

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Loyz Energy Limited (the “**Company**”), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting (the “**Notice**”) and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

An application will be made to Canaccord Genuity Singapore Pte. Ltd. (the “**Sponsor**”) and the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the dealing in, listing of, and quotation for, the Jit Sun Shares (as defined herein) on Catalist (as defined herein). The Fram Shares (as defined herein) and the listing and quotation notice (the “**LQN Notice**”), if granted by the SGX-ST, for the dealing in, listing of, and quotation for, the Fram Shares and the Jit Sun Share, is not to be taken as an indication of the merits of the Proposed Share Issue (as defined herein), Proposed Jit Sun Transactions (as defined herein), the Jit Sun Shares, the Fram Shares, the Company, its subsidiaries and their securities.

This Circular has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Circular.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements made, reports contained or opinions expressed in this Circular. The contact person for the Sponsor is Ms Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.



(Incorporated in the Republic of Singapore)
(Company Registration No. 199905693M)

CIRCULAR TO SHAREHOLDERS
in relation to

- (1) **THE PROPOSED ISSUE OF 136,500,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO FRAM EXPLORATION ASA;**
- (2) **THE PROPOSED DISPOSAL OF THE RIGS (AS DEFINED HEREIN) TO SKY PARK INVESTMENTS LIMITED, A WHOLLY-OWNED SUBSIDIARY OF JIT SUN INVESTMENTS PTE. LTD.; AND**
- (3) **THE PROPOSED TRANSACTIONS CONTEMPLATED UNDER THE SHAREHOLDER LOANS FROM JIT SUN INVESTMENTS PTE. LTD. TO THE COMPANY.**



CANACCORD GENUITY SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 200713620D)

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS OF THE COMPANY WITH RESPECT TO THE PROPOSED DISPOSAL (AS DEFINED HEREIN)

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form :	27 June 2015 at 11.00 a.m.
Date and time of Extraordinary General Meeting :	29 June 2015 at 11.00 a.m.
Place of Extraordinary General Meeting :	Klapsons, The Boutique Hotel - eighteen. 1 & 2 Level 18 15 Hoe Chiang Road, Tower Fifteen Singapore 089316

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

“Aggregate Outstanding Loan Principal Amount”	: Has the meaning given to it in section 4.9 of this Circular
“associate”	: (a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: <ul style="list-style-type: none">(i) his immediate family;(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Audit Committee”	: The audit committee of the Company for the time being, currently comprising Teo Choon Kow @ William Teo, Chia Yong Whatt and Simon Charles Lockett
“Board”	: The board of Directors of the Company as at the date of this Circular
“Catalist”	: The Catalist board of the SGX-ST
“CDP”	: The Central Depository (Pte) Limited
“Circular”	: This circular to Shareholders dated 14 June 2015
“Closing”	: The transfer by LRDS to the Purchaser of the Rigs and the payment by the Purchaser to LRDS of the Purchase Price, pursuant to the terms and conditions of the Sale and Purchase Agreement
“Closing Date”	: The date on which Closing occurs
“Code”	: The Singapore Code on Take-overs and Mergers
“Company”	: Loyz Energy Limited
“Companies Act”	: The Companies Act, Chapter 50 of Singapore as amended, modified or supplemented from time to time

“Controlling Shareholder”	: Means a person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company; or (b) in fact exercises control over the Company
“Directors”	: The directors of the Company as at the date of this Circular
“EGM”	: The extraordinary general meeting of the Company, notice of which is given in the Notice
“Fram”	: Fram Exploration ASA
“Fram Leases”	: Has the meaning given to it in section 2.3 of this Circular
“Fram Shares”	: The 136,500,000 new Shares to be issued to Fram pursuant to the Termination Agreement
“FY2014”	: The financial year ended 30 June 2014
“FY2015”	: The financial year ending 30 June 2015
“Group”	: The Company and its subsidiaries
“IFA”	: The independent financial adviser to the Independent Directors with respect to the Proposed Disposal, being Canaccord Genuity Singapore Pte. Ltd.
“IFA Letter”	: The letter from the IFA to the Independent Directors with respect to the Proposed Disposal dated 14 June 2015, as set out in Appendix B
“Independent Directors”	: The Directors who are considered independent of the Proposed Disposal, being: <ul style="list-style-type: none"> 1. Mr Simon Charles Lockett; 2. Mr Chan Eng Yew (Zeng Rongyao); 3. Mr Teo Choon Kow @ William Teo; and 4. Mr Chia Yong Whatt
“Issue Price”	: S\$0.110 per Fram Share
“Jit Sun”	: Jit Sun Investments Pte. Ltd.
“Jit Sun Conversion Price”	: S\$0.110 per Jit Sun Share
“Jit Sun Shares”	: Up to 210,181,818 new Shares to be issued to Jit Sun upon the exercise of the S\$13M Loan Convertibility Option and the S\$15M Loan Convertibility Option, based on the Aggregate Outstanding Loan Principal Amount as at the Latest Practicable Date
“Jit Sun Undertaking”	: Has the meaning given to it in section 4.4 of this Circular

“Latest Practicable Date”	: The latest practicable date prior to the printing of this Circular, being 9 June 2015
“Lease Period”	: The five-year lease period from 30 June 2014 during which the Rigs were leased by LRDS to Fram pursuant to the Master Lease Agreement
“Lock-up Period”	: Has the meaning given to it in section 2.4 of this Circular
“LQN Notice”	: The listing and quotation notice for the dealing in, listing of, and quotation for, the Jit Sun Shares and the Fram Shares
“Loyz USA”	: Loyz USA Holdings, LLC
“LRDS”	: Loyz Rex Drilling Services LLC, a wholly-owned subsidiary of the Company
“Master Lease Agreement”	: The master lease agreement entered into between Fram and Loyz USA on 25 June 2014, as supplemented by a novation and supplemental agreement dated 5 May 2015 and entered into between Fram, LRDS and Loyz USA.
“Maximum Jit Sun Shares”	: Has the meaning given to it in section 4.7(c) of this Circular
“Maximum S\$13M Loan Jit Sun Shares”	: Has the meaning given to it in section 4.7(b) of this Circular
“Maximum S\$15M Loan Jit Sun Shares”	: Has the meaning given to it in section 4.7(c) of this Circular
“MOU”	: The memorandum of understanding entered into between the Company, Mr Victor Hwang Yiou Hwa and PEH on 8 June 2015 in relation to the Proposed PEH Acquisition
“Notice”	: Notice of EGM, on pages i and ii of this Circular
“NTA”	: Net tangible assets
“Original S\$13M Loan Conversion Price”	: In respect of the S\$13M Jit Sun Loan, the original conversion price of S\$0.127 per new Share
“Original S\$15M Loan Conversion Price”	: In respect of the S\$15M Jit Sun Loan, the original conversion price of S\$0.300 per new Share
“Outstanding S\$13M Loan Principal Amount”	: The outstanding principal amount of the S\$13M Jit Sun Loan that remains unpaid at the time of demand of repayment of the S\$13M Jit Sun Loan
“Outstanding S\$15M Loan Principal Amount”	: The outstanding principal amount of the S\$15M Jit Sun Loan that remains unpaid at the time of demand of repayment of the S\$15M Jit Sun Loan
“PEH”	: Primeline Energy Holdings, Inc.
“Proposed Conversion Price Reduction”	: The reduction of the Original S\$15M Loan Conversion Price and the Original S\$13M Loan Conversion Price to the Jit Sun Conversion Price, pursuant to the S\$15M Second Supplemental Loan Agreement and the S\$13M Supplemental Loan Agreement respectively

“Proposed Disposal”	: Has the meaning given to it in section 3.1 of this Circular
“Proposed Jit Sun Transactions”	: The S\$13M Loan Convertibility Option and the Proposed Conversion Price Reduction
“Proposed PEH Acquisition”	: The proposed acquisition of PEH by the Company by way of a scheme of arrangement to be undertaken by PEH and the Company in accordance with the laws of the Cayman Islands
“Proposed Shares Issue”	: The proposed allotment and issuance of the Fram Shares at the Issue Price to Fram
“Purchase Price”	: The purchase price of the Rigs of US\$16.0 million pursuant to the Proposed Disposal as set out in the Sale and Purchase Agreement
“Purchaser”	: Sky Park Investments Limited, a wholly-owned subsidiary of Jit Sun
“Repoas”	: Has the meaning given to it in section 3.4(a) of this Circular
“Rigs”	: Has the meaning given to it in section 3.1 of this Circular
“Rigs Loan”	: Has the meaning given to it in section 3.2 of this Circular
“Ritchie & Bisset”	: Ritchie & Bisset (Far East) Pte. Ltd.
“Rules of Catalist”	: Section B: Rules of Catalist of the SGX-ST Listing Manual, as amended, modified or supplemented from time to time
“Sale and Purchase Agreement”	: The sale and purchase agreement entered into between the Purchaser and LRDS on 13 May 2015 in relation to the sale of the Rigs to the Purchaser
“Securities Account”	: Securities accounts maintained by Depositors with CDP, but not including a securities sub-account maintained with a Depository Agent
“SGXNET”	: The internet-based submission system operated by the SGX-ST
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Shareholders”	: Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
“Shares”	: Ordinary shares in the capital of the Company
“Sponsor”	: Canaccord Genuity Singapore Pte. Ltd.
“Substantial Shareholder”	: A person who, in accordance with the Companies Act, has an interest in not less than 5% of the issued voting Shares

“S\$13M Initial Loan Agreement”	: The loan agreement entered into between the Company and Jit Sun on 1 December 2014
“S\$13M Jit Sun Loan”	: The loan facility of up to S\$13.00 million from Jit Sun to the Company at an interest rate of 7.0% per annum pursuant to the S\$13M Loan Agreement
“S\$13M Loan Agreement”	: The S\$13M Initial Loan Agreement as amended and supplemented by the S\$13M Supplemental Loan Agreement
“S\$13M Loan Convertibility Option”	: Has the meaning given to it in section 4.3(a) of this Circular
“S\$13M Supplemental Loan Agreement”	: The supplemental loan agreement entered into between Jit Sun and the Company on 8 June 2015 in relation to the S\$13M Jit Sun Loan
“S\$15M Initial Loan Agreement”	: The loan agreement entered into between the Company and Jit Sun on 1 April 2014
“S\$15M Jit Sun Loan”	: The loan facility of up to S\$15.00 million from Jit Sun to the Company at an interest rate of 5.0% per annum pursuant to the S\$15M Loan Agreement
“S\$15M Loan Agreement”	: The S\$15M Initial Loan Agreement as amended and supplemented by the S\$15M Supplemental Loan Agreement and the S\$15M Second Supplemental Loan Agreement
“S\$15M Loan Convertibility Option”	: Has the meaning given to it in section 4.2(a) of this Circular
“S\$15M Second Supplemental Loan Agreement”	: The supplemental loan agreement entered into between the Company and Jit Sun on 8 June 2015 in relation to the S\$15M Jit Sun Loan
“S\$15M Supplemental Loan Agreement”	: The supplemental loan agreement entered into between the Company and Jit Sun on 7 August 2014 in relation to the S\$15M Jit Sun Loan
“Termination Agreement”	: The agreement entered into among Fram, LRDS and the Company on 13 May 2015 for the termination of the Master Lease Agreement in order for the Group to enter into the Sale and Purchase Agreement with the Purchaser for the Proposed Disposal
“Termination Fee”	: Has the meaning given to it in section 3.1 of this Circular
“Trademarks and Logo”	: Has the meaning given to it in section 4.4(c)(iii) of this Circular
“%”	: Per centum or percentage
“S\$” and “cents”	: The lawful currency for the time being of the Republic of Singapore
“US\$”	: The lawful currency for the time being of the United States of America
“Valuation”	: Has the meaning given to it in section 3.4(a) of this Circular

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Unless otherwise indicated, Singapore dollar amounts in this Circular have been translated from United States dollar based on the exchange rate of S\$1.352 = US\$1.000, as quoted by Bloomberg L.P. on the Latest Practicable Date.

LOYZ ENERGY LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 199905693M

Directors

Mr Simon Charles Lockett
(Deputy Chairman and Independent Non-Executive Director)

Mr Lee Chye Cheng Adrian
(Managing Director)

Mr Chan Eng Yew (Zeng Rongyao)
(Non-Executive Director)

Mr Teo Choon Kow @ William Teo
(Independent Director)

Mr Chia Yong Whatt
(Independent Director)

Registered Office

15 Hoe Chiang Road
#19-01 Tower Fifteen
Singapore 089316

14 June 2015

To: The Shareholders of Loyz Energy Limited

Dear Sir/Madam

- (1) **THE PROPOSED ISSUE OF 136,500,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO FRAM EXPLORATION ASA;**
- (2) **THE PROPOSED DISPOSAL OF THE RIGS TO SKY PARK INVESTMENTS LIMITED, A WHOLLY-OWNED SUBSIDIARY OF JIT SUN INVESTMENTS PTE. LTD.; AND**
- (3) **THE PROPOSED TRANSACTIONS CONTEMPLATED UNDER THE SHAREHOLDER LOANS FROM JIT SUN INVESTMENTS PTE. LTD. TO THE COMPANY,**

1 PURPOSE OF THIS CIRCULAR

The Company announced the Proposed Shares Issue and the Proposed Disposal on 14 May 2015 as well as the Proposed Jit Sun Transactions on 8 August 2014, 2 December 2014 and 9 June 2015.

The Directors propose to convene an EGM to seek Shareholders' approvals for the Proposed Shares Issue, the Proposed Disposal and the Proposed Jit Sun Transactions each as further explained below.

The purpose of this Circular is to provide Shareholders with relevant information relating to, and explaining the rationale for, the aforesaid transactions and to seek Shareholders' approvals in relation thereto at the EGM to be held on 29 June 2015 at 11.00 a.m. at Klapsons, The Boutique Hotel - eighteen. 1 & 2 Level 18, 15 Hoe Chiang Road, Tower Fifteen, Singapore 089316.

2 PROPOSED SHARES ISSUE

2.1 Introduction

The Group acquired 20% of the issued and paid-up share capital of Fram for a consideration of US\$41.4 million, as announced by the Company on 5 March 2014, 30 June 2014, 8 July 2014 and 11 July 2014. A portion of the consideration payable by the Group, being US\$27.9 million, was satisfied by the lease of the Rigs, which is the subject matter of the Proposed Disposal, to Fram under the Master Lease Agreement for the Lease Period. Accordingly, the sum of US\$27.9 million was considered fully-paid and there is no lease payable by Fram to the Group during the Lease Period. In addition, Fram has an option to acquire the Rigs at nominal costs upon the end of the Lease Period.

The Company, LRDS and Fram had entered into the Termination Agreement in order for LRDS to enter into the Sale and Purchase Agreement with the Purchaser. In consideration for the early termination of the Master Lease Agreement within the first year of the Lease Period, LRDS shall pay to Fram a sum amounting to US\$13.8 million in order for Fram to terminate the lease (the “**Termination Fee**”). The Termination Fee shall be paid in the following manner:

- (a) a cash component of US\$2.5 million shall be deposited in a bank account designated by Fram, and be paid from the Company's internal resources, as follows:
 - (i) US\$0.5 million shall be deposited within five business days from the date of the EGM; and
 - (ii) the remaining US\$2.0 million shall be deposited on or before 30 June 2015; and
- (b) the remaining US\$11.3 million shall be satisfied by the Proposed Shares Issue. The Issue Price of S\$0.110 per Fram Share was commercially agreed between the Company and Fram on an arm's length basis and represents a 0.90% discount to the closing price per Share of S\$0.111 traded on Catalist on 12 May 2015, being the last full trading day immediately prior to the date of the signing of the Termination Agreement.

The Proposed Shares Issue is subject to the conditions (as stated in paragraph 2.3 of this Circular). In the event the conditions are not fulfilled and/or satisfied, the remaining US\$11.3 million shall be paid in cash, or in any other manner as the parties may agree. Save for the above, there are no other conditions precedent for the Termination Agreement.

Pursuant to the Termination Agreement, the Rigs shall be returned to LRDS on an “as-is-where-is” basis, effective from 30 April 2015.

2.2 Rationale for the Proposed Shares Issue

The Directors (after giving due consideration to the terms and conditions of the Master Lease Agreement and the Termination Agreement) are satisfied that the transactions with Fram effected by the execution of the Termination Agreement is in the Company's commercial interests, as the Termination Agreement and as a result, the Proposed Shares Issue, would enable the Company to effect the transactions contemplated under the Proposed Disposal. Furthermore, in the event the Proposed Shares Issue is not approved, the Company shall be required to pay Fram US\$11.3 million in cash. Accordingly, the Directors are of the new that the Proposed Shares Issue is in the best interest of the Company as it preserves the Company's balance sheet.

2.3 Fram Shares

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of 571,303,127 Shares and has no treasury shares.

Pursuant to Rule 803 of the Rules of Catalist, the Company must not issue Shares to transfer a controlling interest without the prior approval of Shareholders in a general meeting. The 136,500,000 Fram Shares represent approximately 23.89% and 19.29% of the existing and enlarged issued and paid-up share capital of the Company, respectively.

In addition, Rule 805 of the Rules of Catalist provides that an issuer must obtain prior approval of shareholders in general meeting for the issue of shares or convertible securities or grant of options carrying rights to subscribe for shares in the issuer.

As mentioned in section 2.1 of this Circular, in the event that any of the aforementioned conditions is not obtained, the remaining US\$11.3 million shall be paid in cash, or in any other manner as the parties may agree.

Accordingly, the Proposed Shares Issue is conditional upon, among others, (a) Shareholders' approval to be obtained at the EGM; (b) the LQN Notice granted by the SGX-ST for the listing of and quotation of the 136,500,000 Fram Shares on Catalist; and (c) the exercise of the S\$13M Loan Convertibility Option (as defined in section 4.3 of this Circular) by Jit Sun in full, such that Fram will not, at any single time, be the single largest Shareholder of the Company.

Fram is a limited company incorporated and existing under the laws of Kingdom of Norway and is involved in oil and gas exploration. Save for the Group's 20% shareholding interest in Fram, Fram as well as its directors and shareholders, are not related to the Company, any of its subsidiaries or the Controlling Shareholder of the Company. Based on information provided by Fram, Fram is the owner of certain oil and gas leases and other interests (the "**Fram Leases**"). The Fram Leases include approximately 50,090 net acres in Delta and Mesa Counties, Colorado, United States and approximately 9,700 net acres in Renville and Ward Counties, North Dakota, United States. Aside from the Fram Leases, Fram also owns a gas compressor station in Colorado, United States as well as other related plant machineries.

The Fram Shares are purely for Fram's investment purposes only and Fram has no intention of influencing the management of, or exercising control over, the Company or appointing a nominee director to the Board. The Proposed Shares Issue is undertaken in conjunction with and pursuant to the Termination Agreement. Accordingly, the Company will not receive any proceeds from the Proposed Shares Issue.

Company will be diluted from approximately 19.64% as at the Latest Practicable Date to 15.86%. Pursuant to the Jit Sun Undertaking, Jit Sun has undertaken to the Company that it would exercise the S\$13M Loan Convertibility Option and the S\$15M Loan Convertibility Option (as defined in section 4.2 of this Circular), subject to the terms and conditions set out in the Jit Sun Undertaking (as defined in section 4.4 of this Circular). Assuming (i) the completion of the Proposed Shares Issue and the allotment and issuance of the Maximum S\$13M Loan Jit Sun Shares (as defined in section 4.7 of this Circular) and (ii) the completion of the Proposed Shares Issue and the allotment and issuance of the Maximum Jit Sun Shares (as defined in section 4.7 of this Circular), the 136,500,000 Fram Shares will represent approximately 16.5% and 14.9% respectively of the enlarged issued and paid-up share capital of the Company.

The Fram Shares, when issued and fully-paid, shall be free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with the Shares as at the date of issue of the Fram Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record of which falls on or before the date of completion of the allotment and issuance of the Fram Shares.

2.4 Lock-Up

To demonstrate its commitment to the Company, Fram has undertaken that it will not, directly or indirectly:

- (a) offer, pledge, sell or contract to sell any Fram Shares;
- (b) sell any option or contract to purchase any Fram Shares;
- (c) purchase any option or contract to sell any Fram Shares;
- (d) grant any option, right or warrant for the sale of any Fram Shares;
- (e) lend or otherwise dispose of or transfer any Fram Shares;
- (f) enter into any transaction (including a derivative transaction) that has the effect of, is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) of any Fram Shares;
- (g) deposit any Fram Shares in any depository receipt facility; or
- (h) publicly announce any intention to do any of the above,

to any person (including its affiliates or otherwise) from the date of issue of the Fram Shares until the date falling nine months from the date of issue of the Fram Shares (the "**Lock-up Period**").

Notwithstanding the aforementioned, Fram shall during the Lock-up Period, be permitted to do any of the foregoing acts under section 2.4(a) to (h) in respect of 14,500,000 Fram Shares (out of the 136,500,000 Fram Shares), so long as it has obtained the prior written consent of the Company.

2.5 Use of Proceeds relating to the Proposed Shares Issue

The Proposed Shares Issue is undertaken in conjunction with and pursuant to the Termination Agreement. Accordingly, the Company will not receive any proceeds from the Proposed Shares Issue.

2.6 Financial Effects of the Proposed Shares Issue

The *pro forma* financial effects of the Proposed Shares Issue presented below are **strictly for illustrative purposes only** and are not intended to be indicative or reflect the actual future financial situation of the Company and the Group after the completion of the Proposed Shares Issue.

The *pro forma* financial effects of the Proposed Shares Issue have been computed based on the audited consolidated financial statements of the Group for FY2014, as well as the following assumptions:

- (a) the financial effect on the consolidated NTA per Share is computed based on the assumption that the Proposed Shares Issue was completed on 30 June 2014;
- (b) the financial effect on the loss per Share is computed based on the assumption that the Proposed Shares issue was completed on 1 July 2013; and
- (c) expenses relating to the Proposed Shares Issue of approximately S\$10,000.

For the avoidance of doubt, the *pro forma* financial effects do not take into account any subsequent issuance of new Shares by the Company on or after 1 July 2014, the Proposed Jit Sun Transactions, the Proposed Disposal and the Proposed PEH Acquisition.

Share capital and NTA per Share

	Before the Proposed Shares Issue	After the Proposed Shares Issue
Number of issued Shares as at 30 June 2014	411,281,127	547,781,127
Share capital (S\$'000)	95,882	111,034
NTA attributable to Shareholders (S\$'000)	18,906	34,048
NTA per Share (cents)	4.60	6.22

Loss per Share

	Before the Proposed Shares Issue	After the Proposed Shares Issue
Net loss attributable to Shareholders in FY2014 (S\$'000)	3,670	3,680
Weighted average number of issued Shares	386,868,009	523,368,009
Loss per Share (cents)	0.95	0.70

3. PROPOSED DISPOSAL

3.1 Introduction

Pursuant to the terms and conditions of the Sale and Purchase Agreement, LRDS, as the owner and vendor, has agreed to sell to the Purchaser two drilling units, being (a) the Lewek Explorer 750; and (b) the Lewek Explorer 700, as well as certain auxiliary equipment (collectively, the “**Rigs**”, and the sale of the Rigs to the Purchaser, the “**Proposed Disposal**”), and the Purchaser has agreed to buy the Rigs for the Purchase Price of US\$16.0 million in cash.

The Purchaser is a wholly-owned subsidiary of Jit Sun, a Controlling Shareholder of the Company. Please refer to section 4.1 of this Circular for further details on Jit Sun.

LRDS is incorporated in the United States of America and its principal activities are (i) exploration and production of oil and gas; and (ii) provision of drilling and related oil field support services.

The Proposed Disposal is considered a “discloseable transaction” under Rule 1010 of the Rules of Catalist as the value of the Proposed Disposal exceeds the applicable materiality threshold. The Proposed Disposal is also an interested person transaction for the purposes of Chapter 9 of the Rules of Catalist, and as the value of the Proposed Disposal exceeds 5% of the Group’s latest audited NTA, the Proposed Disposal is subject to Shareholders’ approval (with Jit Sun and its associates abstaining from voting) pursuant to Rule 906(1)(a) of the Rules of Catalist. Please also refer to sections 3.8 and 3.10 of this Circular for more information.

3.2 Rationale for the Proposed Disposal

In May 2013, LRDS (as the borrower) and the Company (as the guarantor) had entered into a credit agreement with an external financial institution for a loan of US\$18.2 million to LRDS for the acquisition of the Rigs (the “**Rigs Loan**”). As mentioned in section 2.1 of this Circular, the Rigs were subsequently leased by the Group to Fram for the Lease Period of five-years pursuant to the Master Lease Agreement to satisfy part of the consideration payable by the Group to Fram for the acquisition of 20% of the issued and paid-up share capital of Fram. Under the Master Lease Agreement, Fram paid a nominal rent of US\$0.50 as full compensation for the entire term of the lease.

The Rigs were utilised by Fram at its oil and gas onshore assets in the Piceance basin in Colorado and the Williston basin in North Dakota, United States. The Company had intended for the income generated from Fram’s drilling activities to contribute to the Group’s income by virtue of the Group’s shareholding interest in Fram and to utilise such income to service the monthly principal and interest repayments under the Rigs Loan.

In April 2014, the Company made a commercial decision with joint partners to cease drilling activities in the United States and as a result, there was no longer any income generated by the Rigs to service the monthly repayments of the Rigs Loan. The Rigs have been “hot-stacked” or “cold-stacked” (i.e. not operational) since 2014 and due to the recent decline in oil prices, the Rigs are currently not, and are not expected to be, utilised. The Company therefore negotiated with the external financial institution to restructure the Rigs Loan such that the Company was only required to pay interest on a monthly basis and the principal sum would be fully repayable by May 2015. Upon further negotiation, the external financial institution agreed to allow a final extension of the date of full repayment of the Rigs Loan to 30 June 2015. As at the Latest Practicable Date, approximately US\$15.5 million of the Rigs Loan remains outstanding.

The Company has sought to raise funds for repayment of the Rigs Loan but was unsuccessful. The Company had engaged and approached brokers to solicit interests in the disposal of the Rigs to independent third parties. [However, there is little indication of interests from independent third parties. There was only one offer made by an independent third party to the Company and it was on terms less favourable compared with those of the Proposed Disposal. In view of this, the Company decided to sell the Rigs to the Purchaser as the Purchaser had offered the best terms and is able to effect and complete the transaction within the time set out by the Company (in consideration of the 30 June 2015 deadline for full repayment of the Rigs Loan).

Taking into account, among others, the foregoing, the Proposed Disposal would enable the Company to fully repay the Rigs Loan by 30 June 2015 and allow the Company to immediately unlock the value in the Rigs, which is consistent with the intent of maximising returns to Shareholders, and is accordingly in the best interests of the Company.

3.3 The Rigs

Further information on the Rigs is set out below.

(a) The Lewek Explorer 750 refers to a 750 HP Heli Portable Drilling Rig.

Type : Heli Portable Drilling Rig

Design : LS30H-AC

Year of built : 2008

The Lewek Explorer 750 is designed with layout meeting requirements for helicopter hoisting, with assembly by an on-site crane. The drilling rig mainly comprises of a draw-works support chassis, mast, drill floor sub-structure and specialised drilling equipment.

- (b) The Lewek Explorer 700 refers to a 700 HP Rack & Pinion Drilling Unit.

Type : Rack & Pinion Mast Type Drilling Rig

Design : SENSE - EDM

Year of built : 2004

The Lewek Explorer 700 is a self-contained unit capable of all unbalanced drilling, milling, workover and snubbing operations that are currently being conducted with the conventional Stand Alone Snubbing Systems but operating at greater depths. It uses electronic-over-hydraulic operating systems and has an automated tripping procedure, thus increasing the speed at which the tubular are safely inserted or removed from wellbore.

3.4 Valuation of the Rigs

(a) Valuation

Ritchie & Bisset (Far East) Pte. Ltd. ("**Ritchie & Bisset**") was commissioned by the Company to carry out a desktop valuation of the Rigs. According to the valuation reports issued by Ritchie & Bisset dated 8 May 2015 (as supplemented by reports dated 19 June 2015) (the "**Reports**"), it was reported that, on the assumption that all equipment and principal particulars of the Rigs remain intact and the Rigs will be operationally ready when rigged-up;

- (i) the present day market value of the Lewek Explorer 750 ranges from US\$11.85 million to US\$13.85 million while its forced sale value ranges from US\$9.48 million to US\$10.95 million; and
- (ii) the present day market value of the Lewek Explorer 700 ranges from US\$4.15 million to US\$6.15 million while its forced sale value ranges from US\$3.2 million to US\$4.85 million,

(the "**Valuation**").

(b) Valuation Methodology

In arriving at the Valuation, Ritchie & Bisset had adopted the market approach as the most appropriate valuation approach. It was of the view that the market approach was not appropriate and the cost approach may not be the most appropriate valuation approach in carrying out the valuation of the Rigs for the reasons elaborated below.

Please refer to the Reports for further information on the Valuation and the Valuation methodology.

3.5 Principal Terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are as set out below:

(a) Consideration

The Purchase Price is US\$16.0 million and is payable entirely in cash upon completion of the Proposed Disposal. The Purchase Price was arrived at, on a willing-buyer and willing-seller basis, after negotiations which were conducted at an arm's length between the parties, and takes into account, among others, the Valuation as well as the fact that the Rigs are current not, and not expected to be utilised.

The Purchaser will also be responsible for the payment of the sales tax, or similar tax (if any) payable in connection with the sale and purchase of the Rigs.

(b) Conditions to Closing

The obligation of LRDS to complete the Proposed Disposal is subject to the following conditions precedent being fulfilled or waived prior to the Closing Date:

- (i) the approval of Shareholders for the sale of the Rigs at a general meeting to be convened; and
- (ii) no statute, rule, regulation, executive order, decree or injunction being enacted, entered, promulgated or enforced by any court or governmental entity which prohibits the consummation of the transactions contemplated to occur at the Closing.

(c) Other salient terms

(i) Title, ownership and possession and risk of loss

Title, ownership and possession and risk of loss of the Rigs will pass to the Purchaser upon completion of the Closing.

(ii) "As-is-where-is" basis

On the Closing Date, the Purchaser will take delivery and possession of the Rigs on an "as-is-where-is" basis.

(iii) Exclusion of LRDS' Trademarks and Logos

The sale of the Rigs is exclusive of the right, title and interest in any of the Group's trade names, trademarks, identifying logos or service marks related thereto or any part or variation of any of the foregoing (collectively, the "**Trademarks and Logo**") and neither the Purchaser nor any of its subsidiaries or associated companies shall make any use of the Trademarks and Logo at any time, provided however that the Purchaser shall have a period of up to 60 days after the Closing Date in which, at its own cost, to remove from the Rigs, or paint over, any of the Trademarks and Logo.

3.6 Gain on the Sale of the Rigs

The book value of the Rigs as of 31 March 2015 is approximately US\$13.8 million and the gain on the Proposed Disposal is approximately US\$2.1 million, based on the unaudited consolidated financial statements of the Company as at 31 March 2015.

3.7 Use of Proceeds relating to the Proposed Disposal

The Group will be utilising the net proceeds of approximately US\$16.0 million for (a) full repayment of the Rigs Loan (97.0%); and (b) the balance for general corporate requirements (3.0%).

Prior to the deployment of the net proceeds for the above-mentioned purposes, the net proceeds may be placed in deposits with banks and/or financial institutions or invested in short-term money market instruments, marketable securities or used for any short-term basis, as the Directors may, in their absolute discretion, deem fit.

3.8 Relative Figures Computed on the Bases set out in Rule 1006 of the Rules of Catalyst

Based on the Group's latest announced unaudited consolidated financial statements for the nine-month financial period ended 31 March 2015, the relative figures of the Proposed Disposal computed on the relevant bases set out in Rule 1006 of the Rules of Catalyst are as follows:

Bases in Rule 1006	Relative Figures
(a) Net asset value of the Rigs to be disposed of, compared with the Group's net asset value	19% ⁽¹⁾
(b) Net profit attributable to the Rigs to be disposed of, compared with the Group's net profit	Not applicable as there is no net profit or loss attributable to the Rigs.
(c) Consideration received for the Rigs compared with the Company's market capitalisation	33% ⁽²⁾
(d) Number of equity securities issued by the Company as consideration for the Rigs, compared with the number of equity securities previously in issue	Not applicable as the Proposed Disposal pertains to a sale by the Company and not an acquisition, and no equity securities will be issued by the Company for the Proposed Disposal.
(e) 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 Proposed Disposal does not pertain to a disposal of mineral, oil or gas assets by a mineral, oil and gas company.

Notes:

⁽¹⁾ Based on the unaudited consolidated net asset value of the Rigs as at 31 March 2015 of approximately US\$13.8 million, as compared to the unaudited consolidated net asset value of the Group as at 31 March 2015 of approximately US\$74.4 million.

⁽²⁾ Based on the Purchase Price of US\$16.0 million (or approximately S\$21.36 million based on the exchange rate of US\$1:S\$1.335) and the Company's market capitalisation of approximately S\$64.0 million, computed based on the Company's existing issued and paid-up share capital of 571,303,127 Shares and the volume weighted average price of S\$0.112 per Share on 12 May 2015, being the market day preceding the date of the Sale and Purchase Agreement.

As the relative figures under Rules 1006(a) and (c) of the Rules of the Catalist exceed 5% but does not exceed 50%, the Proposed Disposal constitutes a "discloseable transaction" under Rule 1010 of the Rules of Catalist.

3.9 Financial Effects of the Proposed Disposal

The *pro forma* financial effects of the Proposed Disposal presented below are **strictly for illustrative purposes only** and are not intended to be indicative of or reflect the actual future financial situation of the Company and the Group after the completion of the Proposed Disposal.

The *pro forma* financial effects of the Proposed Disposal have been computed based on the audited consolidated financial statements of the Group for FY2014 as well as the following assumptions:

- (a) the financial effect on the consolidated NTA per Share is computed based on the assumption that the Proposed Disposal was completed on 30 June 2014;
- (b) the financial effect on the loss per Share is computed based on the assumption that the Proposed Disposal was completed on 1 July 2013; and
- (c) expenses relating to the Proposed Disposal of approximately S\$10,000.

For the avoidance of doubt, the *pro forma* financial effects do not take into account any subsequent issuance of

new Shares by the Company on or after 1 July 2014, the Proposed Jit Sun Transactions, the Proposed Shares Issue and the Proposed PEH Acquisition.

Share capital and NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to Shareholders (S\$'000)	18,906	21,767
Number of issued Shares as at 30 June 2014	411,281,127	411,281,127
NTA per Share (cents)	4.60	5.29

Loss per Share

	Before the Proposed Disposal	After the Proposed Disposal
Net Loss attributable to Shareholders in FY2014 (S\$'000)	3,670	3,680
Weighted average number of issued Shares	386,868,009	386,868,009
Loss per Share (cents)	0.95	0.95

Gearing ratio

	Before the Proposed Disposal	After the Proposed Disposal
Gearing ratio ⁽¹⁾	86%	63%

Note:

- ⁽¹⁾ Gearing ratio is calculated as follows:

$$(\text{Total borrowings minus cash and cash equivalents}) / \text{Total shareholders' equity}$$

3.10 Proposed Disposal as an Interested Person Transaction

LRDS, being a wholly-owned subsidiary of the Company which is not listed on any stock exchange, is the “entity at risk” for the purposes of Chapter 9 of the Rules of Catalist. The Purchaser, being a wholly-owned subsidiary of Jit Sun is an “interested person” of the Company for the purposes of Chapter 9 of the Rules of Catalist. Accordingly, the Proposed Disposal is to be regarded as an “interested person transaction” for the purposes of Chapter 9 of the Rules of Catalist.

Based on the latest audited consolidated financial statements of the Group for FY2014, the NTA of the Group was approximately S\$18.9 million as at 30 June 2014. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by the Company with an “interested person” is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or exceeds 5% of the Group’s NTA, being S\$945,000, such a transaction would be subject to Shareholders’ approval. Given that the Purchase Price for the Proposed Disposal is US\$16.0 million, it represents approximately 113.02% of the Group’s latest audited NTA as at 30 June 2014 and accordingly, Shareholders’ approval for the Proposed Disposal as an interested person transaction is required pursuant to Rule 906(1)(a) of the Rules of Catalist.

As elaborated in section 4.10 of this Circular, the Proposed Jit Sun Transactions are interested person transactions which are subject to the approval of Shareholders at the EGM pursuant to Rule 906(1)(a) of the Rules of Catalist. The aggregate value of (a) the interest payable by the Company in relation to the S\$13M Jit Sun Loan and the S\$15M Jit Sun Loan, (b) the Proposed Jit Sun Transactions and (c) the Proposed Disposal is S\$45,580,000 (based on the exchange rate of US\$1:S\$1.335), which represents approximately 241.16% of the Group’s audited NTA as at 30 June 2014. As at the Latest Practicable Date, save for the aforesaid transactions, there are no other interested person transactions (excluding transactions less than S\$100,000) between the Company and (ai) Jit Sun and its associates or (ii) any other interested persons for FY2015.

3.11 Service Contracts Of Directors

No person is proposed to be appointed to the Board, and hence no director's service contract is to be entered into by the Company with any person, in connection with the Proposed Disposal.

4 PROPOSED JIT SUN TRANSACTIONS

4.1 Information on Jit Sun

Jit Sun is a company incorporated in the Republic of Singapore, and is a Controlling Shareholder of the Company. As at the Latest Practicable Date, Jit Sun has direct and indirect interests in an aggregate of 112,227,273 Shares, representing approximately 19.64% of the issued and paid-up share capital of the Company. Lee Chye Tek Lionel is the sole shareholder of Jit Sun, and is the brother of Lee Chye Cheng Adrian who is the Managing Director of the Company.

4.2 S\$15M Jit Sun Loan

(a) Introduction

On 1 April, the Company entered into the S\$15M Initial Loan Agreement with Jit Sun, pursuant to which Jit Sun had extended the S\$15M Jit Sun Loan to the Company on the terms and conditions in the S\$15M Initial Loan Agreement. The terms of the S\$15M Initial Loan Agreement were subsequently amended by the S\$15M Supplemental Loan Agreement pursuant to which Jit Sun has the right to request the Company from time to time to allot and issue new Shares to Jit Sun at the Original S\$15M Loan Conversion Price of S\$0.300 per new Share, for full or partial repayment of the Outstanding S\$15M Loan Principal Amount (the "**S\$15M Loan Convertibility Option**") (provided always that the number of new Shares to be allotted and issued to Jit Sun pursuant to any exercise of the S\$15M Loan Convertibility Option, when aggregated with the Shares held by Jit Sun and persons acting in concert with Jit Sun (as defined under the Code), being capped at such number of Shares that would not result in Jit Sun acquiring Shares which carry 30% or more of the voting rights of the Company immediately prior to such allotment and issuance, and, which accordingly, shall not require Jit Sun to extend a mandatory general offer to Shareholders under the Code).

The salient terms of the S\$15M Initial Loan Agreement, the S\$15M Supplemental Loan Agreement and the S\$15M Loan Convertibility Option were set out in the Company's circular to Shareholders dated 12 August 2014. Pursuant to the extraordinary general meeting held on 27 August 2014, the Shareholders approved, amongst others, the allotment and issuance of up to 50,000,000 new Shares at the Original S\$15M Loan Conversion Price in the event that Jit Sun exercises the S\$15M Loan Convertibility Option to convert all or part of the Outstanding S\$15M Loan Principal Amount.

The S\$15M Jit Sun Loan was fully drawn-down by the Company in April 2014. As at the Latest Practicable Date, the Company has repaid S\$4.88 million of the principal amount drawn down pursuant to the S\$15M Initial Loan Agreement and Jit Sun has not exercised the S\$15M Loan Convertibility Option. Accordingly, as at the Latest Practicable Date, the Outstanding S\$15M Loan Principal Amount is S\$10.12 million and the accrued interest payable thereon is approximately S\$0.60 million. Interest payments on the S\$15M Jit Sun Loan are payable in cash, and are not convertible into Jit Sun Shares.

(b) Proposed Reduction in Conversion Price

On 8 June 2015, the Company entered into the S\$15M Second Supplemental Loan Agreement with Jit Sun to reduce the Original S\$15M Loan Conversion Price to the Jit Sun Conversion Price (being S\$0.110 per Jit Sun Share).

4.3 S\$13M Jit Sun Loan

(a) Introduction

On 1 December 2014, the Company entered into the S\$13M Initial Loan Agreement with Jit Sun, pursuant to which Jit Sun had extended the S\$13M Jit Sun Loan to the Company. Pursuant to the S\$13M Initial Loan Agreement, Jit Sun has the right to request the Company from time to time to allot and issue new Shares to Jit Sun at the Original S\$13M Loan Conversion Price of S\$0.127 per new Share, for full or partial repayment of the Outstanding S\$13M Loan Principal Amount (the “**S\$13M Loan Convertibility Option**”), subject to the terms and conditions of the S\$13M Initial Loan Agreement.

On 8 June 2015, the Company entered into the S\$13M Supplemental Loan Agreement with Jit Sun to reduce the Original S\$13M Loan Conversion Price to the Jit Sun Conversion Price (being S\$0.110 per Jit Sun Share).

The main terms of the S\$13M Jit Sun Loan are set out in section 4.3(b) below.

The S\$13M Jit Sun Loan was fully drawn-down by the Company in December 2014. As at the Latest Practicable Date, the Company has not repaid any portion of the principal amount drawn down pursuant to the S\$13M Initial Loan Agreement. Accordingly, as at the Latest Practicable Date, the Outstanding S\$13M Loan Principal Amount is S\$13.00 million and the accrued interest payable thereon is approximately S\$0.50 million.

(b) Details of the S\$13M Jit Sun Loan

The main terms of the S\$13M Jit Sun Loan are as follows:

- (i) The S\$13M Jit Sun Loan shall be repayable by the Company upon demand by Jit Sun.
- (ii) Subject to sub-paragraph (iii) below, Jit Sun shall have the right to request the Company, from time to time, to allot and issue such number of Jit Sun Shares to Jit Sun at the Jit Sun Conversion Price for full or partial repayment of the Outstanding S\$13M Loan Principal Amount.
- (iii) Jit Sun’s right to request the Company to allot and issue the Jit Sun Shares in sub-paragraph (ii) above is subject to and conditional upon:
 - (A) the number of Jit Sun Shares to be allotted and issued to Jit Sun, when aggregated with the Shares held by Jit Sun and persons acting in concert with Jit Sun (as defined under the Code), would not result in Jit Sun acquiring Shares which carry 30% or more of the voting rights of the Company immediately prior to such allotment and issuance, and which accordingly, shall not require Jit Sun to extend a mandatory general offer to Shareholders under the Code;
 - (B) the approval of Shareholders in an extraordinary general meeting being obtained for the S\$13M Loan Convertibility Option in the S\$13M Loan Agreement and (if applicable) upon conversion of the Outstanding S\$13M Loan Principal Amount upon the request of Jit Sun, and the allotment and issuance of the Jit Sun Shares on the terms set out in the S\$13M Loan Agreement, in accordance with the requirements of the Rules of Catalist; and
 - (C) the approval of the SGX-ST for the listing of and quotation for the Jit Sun Shares on Catalist, on terms reasonably satisfactory to Jit Sun and the LQN Notice remaining in full force and effect at the completion of such allotment and issuance and, if the LQN Notice is subject to any conditions which are required to be fulfilled on or prior to the completion of such allotment and issuance, such conditions are so fulfilled.
- (iv) Jit Sun may not, without the prior written consent of the Company, assign, grant any security interest over, hold on trust or otherwise transfer the benefit of the whole or any part of the S\$13M Loan Agreement, including but not limited to the S\$13M Loan Convertibility Option.

- (v) In the event that the Company goes into liquidation, the S\$13M Jit Sun Loan will rank:
 - (A) *pari passu* with all other unsecured lenders of the Company; and
 - (B) senior to all classes of shares in the capital of the Company.
- (vi) Interest payments on the S\$13M Jit Sun Loan are payable in cash, and are not convertible into the Jit Sun Shares.
- (vii) The governing law of the S\$13M Loan Agreement is Singapore law.

4.4 Jit Sun Undertaking

On 8 June 2015, Jit Sun entered into a deed of undertaking (the “**Jit Sun Undertaking**”) wherein it has undertaken to the Company that it would:

- (a) within five days after the EGM, exercise the S\$13M Loan Convertibility Option in full, such that 118,181,818 Jit Sun Shares will be allotted and issued to it pursuant to such conversion; and
- (b) on or before the date of completion of the Proposed PEH Acquisition, exercise the S\$15M Loan Convertibility Option in full, such that the remaining 92,000,000 Jit Sun Shares will be allotted and issued to it pursuant to such conversion.

The Jit Sun Undertaking is subject to and conditional upon:

- (i) the completion of the Proposed PEH Acquisition by 31 December 2015;
- (ii) the receipt of the LQN Notice for the listing and quotation for the Jit Sun Shares on Catalist; and
- (iii) approval from the Shareholders at the EGM for the Proposed Jit Sun Transactions.

The Jit Sun Undertaking will terminate upon the earlier of the following:

- (A) if the Company and the other parties to the MOU decide not to proceed with the Proposed PEH Acquisition for any reason whatsoever, upon the release of an announcement by the Company through SGXNET of such decision; and
- (B) 5.30 p.m. on 31 December 2015 (or such later date and time as may be agreed in writing between the Company and Jit Sun).

4.5 Jit Sun Conversion Price and Rationale for the Proposed Conversion Price Reduction

The proposed reduction of (a) the Original S\$13M Loan Conversion Price of S\$0.127; and (b) the Original S\$15M Loan Conversion Price of S\$0.300, to the Jit Sun Conversion Price of S\$0.110 was commercially agreed between Jit Sun and the Company on an arm’s length basis, taking into consideration, among others:

- (i) the Jit Sun Undertaking;
- (ii) the Issue Price of S\$0.110 in connection with the Proposed Shares Issue; and
- (iii) the issue price of S\$0.110 in connection with the proposed issue of new Shares to PEH as satisfaction of consideration payable by the Company to the shareholders of PEH for the Proposed PEH Acquisition. Further details of the MOU and the Proposed PEH Acquisition are set out in the Company’s announcement dated 9 June 2015.

The Board is therefore of the view that the Proposed Conversion Price Reduction will align the interests of its existing key stakeholders (being Jit Sun and Fram as at the Latest Practicable Date), and if the Proposed PEH Acquisition is completed, the shareholders of PEH which would be allotted and issued new Shares at the same issue price of S\$0.110.

The Jit Sun Conversion Price of S\$0.110 represents a 0.90% premium to the closing price per Share of S\$0.109 traded on Catalist on 4 June 2015, being the last full trading day immediately prior to the date of signing of the S\$15M Second Supplemental Loan Agreement and the S\$13M Supplemental Loan Agreement.

Pursuant to Rule 830 of the Rules of Catalist, the Company shall announce any adjustment made to the Jit Sun Conversion Price.

Please also see section 4.9 of this Circular for the rationale for the Proposed Jit Sun Transactions.

4.6 Conditions to exercise of the S\$15M Loan Convertibility Option and the S\$13M Loan Convertibility Option at the Jit Sun Conversion Price

Jit Sun's ability to exercise each of the S\$15M Loan Convertibility Option and the S\$13M Loan Convertibility Option at the Jit Sun Conversion Price is conditional upon:

- (a) the approval of Shareholders in an EGM being obtained for (i) the Jit Sun Conversion Price, (ii) in the case of the S\$13M Jit Sun Loan only, the provision of the S\$13M Loan Convertibility Option in the S\$13M Loan Agreement, and (iii) (if applicable) upon conversion of the Outstanding S\$15M Loan Principal Amount and/or the Outstanding S\$13M Loan Principal Amount, in each case, upon the request of Jit Sun, the allotment and issuance of the Jit Sun Shares on the terms set out in the S\$15M Loan Agreement or, as the case may be, the S\$13M Loan Agreement, in accordance with the requirements of the Rules of Catalist;
- (b) the approval of the SGX-ST for the listing of and quotation for the Jit Sun Shares on Catalist, on terms reasonably satisfactory to Jit Sun and the LQN Notice remaining in full force and effect at the completion of such allotment and issuance and, if the LQN Notice is subject to any conditions which are required to be fulfilled on or prior to the completion of such allotment and issuance, such conditions are so fulfilled; and
- (c) for the avoidance of doubt, should Shareholders' approval for the Proposed Jit Sun Transactions not be obtained at the EGM:
 - (i) the S\$15M Loan Convertibility Option will remain and the exercise of the S\$15M Loan Convertibility Option will be at the Original S\$15M Loan Conversion Price instead of the Jit Sun Conversion Price; and
 - (ii) the S\$13M Jit Sun Loan will remain. However, Jit Sun would not have the S\$13M Loan Convertibility Option to request the Company to allot and issue the Jit Sun Shares to Jit Sun for full repayment of the Outstanding S\$13M Loan Principal Amount, and the repayment of the Outstanding S\$13M Loan Principal Amount will have to be in cash.

4.7 Jit Sun Shares

The number of Jit Sun Shares to be issued to Jit Sun is based on the following:

- (a) The number of Jit Sun Shares to be allotted and issued to Jit Sun is calculated by dividing the Outstanding S\$15M Loan Principal Amount or the Outstanding S\$13M Loan Principal Amount, as the case may be, by the Jit Sun Conversion Price.
- (b) Subject always to the terms and conditions of the S\$13M Loan Agreement, and based on the Outstanding S\$13M Loan Principal Amount of S\$13.00 million as at the Latest Practicable Date, the maximum number of Jit Sun Shares that will be allotted and issued upon the exercise of the S\$13M Loan Convertibility Option in respect of the full Outstanding S\$13M Loan Principal Amount is 118,181,818 Jit Sun Shares (rounded down to the nearest whole number) (the "**Maximum S\$13M Loan Jit Sun Shares**").

- (c) Subject always to the terms and conditions of the S\$15M Loan Agreement, and based on the Outstanding S\$15M Loan Principal Amount of S\$10.12 million as at the Latest Practicable Date, the maximum number of Jit Sun Shares that will be allotted and issued upon the exercise of the S\$15M Loan Convertibility Option in respect of the full Outstanding S\$15M Loan Principal Amount is 92,000,000 Jit Sun Shares (the “**Maximum S\$15M Loan Jit Sun Shares**”, and together with the Maximum S\$13M Loan Jit Sun Shares, the “**Maximum Jit Sun Shares**”).
- (d) However, the Maximum S\$15M Loan Jit Sun Shares or, as the case may be, the Maximum S\$13M Loan Jit Sun Shares will be revised in the event that the Jit Sun Conversion Price is adjusted pursuant to the adjustment events set out in Appendix A of this Circular. In the event that the Jit Sun Conversion Price is adjusted and subject always to the terms and conditions of the S\$15M Loan Agreement or, as the case may be, the S\$13M Loan Agreement, the revised Maximum S\$15M Loan Jit Sun Shares or, as the case may be, the revised Maximum S\$13M Loan Jit Sun Shares will be calculated by dividing the then Outstanding S\$15M Loan Principal Amount or, as the case may be, the Outstanding S\$13M Loan Principal Amount by the revised Jit Sun Conversion Price (adjusted in accordance with the adjustment events and the adjustment formulae set out in Appendix A of this Circular).
- (e) The Jit Sun Shares, if and when allotted and issued, shall be credited as fully paid and rank *pari passu* in all respects with the then existing Shares.

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of 571,303,127 Shares and has no treasury shares.

Subject to the approval of Shareholders at the EGM, the Maximum Jit Sun Shares that can be allotted and issued pursuant to the full exercise of both the S\$13M Loan Convertibility Option and the S\$15M Loan Convertibility Option is 210,181,818 Jit Sun Shares (provided always that the number of Jit Sun Shares to be allotted and issued to Jit Sun, when aggregated with the Shares held by Jit Sun and persons acting in concert with Jit Sun (as defined under the Code), being capped at such number of Shares that would not result in Jit Sun acquiring Shares which carry 30% or more of the voting rights of the Company immediately prior to such allotment and issuance, and, which accordingly, shall not require Jit Sun to extend a mandatory general offer to the Shareholders under the Code), representing (i) approximately 36.79% of the existing issued and paid-up share capital of the Company as at the Latest Practicable Date, and (ii) approximately 26.90% of the enlarged issued share capital of the Company on a diluted basis, after adjusting for the issue of the Maximum Jit Sun Shares (and for the avoidance of doubt, without taking into account the new Shares to be issued and diluted in connection with the Proposed Shares Issue and the Proposed of PEH Acquisition).

4.8 Amendments to the S\$15M Loan Agreements and the S\$13M Loan Agreement

The Company and Jit Sun shall not agree to a material alteration to the terms of the S\$15M Loan Agreement and the S\$13M Loan Agreement to the advantage of Jit Sun, without seeking the approval of Shareholders, except where the alterations are made pursuant to the terms of the S\$15M Loan Agreement or, as the case may be, the S\$13M Loan Agreement.

4.9 Rationale for the Proposed Jit Sun Transactions

The Proposed Jit Sun Transactions will enable the Company to strengthen its balance sheet position as further described below, and this is particularly favourable in view of the prevailing difficult industry conditions and general tight liquidity in the financial markets.

As at the Latest Practicable Date, the aggregate outstanding principal amount (comprising S\$13.00 million from the S\$13M Jit Sun Loan and approximately S\$10.12 million from the S\$15M Jit Sun Loan) amounts to approximately S\$23.12 million (the “**Aggregate Outstanding Loan Principal Amount**”). Subject to Shareholders’ approval for the Proposed Jit Sun Transactions being obtained at the EGM, Jit Sun has undertaken to the Company that it would, pursuant to the Jit Sun Undertaking, exercise the S\$13M Loan Convertibility Option in full at the Jit Sun Conversion Price within five days after the EGM. The Aggregate Outstanding Loan Principal Amount will accordingly be reduced to approximately S\$10.12 million.

Upon the full exercise of the S\$13M Loan Convertibility Option and the S\$15M Loan Convertibility Option, the Aggregate Outstanding Loan Principal Amount will be fully repaid.

4.10 Proposed Jit Sun Transactions as Interested Person Transactions

Under Chapter 9 of the Rules of Catalist, where an entity at risk (as defined in the Rules of Catalist) proposes to enter into a transaction with an interested person (as defined in the Rules of Catalist) and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 5.0% of the group's latest audited NTA, shareholders' approval is required in respect of the transaction.

As at the Latest Practicable Date, Jit Sun holds approximately 19.64% of the issued and paid-up share capital of the Company. As such, Jit Sun is a Controlling Shareholder of the Company. Furthermore, the sole shareholder of Jit Sun, Lee Chye Tek Lionel, is the brother of Lee Chye Cheng Adrian who is the Managing Director of the Company. Since Jit Sun is a Controlling Shareholder of the Company and an associate of a Director of the Company, it is regarded as an interested person of the Company for the purposes of Chapter 9 of the Rules of Catalist. The Proposed Jit Sun Transactions are therefore considered to be interested person transactions for the Company under Chapter 9 of the Rules of Catalist.

Based on the latest audited financial statements of the Group for FY2014, the audited NTA of the Group as at 30 June 2014 was approximately S\$18.90 million.

The interest payable by the Company to Jit Sun, based on each of the Outstanding S\$13M Loan Principal Amount of S\$13.00 million and the Outstanding S\$15M Loan Principal Amount of S\$10.12 million as at the Latest Practicable Date, would be approximately S\$0.50 million and S\$0.60 million respectively, which amounts to approximately 2.65% and 3.17% respectively, of the Group's audited NTA as at 30 June 2014. The total interest payable by the Company to Jit Sun, based on such Outstanding S\$13M Loan Principal Amount and Outstanding S\$15M Loan Principal Amount as at the Latest Practicable Date, would be approximately S\$1.10 million, which amounts to approximately 5.82% of the Group's audited NTA as at 30 June 2014.

Based on the Outstanding S\$13M Loan Principal Amount of S\$13.00 million and the Outstanding S\$15M Loan Principal Amount of S\$10.12 million as at the Latest Practicable Date, the S\$13M Loan Convertibility Option and the S\$15M Loan Convertibility Option to be exercised by Jit Sun would result in the issue of 118,181,818 Jit Sun Shares (rounded down to the nearest whole number) and 92,000,000 Jit Sun Shares respectively, the value of which represents approximately 68.78% and 53.54% of the Group's NTA respectively as at 30 June 2014. Based on such Outstanding S\$13M Loan Principal Amount and Outstanding S\$15M Loan Principal Amount as at the Latest Practicable Date, the S\$13M Loan Convertibility Option and the S\$15M Loan Convertibility Option to be exercised by Jit Sun would result in the issue of up to 210,181,818 Jit Sun Shares, the value of which represents approximately 122.33% of the Group's NTA as at 30 June 2014.

Accordingly, the Proposed Jit Sun Transactions are interested person transactions which are subject to the approval of Shareholders at the EGM pursuant to Rule 906(1)(a) of the Rules of Catalist.

Please refer to section 3 of this Circular (in particular section 3.10) for information on the Proposal Disposal, which is also an interested person transaction between the Group and Jit Sun and its associates.

4.11 Restricted Placee

Jit Sun, being a Controlling Shareholder of the Company, is considered to be a "restricted placee" pursuant to Rule 812(1) of the Rules of Catalist, which states as follows:

"An issue must not be placed to any of the following persons:

- (a) the issuer's directors and substantial shareholders;*
- (b) immediate family members of the directors and substantial shareholders;*

- (c) *substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer's substantial shareholders;*
- (d) *corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10%; or*
- (e) *any person who, in the opinion of the Exchange, falls within category (a) to (d)."*

Pursuant to Rule 812(2) of the Rules of Catalist, Rule 812(1) of the Rules of Catalist will not apply if specific shareholder approval for such a placement is obtained. It further provides that the person and its associates must abstain from voting on the resolution approving the placement.

As Jit Sun is a Controlling Shareholder of the Company, the Proposed Jit Sun Transactions are required to be approved by independent Shareholders under Rule 812 of the Rules of Catalist and Jit Sun and its associates will abstain from voting on the resolution to approve the foregoing.

4.12 Issue of Convertible Securities and New Securities

Rule 805 of the Rules of Catalist provides that an issuer must obtain prior approval of shareholders in a general meeting for the issue of shares or convertible securities or grant of options carrying rights to subscribe for shares in the issuer. Rule 824 of the Rules of Catalist provides that every issue of convertible securities not covered under a general mandate must be specifically approved by shareholders in a general meeting.

In view of the above, the Proposed Jit Sun Transactions are required to be approved by Shareholders under Rule 805 and Rule 824 of the Rules of Catalist.

4.13 Directors' Opinion

The Directors are of the opinion that, barring any unforeseen circumstances, after taking into consideration the Group's present bank facilities, internal resources and operating cashflow, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the present sufficiency of working capital, the Directors are of the opinion that the Proposed Jit Sun Transactions will strengthen its balance sheet position.

4.14 Financial Effects of the Proposed Jit Sun Transactions

The *pro forma* financial effects of the Proposed Jit Sun Transactions presented below are **strictly for illustrative purposes only** and are not intended to be indicative of or reflect the actual future financial situation of the Company and the Group after the completion of the Proposed Jit Sun Transactions. Such *pro forma* financial effects of the Proposed Jit Sun Transactions have been computed based on the latest audited consolidated financial statements of the Group for FY2014, as well as the following assumptions:

- (a) the financial effect on the consolidated NTA per Share is computed based on the assumption that the Proposed Jit Sun Transactions were completed on 30 June 2014;
- (b) the financial effect on the loss per Share is computed based on the assumption that the Proposed Jit Sun Transactions were completed on 1 July 2013;
- (c) the Aggregate Outstanding Loan Principal Amount is S\$23.12 million;
- (d) no further adjustments have been made to the Jit Sun Conversion Price;
- (e) Jit Sun exercises each of the S\$15M Loan Convertibility Option and the S\$13M Loan Convertibility Option in full, and accordingly, 210,181,818 Jit Sun Shares have been issued at the end of FY2014 at the Jit Sun Conversion Price of S\$0.110 per Jit Sun Share; and

(f) expenses relating to the Proposed Jit Sun Transactions are approximately S\$10,000.

For the avoidance of doubt, the *pro forma* financial effects do not take into account any subsequent issuance of new Shares by the Company on or after 1 July 2014, the Proposed Disposal, the Proposed Shares Issue and the Proposed PEH Acquisition.

Share capital and NTA per Share

	Before the Proposed Jit Sun Transactions	After the Proposed Jit Sun Transactions
Number of issued Shares as at 30 June 2014	411,281,127	621,462,945
Share capital (S\$'000)	95,882	119,002
NTA attributable to Shareholders (S\$'000)	18,906	42,106
NTA per Share (cents)	4.60	6.76

Loss per Share

	Before the Proposed Jit Sun Transactions	After the Proposed Jit Sun Transactions
Net loss attributable to Shareholders in FY2014 (S\$'000)	3,670	3,680
Weighted average number of issued Shares	386,868,009	597,049,827
Loss per Share (cents)	0.95	0.62

Gearing

	Before the Proposed Jit Sun Transactions	After the Proposed Jit Sun Transactions
Gearing Ratio ⁽¹⁾	86%	62%

Note:

⁽¹⁾ Gearing ratio is calculated as follows:
(Total borrowings minus cash and cash equivalents) / Total shareholders' equity

5 APPROVAL

An application will be made to the Sponsor and the SGX-ST for the approval for the dealing in, listing of, and quotation for, the Jit Sun Shares and the Fram Shares. An announcement will be made by the Company to notify Shareholders of the receipt of the LQN Notice in due course.

The LQN Notice, if granted by the SGX-ST, for the dealing in, listing of, and quotation for, the Jit Sun Shares and the Fram Shares are not to be taken as an indication of the merits of the Proposed Shares Issue, the Proposed Jit Sun Transactions, the Jit Sun Shares, the Fram Shares, the Company, its subsidiaries and their securities.

6 CHANGES IN INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date and immediately after the issuance of the Maximum Jit Sun Shares and the Fram Shares are set out below.

	As at the Latest Practicable Date ⁽¹⁾				Immediately after the issuance of the Maximum Jit Sun Shares and the Fram Shares ⁽²⁾			
	Number of Shares				Number of Shares			
	Direct Interest	Deemed Interest	Total Interest	Total Interest (%)	Direct Interest	Deemed Interest	Total Interest	Total Interest (%)
Directors								
Simon Charles Lockett	-	-	-	-	-	-	-	-
Lee Chye Cheng Adrian	50,000	-	50,000	0.01	50,000	-	50,000	0.01
Chan Eng Yew (Zeng Rongyao)	-	-	-	-	-	-	-	-
Teo Choon Kow @ William Teo	-	-	-	-	-	-	-	-
Chia Yong Whatt	-	-	-	-	-	-	-	-
Substantial Shareholders								
Jit Sun	927,272 ⁽³⁾	111,300,000 ⁽³⁾	112,227,273	19.64	211,109,091	111,300,000 ⁽³⁾	322,409,091	35.12 ⁽⁴⁾
Lee Chye Tek Lionel	-	112,227,273 ⁽⁵⁾	112,227,273	19.64	-	322,409,091 ⁽⁵⁾	322,409,091	35.12
Fram	-	-	-	-	136,500 000	-	136,500,000	14.87 ⁽⁶⁾
Rex International Holdings Limited	-	-	-	-	-	136,500 000	136,500 000	14.87 ⁽⁶⁾
Wave Link L.P.	58,318,000	-	58,318,000	10.21	58,318,000	-	58,318,000	6.35
Wave Link Investments Limited	-	58,318,000 ⁽⁷⁾	58,318,000	10.21	-	58,318,000 ⁽⁷⁾	58,318,000	6.35
Hui Yin Rong	-	58,318,000 ⁽⁷⁾	58,318,000	10.21	-	58,318,000 ⁽⁷⁾	58,318,000	6.35
Sim Siang Choon	46,500,000	6,590,000 ⁽⁸⁾	53,090,000	9.29	46,500,000	6,590,000 ⁽⁸⁾	53,090,000	5.78
Kwan Lin Siew	5,245,000	46,500,000 ⁽⁹⁾	51,745,000	9.06	5,245,000	46,500,000 ⁽⁹⁾	51,745,000	5.64
Golden Maine Investments Limited	37,900,000	-	37,900,000	6.63	37,900,000	-	37,900,000	4.13
Venstar Capital Management Pte Ltd	-	30,000,000 ⁽¹⁰⁾	30,000,000	5.25	-	30,000,000 ⁽¹⁰⁾	30,000,000	3.27

Notes:

⁽¹⁾ The issued and paid-up share capital of the Company as at the Latest Practicable Date comprises 571,303,127 Shares.

- (2) The enlarged issued share capital of the Company on a fully diluted basis comprises 917,984,945 Shares, after adjusting for the issue of (a) Maximum Jit Sun Shares and (b) 136,500,000 Fram Shares.
- (3) Jit Sun is deemed interested in the (a) 60,000,000 Shares held by HSBC (Singapore) Nominees Pte Ltd, (b) 13,000,000 Shares held by United Overseas Bank Nominees (Pte), (c) 20,300,000 Shares held by Citibank Nominees Singapore Pte Ltd, and (d) 18,000,000 Shares held by RHB Bank Nominees Pte Ltd.
- (4) This assumes that the Maximum Jit Sun Shares are issued. However, pursuant to the S\$13M Loan Agreement and the S\$15M Loan Agreement, the exercise of the S\$13M Loan Convertibility Option and the S\$15M Loan Convertibility Option, respectively, is subject to Jit Sun not be required to extend a mandatory general offer to the Shareholders under the Code.
- (5) Lee Chye Tek Lionel is the sole shareholder of Jit Sun and is accordingly deemed interested in the 112,227,273 Shares held by Jit Sun.
- (6) Fram is a limited company incorporated in the Kingdom of Norway. By virtue of its shareholding interest in Fram which exceeds 20.0%, Rex International Holdings Limited is deemed to be interested in the 136,500,000 Shares which Fram will hold. As at the Latest Practicable Date, the Company is unaware of the shareholding details of Fram. Nonetheless, Fram, as a current Substantial Shareholder, will be obliged to make a substantial shareholder notification to the Company upon the issue and allotment of the Fram Shares to it.
- (7) Wave Link Investments Limited is the general partner of Wave Link L.P., a limited partnership. Wave Link Investments Limited has full control over the business and affairs of Wave Link L.P., including making all investment and divestment decisions and voting arrangements with respect to securities and interests held by it on behalf of Wave Link L.P. Hui Yin Rong has a direct interest in 100.0% of the ordinary shares in, and controls, Wave Link Investments Limited. Accordingly, Wave Link Investments Limited and Hui Yin Rong are deemed interested in the 58,318,000 Shares held by Wave Link L.P.
- (8) Sim Siang Choon is the spouse of Kwan Lin Siew and is accordingly deemed interested in the 5,245,000 Shares held by Kwan Lin Siew and the 1,345,000 Shares held by his son, Sim Poh Kip.
- (9) Kwan Lin Siew is the spouse of Sim Siang Choon and is accordingly deemed interested in the 46,500,000 Shares held by Sim Siang Choon.
- (10) Venstar Capital Management Pte Ltd is the fund manager of Venstar Investments Ltd and Venstar Investments II Ltd and is accordingly deemed interested in the 12,500,000 Shares held by Venstar Investments Ltd and the 17,500,000 Shares held by Venstar Investments II Ltd.

7 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7.1 Proposed Shares Issue

Other than interests held through the Company as Shareholders, none of the Directors or Substantial Shareholders and their respective associates has any interest, direct or indirect, in the Proposed Shares Issue.

7.2 Proposed Disposal and Proposed Jit Sun Transactions

In accordance with Rule 919 of the Rules of Catalyst, an interested person shall abstain and ensure its associates will abstain, from voting on resolutions approving interested person transactions involving themselves and their associates. Furthermore, such interested persons and their associates shall not act as proxies in relation to such resolutions unless voting instructions have been given by the relevant shareholder. In addition, a restricted placee under Rule 812 of the Rules of Catalyst and its associates must abstain from voting on the resolution approving a placement to the restricted placee.

(a) Abstaining Director

Lee Chye Cheng Adrian, the Managing Director of the Company, is the brother of Lee Chye Tek Lionel, who is the sole shareholder of Jit Sun. As at the Latest Practicable Date, Jit Sun is a Controlling

Shareholder of the Company.

Accordingly, the foregoing Director had abstained from participating in the deliberation by the Board, and will abstain from making any recommendation on the Proposed Disposal and the Proposed Jit Sun Transactions to Shareholders, and will abstain, and will ensure that his associates will abstain, from voting on the ordinary resolutions to approve the Proposed Disposal and the Proposed Jit Sun Transactions at the EGM. The foregoing Director will also decline to accept any appointment as proxy for any Shareholder to vote in respect of the ordinary resolutions to approve the Proposed Disposal and the Proposed Jit Sun Transactions at the EGM unless the Shareholder concerned shall have given instructions in the proxy form as to the manner in which his votes are to be cast in respect of the ordinary resolutions to approve the Proposed Disposal and the Proposed Jit Sun Transactions at the EGM.

(b) Abstaining Shareholder

As at the Latest Practicable Date, the Controlling Shareholder of the Company, Jit Sun, has direct and indirect interests in an aggregate of 112,227,273 Shares, representing approximately 19.64% of the issued and paid-up share capital of the Company. Jit Sun has declared its interest as described above and will accordingly abstain, and will ensure that its associates will abstain, from voting on the ordinary resolutions to approve the Proposed Disposal and the Proposed Jit Sun Transactions at the EGM. Jit Sun will also decline to accept any appointment as proxy for any Shareholder to vote in respect of such ordinary resolutions at the EGM unless the Shareholder concerned shall have given instructions in the proxy form as to the manner in which his votes are to be cast in respect of such ordinary resolutions at the EGM.

(c) Interests of Other Directors and Shareholders

Save as disclosed in this Circular, none of the Directors or Substantial Shareholders have any interest, direct or indirect, in the Proposed Disposal and the Proposed Jit Sun Transactions.

8 ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

8.1 Independent Financial Adviser

The Company has appointed the IFA (being Canaccord Genuity Singapore Pte. Ltd.) to advise the Independent Directors as to whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

A copy of the IFA Letter containing the IFA's advice in full, is set out in **Appendix B** of this Circular and Shareholders are advised to read the IFA Letter carefully.

8.2 Proposed Disposal

[As set out in section 5 of the IFA Letter, based upon the analysis undertaken by the IFA and subject to the qualifications and assumptions made in the IFA Letter, the IFA is of the opinion that as of the date of the IFA Letter, the financial terms of the Proposed Disposal are fair and reasonable, and the terms of the Proposed Disposal are based on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The IFA has therefore advised the Independent Directors to recommend that Shareholders vote in favour of the Proposed Disposal to be proposed at the EGM.]

9 AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed the rationale for and the terms of each of the Proposed Disposal and the Proposed Jit Sun Transactions and, (in relation to the Proposed Disposal only) having regard to the opinion of the IFA (as set out in the IFA Letter in Appendix B to this Circular), is of the view that each of the Proposed Disposal and the Proposed Jit Sun Transactions is based on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.

10 DIRECTORS' RECOMMENDATIONS

10.1 Directors' Recommendations for the Proposed Shares Issue

The Directors having considered the terms, financial effects and rationale for the Proposed Shares Issue and after discussion with the management of the Company, are of the view that the Proposed Shares Issue is on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Directors note the background and rationale for the Proposed Shares Issue as described in sections 2.1 and 2.2 of this Circular, and that the Proposed Shares Issue was made on an arm's length basis. In the circumstances, the Directors consider the Proposed Shares Issue to be in the best interests of the Company.

10.2 Directors' Recommendations for the Proposed Disposal and the Proposed Jit Sun Transactions

The Directors, save for Mr Lee Chye Cheng Adrian (who will be abstaining from giving a recommendation with respect to the Proposed Disposal and the Proposed Jit Sun Transactions), having considered the terms, financial effects and rationales for the Proposed Disposal and the Proposed Jit Sun Transactions after discussion with the management of the Company, are of the view that the Proposed Jit Sun Transactions and the Proposed Disposal are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The Directors, save for Mr Lee Chye Cheng Adrian (who will be abstaining from giving a recommendation with respect to Proposed Disposal and the Proposed Jit Sun Transactions), note the background and rationales for the Proposed Jit Sun Transactions and the Proposed Disposal as described in sections 3.2, 4.5 and 4.9 of this Circular, respectively as well as the opinion of the IFA in relation to the Proposed Disposal as described in section 8.2 of this Circular. In the circumstances, the Independent Directors consider the Proposed Disposal and the Proposed Jit Sun Transactions and the Proposed Disposal to be in the best interests of the Company.

10.3 No regard to specific objectives

In giving the above recommendations, the Directors have not had regard to the general or specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

11 EXTRAORDINARY GENERAL MEETING

The EGM, Notice of which is set out on pages i and ii to this Circular, will be held at Klapsons, The Boutique Hotel - eighteen. 1 & 2 Level 18, 15 Hoe Chiang Road, Tower Fifteen, Singapore 089316 on 29 June 2015 at 11.00 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolutions set out in the Notice.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by CDP as at 48 hours before the EGM.

12 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders will find enclosed with this Circular, the Notice and a Proxy Form. If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 15 Hoe Chiang Road, #19-01 Tower Fifteen, Singapore 089316 not later than 11:00 a.m. on 27 June 2015. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes.

13 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, and the Proposed Jit Sun Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

14 CONSENT OF THE INDEPENDENT FINANCIAL ADVISER

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter set out in Appendix B of this Circular and all references thereto in the form and context in which they appear in this Circular.

15 DOCUMENTS FOR INSPECTION

The following documents are available for inspection by Shareholders during normal business hours at the registered address of the Company at 15 Hoe Chiang Road, #19-01 Tower Fifteen, Singapore 089316 from the date of the Circular up to the date of the EGM:

- (a) a copy of memorandum and articles of association of the Company;
- (b) a copy of the annual report of the Company for FY2014;
- (c) a copy of the S\$15M Initial Loan Agreement;
- (d) a copy of the S\$15M Supplemental Loan Agreement;
- (e) a copy of the S\$15M Second Supplemental Loan Agreement;
- (f) a copy of the S\$13M Initial Loan Agreement;
- (g) a copy of the S\$13M Supplemental Loan Agreement;
- (h) a copy of the Jit Sun Undertaking;
- (i) a copy of the Termination Agreement;
- (j) a copy of the Sale and Purchase Agreement;
- (k) a copy of the Reports in relation to the Valuations conducted by Ritchie & Bisset in respect of the Rigs;
- (l) a copy of the IFA Letter; and
- (m) the written consent of the IFA as referred to in section 14 of this Circular.

Yours faithfully

Simon Charles Lockett
Deputy Chairman and Independent Non-Executive Director

For and on behalf of
the Board of Directors of
LOYZ ENERGY LIMITED

14 June 2015

APPENDIX A

EXTRACT OF THE SCHEDULE TO THE S\$13M INITIAL LOAN AGREEMENT AND THE S\$15M SUPPLEMENTAL LOAN AGREEMENT RELATING TO ADJUSTMENTS TO THE JIT SUN CONVERSION PRICE

Capitalised terms not defined in Appendix A shall bear the same meanings as those found in the terms and conditions of the S\$13M Initial Loan Agreement (in the case of the S\$13M Jit Sun Loan) and the S\$15M Supplemental Loan Agreement (in the case of the S\$15M Jit Sun Loan).

1. DEFINITIONS

For the purposes of these Schedule and subject as otherwise provided herein:

“Act” means the Companies Act, Chapter 50 of Singapore, as the same may be modified, amended or supplemented from time to time;

“Approved Bank” means any bank or merchant bank in Singapore of international repute or an entity holding a capital markets services licence (as defined in the Securities and Futures Act, Chapter 289 of Singapore) as may be selected by the Directors;

“Auditors” means the auditors of the Borrower for the time being;

“Current Market Price” means in relation to a Share on any Trading Day, the weighted average of the prices (rounded downwards to the nearest cent) at which the Shares are transacted on the SGX-ST for the five consecutive Trading Days (on each of which trading of the Shares on the SGX-ST has been transacted) immediately preceding that Trading Day or, if the Borrower so decides, the weighted average price of the Shares quoted on the SGX-ST for the Trading Day (on which trading of the Shares on the SGX-ST has been transacted), immediately preceding that Trading Day;

“Directors” means the directors for the time being of the Borrower;

“Last Dealt Price” means, in relation to a Share on a relevant Market Day, the last dealt price per Share for one or more board lots of Shares on that Market Day on which there is trading of the Shares on the SGX-ST;

“Relevant Cash Dividend” means any cash dividend specifically declared by the Borrower;

“Scrip Dividend” means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (which for the avoidance of doubt, may lead to any adjustment required in such circumstances to be made under either (a) paragraph 2.2.3 only or (b) both paragraphs 2.2.2(ii) and 2.2.3); and

“Trading Day” means a day when the SGX-ST is open for dealing business, provided that if no closing market price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days.

2. ADJUSTMENTS OF JIT SUN CONVERSION PRICE

2.1 The Jit Sun Conversion Price shall from time to time be adjusted by the Directors in consultation with an Approved Bank and certified to be in accordance with paragraph 2.2 by the Auditors. The Jit Sun Conversion Price shall from time to time be adjusted as provided in this Agreement in all or any of the following cases:

2.1.1 any consolidation, subdivision or reclassification of the Shares;

2.1.2 (a) an issue by the Borrower of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including Shares paid up out of distributable profits or reserves (except any Scrip Dividend); and (b) an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof;

- 2.1.3 a Capital Distribution made by the Borrower to its Shareholders;
- 2.1.4 an issue of Shares, or an issue or grant of options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, by the Borrower to all or substantially all Shareholders by way of rights, in each case at less than 90 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of announcement of the terms of such issue or grant;
- 2.1.5 an issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares), or grant of options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares), by the Borrower to all or substantially all Shareholders by way of rights;
- 2.1.6 an issue (otherwise than as mentioned in paragraph 2.1.4 above) of any Shares (other than Jit Sun Shares or on the exercise of any other rights of conversion into, or exchange or subscription for Shares), or an issue or grant (otherwise than as mentioned in paragraph 2.1.4 above) of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue or grant;
- 2.1.7 save as further described in paragraph 2.2.7, an issue by the Borrower or any of its subsidiaries (otherwise than as mentioned in paragraphs 2.1.4, 2.1.5 or 2.1.6), or (at the direction or request of or pursuant to any arrangements with the Borrower or any of its subsidiaries) an issue by any other company, person or entity of any securities (other than the options issued under this Agreement excluding for this purpose any further securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares) at a consideration per Share which is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities;
- 2.1.8 a modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph 2.1.7 (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification; or
- 2.1.9 an issue, sale or distribution by or on behalf of the Borrower or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Borrower or any of its subsidiaries) any other company, person or entity of any securities in connection with an offer by or on behalf of the Borrower or any of its subsidiaries or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Jit Sun Conversion Price falls to be adjusted under paragraphs 2.1.4, 2.1.5, 2.1.6 or 2.1.7).

2.2 Subject to this Agreement, the Jit Sun Conversion Price shall from time to time be adjusted in accordance with the following provisions (but so that if the event giving rise to any such adjustment shall be capable of falling within any two or more of paragraphs 2.1.1 to 2.1.9 above or if such event is capable of giving rise to more than one adjustment, the adjustment shall be made in such manner as the Approved Bank shall determine):

2.2.1 If, and whenever, there shall be an alteration to the number of issued Shares as a result of any consolidation or subdivision or reclassification, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A}{B} \times X$$

where:

- A is the aggregate number of issued Shares immediately before such alteration;
- B is the aggregate number of issued Shares immediately after such alteration; and
- X is the existing Jit Sun Conversion Price.

Such adjustment shall become effective on the date the alteration takes effect.

- 2.2.2 (i) If, and whenever, the Borrower shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including Shares paid up out of distributable profits or reserves (except any Scrip Dividend) and which would not have constituted a Capital Distribution, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A}{B} \times X$$

where:

- A is the aggregate number of issued Shares immediately before such issue;
- B is the aggregate number of issued Shares immediately after such issue; and
- X is the existing Jit Sun Conversion Price.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A + B}{A + C} \times X$$

where:

- A is the aggregate number of issued Shares immediately before such issue;
- B is the aggregate number of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (a) the numerator is the amount of the whole or the relevant part, of the Relevant Cash Dividend and (b) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole or the relevant part, of the Relevant Cash Dividend;
- C is the aggregate number of Shares issued by way of such Scrip Dividend; and
- X is the existing Jit Sun Conversion Price,

or by making such other adjustment made by the Directors in consultation with an Independent Investment Bank and certified to be fair and reasonable by the Independent Investment Bank, as the case may be.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

For the purpose of this paragraph 2, “**record date**” in relation to the relevant transaction means the date as at the close of business (or such other time as may be notified by the Borrower) on which Shareholders must be registered as such to participate therein.

- 2.2.3 If and whenever, the Borrower shall pay or make any Capital Distribution to the Shareholders, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A - B}{A} \times X$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced;

B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share; and

X is the existing Jit Sun Conversion Price.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

For the purposes of paragraph 2, “**Capital Distribution**” means: (a) any distribution of assets in specie by the Borrower for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid by way of capitalisation of reserves)); and (b) any dividend (including any cash or Scrip Dividend) or distribution of any kind by the Borrower for any financial period (whenever paid and however described).

- 2.2.4 If and whenever, the Borrower shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 90 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A + B}{A + C} \times X$$

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share;

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant; and

X is the existing Jit Sun Conversion Price.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

- 2.2.5 If, and whenever, the Borrower shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares), the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A - B}{A} \times X$$

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced;

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share; and

X is the existing Jit Sun Conversion Price.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the SGX-ST.

- 2.2.6 If, and whenever, the Borrower shall issue (otherwise than as mentioned in paragraph 2.1.4 above) any Shares (other than Jit Sun Shares or on the exercise of any other rights of conversion into, or exchange or subscription for Shares) or issue or grant (otherwise than as mentioned in paragraph 2.1.4 above) options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue or grant, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A + B}{C} \times X$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at such Current Market Price;

C is the number of Shares in issue immediately after the issue of such additional Shares; and

X is the existing Jit Sun Conversion Price.

References to additional Shares in the above formula shall, in the case of an issue by the Borrower of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case maybe, the grant of such options, warrants or other rights.

2.2.7 Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this paragraph 2.2.7, if and whenever the Borrower or any of its subsidiaries (otherwise than as mentioned in paragraphs 2.2.4, 2.2.5 or 2.2.6), or (at the direction or request of or pursuant to any arrangements with the Borrower or any of its subsidiaries), any other company, person or entity shall issue any securities (other than the option to subscribe for shares under this Agreement excluding for this purpose any further securities which by their terms of issue carry rights of exercise into, or exchange or subscription for, Shares) at a consideration per Share which is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A + B}{A + C} \times X$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Borrower for the Shares to be issued on exercise or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price;
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate; and
- X is the existing Jit Sun Conversion Price.

Such adjustment shall become effective on the date of issue of such securities.

2.2.8 If, and whenever, there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph 2.2.7 (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A + B}{A + C} \times X$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Borrower for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price or, if lower, the existing conversion, exchange or subscription price of such securities;
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of the right of subscription attached thereto at the modified exercise, exchange or subscription or purchase price or rate but giving credit in such manner as an Independent Investment Bank considers appropriate (if at all) for any previous adjustment under this paragraph 2.2.8 or paragraph 2.2.7; and
- X is the existing Jit Sun Conversion Price.

Such adjustment shall become effective on the date of modification of the rights of exercise, exchange or subscription attaching to such securities.

2.2.9 The issue, sale or distribution by or on behalf of the Borrower or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Borrower or any of its subsidiaries) any other company, person or entity of any securities in connection with an offer by or on behalf of the Borrower or any of its subsidiaries or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Jit Sun Conversion Price falls to be adjusted under paragraphs 2.2.4, 2.2.5, 2.2.6 or 2.2.7). In such an event, the Jit Sun Conversion Price shall be adjusted in the following manner:

$$\text{New Jit Sun Conversion Price} = \frac{A - B}{A} \times X$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced;
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share; and
- X is the existing Jit Sun Conversion Price.

Such adjustment shall become effective on the date of issue of the securities.

2.3 Notwithstanding any of the provisions hereinbefore contained, no adjustment to the Jit Sun Conversion Price will be required in respect of:

- 2.3.1 an issue by the Borrower of Shares to officers, including directors, or employees of the Borrower or any of its subsidiaries or associated companies pursuant to any purchase or option scheme or performance share plan approved by the Shareholders in general meeting;
- 2.3.2 an issue by the Borrower of Shares in consideration or part consideration for or in connection with the acquisition of any other securities, assets or business;
- 2.3.3 an issue by the Borrower of Shares whereby the stated use of proceeds arising from such an issue of Shares is primarily the acquisition of any other securities, assets or business;
- 2.3.4 any issue by the Borrower of the 1.0% convertible notes due 2017 pursuant to the subscription agreement dated 1 July 2014 entered into between the Borrower, Advance Opportunities Fund and Advance Capital Partners Pte. Ltd and any issue by the Borrower of Shares pursuant to the conversion of such convertible notes;
- 2.3.5 any issue by the Borrower of the 22,222,222 free and detachable warrants pursuant to the subscription agreement dated 7 August 2014 between the Borrower and Oversea-Chinese Banking Corporation Limited and any issue by the Borrower of Shares pursuant to the exercise of such warrants; or
- 2.3.6 any issue by the Borrower of Jit Sun Shares.

2.4 Any adjustment to the Jit Sun Conversion Price will be rounded upwards to the nearest one cent. No adjustments to the Jit Sun Conversion Price (and the number of Jit Sun Shares to be issued as a result thereof) shall be made unless it has been certified to be in accordance with paragraph 2.2 above by the Auditors. No adjustment will be made to the Jit Sun Conversion Price in any case in which the amount by which the same would be reduced would be less than one cent but any adjustment which would otherwise then be required will be carried forward and taken into account appropriately in any subsequent adjustment.

- 2.5 Notwithstanding the provisions referred to in this paragraph 2, in any circumstances where the Directors consider that any adjustments to the Jit Sun Conversion Price provided under the said provisions should not be made or should be calculated on a different basis or date or should take effect on a different date or that an adjustment to the Jit Sun Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions, the Borrower may appoint an Approved Bank to consider whether for any reason whatsoever the adjustment to be made (or the absence of an adjustment) to be made in accordance with the provisions of this paragraph 2 is appropriate or inappropriate, as the case may be, and, if such Approved Bank shall consider the adjustment (or the absence of an adjustment) to be inappropriate, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner as shall be considered by such Approved Bank to be in its opinion appropriate.
- 2.6 Whenever there is an adjustment as herein provided, the Borrower shall give notice to the Lender in writing that the Jit Sun Conversion Price has been adjusted and setting forth the event giving rise to the adjustment, the Jit Sun Conversion Price in effect prior to such adjustment, the adjusted Jit Sun Conversion Price and the effective date of such adjustment and shall at all times thereafter until the date of termination of this Agreement make available for inspection at its registered office a signed copy of the certificate of the Auditors certifying the adjustment to the Jit Sun Conversion Price and a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment, the Jit Sun Conversion Price in effect prior to such adjustment, the adjusted Jit Sun Conversion Price and the effective date of such adjustment and shall, on request, send a copy thereof to the Lender.
- 2.7 If the Directors, the Approved Bank and the Auditors are unable to agree upon any adjustment required under these provisions, the Directors shall refer the adjustment to the decision of another Approved Bank acting as expert and not as arbitrator and whose decision as to such adjustment shall be final and conclusive and no certification by the Auditors shall in such circumstances be necessary.
- 2.8 If the Borrower shall in any way modify the rights attached to any share or loan capital so as to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire or subscribe for Shares, the Borrower shall appoint an Approved Bank to consider whether any adjustment is appropriate and if such Approved Bank and the Directors shall determine that any adjustment is appropriate, the Jit Sun Conversion Price shall be adjusted accordingly.
- 2.9 If the Borrower shall purchase or otherwise acquire Shares issued by it pursuant to the provisions of the Act, the Borrower shall, if so required by the Lender, appoint an Approved Bank to consider whether any adjustment is appropriate and if such Approved Bank shall determine that any adjustment is appropriate the Jit Sun Conversion Price held by the Lender shall be adjusted accordingly.
- 2.10 In giving any certificate or making any adjustment hereunder, the Auditors and the Approved Bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, their decision shall be conclusive and binding on the Borrower and Lender.
- 2.11 Notwithstanding anything herein contained, any adjustment to the Jit Sun Conversion Price other than in accordance with the provisions of this paragraph 2, shall be subject to the approval of the SGX-ST and the shareholders of the Borrower and agreed to by the Borrower, the Auditors and the Approved Bank.
- 2.12 If the Borrower and/or the Lender determines that an adjustment should be made to the Jit Sun Conversion Price, as a result of one or more events not referred to in this paragraph 2, the Borrower shall consult an Approved Bank to determine (as soon as practicable) what adjustments should be made and the date the adjustment should take effect, and upon such determination by the Borrower with the concurrence of such Approved Bank, such adjustment (if any) shall be made and shall take effect in accordance with such determination provided that where the circumstances giving rise to an adjustment pursuant to this paragraph 2 have already resulted or will result in an adjustment to the Jit Sun Conversion Price or where the circumstance giving rise to an adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment pursuant to paragraph 2 such adjustment shall be made as may be advised by the Approved Bank to be in their opinion appropriate to give the intended result.

APPENDIX B

LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE PROPOSED DISPOSAL

14 JUNE 2015

The Independent Directors

Loyz Energy Limited
15 Hoe Chiang Road
#19-01 Tower Fifteen
Singapore 089316

PROPOSED DISPOSAL OF TWO DRILLING UNITS, NAMELY (I) THE LEWEK EXPLORER 750 AND (II) THE LEWEK EXPLORER 700, AS WELL AS CERTAIN AUXILIARY EQUIPMENT (COLLECTIVELY, THE “RIGS”) (THE “PROPOSED DISPOSAL”) TO SKY PARK INVESTMENTS LIMITED, A WHOLLY-OWNED SUBSIDIARY OF JIT SUN INVESTMENTS PTE. LTD. (THE “PURCHASER”) (THE “INTERESTED PERSON TRANSACTION”)

Unless otherwise defined or where context otherwise requires, capitalized terms used in this letter shall have the same meaning as defined in the Circular.

1. INTRODUCTION

On 14 May 2015, Loyz Energy Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) announced that it had, together with its wholly-owned subsidiary, Loyz Rex Drilling Services LLC (“**LRDS**”) entered into a termination agreement (the “**Termination Agreement**”) with Fram Exploration ASA (“**Fram**”), for the termination of a lease agreement dated 25 June 2014 (the “**Lease Agreement**”). The Lease Agreement was in relation to the lease of two drilling units, namely (i) the Lewek Explorer 750; and (ii) the Lewek Explorer 700, as well as certain auxiliary equipment (collectively, the “**Rigs**”) from LRDS to Fram as announced by the Company on 5 March 2014.

Concurrent with the entering into of the Termination Agreement, LRDS had, on the same day, entered into a sale and purchase agreement (the “**SPA**”) with Sky Park Investments Limited, a wholly-owned subsidiary of Jit Sun Investments Pte. Ltd. (the “**Purchaser**”), pursuant to which LRDS has agreed to sell and the Purchaser has agreed to buy the Rigs for a cash consideration of US\$16 million (the “**Purchase Price**”) subject to, among others, the terms and conditions set out in the SPA (the “**Proposed Disposal**”).

Jit Sun Investments Pte. Ltd. (“**Jit Sun**”) is a company incorporated in the Republic of Singapore, and has direct and indirect interests of an aggregate of 112,227,273 shares in the capital of the Company (“**Shares**”), representing approximately 19.64% of the issued and paid-up share capital of the Company as at the date of this announcement. Jit Sun is thus a “controlling shareholder” of the Company. Lee Chye Teck Lionel is the sole shareholder of Jit Sun, and is the brother of Lee Chye Cheng Adrian who is the Managing Director of the Company. Accordingly, the Proposed Disposal is an interested person transaction under the definition of the Rules of Catalyst.

Pursuant to Rule 906(1)(a) of the Rules of Catalyst, the Company is required to obtain approval from shareholders of the Company (“**Shareholders**”) for any interested person transaction of a value equal to or more than 5% of the Company’s latest audited net tangible assets (“**NTA**”). As the value of the Proposed Disposal is more than 5% of the Group’s latest audited NTA as at 30 June 2014, the Company will be seeking Shareholders’ approval for the Proposed Disposal at an extraordinary general meeting of the Company to be convened (“**EGM**”).

Canaccord Genuity Singapore Pte. Ltd. (“**Canaccord Genuity**”) has been appointed as the independent financial adviser to the Directors who are considered independent in relation to the Proposed Disposal (“**Independent Directors**”), to advise on whether the Proposed Disposal is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority Shareholders.

This letter which sets out our opinion will form part of the Circular which provides, *inter alia*, the details of the Proposed Disposal and the recommendation of the Independent Directors in respect thereof.

2. TERMS OF REFERENCE

Canaccord Genuity was not involved in any aspect of the negotiations pertaining to the Proposed Disposal, nor was it involved in the deliberations leading to the Company's decision to propose and proceed with the Proposed Disposal.

The objective of this letter is to provide an independent opinion on whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. We do not, by this letter, make any representation or warranty in relation to the merits of the Proposed Disposal. It is not within our terms of reference to assess the rationale for, commercial merits and/or commercial risks of the Proposed Disposal, and to comment on the financial merits and/or financial risks of the Proposed Disposal. It is also not within our terms of reference to compare the relative merits of the Proposed Disposal vis-a-vis any alternative transactions previously considered by the Company or transactions that the Company may consider in the future, and as such, we do not express an opinion thereon. Such evaluations or comments remain the responsibility of the Directors although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this letter.

The scope of our appointment does not require us to express, and we do not express, a view on the future prospects of the Company, its subsidiaries and/or any of its associated or joint venture companies. We are, therefore, not expressing any view herein as to the prices at which the Shares may trade or on the future financial performance of the Company, its subsidiaries and/or any of its associated or joint venture companies upon completion of the Proposed Disposal. No financial or profit forecasts, business plans or management accounts of the Company, its subsidiaries and/or any of its associated or joint venture companies have been specifically prepared for the purpose of evaluating the Proposed Disposal. Accordingly, we do not comment on the expected future performance or prospects of the Company, its subsidiaries and/or any of its associated or joint venture companies.

In the course of our evaluation of the Proposed Disposal, we have held discussions with the Directors and senior management of the Company. We have also examined and relied on publicly available information in respect of the Company collated by us as well as information, both written and verbal, provided to us by the Company, the Directors, the management and professional advisers, including information in the Circular and the valuation reports by Ritchie & Bisset (Far East) Pte. Ltd. dated 8 May 2015, including the addendum reports dated [9] June 2015 (the "Valuation Reports"). We have not independently verified such information and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. Nevertheless, the Directors have confirmed to us that to the best of their knowledge and belief, the information contained herein and in the Circular constitutes a full and true disclosure, in all material respects, of all material facts and there is no material information the omission of which would make any of the information contained herein or in the Circular inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted such responsibility accordingly.

We have also made reasonable enquiries and exercised reasonable judgement, as we deemed necessary, in assessing such information and have found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. We have not conducted a comprehensive review of the business, operations and financial condition of the Company, its subsidiaries or any of its associated or joint venture companies.

We have not made any independent evaluation or appraisal of the assets and liabilities (including, without limitation, real properties) of the Group. As such, we will be relying on the disclosures and representations made by the Company on the value of the assets and liabilities of the Group as extracted from the Group's audited consolidated financial statements for the financial years ended 2013 ("FY2013") and 2014 ("FY2014") and the unaudited consolidated financial statements for the nine-month financial period ended 31 March 2014 ("9M2014") and 2015 ("9M2015") as well as the Valuation Reports.

In preparing this letter, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any individual Shareholder or any specific group of Shareholders. As different Shareholders would have different investment objectives, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

Our opinion as set forth in this letter is based on the prevailing market conditions, economic and financial conditions, the Valuation Reports and our analysis of the information provided in the Circular as well as information provided to us by the Company and the management, as at the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement and/or event relevant to their consideration of the Proposed Disposal which may be released by the Company after the Latest Practicable Date.

This letter and our opinion are addressed solely for the use and benefit of the Independent Directors in connection with and for the purpose of their consideration of the Proposed Disposal, and the recommendations made by them to the Shareholders shall remain the responsibility of the Independent Directors.

The Company has been separately advised in the preparation of the Circular (other than this letter). We were not involved and have not provided any advice, whether financial or otherwise, in the preparation, review and verification of the Circular (other than this letter). Accordingly, we do not take any responsibility for, and express no views on, whether expressed or implied, the contents of the Circular (other than this letter).

Whilst a copy of this letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this letter (or any part thereof) for any other purposes at any time and in any manner without the prior written consent of Canaccord Genuity. Our opinion in relation to the Proposed Disposal should be considered in the context of the entirety of this letter and the Circular.

3. TERMS OF THE PROPOSED DISPOSAL

3.1 Consideration

The Purchase Price is US\$16 million, and is payable entirely in cash upon completion of the Proposed Disposal. The Purchase Price was arrived at, on a willing-buyer and willing-seller basis, after negotiations which were conducted at an arm's length basis between the parties, and takes into account, among others, the valuations conducted by Ritchie & Bisset (Far East) Pte. Ltd. ("Ritchie & Bisset") in respect of the Rigs, as well as the current and proposed rate of utilization of the Rigs.

3.2 Conditions Precedent

The obligation of LRDS to complete the Proposed Disposal is subject to the following conditions precedent being fulfilled or waived prior to the Closing Date:

- (i) the approval of Shareholders for the Proposed Disposal at a general meeting to be convened; and
- (ii) no statute, rule, regulation, executive order, decree of injunction being enacted, entered, promulgated or enforced by any court or governmental entity which prohibits the consummation of the transactions contemplated to occur at the Closing.

3.3 Other Salient Terms

The other salient terms of the Proposed Disposal include the following:

- (i) Title, ownership and possession and risk of loss of the Rigs will pass to the Purchaser on Closing Date;
- (ii) On the Closing Date, the Purchaser will take delivery and possession of the Rigs on an "as-is-where-is" basis; and
- (iii) The sale of the Rigs is exclusive of the right, title and interest in any of the Group's trade names, trademarks, identifying logos or service marks related thereto or any part or variation of any of the foregoing (collectively, the "Trademarks and Logo") and neither the Purchaser nor any of its subsidiaries or associated companies shall make any use of the Trademarks and Logo at any time, provided however that the Purchaser shall have a period of 60 days after the Closing Date in which, at its own cost, to remove the Rigs, or paint over, any of the Trademarks and Logo.

4. EVALUATION OF THE Proposed Disposal

In our evaluation of the Proposed Disposal, and our recommendation thereon, we have taken into consideration the following factors:-

- (a) the financial performance and financial position of the Group;
- (b) the rationale for the Proposed Disposal;
- (c) the independent valuation of the Rigs;
- (d) the Purchase Price; and
- (e) the financial effects of the Proposed Disposal.

4.1 The Financial Performance and Financial Position of the Group

Income Statement

The table below provides a summary of the financial performance of the Group for FY2013, FY2014, 9M2014 and 9M2015, as extracted from the relevant annual reports and results announcement:-

(‘000)	FY2013 (Audited) S\$	FY2014 (Audited) S\$	9M2014 (Unaudited) US\$	9M2015 (Unaudited) US\$
Revenue	1,267	20,711	9,598	17,233
Gross profit/ (loss)	1,267	4,344	(1,595)	11,335
Profit/(loss) before income tax	(3,003)	(1,761)	(4,339)	5,991
Profit/(loss) for the financial year/period	(2,662)	(4,741)	(4,337)	722
Profit/(loss) attributable to the owners of the Company	(2,508)	(3,670)	(3,519)	818

It was set out in the Company’s annual report for FY2014 that the Group’s revenue increased in FY2014 due largely to the sale of crude oil from the Thailand concessions and drilling revenue in the United States. The losses of approximately S\$2.7 million and S\$4.7 million for FY2013 and FY2014, respectively, were mainly attributable to administrative and other expenses incurred of approximately S\$5.8 million and S\$12.0 million in FY2013 and FY2014, respectively, as well as finance costs arising from the expansion of the Group’s operations of approximately S\$0.1 million and S\$1.1 million in the respective periods.

Based on the Company’s results announcement for 9M2015, revenue related mainly to the Group’s share of sale of crude oil from its Thailand concessions. Other income decreased by approximately US\$3.6 million, from US\$5.0 million in 9M2014 to US\$1.5 million in 9M2015, due mainly to the absence of the waiver of loan by non-controlling interest (which amounted to US\$4.7 million in 9M2014), partially offset by foreign exchange gain arising from the stronger United States dollars against the Singapore dollars on revaluation of payable balances. Administrative expenses increased by approximately US\$0.1 million, from US\$4.3 million in 9M2014 to US\$4.5 million in 9M2015, due mainly to increased staff costs to support the expanded operations of the Group, offset by decreased staff expenses as a result of the cessation of drilling operations in the United States. Increased borrowings led to the increase in finance costs of approximately US\$0.7 million, from US\$0.6 million in 9M2014 to US\$1.3 million in 9M2015. Other expenses decreased by approximately US\$1.8 million, from US\$2.8 million in 9M2014 to US\$1.0 million in 9M2015, due mainly to the absence of drilling rigs expenses pursuant to the disposal of certain drilling rigs in connection with the acquisition of 20% equity interest in Fram in June 2014. As a result, the Group recorded a profit after income tax of US\$0.7 million in 9M2015 as compared to a loss after income tax of US\$4.3 million in 9M2014.

The following is the management’s commentary on the outlook of the industry in the next twelve months from the date of the announcement of the Group’s 3Q2015 results:-

“The 2014 drilling campaign was highly successful and delivered sterling results.

Production from our Thailand fields is expected to continue its growth in the coming months as we embark on the 2015 drilling campaign where we will drill at least nine additional wells. The capex for this drilling campaign will be fully funded by the existing production.

Despite lower oil price in Q3 FY2015 as compared to Q2 FY2015, the Group managed to turn in a total comprehensive income of US\$130K for Q3 FY2015, benefitting from the increase in net production and low operating cost per barrel of approximately US\$14 per barrel.

The Group has entered into an agreement to terminate the leasing of the 2 rigs with Fram Exploration ASA for US\$13.8 million, and subsequently, to dispose of the 2 rigs to the Company's controlling shareholder, Jit Sun Investments Pte Ltd, to be completed in Q4 FY2015.

Barring any unforeseen circumstances, the contribution from our Thailand fields is expected to continue to grow significantly going forward and the Group is poised to deliver an EBITDAX of approximately US\$12 million for the current financial year ending 30 June 2015.

The Group will continue to review its capital position and explore various fund raising options to augment its working capital. The Group will also continue to (i) work to keep its operating costs low, while raising production and revenue, and (ii) seek opportunities for collaboration and acquisition of producing oil and gas properties with a view to enhance shareholders' value."

Balance Sheet

The table below provides a summary of the financial position of the Group as at 30 June 2014 and 31 March 2015, as extracted from the relevant annual report and results announcement:-

	As at 30 June 2014 (Audited) S\$	As at 31 March 2015 (Unaudited) US\$
('000)		
Non-current assets	233,679	192,713
Current assets	16,896	16,843
Current liabilities	65,872	59,438
Non-current liabilities	95,443	73,348
Shareholders' equity	89,260	76,770

We note that the Group's total assets mainly consists of exploration, evaluation and development assets, oil and gas properties as well as available-for-sale financial asset and intangible assets. These made up approximately 91.0% and 89.8% of the Group's total assets as at 30 June 2014 and 31 March 2015, respectively. As at 31 March 2015, the Group had cash and cash equivalents of approximately US\$10.1 million, while other property, plant and equipment amounted to approximately US\$1.7 million and available-for-sale financial assets (namely its 20% equity interest in Fram) stood at approximately US\$41.4 million.

The Directors have confirmed that the Group has cash and cash equivalents of approximately US\$8.0 million as at 31 May 2015, which accounted for a placement exercise which was completed on 14 April 2015 and raised net proceeds of approximately S\$14 million. The Directors have further confirmed that approximately US\$5.0 million of the cash and cash equivalents as at 31 May 2015 have been designated for Loyz Oil Thailand Pte. Ltd. ("Loyz Thailand"), the Group's only oil producing subsidiary currently, and the balance has been either designated as securities pledged for other loans or to fund general operating expenses of the Group.

The Directors have confirmed that the Company has not been able to obtain alternate or additional financing from financial institutions or banks to repay the Rigs Loan, and have advised that one of the reasons was because the Group does not have any suitable assets to be offered as collaterals. The Directors highlighted that the shares, earnings and other cash-flows of Loyz Thailand have already been pledged as securities to obtain a bank loan amounting to US\$32 million to finance the Company's acquisition of interests in the Thailand operations. It is also indicated that the Company's equity interest in Fram, being unquoted securities, is not a form of suitable collateral acceptable to banks or financial institutions. The Directors are also of the view that the Company's equity interests in Fram would not be able to fetch an acceptable commercial price particularly in

view of the prevailing weakness in oil prices.

Cash Flows Statement

The table below provides a summary of the cash flows statement of the Group for FY2013, FY2014 and 9M2015, as extracted from the relevant annual reports and results announcement:-

(‘000)	FY2013 (Audited) S\$	FY2014 (Audited) S\$	9M2015 (Unaudited) US\$
Net cash (used in)/from operating activities	446	(7,137)	6,068
Net cash used in investing activities	(42,890)	(53,941)	(5,649)
Net cash from financing activities	40,043	65,038	3,356
Cash and cash equivalents at the end of the financial year/ period	3,563	7,174	9,553

The Directors have advised that the principal and interest repayments on the Rigs Loan amounted to between US\$20,000 and US\$600,000 per month prior to the successful restructuring of the repayment schedule (as set out in Section [4.2] of the Circular) in April 2014 where a stay on the principal repayment was granted. Based on the restructured repayment schedule, only interest payment (amounting to US\$40,000 per month) needs to be made, with the principal sum fully payable by May 2015. The Directors have confirmed that, further to negotiation, Oversea-Chinese Banking Corporation Limited, Los Angeles Agency has agreed to extend the deadline for full repayment of the Rigs Loan to 30 June 2015, but has indicated that no further extension would be considered. As at the Latest Practicable Date, approximately US\$15.5 million of the Rigs Loan remained outstanding.

Based on the cash flows of the Company, the Directors have confirmed that the Company is not in the financial position to fulfill the Rigs Loan repayment obligation.

4.2 Rationale for the Proposed Disposal

It is not within our terms of reference to comment or express an opinion on the commercial merits of the Proposed Disposal or the future prospects of the Group. Nevertheless, we have reviewed and would like to highlight the rationale for the Proposed Disposal as set out in the Circular, as follows:-

“In May 2013, LRDS (as the borrower) and the Company (as the guarantor) had entered into a credit agreement with an external financial institution for a loan of US\$18.2 million to LRDS for the acquisition of the Rigs (the “Rigs Loan”). As mentioned in section 3.1 of this Circular, the Rigs were subsequently leased by the Group to Fram for a period of 60 months pursuant to the Master Lease Agreement to satisfy part of the consideration payable by the Group to Fram for acquisition of 20% of the issued and paid-up share capital of Fram. Under the Master Lease Agreement, Fram paid a nominal rent of US\$0.50 as full compensation for the entire term of the lease.

The Rigs were utilised by Fram at its oil and gas onshore assets in the Piceance basin in Colorado and the Williston basin in North Dakota, United States. The Company had intended for the income generated from Fram’s drilling activities to contribute to the Group’s income by virtue of the Group’s shareholding interest in Fram, and to utilise such income to service the monthly principal and interest repayments under the Rigs Loan.

In April 2014, the Company made a commercial decision with joint partners to cease drilling activities in the United States and as a result, there was no longer any income generated by the Rigs to service the monthly repayments of the Rigs Loan. The Rigs have been “hot-stacked” or “cold-stacked” (i.e. not operational) since 2014 and due to the recent decline in oil prices, the Rigs are currently not, and are not expected to be, utilised.

The Company therefore negotiated with the external financial institution to restructure the Rigs Loan such that the Company was only required to pay interest on a monthly basis and the principal sum would be fully repayable by May 2015. Upon further negotiation, the external financial institution agreed to allow a final extension of the date of full repayment of the Rigs Loan to 30 June 2015. . As at the Latest Practicable Date, approximately US\$15,500,000 of the Rigs Loan remained outstanding.

The Company has sought to raise funds for repayment of the Rigs Loan but was unsuccessful.

The Company had engaged and approached brokers to solicit interests in the disposal of the Rigs to independent third parties. However, there is little indication of interests from independent third parties. There was only one offer made by an independent third party to the Company and it was on terms less favourable compared with those of the Proposed Disposal. In view of this, the Company decided to sell the Rigs to the Purchaser as the Purchaser has offered the best terms and is able to effect and complete the transaction within the time set out by the Company (in consideration of the 30 June 2015 deadline for full repayment of the Rigs Loan).

Taking into account, among others, the foregoing, the Proposed Disposal would enable the Company to fully repay the Rigs Loan by 30 June 2015 and allow the Company to immediately unlock the value in the Rigs, which is consistent with the intent of maximising returns to Shareholders, and is accordingly in the best interests of the Company.”

The Directors have advised that the Company has sought to raise funds to repay the Rigs Loan but were unsuccessful.

The Directors have confirmed that, as at the Latest Practicable Date, the Proposed Disposal offers the best terms, and the Purchaser has committed to complete the transaction in time to meet the stipulated timeline for the repayment of the Rigs Loan. .

4.3 Independent Valuation of the Rigs

For purposes of the Proposed Disposal, the Company had commissioned an independent professional firm, Ritchie & Bisset, to conduct an independent desktop valuation of the Rigs.

Ritchie & Bisset stated that it had adopted the the market approach in its valuation of the Rigs. It is of the view that the income approach is not appropriate as the Rigs are currently not operational and have not been, or are, generating any income. It has also assessed the cost approach to be inappropriate as it uses the current rebuilding prices required to rebuild the Rigs, which is not consistent with the condition at the time of the Rigs' year of built and have to be depreciated accordingly. As no two rigs are identical in terms of equipment and characteristics due to different oil well requirements, even if the rigs are of the same make the cost approach may not be the most appropriate. Please refer to section [4.4] of the Circular for a summary of the valuation methods as well as the assumptions and limitations used by Ritchie Bisset in preparation of the Valuation Reports.

[Based on the valuation report dated [8] May 2015 by Ritchie & Bisset, the aggregate market value of the Rigs was in the region of US\$20 million while the aggregate forced sale value of the Rigs was in the region of US\$15.8 million. Ritchie & Bisset issued an addendum report dated [●] June 2015, which took into account [●] and assessed the aggregate market value of the Rigs to be between US\$[●] million and US\$[●] million while the aggregate forced sale value of the Rigs was set out to be between US\$[●] million and US\$[●] million.]

The determination of the market value is based on the Rigs being in sound average conditions for their type and age, in class without recommendations, fully equipped ready for drilling and according to maximum rated capacity, ready to drill or accommodate, and there being a willing buyer and willing seller for the prompt delivery at an easy accessible location. Ritchie & Bisset did not conduct an inspection of the Rigs. Ritchie & Bisset has also highlighted that there have been no sales records of a rig which is comparable to the Company's Lewek Explorer 750 in recent years. As the independent valuation of the Rigs involves certain assumptions and limitations, Shareholders should read the above in conjunction with the Valuation Reports in its entirety. The Valuation Reports are available for inspection during normal business hours at the registered address of the Company at 15 Hoe Chiang Road, #19-01 Tower 15, Singapore 089316 from the date of the Circular up to the date of the EGM.

The Purchase Price of US\$16 million is within the range of the market values set out in the addendum report dated [●] 2015, and represents a premium of 1.25% to the highest forced sale value of the Rigs set out in the same report.

4.4 The Purchase Price

The Purchase Price was arrived at on a willing-buyer and willing seller basis, after negotiations which were

conducted on arms' length basis between the Company and Jit Sun.

The Purchase Price represents a gain on disposal of approximately US\$2.1 million, based on the net book value of the Rigs of US\$13.8 million as at 31 March 2015.

4.5 The Financial Effects of the Proposed Disposal

The *pro forma* financial effects of the Proposed Disposal on the Group have been detailed in Section [4.9] of the Circular.

In summary, we note the following:-

(i) NTA per Share

Based on the audited financial statements of the Group for FY2014, the NTA per Share of the Group will increase from S\$0.0460 to S\$0.0529 after the Proposed Disposal.

(ii) Loss per Share

Based on the audited financial statements of the Group for FY2014, the loss per Share of the Group will remain at S\$0.0095 after the Proposed Disposal.

(iii) Gearing ratio

Based on the audited financial statements of the Group for FY2014, the gearing ratio of the Group will decrease from 86% to 63%.

The *pro forma* financial effects of the Proposed Disposal are for illustrative purposes only and are not intended to be indicative or reflect the actual future financial situation of the Company and the Group after the completion of the Proposed Disposal. They are not indicative of the financial results or position that could have attained had the Proposed Disposal taken place in accordance with the assumptions stated in Section [4.9] of the Circular. We recommend that the Audit Committee advise the independent Shareholders to read the information carefully, including the bases and assumptions set out therein.

5. OUR OPINION

In arriving at our opinion, we have reviewed and deliberated on the factors which we consider to be relevant and to have a significant bearing on our assessment as to whether the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. These factors include, inter alia, the views and representations made by the Directors and the management of the Company. We have carefully considered as many factors as we deem essential for a balanced evaluation. Accordingly, it is important that our letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

In particular, we have regarded the following factors in our analyses:-

- (a) the Rigs Loan is due for full repayment by 30 June 2015. The Company has sought but failed to obtain any further extension from Oversea-Chinese Banking Corporation Limited, Los Angeles Agency, of such repayment deadline;
- (b) the Group has been incurring losses in FY2013 and FY2014, while making modest profits for 9M2015. As such the Group is not in the financial position to repay the Rigs Loan when it falls due on 30 June 2015;
- (c) the Rigs have not been in operation since end 2013 due to high exploration costs and the general weak industry outlook. As such there is no longer the generation of any revenue therefrom to service the Rigs Loan;

- (d) the Company has sought but failed to obtain refinancing from banks and financial institutions for repayment of the Rigs Loan. The Company was also not able to successfully raise funds from other fund raising exercises such as equity placements and issuance of convertible bonds;
- (e) the Company has engaged independent brokers in its attempt to dispose of the Rigs to independent third parties. However, there is little indication of interests from independent third parties. There was only one offer made by an independent third party to the Company and it was on terms which are less favourable compared with those of the Proposed Disposal. Such weak market condition is also attested to by the fact that the last market transaction of a comparable rig was undertaken more than two years ago, as mentioned in the Valuation Reports. The Directors have confirmed that, as at the Latest Practicable Date, the Proposed Disposal offers the best terms, and the Purchaser has committed to complete the transaction in time to meet the stipulated timeline for the repayment of the Rigs Loan;
- (f) the Purchase Price of US\$16 million is within the range of the market values, and represents a premium of 1.25% to the highest forced sale value of the Rigs as set out in the addendum reports by Ritchie & Bisset dated [9] June 2015;
- (g) the Purchase Price represents a gain of approximately US\$2.1 million on the book value of the Rigs as of 31 March 2015;
- (h) the Purchaser has committed to complete the Proposed Disposal in time to meet the requisite timeline for the repayment of the Rigs Loan;
- (i) the rationale for the Proposed Disposal and the intentions of the Company, in particular, the Proposed Disposal would enable the Company to fully repay the Rigs Loan. It would also immediately unlock the value in the Rigs, which is consistent with the Company's intent of maximising returns to Shareholders;
- (j) the financial effects of the Proposed Disposal on the Group as set out in Section [4.8] of the Circular.

Taking into consideration the aforementioned factors, we are of the opinion that the Proposed Disposal [is on normal commercial terms and is not prejudicial] to the interests of the Company and its minority Shareholders.

Further, we wish to highlight that the Proposed Disposal does not, in and by itself, guarantee that the Group would be profitable in future. Whether the Group will be profitable in future depends on a combination of factors, including but not limited to, economic, political and technology factors which is beyond the scope of this letter.

In arriving at our opinion, we wish to emphasise that the Directors have not provided us with any profit projections of the Group and we have, inter alia, relied on relevant statements contained in the Circular, confirmation, advice and representation by the Directors, and the Company's announcements in relation to the Proposed Disposal. In addition, Independent Directors should note that we have arrived at our recommendation based on information made available to us prior to and including the Latest Practicable Date. We assume no responsibility to update, review or reaffirm our opinions in the light of any subsequent development after the Latest Practicable Date, unless otherwise stated.

We would like to highlight that we do not express any opinion on the commercial merits of the Proposed Disposal, which remains the sole responsibility of the Directors. It is also not within our terms of reference to provide an opinion on the relative merits of the Proposed Disposal vis-a-vis any alternative transactions previously considered by the Company or transactions that the Company may consider in the future.

We have prepared this letter for the use of the Independent Directors in connection with and for the purposes of their consideration of the Proposed Disposal, but any recommendations made by the Independent Directors in respect of the Proposed Disposal shall remain their responsibility.

Whilst a copy of this letter may be reproduced in the Circular, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any purpose (other than the intended purpose in relation to the Proposed Disposal) at any time and in any manner without the prior written consent of Canaccord Genuity in each specific case, except for the forthcoming EGM.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully

For and on behalf of

Canaccord Genuity Singapore Pte. Ltd.

KAREN SOH
MANAGING DIRECTOR

SOO HSIN YU
DIRECTOR

LOYZ ENERGY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199905693M)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as used in the circular dated 14 June 2015 issued by Loyz Energy Limited ("Circular").

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of Loyz Energy Limited (the "**Company**") will be held at 11.00 a.m. on 29 June 2015 at Klapsons, The Boutique Hotel - eighteen. 1 & 2 Level 18, 15 Hoe Chiang Road, Tower Fifteen, Singapore 089316 for the purpose of considering and, if thought fit, passing with or without amendment, the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTION 1

THE PROPOSED ISSUE OF 136,500,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO FRAM EXPLORATION ASA

Resolved that, approval be and is hereby given to allot and issue 136,500,000 Fram Shares at an issue price of S\$0.110 per Fram Share to be allotted and issued to Fram, subject to and otherwise in accordance with the terms and conditions of the Termination Agreement and the Circular whereby such Fram Shares when issued shall rank *pari passu* in all respects with the then existing Shares, save as may be provided in the terms and conditions of the Termination Agreement and the Circular.

ORDINARY RESOLUTION 2

THE PROPOSED DISPOSAL OF THE RIGS TO SKY PARK INVESTMENTS LIMITED, A WHOLLY-OWNED SUBSIDIARY OF JIT SUN INVESTMENTS PTE. LTD.

Resolved that, approval be and is hereby given to sell the Rigs to Sky Park Investments Limited for a consideration of US\$16.0 million on the terms and conditions set out in the Sale and Purchase Agreement.

ORDINARY RESOLUTION 3

THE PROPOSED TRANSACTIONS CONTEMPLATED UNDER THE SHAREHOLDER LOANS FROM JIT SUN INVESTMENTS PTE. LTD. TO THE COMPANY

Resolved that, approval be and is hereby given for:

- (1) the grant by the Company of the S\$13M Loan Convertibility Option to Jit Sun and the Proposed Conversion Price Reduction on the terms and conditions set out in the S\$13M Loan Agreement and the S\$15M Loan Agreement respectively; and
- (2) the allotment and issuance of up to 210,181,818 Jit Sun Shares at the Jit Sun Conversion Price, subject to and otherwise in accordance with the terms and conditions of the S\$13M Loan Agreement or, as the case may be, the S\$15M Loan Agreement and the Circular whereby such Jit Sun Shares when issued shall rank *pari passu* in all respects with the then existing Shares, save as may be provided in the terms and conditions of the S\$13M Loan Agreement or, as the case may be, the S\$15M Loan Agreement, and such further Jit Sun Shares as may be required to be allotted and issued in the event that Jit Sun exercises its right to convert the Outstanding S\$13M Loan Principal Amount or, as the case may be, the Outstanding S\$15M Loan Principal Amount upon the adjustment of the Jit Sun Conversion Price in accordance with the terms and conditions set out in the S\$13M Loan Agreement or, as the case may be, the S\$15M Loan Agreement.

By Order of the Board

Yap Peck Khim
Company Secretary

Singapore
14 June 2015

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy but not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. The instrument appointing a proxy must be lodged at the registered office of the Company at 15 Hoe Chiang Road, #19-01 Tower 15, Singapore 089316 not less than 48 hours before the time appointed for the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This Notice has been prepared by the Company and its contents have been reviewed by Canaccord Genuity Singapore Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Notice. This Notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Notice, including the correctness of any of the statements made, reports contained or opinions expressed in this Notice. The contact person for the Sponsor is Ms Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

LOYZ ENERGY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199905693M)

PROXY FORM**EXTRAORDINARY GENERAL MEETING****IMPORTANT:**

1. For investors who have used their CPF monies to Buy LOYZ ENERGY LIMITED shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to their CPF approved Nominees within the time frame specified to enable them to vote on their behalf.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM (as defined below) dated 14 June 2015.

I/We _____ (Name)

of _____ (Address)

being a member/members of LOYZ ENERGY LIMITED (the “**Company**”), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the chairman of the extraordinary general meeting (“**EGM**”), as my/our proxy/proxies to vote for me/us on my/our behalf at the EGM to be held at Klapsons, The Boutique Hotel - eighteen. 1 & 2, Level 18, 15 Hoe Chiang Road, Tower Fifteen, Singapore 089316 on 29 June 2015 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the ordinary resolutions as set out in the Notice. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, my/our proxy/proxies will vote or abstain from voting at his/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote “For” or “Against” with an “X” within the box provided.)

<u>Ordinary Resolutions</u>	For	Against
To approve the Proposed Shares Issue		
To approve the Proposed Disposal		
To approve the Proposed Jit Sun Transactions		

Dated this _____ day of _____ 2015

Signature(s) of Shareholder(s)/Common Seal
of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at 15 Hoe Chiang Road, #19-01 Tower 15, Singapore 089316, not less than 48 hours before the time appointed for the EGM.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
5. Where a member appoints two proxies, the appointments shall be treated as an alternative to the first named unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
6. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified true copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 79 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being an appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.