

LOYZ ENERGY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199905693M)

PROPOSED ISSUANCE OF UP TO S\$60 MILLION 1.0% CONVERTIBLE NOTES DUE 2017

1. INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Loyz Energy Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a subscription agreement (the “**Subscription Agreement**”) with Advance Opportunities Fund (the “**Subscriber**”) and Advance Capital Partners Pte Ltd, the authorised representative of the Subscriber, (each a “**Party**” and collectively the “**Parties**”) on 1 July 2014, pursuant to which the Company has agreed to issue to the Subscriber (the “**Issue**”) 1.0% convertible notes due 2017 in aggregate principal amount of up to S\$60 million (the “**Convertible Notes**”) comprising up to three tranches in aggregate principal amount of up to S\$20 million each, with each tranche comprising up to 10 sub-tranches in aggregate principal amount of S\$2 million each.

The Convertible Notes will not be listed on Catalist and are convertible into new ordinary shares in the capital of the Company (“**New Shares**”), for which listing and quotation on the Catalist shall be sought, on the terms and conditions of the Subscription Agreement.

The Convertible Notes are to be issued to the Subscriber pursuant to Section 272B of the Securities and Futures Act, Chapter 289 of Singapore. Hence, no prospectus or offer information statement will be lodged with the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) acting as agent on behalf of the Monetary Authority of Singapore.

There is no placement agent appointed for the Issue. The Company was introduced to the Subscriber through mutual and informal contacts in the industry, and no fees or commissions were paid to such persons. The Company decided to enter into the Subscription Agreement so as to strengthen its balance sheet as well as to broaden the shareholder base.

Pursuant to Rule 803 of Section B: Rules of Catalist of the SGX-ST Listing Manual (the “**Rules of Catalist**”), the Company has confirmed that it will not, pursuant to the issue of Convertible Notes, issue securities to transfer a controlling interest without the prior approval of shareholders of the Company (“**Shareholders**”) in a general meeting. The Subscriber has represented and warranted to the Company in the Subscription Agreement that it is subscribing the Convertible Notes for investment purposes only and has no intention of influencing the management of, or exercising control over, the Company or appointing a nominee director on to the Board of the Company. The Subscriber has also agreed not to hold more than 15.0% of the enlarged share capital of the Company, at any time and from time to time unless further approval of the Shareholders is sought and obtained at a separate general meeting. The Convertible Notes will not be issued to any person who is a Director or a substantial Shareholder, or any other person falling within the categories set out in Rule 812(1) of the Rules of Catalist.

The Subscriber is an open-ended fund with sub-funds incorporated in the Cayman Islands and its investors are mainly based in Asia. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Mr Tan Choon Wee is the principal and sole director of the Subscriber.

2. Principal Terms of the Convertible Notes

The principal terms and conditions of the Convertible Notes (the “**Conditions**”) are summarised as follows:

Issue Size : Up to S\$60 million in principal amount of the Convertible Notes, comprising up to three tranches in aggregate principal amount of up to S\$20 million each (each tranche being, “**Tranche 1 Convertible Notes**”, “**Tranche 2 Convertible Notes**”, and “**Tranche 3 Convertible Notes**”), with each tranche comprising up to 10 sub-tranches in aggregate principal amount of S\$2 million each.

Subject to the terms and conditions of the Subscription Agreement, the Company agrees to issue and the Subscriber agrees to subscribe for the Tranche 1 Convertible Notes at the Issue Price (as defined below):

- (a) in respect of the first sub-tranche of Tranche 1 Convertible Notes, on the fifth business day immediately after the last of the Conditions Precedents (as defined below) is fulfilled or such other date as the Parties may agree in writing, such date being the closing date (the “**Closing Date**”) of the first sub-tranche of Tranche 1 Convertible Notes; and
- (b) in respect of each of the subsequent sub-tranches of Tranche 1 Convertible Notes, the fifth business day after the date on the Conversion Date (as defined below) of the last of the Convertible Notes comprised in the immediately preceding sub-tranche of Tranche 1 Notes or such other date as the Parties may agree in writing, such date being the Closing Date of such subsequent sub-tranche of Tranche 1 Convertible Notes.

The Company has the option (the “**Option**”) in respect of the Tranche 2 Convertible Notes and the Tranche 3 Convertible Notes to call upon the Subscriber to subscribe for such Convertible Notes at the Issue Price in the period commencing from and including the date on when the short form conversion notice, in relation to the last sub-tranche of the immediately preceding relevant tranche, is received by the Company (the “**Conversion Date**”) to and including the tenth business day thereafter or such other period as the Parties may agree in writing (the “**Option Period**”).

To exercise the Option, the Company shall notify the Subscriber in writing in the form agreed in the Subscription Agreement (the “**Exercise Notice**”) at any time during the Option Period for the relevant Option. Upon receipt of the Exercise Notice, the Subscriber shall be obliged to subscribe, and the Company shall be obliged to issue, at the Issue Price:

- (a) in respect of the first sub-tranche of the relevant Tranche 2 Convertible Notes or Tranche 3 Convertible Notes, on the fifth business day following the date of the Exercise Notice, or such other date as the Parties may agree in writing, such date being the Closing Date of the first sub-tranche of the relevant Tranche 2 Convertible Notes or Tranche 3 Convertible Notes; and
- (b) in respect of each subsequent sub-tranche of the relevant Tranche 2 Convertible Notes or Tranche 3 Convertible Notes, on the fifth Business Day after the relevant Conversion Date of the last of the Convertible Notes comprised in the immediately preceding sub-tranche of the relevant Tranche 2 Convertible Notes or Tranche 3 Convertible Notes or such other date as the Parties may agree in writing, such date being the Closing Date of such

subsequent sub-tranche of the relevant Tranche 2 Convertible Notes or Tranche 3 Convertible Notes.

Notwithstanding the above, in respect of each subsequent sub-tranche of the Tranche 1 Convertible Notes, Tranche 2 Convertible Notes or Tranche 3 Convertible Notes, the Subscriber is entitled to subscribe for such subsequent sub-tranche notwithstanding that the last Convertible Note comprised in the immediately preceding sub-tranche has yet to be converted into New Shares and the Company shall be obliged to issue such sub-tranche on the fifth business day from the date of such written request delivered to the Company or such other date as the Parties may agree in writing, such date being the Closing Date of such subsequent sub-tranche.

- Issue Price : 100% of the principal amount of the Convertible Notes.
- Interest : The Convertible Notes shall bear interest from the respective dates on which they are issued at the rate of 1.0% per annum, payable annually in arrears on 31 December in each year.
- Conversion Price : The price at which each New Share shall be issued upon conversion (the “**Conversion Price**”) shall be, at the option of the holder of the Convertible Notes (the “**Noteholder**”), either:
- (a) 150% of the average of the volume weighted average price per Share (as defined below) for the 45 business days on which the shares in the capital of the Company (the “**Shares**”) were traded on the SGX-ST, immediately preceding:
 - (i) in respect of Tranche 1 Convertible Notes, the date of the Subscription Agreement;
 - (ii) in respect of Tranche 2 Convertible Notes, the Closing Date of the first sub-tranche of Tranche 2 Convertible Notes; and
 - (iii) in respect of Tranche 3 Notes, the Closing Date of the first sub-tranche of Tranche 3 Notes,(the “**Fixed Conversion Price**”) subject to adjustment in the manner provided in the Conditions; or
 - (b) 85% of the average of the closing price per Share on any three consecutive business days as selected by the Noteholder during the 45 business days immediately preceding the relevant Conversion Date on which Shares were traded on the SGX-ST (the “**Floating Conversion Price**”).
- Conversion Period : The period from and including the respective dates on which the Convertible Notes are issued and registered in accordance with the Subscription Agreement up to the close of business on the day falling one week prior to the Maturity Date (as defined below).
- Conversion Price Adjustment : The Conversion Price shall be subject to adjustments in certain circumstances, including but not limited to stock splits, rights issues, cash or shares dividend distributions, bonus issues or the occurrence of certain other dilutive events.
- Status of the : The Convertible Notes will constitute direct, unconditional, unsubordinated and (subject to the Conditions) unsecured obligations of the Company, ranking *pari*

Convertible Notes	<i>passu</i> and rateably without preference or priority among themselves, and will, save for such exceptions as may be provided by mandatory provisions of applicable laws and subject to the Conditions, rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.
Status of the New Shares	: The New Shares arising from the conversion of the Convertible Notes will, when issued, be unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank <i>pari passu</i> in all respects with all other existing Shares, except that such New Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which is before the relevant Conversion Date of the Convertible Notes.
Maturity Date	: The maturity date (“ Maturity Date ”) is the date falling 36 months from the date of the issue of the first sub-tranche of the Tranche 1 Convertible Notes.
Redemption at the Option of the Company	: The Company may redeem the Convertible Notes presented for conversion in cash if the Conversion Price is less than or equal to 65% of the average of the closing price per Share for the 45 consecutive business days prior to the issue of that sub-tranche of the Convertible Notes which the relevant Convertible Notes are comprised in, according to the following formula: $N \times \{P + [8\% \times P \times (D/365)] + I\}$ where: “D” = the number of days elapsed since the relevant Closing Date in respect of each sub-tranche of the Convertible Notes. “N” = the number of Convertible Notes presented for conversion. “P” = the face value of the Convertible Notes presented for conversion. “I” = the remaining unpaid interest accrued on the Convertible Notes presented for conversion.
Listing	: The Company will make an application to the Sponsor (as defined herein) and the SGX-ST for the dealing in, listing of and quotation for the New Shares to be issued pursuant to the conversion of the Convertible Notes on Catalist.
Events of Default	: Upon the occurrence of any of the events of default specified in the Conditions, any Convertible Note may, by notice in writing given to the Company by the Noteholder, be declared immediately due and payable at 120% of its principal amount together with accrued interest.
Governing Law	: Singapore Law

3. CONDITIONS PRECEDENT

The Issue is conditional upon, among others, the Shareholders’ approval for the issue of the Convertible Notes and the allotment and issuance of the New Shares being obtained at the extraordinary general meeting to be convened and all other approvals for the Issue having been obtained and not amended, withdrawn, revoked or cancelled (collectively, the “**Conditions Precedents**”).

4. NEW SHARES

As of the date of this announcement ("**Announcement**"), the Company has an issued share capital of 411,281,127 Shares and has no treasury shares.

It is assumed, for the purposes of this Announcement and for illustration purpose only, the Fixed Conversion Price, is S\$0.4848 per New Share, computed based on 150% of the average of the volume weighted average price per Share for the 45 business days on which the Shares were traded on the SGX-ST immediately preceding 1 July 2014 and the Floating Conversion Price is S\$0.2819 per New Share, computed based on 85% of the average of the closing price per Share on any three consecutive business days during the 45 business days immediately preceding 1 July 2014, assuming the Conversion Date to be 1 July 2014.

An aggregate of 212,841,433 New Shares will be allotted and issued, assuming that there is full conversion of the Convertible Notes at S\$0.2819 per New Share, being the lower of the (a) Fixed Conversion Price (assumed, for illustrative purposes only, to be at S\$0.4848 per New Share) and (b) Floating Conversion Price (assumed, for illustrative purposes only, to be at S\$0.2819 per New Share). The Company will have an enlarged issued share capital comprising 624,122,560 Shares. The 212,841,433 New Shares represent approximately 51.75% and 34.10% of the existing and enlarged issued share capital of the Company, respective.

Shareholders should note that as at the date of this Announcement, the Conversion Price, and accordingly, the number of New Shares to be allotted and issued are not ascertainable as they are dependent on the future market prices of the Shares during the relevant Conversion Period. Moreover, the Company has the absolute discretion to not exercise the Option in respect of the Tranche 2 Convertible Notes and the Tranche 3 Convertible Notes. Accordingly, the total principal amount of the Convertible Notes to be issued is also not determinable as at the date of this Announcement.

Therefore, it is not possible at the date of this Announcement to conclusively determine the actual number of tranches of Convertible Notes to be issued or the actual number of Conversion Shares to be allotted and issued by the Company, from the Issue.

5. USE OF PROCEEDS

Assuming that the Company has issued the Convertible Notes in the principal amount of S\$60 million to the Subscriber, the total gross proceeds of S\$60 million from the Issue will be used in the following manner:

- (a) approximately 0.15% to be used for estimated expenses relating to the Issue; and
- (b) approximately 99.85% to fund existing projects that the Group has undertaken and/or future projects that the Group may undertake as well as to augment the Group's working capital.

Pending the deployment of the net proceeds, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities and/or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate in the interests of the Company.

The Company shall announce the use of the proceeds as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated in this Announcement. Where there is any material deviation from the stated use of proceeds, the Company shall announce the reasons for such deviation. The Company shall also provide a status report on the use of proceeds in its annual report.

6. DIRECTORS' OPINION

The Directors are of the opinion that, after taking into consideration:

- (a) 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; and
- (b) the Group's present bank facilities, internal resources, operating cashflow and the net proceeds of the Issue, the working capital available to the Group is sufficient to meet its present requirements.

Notwithstanding the above, the net proceeds from the Issue will enable the Company to augment its working capital and give it the flexibility to apply the net proceeds to its existing projects now and in the future as the Company may deem necessary and to take advantage of any business opportunities that may arise in future.

7. FINANCIAL EFFECTS OF THE ISSUE

The proforma financial effects of the Issue are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after the completion of the Issue. Such proforma financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2013 ("FY2013") as well as the following assumptions:

- (i) the Company has fully issued the Convertible Notes in the principal amount of S\$60 million;
- (ii) there is full conversion of the Convertible Notes at the end of FY2013, at a Conversion Price based on the lower of the (a) Fixed Conversion Price (assumed, for illustrative purposes only, to be S\$0.4848 per New Share) and (b) Floating Conversion Price (assumed, for illustrative purposes only, to be S\$0.2819 per New Share), resulting in the issue of 212,841,433 New Shares at the end of FY2013; and
- (iii) expenses relating to the Issue are approximately S\$90,000.

Share Capital

	Before the Issue	After the Issue
Number of Shares	333,780,910	546,622,343
Share capital (S\$'000)	68,014	128,014

Net Asset Value ("NAV")

	30 June 2013 (S\$ '000)
NAV as reported	69,916
Estimated Issue expenses	(90)
Adjusted NAV after the Issue but before any conversion of the Convertible Notes	69,826
NAV per Share (Singapore cents)	
Before the Issue	20.95
After the Issue but before any conversion of the Convertible Notes	20.92

Assuming full conversion of the Convertible Notes, the effects on the Group's NAV and NAV per Share of the Group will be as follows:

	30 June 2013
Adjusted NAV (S\$ '000)	129,826
Adjusted NAV per Share (Singapore cents)	23.75

Earnings per Share

Based on the assumptions stated herein, particularly, assumption (ii), the Company expects that interest payable to the Subscriber to be immaterial. As such, the impact on earnings per Share of the Company would be negligible. In any case, the maximum interest payable, on an annualised basis, in connection with the Convertible Notes, shall not exceed S\$600,000, being 1% on the principal amount of S\$60 million.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Issue, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement 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 Announcement in its proper form and context.

10. DOCUMENT FOR INSPECTION

A copy of the Subscription Agreement is available for inspection by Shareholders during normal business hours at the registered address of the Company at 15 Hoe Chiang Road, #19-01, Singapore 089316 for three months from the date of this Announcement.

11. CIRCULAR TO SHAREHOLDERS

The Issue is conditional upon, among others, the approval from the Shareholders for the issue of the Convertible Notes and the allotment and issuance of the New Shares being obtained at an extraordinary general meeting to be convened. Further details of the terms of the Subscription Agreement will be set out in the circular to be issued by the Company and to be despatched to Shareholders in due course for the purposes of obtaining Shareholders' approval in respect of the Issue at an extraordinary general meeting of the Company to be convened.

12. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Shares in relation to this Announcement as there is no certainty that the Issue will be completed as it is subject to the fulfillment of terms and conditions set out in the Subscription Agreement as well as Shareholders' approval. When in doubt as to the action they should take, shareholders and potential investors should consult their financial, tax or other advisers.

13. ANNOUNCEMENTS

Further announcements on the Issue, including the receipt of the listing and quotation notice from the SGX-ST, will be made in due course as and when appropriate.

By order of the Board

Lee Chye Cheng, Adrian
Managing Director
Date: 2 July 2014

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

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

The contact person for the Sponsor is Mr Alex Tan, CEO, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.