



KrisEnergy Ltd.'s Q&A from 2nd Informal Investor Meeting on 19 June 2020

The following questions were received during the proceedings of the 2nd Informal Investor Meeting and are in addition to the questions submitted prior to the event and answered during the session.

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

- 1. *How is the share allotment of the 35% going to be done? There was no mention of how many shares at what price to existing noteholders.***

A: Further information on the share allotment will be included in the relevant restructuring documentation when published. The final number of shares allocated to each unsecured creditor depend on, among other things, the (i) final restructuring terms; and (ii) amount of other unsecured creditor claims. As stated on slide 26 in the 2nd Informal Investor Meeting presentation, certain other unsecured creditor claims are currently disputed.

- 2. *Liquidation value for ZCNs ("zero coupon notes") as assessed by 3rd party (presentation slide 27) and the basis of the valuation.***

A: The scheme explanatory statement will provide further supporting details on the liquidation valuation of the Group. The basis for the valuation is to determine the amount that would be realised when an asset or group of assets is/are sold on a piecemeal basis in a liquidation. The liquidation valuation is based on a presumed orderly liquidation, which reflects the value of a group of assets that could be realised in a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis.

- 3. *Reconciliation of the above with the illustration of 0% recovery for ZCN***

A: Illustrative recoveries are based on the liquidation valuation and reflects each stakeholders' respective priority and contractual rights in the capital structure. The amount of anticipated sale proceeds in a liquidation are not expected to exceed the amount outstanding under the revolving credit facility ("RCF"), which has a comprehensive first ranking security package over the Group's assets.

Keppel Shipyard Ltd ("KSL") has a first mortgage on the refurbishment work on the *Ingenium II* production barge. The illustrative liquidation analysis does not detail any residual value to ZCN holders (in a liquidation context and after considering KSL's mortgage on the barge) on



account of their first ranking security over the shares and certain accounts of SJ Production Barge Ltd.

4. Assumption for market value of new ZCNs - it appears to be optimistic given pre-suspension price of 0.153.

A: The presentation materials do not provide any assumption on the market value of the ZCNs post restructuring. Instead, the Illustrative Recovery for the ZCNs detailed on page 26 in the 2nd Informal Investor Meeting presentation is based on the (i) par amount of ZCNs post restructuring; and (ii) implied illustrative equity value for the new shares granted to ZCN holders based on a going concern valuation of the Group as performed by an independent third party.

5. Oil price and other relevant assumptions used for valuation of new equity - which appears to be rather optimistic too.

A: The Company commissioned an independent third party to perform the going concern valuation of the Group, which includes the development of Block A, to facilitate stakeholders' review of the proposal. Although the Company cannot selectively disclose operating projections driving the valuation as that involves disclosing material non-public information, the Company may provide some highlights to its business plan in the explanatory statement.

6. Based on the information from Restructuring Proposal slides in the deck, it was observed that the estimated recovery for the unsecured creditors is insignificant (as so close to nil recovery) as compared to the secured creditors. Will the company revisit of this matter? As ZCN is largely subscribed by Keppel, which is also a shareholder at KrisEnergy, and thus if the restructuring of KrisEnergy is successful then the said shareholder will benefit too.

A: The Company welcomes feedback from its stakeholders on the proposed restructuring terms and will incorporate any feedback into a formal proposal that it will launch in due course. As previously addressed at the 2nd Informal Investor Meeting, the proposal reflects the relative priority of ZCNs in the capital structure as a second lien secured creditor, over the unsecured creditors.

7. Aside from debt equity conversion, possible to consider some form of cash repayment and/or leaving some debt portion in the balance sheet. Presently, there is no upside that is enticing to creditors (whom have been supporting since the first round of restructuring) to support the current proposal.

A: The Company does not have the liquidity headroom to fund a cash payment to its stakeholders. Any cash payment would therefore need to be funded by a third party. The Company also requires a significant de-leveraging to continue operating as a going concern. The restructuring proposal provides a path to recovery for stakeholders via a sizeable equity



stake in a restructured business whilst providing the Company with access to the New CBA Facility to complete the development of Mini Phase 1A of Block A in Cambodia.

- 8. Also, the new USD87m loan from Keppel is fully secured and yet drawing relatively high interest rate of 15% pa. Over 4 years, the total interest expenses for this loan will exceed USD52m – why is this a good/competitive deal for KE?**

A: As set out in the IPT circular published on 10 June 2020, the maximum interest payable on the New CBA Facility is approximately US\$54.0 million. However, assuming that (i) Facility A is drawn down as required to meet Block A development costs after the date of the Loan Agreement; (ii) Facility B is utilised progressively later; and (iii) the New CBA Facility is prepaid throughout its term from CBA Excess Cash that is swept as part of the CBA Cash Sweep, the actual interest payable on the New CBA Facility will be lower than the estimated maximum interest of US\$54.0 million as set out above. Higher than expected oil prices or oil production from Mini Phase 1A Block A will also result in earlier repayment of the New CBA Facility and consequently lower interest payable on the New CBA Facility and *vice versa*.

KrisEnergy and its advisors conducted a thorough marketing process to source third-party capital over the past year. The marketing process solicited investor interest to provide (i) capital for the Mini Phase 1A development of Block A; (ii) asset sales; and (iii) a “white knight” bid for the entire business. All third-party offers were overly onerous, required priming liens, stipulated materially worse impairment for creditors than the restructuring proposal and were on materially worse commercial terms than Keppel’s facility.

Mini Phase 1A of Block A will underpin the development of an asset that is expected to represent a significant component of the Group’s value going forward. Stakeholders will have the ability to realise any upside in the potential development of Block A via a sizeable equity stake in the restructured business. When assessing the restructuring proposal, the Company would therefore encourage stakeholders to review their expected returns in the proposal, which assume the Company is more likely to realise value from developing Block A, relative to their returns in a scenario where Block A is not developed and/or the Company is liquidated.

Lastly, shareholders have the ability to vote on the New CBA Facility as it is deemed to constitute an interested person transaction due to Keppel’s position as a controlling shareholder. The independent financial advisor’s opinion on the New CBA Facility can be found at Appendix B of the IPT Circular to Shareholders dated 10 June 2020 in relation to the New CBA Facility.

- 9. Slide 22 of the presentation shows that Krisenergy has paid 23% of 2022 note principal repaid via cash coupon/interest and 20% of 2023 note principal repaid via cash coupon/interest? Can you please explain what does this number mean? As far as noteholders are concerned, KrisEnergy has not only not repaid any principle but also no coupon or interest has been paid since August 2019.**



A: Those figures represent the coupons and fees paid to holders of the 2022 Notes and 2023 Notes from the time of issuance in 2014 for each series of Notes, reflected as a percentage of outstanding principal.

10. What kind of cashflow projection can we expect for Cambodia Block A and KrisEnergy in the near future assuming 1st oil can materialize in 2020?

Assuming the restructuring is done and you got the \$87 million from Keppel, is KrisEnergy business is viable moving forward eg are you even able to make enough money to pay the 15% interest? Can we have the plan? What oil price is needed?

A: Cash flows from the development of Mini Phase 1A of Block A are subject to a variety of factors, some of which are outside the Company's control – notably reservoir performance and commodity prices.

Full details of Interest, Mandatory Prepayment and CBA Cash Sweep related to the New CBA Facility may be found in the announcement *KrisEnergy secures loan facility for Cambodia Apsara oil development, seeks IPT approval* (the "IPT Circular") dated 30 April 2020.

11. How will Rubicon lawsuit be settled?

A: KrisEnergy is currently seeking Cayman law advice on the next steps and will continue to update its stakeholders as and when there are material updates.

12. Please disclose Keppel's interest in the different debts and what they get after the restructuring?

A: The ZCNs were offered to all existing shareholders (and backstopped by Keppel) during our previous restructuring exercise in 2016/2017. As previously disclosed in the 1st Informal Investor Meeting presentation, the Company understands that Keppel controls approximately 76% of the ZCNs. As previously announced by Keppel Corporation Limited on 14 August 2019, KrisEnergy also understands that Keppel holds the key economic risk in the RCF, under a bilateral contract between DBS Bank Ltd ("DBS") and Keppel. The bilateral contract was required in order for DBS to provide and continue to provide a revolving credit facility to KrisEnergy (Asia) Ltd. As announced by the Company on 30 April 2020 and in the circular to shareholders dated 10 June 2020, the Group has also entered into the New CBA Facility with a wholly-owned subsidiary of Keppel. As at the date of the IPT Circular, approximately US\$16.7 million has been drawn down on the New CBA Facility. Lastly, Keppel is the largest shareholder of KrisEnergy.

The proposed restructuring consideration for each stakeholder group is included on page 26 in the 2nd Informal Investor Meeting presentation.



13. Please disclose how the different classes of debt were valued to give the conversion ratio to equity.

A: The treatment of ZCNs, unsecured debt and equity reflects the respective priority and contractual rights of each stakeholder in the capital structure. The recovery of each stakeholder group as detailed on slide 26 in the 2nd Informal Investor Meeting presentation is based on a going concern valuation commissioned by an independent third-party and the illustrative value of securities to each stakeholder group under the restructuring proposal. Further details will be shared in the explanatory statement to the Scheme of Arrangement.

14. Refer to slide 26, the “illustrative recovery” value of 4-7% for the 2022 and 2023 Notes. Compare to the ZCN which has a value of 79-92%. Why such a large delta?

A: The treatment of ZCNs, unsecured debt and equity reflects the respective priority and contractual rights of each stakeholder in the capital structure.

15. Can Keppel vote in the ZCN Voting Process?

A: KrisEnergy takes the view that Keppel can vote in any consent solicitation exercise carried out amongst the ZCN holders.

16. Please comment when and how would we expect to receive the notification from the company to do the voting for bond holders.

A: Notification for any consent solicitation process for the ZCN holders will be despatched by postal mail and posted in the Business Times. Notices to all bond holders will be provided on, among other things, SGXNet and the Company’s website.

17. Given Keppel’s existing shareholding, outlook and confidence towards the project. Would there be an avenue for Keppel to purchase the debt from existing debt holders?

A: KrisEnergy cannot speak for Keppel.

18. To clarify again, if KrisEnergy Group goes into liquidation, will the Concession Agreements be terminated by the respective countries?

A: The outcome of a liquidation will depend on a variety of factors and could result in a forced sale of the assets at a deep discount to fair value, resulting in significant impairment to stakeholders *vis-à-vis* the restructuring proposal.



19. Why don't you divest the 2 other developments to raise capital for the Cambodia development?

A: Please see page 13 in the 2nd Informal Investor Meeting presentation. KrisEnergy ran a robust marketing process to explore this option and raise capital, but negotiations with various bidders did not result in signings of definitive sale and purchase agreements for the Group's other assets.

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