



## KrisEnergy Ltd.'s Q&A from 3<sup>rd</sup> Informal Investor Meeting on 27 August 2020

*The following questions were either (a) received during the proceedings of the 3<sup>rd</sup> Informal Investor Meeting and are in addition to the questions submitted prior to the event and answered during the session or (b) appeared to the Company to be of particular interest to the stakeholders.*

*The Company has endeavoured to retain the original form of the questions in verbatim as far as possible.*

**1. What factors the company took into consideration when deciding on the Consent Solicitation Exercise ("CSE") for the holders of the Zero Coupon Notes ("Zero Coupon Noteholders")?**

**A:** There were two main considerations when proceeding with the CSE for the Zero Coupon Noteholders:

- a) The notes documentation (in this case, the trust deed for the Zero Coupon Noteholders dated 31 January 2017), which all noteholders are signed up to and agreed at the time of issue of the Zero Coupon Notes, provides for terms and procedure governing any meeting of noteholders (which would include a meeting for a CSE to amend the terms of the notes); and
- b) Keppel Oil & Gas Pte Ltd ("**KOG**") owns approximately 39.81% of the shares in the Company. According to the listing rules, this makes it a controlling shareholder of KrisEnergy. It also holds approximately 76% of the Zero Coupon Notes. Accordingly, KOG is likely to be considered a related creditor of KrisEnergy and KOG's vote in its capacity as a Zero Coupon Noteholder is likely to be significantly discounted in a scheme of arrangement. Based on discussions with Keppel Corporation Limited ("**Keppel**"), they may not be supportive of the restructuring process if KOG's legitimate right to vote in relation to the Zero Coupon Notes was prejudiced. A CSE for the Zero Coupon Noteholders has been determined by the Board of KrisEnergy to provide the best chance of a successful restructuring of the Zero Coupon Notes and therefore supports an overall consensual restructuring. KrisEnergy's board's position is that if Keppel is no longer supportive of the restructuring, it will fail. Based on the valuations prepared so far, if the restructuring fails and KrisEnergy is liquidated, the unsecured creditors and the shareholders are likely to have zero returns. The vast majority of the value in the KrisEnergy Group will then go to the first-ranking secured creditor under the RCF, with potentially some residual value for Zero Coupon Noteholders as the second-ranking secured creditors, though it is likely that there will be no returns for the Zero Coupon Noteholders. The Company wishes to avoid this situation.



**2. Why should Keppel vote in the CSE for the Zero Coupon Notes?**

**A:** The terms and procedure governing any meeting of the Zero Coupon Noteholders do not require Keppel Oil & Gas Pte Ltd ("KOG") to abstain from voting as a Zero Coupon Noteholder. There is no rule or regulation which would alter the voting mechanism contractually provided for in the notes documentation.

KOG will receive exactly the same deal as the other Zero Coupon Noteholders.

**3. Exploration & evaluation assets and Oil & Gas properties have declined from USD 874 m to USD 420 m by Q1 2020. Since 2016, the company has taken a total of USD 469 m in impairment charges and write downs. The Revolving Credit Facility ("RCF") and Zero Coupon Notes are secured by the same assets. What was the value of the security package when the funds were raised from DBS and Keppel respectively? The proposal seems to suggest that the assets securing DBS and Keppel funds have not been impaired as DBS and Keppel ZCN are getting almost 100% recovery while the unsecured creditors face a very optimistic 4-7% recovery.**

**A:** The treatment of the Zero Coupon Notes, unsecured debt and equity reflects the respective priority and contractual rights of each stakeholder in the capital structure. The RCF has a comprehensive first ranking security package over most of the Group's assets and the Zero Coupon Noteholders have a second lien security package over most of the Group's assets. The Zero Coupon Noteholders also have first ranking security over the shares in and certain accounts of SJ Production Barge Ltd. The recovery of each stakeholder group in the restructuring proposal is detailed on slide 6 in the 3<sup>rd</sup> Informal Investor Meeting presentation. The recoveries are driven by a going concern valuation performed by an independent third party. Based on the valuations prepared so far, if the restructuring fails and KrisEnergy is liquidated, the unsecured creditors are likely to have zero return. The vast majority of the value in the KrisEnergy Group will then go to the secured creditor, with potentially some residual value for Zero Coupon Noteholders only, though it is likely that the Zero Coupon Noteholders will see no returns. Further supporting details on the going concern valuation will be included in the relevant restructuring documents for the Zero Coupon Noteholders, unsecured creditors and shareholders.

**4. Why are the existing shareholders paid 7.5% stake in the new equity. The book value of equity on the balance sheet as of March 2020 stands negative at USD -160 m. The equity shareholders, as per common restructuring principle, should lose all value.**

**A:** No new equity will be issued to existing shareholders in their capacity as shareholders under the proposed restructuring. Pursuant to the terms of the final restructuring proposal, the existing shareholders (in their capacity as shareholders) will be diluted to approximately 10% of the post-restructuring share capital of the Company as a result of the debt-to-equity conversions.

If the existing shareholders are diluted even further, they would likely not support the restructuring proposals and the restructuring would fail, which would likely result in little to no recovery for the Zero Coupon Noteholders and no recovery for the unsecured creditors.



- 5. *The KrisEnergy management final proposal on the conversion of debt to equity for unsecured creditors. To date is there any clarity on the quantity of allotment of equity and price? How do Krisenergy expect unsecured creditors to make an informed decision with the lack of clarity.***

**A:** As discussed during the 3<sup>rd</sup> Informal Investor Meeting, the unsecured creditors will, as a whole, receive an aggregate of approximately 46.2% of the Company's enlarged share capital post restructuring. Further information on the final proposal will be included in the relevant restructuring documents for the Zero Coupon Noteholders, unsecured creditors and shareholders that will allow stakeholders to make an informed decision on the restructuring proposal.

- 6. *How do you see the O&G sector in the next 3 years? How does the current management plan to turnaround the company? What commitment and accountability in measurable value does the management give to your shareholders?***

**A:** Multiple views from analysts, research institutes and government agencies indicate a steady increase in oil prices in the near term to around US\$55.00 per barrel for the Brent crude benchmark.

The turnaround plan for the Company is based improving long term oil price and increasing cashflow by progressing developments in the Group's portfolio, which comprises: Cambodia Block A, the Rossukon oil field in G6/48 and the Lengo gas field in the Bulu PSC. For Cambodia Block A, Mini Phase 1A is an initial small-scale development to test reservoir performance and evaluate long-term potential of the Apsara field. If successful, Mini Phase 1A will lead the way for additional facilities to be installed for increased production and cashflow. Building on the success of Cambodia Block A, the Company will be in a better position to capitalise on financing opportunities for other development assets.

- 7. *Can you tell us who are these 4 (unsecured trade) creditors? Will the trade creditors' debts convert to equity in the restructuring?***

**A:** Yes, certain trade creditors' debts will be converted to equity in the restructuring. Identities of these unsecured trade creditors will be specified in the restructuring documents.

- 8. *Is Keppel one of the unsecured creditors?***

**A:** Keppel is not one of the unsecured creditors to be compromised under the scheme of arrangement. Keppel and its subsidiaries' debt exposure to the Company is as follows: (a) KOG holds approximately 76% of the ZCNs; (b) Keppel holds the key economic risk in the RCF under a bilateral contract between DBS Bank Ltd ("**DBS**") and Keppel; (c) KepInvest Singapore Pte. Ltd. has provided a loan to certain subsidiaries of the Company to fund Cambodia Block A ("**CBA**") and the Company has guaranteed that loan; and (d) Keppel Shipyard Ltd has extended vendor financing for refurbishment work on the *Ingenium II* production barge.



**9. So when the restructuring is sealed and done, and the Unsecured Bondholders are left with 6-9% equity stake - and Block A is successful, these poor folks will have no recourse to regain their capital. Is this restructuring fair?**

**A:** The equity stake for unsecured bondholders amounts to an aggregate 33.2% of the Company's enlarged share capital: 13.1% for the 2022 Notes and 20.2% for the 2023 Notes. The 6-9% illustrative recoveries are based on assumptions by the IFA, however, actual returns will vary depending on market conditions and timing of exit. The restructuring proposal was reached after discussion with the Company's major stakeholders and the Company considers it is the best viable option given the current circumstances.

**10. Why isn't DBS RCF in the Scheme of Arrangement?**

**A:** DBS is a secured creditor and has thus been excluded from the scheme, which only applies to unsecured creditors.

The RCF will be amended including to extend the current maturity by four years. This will not happen as part of the scheme but will instead happen contractually in parallel. It remains, however, a key part of the overall restructuring of KrisEnergy because the extension to the RCF is important to the potential future value of KrisEnergy's shares. Accordingly, the extension of the RCF will be a condition to the scheme of arrangement becoming fully effective.

All notices pertaining to the ongoing restructuring process are available on the Restructuring Information Centre <https://www.krisenergy.com/Investors/restructuring-information-centre/>

In addition, as mentioned at the townhall, Madison Pacific Agency and Services Pte. Limited has been appointed as consent solicitation agent of the Company in respect of the CSE for the Zero Coupon Notes. Zero Coupon Noteholders may direct queries on the CSE to the consent solicitation agent at [krisenergyCSE@madisonpac.com](mailto:krisenergyCSE@madisonpac.com).