For Immediate Release

Updates on restructuring process – KrisEnergy Ltd.'s Q&A

Singapore, 23 December 2020 – The following questions were submitted by a stakeholder of KrisEnergy Ltd. ("**KEL**") and are the only questions that KEL has received to date.

KEL has reproduced the original questions in full and has provided its responses to these questions below.

Please note that the KEL continues to accept questions from its stakeholders. All questions submitted after 15 December 2020 and **before 1 p.m. on 11 January 2021** which are substantial and relevant to the Scheme will be answered prior to, or at the Court Meeting on 14 January 2021. To the extent questions relating to the Scheme are submitted **no later than 6 p.m. on 31 December 2020** (the "**First Q&A Deadline**"), KEL will address all substantial and relevant questions submitted by the First Q&A Deadline **before 1 p.m. on 11 January 2021** through publication on SGXNet, its corporate website and/or any virtual information session that KEL may organise.

Question 1

1. I note that under the terms of the Scheme, the ZCN Holders will be receiving a much better preferential debt to equity conversion ratio as compared to the Unsecured Creditors:

   (a) 45% of the total face value of the ZCNs (amounting to S$63 million due in 2024) will be converted to equity amounting to 44% of the post-restructuring shareholding of KEL.

   (b) In comparison, all Unsecured Debt (amounting to approximately S$330million) will be receiving 46% of the total post restructuring shares in KEL.

2. This means that for every S$1 of debt converted, the ZCN Holders receive close to **7 times** the number of shares compared to what the Unsecured Creditors would receive. This is grossly unfair to the Unsecured Creditors, because in a liquidation scenario, both the ZCNs and Unsecured Creditors are predicted by KEL to have zero recovery.

3. As a result of this extreme ratio, KeppelCorp (who holds 77% of the ZCNs) will be able to will be able to maintain almost the same level of shareholding in KEL (*i.e.* 39% to 37%). By contrast, all existing shareholders will be diluted to one- tenth of their existing shareholding. Please see the table below for the different effect of the restructuring on KeppelCorp vs other shareholders:

Shareholder / Creditor	Percentage of shareholding pre restructuring	Percentage of shareholding post restructuring
Keppel*	39.8%	37.6%
Existing Minority Shareholders	60.2%	6.0%
Other ZCN holders ($14.5 m)	0%	10.0%
Unsecured Creditors ($330 m)	0%	46.4%

*As stated above, the reason for the minimal change in Keppel's shareholding is due to the fact that they hold 77% of the ZCNs

4. KEL stated that the reason for this discriminatory treatment is because the above terms are "*the only viable option that would be acceptable to Keppel and still provide for a significant return to the unsecured creditors*", and that KeppelCorp is unlikely to be supportive of the restructuring process if fairer terms are offered to the Unsecured Creditors. I have asked for a mathematical or financial formula to justify the difference but have not been provided with any explanation, except that this is simply the result of commercial negotiations with KeppelCorp.

5. In the circumstances:

   (a) Please confirm that the **<u>only</u>** stakeholder against offering a more favourable conversion rate to Unsecured Creditors is KeppelCorp, and that there are no other stakeholders (including KEL itself) who are in-principle opposed to offering a fairer conversion rate to Unsecured Creditors.

   (b) Please let us know whether the Unsecured Creditors can negotiate directly with KeppelCorp to ask for fairer restructuring terms.

Response:

Keppel Corporation Limited ("**Keppel Corp**") is not the only holder of the zero coupon notes ("**Zero Coupon Notes**") ("**ZCN Holder**") that provided feedback on the terms that are being offered to the ZCN Holders. KEL has received feedback from other ZCN Holders objecting to the current terms being offered to other unsecured creditors ("**Unsecured Creditors**") as too generous from the perspective of ZCN Holders. Other Unsecured Creditors have also objected to the current restructuring terms, as have current shareholders. What is offered to stakeholders in the final restructuring proposal is what KEL considers the best terms that can be offered to all stakeholders to provide the best prospect of a consensual restructuring.

The equity allocations between the ZCN Holders and the Unsecured Creditors reflect, in part, the respective priority and contractual rights of the stakeholders in the capital structure. The ZCN Holders hold second ranking security over KEL's shares in KrisEnergy Holding Company Ltd and KrisEnergy Management Ltd as well as first-ranking security over the KEL's shares in SJPB. The creditors subject to the Scheme are unsecured. While, based on the liquidation scenario, the ZCN Holders would, like the Unsecured Creditors, receive no return, on a going concern basis, they would be in a superior position. Keppel has worked with KEL to avoid a liquidation scenario, which provides the possibility of improved returns for the Unsecured Creditors and shareholders than a liquidation would.

Based on KEL's discussions with Keppel Corp, they are unlikely to be supportive of the restructuring process if the terms being offered to the ZCN Holders do not reflect the reality that the Zero Coupon Notes instruments rank ahead of Unsecured Creditors in view of the security provided in relation to it. Keppel Corp's continued economic support for the KEL Group (which benefits the Unsecured Creditors and all other stakeholders) must also be taken into account. The restructuring proposal is one, based on discussions with the KEL's various stakeholders including Keppel Corp, that meets those objectives and is acceptable to Keppel Corp. KEL therefore sees this as the only viable option that would still provide for a significant return to the Unsecured Creditors and the existing shareholders of KEL.

On the basis of the matters set out in the paragraph above, the terms of the restructuring in terms of the equity distribution to each of the creditor groups are final and represent the outcome of a process in which all stakeholders were provided the opportunity to provide views. The Company is not in a position to make any further amendments to the restructuring terms. KEL takes no position on any discussions that any party may wish to have with Keppel Corp.

Question 2

1. The accelerated redemption of the ZCNs, coupled with the preferential debt-to-equity conversation ratio, results in a Scheme that is weighted heavily in the interest of ZCN Holders (at the expense of Unsecured Creditors and shareholders).

2. Please explain why there is an urgent need to convert the ZCN to equity at this point in time, when in the ordinary course of business, KEL would not need to make any interest or capital payments to the ZCN Holders until maturity in 2024. The ZCNs can be left on the books as debt, without affecting KEL's operations. Why are the ZCN Holders getting accelerated distributions under this restructuring process (in the form of a partial debt-to-equity swap), as compared to the original terms? Is it simply to preserve KeppelCorp's shareholding at the expense of all other creditors and shareholders?

Response:

While there is no interest payable to the ZCN Holders (other than default interest), defaults(s) have occurred under the terms of the Zero Coupon Notes. The restructuring of the Zero Coupon Notes is therefore necessary. If there were no debt to equity swap for ZCN Holders, KEL's balance sheet will remain over-levered, equity value will be adversely affected, and it may prove difficult to secure further funding for the development of the KEL Group's assets. Lower equity value and/or the inability to continue to secure funding for further development of the Groups assets will result in lower recoveries for the Unsecured Creditors and Shareholders. From KEL's perspective, this is the best possible option KEL could arrive at, after discussions with its major stakeholders, that would result in a holistic deal in which Unsecured Creditors and shareholders would receive a meaningful return. That would not be the case in a liquidation.

From KEL's perspective, it is untrue that the debt to equity conversion ratio is being proposed to ensure that Keppel Oil & Gas Pte Ltd maintains its existing shareholding in KEL to avoid dilution. Equity allocations reflect, in part, the respective priority and contractual rights of the stakeholders in the capital structure. The ZCN Holders hold second ranking security over KEL's shares in KrisEnergy Holding Company Ltd and KrisEnergy Management Ltd as well as first-ranking security over KEL's shares in SJPB. The creditors subject to the Scheme are unsecured. Based on the liquidation scenario, though, the ZCN Holders would, like the Unsecured Creditors, receive no return. It is relevant, though, that on a going concern basis, they would be in a superior position.

<u>Question 3</u>

1. The Apsara Oil Field is expected to produce its first oil at the end of 2020. That would dramatically improve KEL's cashflow. Further, the price of crude oil has risen considerably since the scheme was first proposed (from USD 28 per barrel a few months ago to more than USD 50 per barrel as of mid-December).

2. Given that both of these developments would significantly improve KEL's cashflow, why are the Unsecured Creditors and Minority Shareholders being forced to accept restructuring terms that are based on KEL's weakest financial situation, whilst giving the most substantial upside to the ZCN holders? Why has KEL not considered delaying the restructuring when it already has the protection of a moratorium, when the anticipated improvements to its financial situation would allow it to put forward more favourable terms to all stakeholders?

3. Even if the entire restructuring cannot be delayed, the ZCNs would not ordinarily have been due until 2024. Has KEL explored the possibility of delaying the restructuring of the ZCNs to a later date (so there is no need to dilute the shares issued to Unsecured Creditors and Minority Shareholders)? Or is it KEL's position that even with the new Aspara Oil Field and higher oil prices, it will still not be able to generate enough cashflow to pay off the ZCNs in full when they become due?

<u>Response:</u>

This is not the weakest point of KEL's financial situation. KEL has been in financial distress since 2019 and was at the lowest point of its financial situation in April 2020 ahead of obtaining financing for the development of Cambodia Block A in the Gulf of Thailand ("**CBA**"). The restructuring was commenced as it was a natural progression from the time KEL first filed its application for moratorium protection on 14 August 2019.

The Court generally requires progress in a restructuring process for it to grant an extension of a moratorium. As explained in the response to question 2, KEL's restructuring process will necessarily have to include a restructuring of the Zero Coupon Notes.

Further, at the relevant point in time, Kepinvest Singapore Pte. Ltd. ("**Kepinvest**") had informed KEL that it will not agree to an extension of the deadline for completion of the restructuring unless KEL progresses the restructuring in an expeditious fashion, which includes moving forward with the restructuring process without undue delay. Kepinvest is the financier for CBA Mini Phase 1A, the first phase of development of CBA, KEL's key development asset.

DBS Bank Ltd./Keppel is currently entitled to enforce the security it holds in relation to the Revolving Credit Facility, which encompasses substantially all the assets of the KEL Group. They are currently holding their hands. KEL needs to complete the restructuring exercise expeditiously to ensure the continued support of Keppel, which in KEL's view may not continue if the exercise is unduly delayed.

For the reasons above, launching the restructuring based on the final announced terms and CBA development expectation outcome case is the only solution available to KEL which benefits and maximises returns for all stakeholders. The valuation reports show that KEL cannot support the repayment of its current indebtedness and this necessitates the debt for equity conversion that is being proposed. While oil prices have recovered somewhat from earlier in 2020, there is no guarantee that this price recovery will continue. The CBA Facility and the Revolving Credit Facility have priority of repayment over the Zero Coupon Notes and at current oil prices, CBA Mini Phase 1A is highly unlikely to generate sufficient cashflow to repay the in full principal and interest outstanding on the CBA Facility, the Revolving Credit Facility and for there to be sufficient cash available to repay the current face value of the Zero Coupon Notes in 2024.

About KrisEnergy:

KrisEnergy Ltd. is an independent upstream company focused on the exploration for and the development and production of oil and gas in Southeast Asia. The Company holds working interests in two producing oil and/or gas fields, one in the Gulf of Thailand and one onshore Bangladesh. It also participates in nine blocks in various stages of the E&P lifecycle in Bangladesh, Cambodia, Indonesia, Thailand and Vietnam. KrisEnergy operates eight of the contract areas.

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