

Falcon Energy Group Limited

Presentation to Note Holders

Private and Confidential

15 February 2019



Terms of Reference

This Report has been prepared to update the Noteholders of Falcon Energy Group Limited (the “Company”) and its subsidiaries (collectively known as “FEG” or the “Group”) of developments since the last Consent Solicitation Exercise conducted on 15 September 2017.

Basis of Information

Our report deals primarily with information and other matters which we consider to be of relevance and interest to the Noteholders of the Group. Our primary source of information has been industry reports, representations made by Directors and management of the Group, and other publicly available information.

Disclaimer

Whilst all reasonable care has been exercised in the presentation of these slides, it should be noted that our work does not constitute an audit and that we have placed significant reliance on the accuracy of the information, explanations and representations provided by the sources mentioned above. We accept or assume no responsibility whatsoever for any loss or liability of whatsoever nature to any parties howsoever arising out of, in relation to and/or in connection with these slides or any part thereof (including but not limited to any use or reliance upon the same) by any party.

Restriction of Purpose and Use

This report is provided to the Noteholders of FEG solely for the purpose of updating Noteholders of the Company’s current status. This report and its contents shall not be used or relied upon by any party for any other purpose. The report and its contents shall be kept confidential and shall not be circulated, published, disseminated, copied, quoted or referenced to in whole or in part whatsoever form without our prior written consent in each specific instance.

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Industry Outlook

Crude Oil Price trend

Key Messages

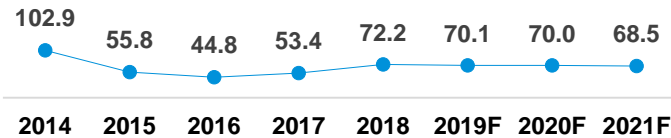
FEG experience low utilisation despite improved oil prices in 2017.

Oil prices are expected to again witness pressure in 2019 due to surging supply and unclear demand outlook

Operating environment for the offshore support vessels and oilfield services business will remain challenging in 2019.

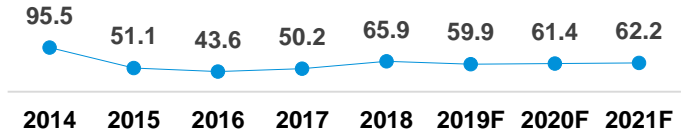
BRENT forecast

BRENT mean price index (US\$ per barrel), 2014-21F



West Texas Intermediate ("WTI") forecast

WTI mean price index (US\$ per barrel), 2014-21F



Decline in price during 2015-16

Increase in price during 2017-18

Expected decline in price in 2019

- One of the largest oil price decline
- Mid- 2014 to early 2015: Booming US oil production, receding geopolitical concerns, and shifting OPEC policies to drive oil production in the region
- Mid-2015 to early 2016: Deteriorating demand prospects
 - Low responsiveness of economic activity in key oil-importing emerging markets, the effects on U.S. activity of a sharp contraction in energy investment and a slowdown in key oil exporters
- In Indonesia, the low oil price trend during 2014-2016 pushed back the oil and gas investment in the region
- Increase primarily driven by curtailments in production by members of OPEC and increase in global demand
- In Indonesia, the high oil prices pushed up the economics of oil and gas projects, making investments in the upstream oil and gas sector more feasible and attractive
- Oil prices are expected to remain under pressure in 2019
- Result of surging supply and unclear demand outlook due to a slowdown in economic growth
- Some analysts feel that the prices may recover in later half of 2019, primarily driven by the agreement between OPEC members and Russia to begin reducing oil production by 1.2 million barrels per day from January 2019

Source: Brent price index and WTI price index via Capital IQ; 'What triggered the oil price plunge of 2014-2016 and why it failed to deliver an economic impetus in eight charts', The World Bank, 18 January 2018, [Link](#); 'Oil Price Spike Poses a Dilemma for Indonesia', The insider stories, [Link](#); 'Experts predict \$60 oil in 2019 as prices continue to decline', GoSanAngelo, 24 December 2018, [Link](#); 'Indonesia expects 2018 energy subsidies to surge 52 per cent', EnergyWorld, 18 September 2018, [Link](#), accessed on 24 January 2019

Update on FEG's Status

Update of events

Market Conditions

- FEG continued to suffer from low vessel utilisation rates
- Underperformance of fleet pushed FEG to undertake aggressive cost cutting measures

Sale and leaseback of non-core assets

- Sale of office premises located at units #33-01/01A/14/15/16 of 10 Anson Road, International Plaza, Singapore 079903 (collectively, the “Properties”)
- Aggregate consideration of sale at S\$13,205,500
- Entered into four lease agreements for leaseback of the Properties
- Net proceeds from sale applied towards settlement of outstanding amounts under credit facilities granted by UOB

Placement of 70 million ordinary shares at S\$0.028 per share

- Gross proceeds of S\$1,960,000 (includes 2% incidental costs)
- 45% of proceeds were used to fund coupon payment for noteholders
- 53% of proceeds were used for general working capital

Disposal of shares in CH Offshore Ltd. (“CHO”)

- Disposed 30.90% of issued and paid-up share capital of CHO shares
- Consideration for the shares is S\$25,047,000 at S\$0.115 per share
- Net proceeds used to repay part of outstanding loan with CIMB Bank
- After the disposal, FEG’s shareholdings in CHO reduced to 34.01%

Disposal of shares in Dictamismo S. DE R.L. DE C.V. (“Dictamismo”)

- Disposed all 50% of issued and paid-up share capital of Dictamismo, a 50% owned joint-venture company
- Consideration for the shares is US\$2,250,000
- Net proceeds received were used for general working capital

Continued discussions with banks

- Many obstacles encountered
- Discussions with banks have been long-drawn with no settlement reached

Notes

Overview of Series 001 Notes

Updates to Trust Deed

- Though a consent solicitation exercise conducted on 15 September 17, main amendments to the terms are set out as follows*:
 - a) Maturity date of the Notes is postponed to 19 September 2020 (“Extended Maturity Date”);
 - b) Increased redemption price payable on any outstanding amount of Notes on Extended Maturity Date to 105% of such outstanding principal amount;
 - c) Revised interest rate payable every two months:
 - i. 3.50% p.a. for 19 Sept 17 to 18 Sept 18
 - ii. 4.50% p.a. for 19 Sept 18 to 18 Sept 19
 - iii. 6.50% p.a. for 19 Sept 19 to 18 Sept 20
 - d) Assignment of proceeds from scrapping of vessels AC and T-4, and an account charge over the charged account for the same;
 - e) Mortgage and assignment of insurances over vessel SS-8, and an account charge over the charged account for the same.

*Please refer to the supplemental trust deed between the Company, DB International Trust (Singapore) Limited and Watiga Trust Pte. Ltd. entered on 18 September 2017 for the relevant amendments to the Trust Deed and the Conditions of the Notes.

Payments made to Note Holders

Payments made to noteholders		
Payments made prior to CSE		
Date	Interest rate p.a.	Amount paid (SGD)
19-Mar-15	5.50%	1,375,000
19-Sep-15		1,375,000
19-Mar-16	5.50%	1,375,000
19-Sep-16		1,375,000
19-Mar-17		1,375,000
		6,875,000
Payments made subsequent to CSE		
Date	Interest rate p.a.	Amount paid (SGD)
19-Sep-17	5.50%	1,375,000
19-Nov-17	3.50%	291,667
19-Jan-18		291,667
19-Mar-18		291,667
19-May-18		291,667
19-Jul-18		291,667
19-Sep-18		291,667
19-Nov-18		4.5%*
		3,500,000
Total	20.75%*	10,375,000

*Extrapolated coupon payment of 4.5% paid on 19 November 2018 to 2 months (i.e. 0.75%), totaling the effective coupon payment to 20.75%

Next steps

Next steps

1 Continued discussions with noteholders, secured lenders and key stakeholders

2 Negotiate and formulate revised terms with noteholders

3 Execute restructuring plan

4 Stabilisation of Company and return to profitability

Thank You

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.