KrisEnergy acquires Thai G10/48 stake and operatorship through a share acquisition

1. INTRODUCTION

The Board of Directors of KrisEnergy Ltd. ("**KrisEnergy**" or the "**Company**") announces that its wholly-owned subsidiary, KrisEnergy Management Ltd ("**KEML**") has today entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Mubadala Petroleum (Thailand) Holdings Limited (the "**Seller**") to purchase (i) the entire issued and paid up share capital of MP G10 (Thailand) Limited ("**MP G10**") (comprising 100,000 shares of THB 1,000 each) and (ii) receivables owed by MP G10 to the Seller (collectively, the "**Acquisition**"). The Company is also a party to the Sale and Purchase Agreement as guarantor for KEML's obligations under the Sale and Purchase Agreement.

2. INFORMATION ON THE ASSET

MP G10, a company incorporated in Thailand, holds the operatorship of, and 75% working interest in, the G10/48 concession in the Gulf of Thailand ("**G10/48**"). MP G10 holds no other asset. The Company, through an indirect wholly-owned subsidiary, KrisEnergy (Gulf of Thailand) Ltd, holds the remaining 25% of the working interest in G10/48. Following completion of the Acquisition, the Company will indirectly hold the operatorship of and the full 100% working interest in G10/48[(1)].

G10/48 covers 4,696 sq km in the Gulf of Thailand over the southern section of the Pattani Basin in water depths of up to 60 meters. The licence entered into a third obligation period of three years from 8 December 2012 to 7 December 2015 on 26 March 2013.

Three oil discoveries, Wassana, Niramai and Mayura, exist in G10/48 of which drafting of the Production Area Application for the Wassana development is underway and is anticipated to be submitted to the Thai authorities in 2014. The conceptual plan for phase one development of the Wassana field consists of a single platform with 12 to 14 wells producing to a floating storage and offshore loading vessel. First production is anticipated in the second half of 2015 and is expected to peak at 10,000 barrels of oil per day.

Numerous additional prospects in the Wassana area, along with the Niramai and Mayura discoveries, could add as many as four further platforms with gross reserves of approximately 40 million barrels of oil ("**mmbo**"). To date, 17 oil prospects have been identified and mapped and multiple exploration wells are planned to be drilled in 2014 and 2015.

Upon completion of the Acquisition, the best estimate contingent resources ("**2C resources**") attributable to the Company's 100% working interest share in G10/48 is estimated to be 19.6 mmbo as verified by Netherland Sewell & Associates, Inc. ("**NSAI**") as of 31 December 2013.

The initial public offering of the Company was sponsored by CLSA Singapore Pte Ltd and Merrill Lynch (Singapore) Pte. Ltd. (the "**Joint Issue Managers, Global Coordinators, Bookrunners and Underwriters**"). The Joint Issue Managers, Global Coordinators, Bookrunners and Underwriters assume no responsibility for the contents of this announcement.

Note:

(1) In line with requirements under the G10/48 concession, the Company will seek to farm-out to a suitable Thai participant (a juristic person established under the laws of Thailand with Thai nationals holding more than 50% in it) up to a 10% working interest in G10/48 (the "**Thai Participation Option**"). Upon exercising the Thai Participation Option, the Thai participant must reimburse the Company its *pro rata* share of all expenditure incurred from the contract area prior to its acquisition of the interest. Once the Thai Participation Option is fully exercised, the Company will have remaining a 90% working interest in G10/48.

3. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

3.1 Consideration

The total consideration for the Acquisition is an amount equal to:

(a) US$102.5 million (S$128.1 million)[(2)] (the "**Base Consideration**"), subject to a working capital adjustment (as described in paragraph 3.2 below); and

(b) any contingent consideration amounts payable after completion (as described in paragraph 3.3 below) (the "**Contingent Consideration**"),

collectively, the "**Consideration**".

The Consideration was arrived at a willing-buyer and willing-seller basis after taking into account the exploration and appraisal costs incurred by the Seller, 2C resources attributable to MP G10, development potential of G10/48 and the prevailing market conditions. The Company has today paid in cash to the Seller an aggregate amount of US$5.0 million (S$6.25 million) as deposit and will pay the balance of the Base Consideration (subject to a working capital adjustment) in cash on completion of the Acquisition ("**Completion**") which is expected to take place within five business days from signing or such other date as may be agreed by the Seller and the Company (the "**Completion Date**").

Note:

(2) Conversions from US$ to S$ in this announcement are based on the exchange rate of US$1.00 = S$1.25 as at 31 December 2013.

3.2 Working Capital Adjustment

The Base Consideration includes an amount of deemed working capital computed as at the date of the last audited financial statements of MP G10, being 31 December 2013. Upon Completion, the Base Consideration will be adjusted accordingly to reflect the working capital of MP G10 as at the Completion Date.

3.3 Contingent Consideration – Earn-out

The Seller will be entitled to an earn-out payment on Revenues (as defined below), calculated in accordance with the following formula (the "**Earn-out**"):

Earn-out = 2.25% x Seller Share x Revenues

Where:

"**Seller Share**" means the Seller's deemed working interest in G10/48 if the Acquisition never occurred, being (a) a 75% working interest in G10/48 if the Thai Participation Option lapses or is never exercised; or (b) the percentage working interest that results from the 75% working interest in G10/48 being reduced on a *pro rata* basis for the Thai participant's working interest, the minimum being 67.5%, on and from the Thai Participation Option being exercised; and

"**Revenues**" means the proceeds received from any transaction or other arrangements for the sale or disposal of all oil produced from G10/48 which is in excess of 18.5 mmbo.

For the avoidance of doubt, the Earn-out is payable only if production from G10/48 exceeds 18.5 mmbo. The Earn-out is subsequently payable monthly in cash and continues in existence until the expiry of the G10/48 concession. The obligation to pay the Earn-out applies irrespective of whether the Company or the Purchaser or any of their Affiliates cease to own an interest in the concession.

4. FINANCIAL EFFECTS OF THE ACQUISITION

4.1 Assumptions

The pro forma financial effects of the Acquisition presented below are strictly for illustration purposes and do not reflect the actual financial position of the Company and its subsidiaries (the "**Group**") post-Acquisition. The pro forma financial effects have been prepared based on the latest audited financial statements of the Group for the financial year ended 31 December 2013 ("**FY2013**") and have not been reviewed or audited by an independent party.

4.2 Net Profits Attributable to the Acquisition

No profit or loss relating to the assets or operations has been recorded as G10/48 is still in the development stage.

4.3 Net Tangible Assets per Share

For illustrative purposes and assuming the Acquisition had been effected at the end of FY2013, the pro forma financial effects on the consolidated net tangible assets of the Group for FY2013 ("**NTA**") are as follows:

	Before the Acquisition	**Adjusted for the Acquisition**
NTA	US$416.8 million (S$521.0 million)	US$505.9 million (S$632.3 million)
NTA per share	US$0.40 (S$0.50)	US$0.48(S$0.60)

4.4 Earnings per Share

No profit or loss relating to the assets or operations has been recorded as G10/48 is still in the development stage.

5. RATIONALE FOR THE ACQUISITION

The Company believes that the Acquisition will bring the following key benefits to the shareholders of the Company (the "**Shareholders**"):

- Operatorship of a concession in the Gulf of Thailand, where the Company's technical and operations team have deep knowledge and experience of the operating environment;
- Increase in the 2C resources of the Company in a relatively attractive fiscal regime;
- Ability to progress development of the existing discoveries; and

- Leverage on the successful track record of the technical team in exploration in the Gulf of Thailand.

6. METHOD FOR FINANCING THE ACQUISITION

The Acquisition will be financed by the Company's revolving credit facility and internal cash resources (which includes proceeds raised from the Company's initial public offering on 19 July 2013 (the "**IPO Proceeds**")). The Company will provide a separate update to the Shareholders in relation to the method for financing on Completion.

7. OTHER INFORMATION

7.1 Interests of the Directors and Controlling Shareholders

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition, other than through their respective interests in the Company, if any.

7.2 Directors' Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Acquisition or any other transaction contemplated in relation to the Acquisition.

7.3 Relative Figures

Farm-in and farm-out transactions are considered transactions in the ordinary course of the Company's business provided that there is no change in the Company's risk profile following the transaction. The Directors are of the view that there will be no change in the Company's risk profile following the Acquisition. The Acquisition is accordingly considered to be in the ordinary course of the Company's business.

Solely for information only, the relative figures in relation to the Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST are disclosed below:

Rule 1006	Bases	The Acquisition	Group	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	N.A.[(i)]	N.A.[(i)]	N.A.[(i)]
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	N.A.[(ii)]	N.A.[(ii)]	N.A.[(ii)]
(c)	The aggregate value of the consideration[(iii)] given or received, compared with the Company's market	US$102.5 million (S$128.1 million)	US$592.0 million (S$740.0 million)	17.3

Rule 1006	Bases	The Acquisition	Group	Relative Figures (%)
	capitalisation[(iv)] based on the total number of issued shares excluding treasury shares.			
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	N.A.[(v)]	N.A.[(v)]	N.A.[(v)]
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	N.A.[(vi)]	N.A.[(vi)]	N.A.[(vi)]

Notes:

(i) This basis is not applicable to an acquisition of assets.

(ii) No profit or loss relating to the assets or operations has been recorded as G10/48 is still in the development stage.

(iii) For the purposes of computing Rule 1006(c), the consideration for the Acquisition is taken to be the Base Consideration of US$102.5 million (S$128.1 million).

(iv) "Market capitalisation" is determined by multiplying the number of shares in the Company in issue by the weighted average price of such shares transacted on the market day preceding the date of the Sale and Purchase Agreement.

(v) This basis is not applicable because no equity securities will be issued by the Company as consideration for the Acquisition.

(vi) This basis is applicable to a disposal of mineral, oil and gas assets, but not to an acquisition of such assets.

7.4 Disclosure under Rule 750(1) of the Listing Manual

Based on NSAI verification of the gross 2C resources for G10/48 as of 31 December 2013, the Acquisition will increase our working interest 2C resources by approximately 27.3% from 53.9 million barrels of oil equivalent ("**mmboe**") to 68.6 mmboe.

8. DOCUMENTS FOR INSPECTION

A copy of the Sale and Purchase Agreement is available for inspection upon request by our Shareholders during normal business hours at 83 Clemenceau Avenue, #10-05, UE Square, Singapore 239920 for a period of three months, commencing from the date of this announcement.

By order of the Board

Kelvin Tang
Joint Company Secretary
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About KrisEnergy:

KrisEnergy Ltd. is an independent upstream company focused on the exploration for, and the development and production of oil and gas in Southeast Asia. Our strategy is to acquire assets in countries and basins where our technical team has expertise derived from decades of experience. Since 2009, we have built a portfolio of 18 contract areas in Bangladesh, Cambodia, Indonesia, Thailand and Vietnam, spanning the entire exploration-to-production life cycle. Once the G10/48 transaction is completed, we will operate 11 of the contract areas. Our asset portfolio provides a solid foundation from which we intend to grow our business in Southeast Asia.

KrisEnergy's shares are listed on the mainboard of the Singapore Exchange Securities Trading Ltd under the ticker SK3.

For more information, visit www.krisenergy.com