil and gas industry as a whole.



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BY ORDER OF THE BOARD

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

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This document should be read in conjunction with the proposed consent solicitation statement and preliminary information memorandum dated 17 November 2016 (together, the "Consent Solicitation Statement") in relation to the Existing Notes (as defined). This document is made available by the Company, subject to the following provisions, to the holders of the Notes (the "Noteholders") for the sole purpose of providing clarifications in order to assist them in deciding whether they wish to vote in favour or against the Extraordinary Resolution to be proposed at the meetings of Noteholders of the Existing Notes to be held on 9 December 2016 (the "Meeting"), and any such adjourned Meeting. Any statements made in this presentation are qualified in their entirety by the content of the Consent Solicitation Statement, and any decision to vote in favour or against any Extraordinary Resolution proposed at the Meetings must be made solely on the basis of the Consent Solicitation Statement and Noteholders' own judgement, and if necessary, after seeking appropriate financial and professional advice. Voting in favour of the Proposal and the Notes Exchanges (as defined in the Consent Solicitation Statement) involves certain risks. Before making a decision with respect to any proposal, Noteholders should carefully consider, in addition to the other information contained in the Consent Solicitation Statement, the section thereof titled "Risk Factors". This document is not and does not constitute or form part of, and is not made in connection with, any offer, invitation or recommendation to sell or issue, or any solicitation of any offer to purchase or subscribe for, the proposed issue of new S\$-denominated notes due 2022 and 2023 (the "New Notes") and any units, bonds, notes, debentures, options, warrants or other securities of the Company (together with the New Notes, the "Securities") and neither this document nor anything contained in it shall form the basis of, or be relied upon in connection with, any contract or investment decision.

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