

## LOYZ ENERGY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199905693M)

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## ACQUISITION AND PARTIAL REDEMPTION OF AN AGGREGATE US\$4.0 MILLION BONDS ISSUED BY FRAM EXPLORATION ASA

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### 1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Loyz Energy Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company and Kuppelvik AS and Amalie International Holdings Ltd (collectively, the “**Sellers**”) have today entered into a binding sale and purchase agreement (the “**Agreement**”) in relation to i) the acquisition by the Company from the Sellers of an aggregate US\$4.0 million of senior secured convertible bonds issued by Fram Exploration ASA (“**Fram**”) due on 30 December 2018 (the “**Fram Bonds**”) for a purchase consideration of US\$1.65 million (the “**Acquisition**”) and ii) the potential acquisition by the Company of additional Fram Bonds to be procured by the Sellers.
- 1.2 Separately, but in conjunction with the Acquisition, the Company intends to fully settle a sum amounting to US\$2.0 million owing to Fram, which arose from the consideration owing in relation to the termination of a lease agreement with Fram, as announced by the Company on 14 May 2015, plus interest of US\$151,000, by way of the redemption of Fram Bonds of par value US\$2.15 million (the “**Fram Settlement**”, together with the Acquisition, the “**Transaction**”).

### 2. INFORMATION ON THE SELLERS, FRAM AND THE BONDS

#### 2.1 Information on the Sellers

Kuppelvik AS is a privately held investment company incorporated and domiciled in Norway. Amalie International Holdings Ltd is a privately held investment company incorporated and domiciled in the British Virgin Islands. Kuppelvik AS and Amalie International Holdings Ltd are unrelated to the Company or any of its subsidiaries.

#### 2.2 Information on Fram

Fram is an international E&P company with oil & gas assets onshore in the states of Colorado and North Dakota in the United States. Fram is a private Norwegian company, based in Trondheim. Fram is unrelated to the Company or any of its subsidiaries, except that it is a substantial shareholder of the Company, holding approximately 120.2 million ordinary shares, representing 14.1% of the Company’s current issued share capital. The Company is also a shareholder in Fram, with 13.75% interest.

#### 2.3 Information on the Fram Bonds

The Fram Bonds were issued on 30 October 2012, and their terms were amended on 24 April 2013 and again on 20 February 2015. The Fram Bonds were originally issued at a par value of NOK 145,000,000 with an annual coupon rate of 13%. Through a subsequent conversion of parts of the Fram Bonds, they are now issued for a total par value of NOK 48,100,000. The maturity date of the Fram Bonds was originally 30 December 2016. This was subsequently amended to 30 December 2018 with an annual coupon rate of 10%. The Fram Bonds are redeemable for cash prior to maturity.

### 3. PRINCIPAL TERMS OF THE AGREEMENT

#### 3.1 Acquisition of the Fram Bonds

Based on the Agreement, and subject to Completion (as defined herein), the Sellers will (i) sell to the Company Fram Bonds of par value NOK 32,601,218, which they currently own; and (ii) procure to sell to the Company additional Fram Bonds up to a par value of NOK 15,498,782 which are currently held by other unrelated bondholders.

#### 3.2 Consideration

- (a) The purchase price payable by the Company to the Sellers for the Acquisition shall be US\$1.65 million (the "**Purchase Price**"). This is approximately 41% of the NOK 32,601,218 par value of the Fram Bonds pursuant to the Acquisition, based on an exchange rate of US\$1:NOK 8.15.
- (b) The Purchase Price payable by the Company shall be wholly satisfied by the following:
  - (i) the issue and allotment of 43,697,520 new ordinary shares in the capital of the Company ("**Shares**") to the Sellers at an issue price of S\$0.0268 per Share (the "**Issue Price**"); and
  - (ii) the procurement by the Company and transfer of 41,344,580 existing Shares from Fram to the Sellers.
- (c) The Purchase Price was arrived at on a negotiated, willing-buyer willing-seller basis and after taking into account, *inter alia*, the value as well as the trading liquidity of the Fram Bonds in the open-market. Please see section 6.1 for further information on the Fram Bonds.

#### 3.3 Conditions Precedent

The obligation of the Company to complete the Acquisition pursuant to the Agreement is subject to the following conditions being fulfilled or waived prior to the completion date of the Acquisition ("**Completion**", and the date of such Completion, the "**Completion Date**"):

- (a) no statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental entity which prohibits the consummation of the transactions contemplated to occur at the Completion;
- (b) the warranties and undertakings by the parties in the Agreement remaining true and accurate in all material respects as at the Completion Date, and the parties having performed all of their respective undertakings and obligations hereunder to be performed on or before the Completion Date;
- (c) the approval of the shareholders of the Company for the Acquisition at a general meeting to be convened, if required;
- (d) the delivery by the Sellers to the Company, of a certified copy of the Register of Bondholders of Fram evidencing that the Fram Bonds are registered in the name of the Company;

- (e) the receipt of all necessary governmental or regulatory consents and approvals (including but not limited to the receipt of the listing and quotation notice from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing of the new Shares);
- (f) the entry into a settlement agreement, on the date of the Agreement, between the Company and Fram with respect to, among others, the settlement and redemption of Fram Bonds.

### **3.4 Commission**

- (a) Pursuant to the Acquisition, the Company shall pay to the Sellers a commission of approximately US\$976,000 (the “**Commission**”).
- (b) The Commission payable by the Company shall be wholly satisfied by (i) an issue of 45,185,333 Shares amounting to US\$878,000, and (ii) a cash payment of US\$98,000, to the Sellers.
- (c) The cash component of the Commission, being US\$98,000, shall be payable by the Company to the Sellers within 10 business days upon full redemption of the Fram Bonds acquired pursuant to the Acquisition.

## **4. REDEMPTION OF FRAM BONDS**

The total consideration including the Purchase Price and the Commission is approximately US\$2.63 million. The Fram Bonds subject to the Acquisition have a par value of US\$4.0 million and a portion of these will be redeemed on 1 August 2016 in lieu of the Fram Settlement and consideration for Shares procured from Fram, as follows.

The redemption of the Fram Bonds will be satisfied in the following manner:

- (a) The Company shall offset the amount owed to Fram pursuant to the Fram Settlement by way of redemption of Fram Bonds held by the Company in the amount of par value US\$2.15 million;
- (b) Fram shall transfer and credit 41,344,580 Shares to a securities account designated by the Company for the benefit of the Sellers, in return of the redemption of Fram Bonds held by the Company in the amount of par value US\$1.20 million; and
- (c) The Company acknowledges that upon such redemption of Fram Bonds, it is not entitled to any redemption amount or accrued interest.

Following the redemption of Fram Bonds of aggregate par value US\$3.35 million, the Company shall retain the balance of Fram Bonds of par value US\$0.65 million, representing a net gain on the Transaction.

## **5. RATIONALE FOR THE TRANSACTION**

The Transaction involves the Company acquiring the Fram Bonds for shares and uses them to, *inter alia*, settle its outstanding amount owing to Fram. The Transaction will help reduce the liabilities on the Group’s balance sheet. The Company expects to recognise a gain on the Transaction. This, together with other initiatives undertaken by the Group, including reduction of unnecessary costs and capital expenditure, will strengthen the balance sheet of Group enabling it to drive growth and business going forward.

## 6. FINANCIAL INFORMATION

### 6.1 Value of the Fram Bonds

The Fram Bonds are not publicly-traded on any stock exchanges. Based on information provided to the Company, the Fram Bonds were last traded at approximately 48% of the par value. The book value of the Fram Bonds subject to the Acquisition is NOK 32,601,218. The Fram Bonds are thinly traded, and it is impractical to buy a significant amount through the market without driving up the bond prices and cost significantly.

### 6.2 Net Profit and Loss attributable to the Fram Bonds

The aggregate Purchase Price and the Commission will amount to US\$2.63 million. The Fram Bonds subject to the Acquisition have a par value of US\$4.0 million and will be partially redeemed at par value on 1 August 2016. Accordingly, the net profit attributable to the acquisition of the Fram Bonds subject to the Acquisition is US\$1.37 million.

## 7. FINANCIAL EFFECTS

### 7.1 Bases and Assumptions

The financial effects have been prepared based on the audited consolidated financial statements of the Loyz Group for the financial year ended 30 June 2015 (“FY2015”), being the most recently completed financial year for which financial statements are publicly available as at the date of this Announcement, and are for illustrative purposes only and are neither indicative of the actual financial effects of the Acquisition on the NTA per Share and earnings / loss per Share (“EPS”), nor do they represent the actual financial position and/or results of the Group immediately after the Acquisition.

For illustrative purposes only and assuming the Acquisition had been completed on 30 June 2015, being the end of the most recently completed financial year of the Group, the pro forma financial effects on the NTA of the Group for FY2015 are as follows:

#### NTA per Share

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
NTA attributable to Shareholders (US\$'000)	15,345	18,047
Number of issued Shares	825,984,945	914,867,800
NTA per Share (US cents)	0.0186	0.0197

#### Loss per Share

	<b>Before the Acquisition</b>	<b>After the Acquisition</b>
Net Loss attributable to Shareholders in FY2015 (US\$'000)	(63,101)	(61,729)
Weighted average number of issued Shares	456,793,642	545,676,497
Loss per Share (US cents)	(13.81)	(11.31)

The above presented financial effects are currently under review by the Group’s auditors for confirmation on the accounting treatment of the Acquisition. The Company will release further announcements to update shareholders subsequently on the outcome.

## 8. DISCLOSEABLE TRANSACTION

### 8.1 Chapter 10 of the Listing Manual Section B: Rules of Catalyst (“Rules of Catalyst”) of the SGX-ST

Based on the Group’s latest announced unaudited consolidated financial statements for the nine-month financial period ended 31 March 2016, the relative figures of the Acquisition computed on the bases as set out in Rule 1006 of the Rules of Catalyst are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Loyz Group’s net asset value <sup>(1)</sup>	Not applicable as the proposed acquisition pertains to an acquisition by the Company
(b)	Net profits attributable to the assets acquired of, compared with the Loyz Group’s net loss	N.A. <sup>(1)</sup>
(c)	The aggregate value of the consideration received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares	15% <sup>(2)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	15% <sup>(3)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves.	Not applicable as the transaction is a purchase and does not pertain to a disposal of proved and probable reserves.

Note:

(1) Not applicable as the Group incurred a loss attributable to equity shareholders of US\$19.4 million for the nine-month financial period ended 31 March 2016.

(2) Based on Purchase Price and Commission of approximately US\$2.63 million and the Company’s market capitalisation of approximately US\$18.1 million, computed based on the Company’s existing issued and paid-up share capital of 852,361,945 Shares, exchange rate of US\$1:S\$1.38, and the volume weighted average price of S\$0.0293 per Share on 25 May 2015.

(3) Based on the 85,042,100 shares issued for the Purchase Price and the 45,185,333 shares issued for the Commission.

Since none of the relative figure set out above exceeds 75%, the Acquisition is considered a “discloseable transaction” and the Agreement is not conditional upon approval by the

shareholders of the Company at a general meeting.

#### **9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Acquisition, save in respect of his/its shareholding (if any) in the Company.

#### **10. DIRECTORS' SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

#### **11. DOCUMENTS FOR INSPECTION**

A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095, for a period of three months commencing from the date of this Announcement.

By order of the Board

Jeffrey Pang  
Chief Executive Officer and Executive Director  
31 May 2016

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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