

**ENTRY INTO A NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED
ACQUISITION OF, *INTER ALIA*, WORKING INTERESTS AND OVERRIDING
ROYALTY INTERESTS IN THE MUSTANG FIELD**

Unless otherwise defined, all capitalised terms shall bear the same meanings as the circular released by Alpha Energy Holdings Limited on 18 February 2019 (the “Mustang Project Circular”) and announcements released on 1 April 2019, 4 April 2019, 8 April 2019 and 9 April 2019 (the “Previous Announcements”).

INTRODUCTION

The board of directors (the “**Directors**” or the “**Board**”) of Alpha Energy Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company had on 14 May 2019 entered into a non-binding term sheet (“**Term Sheet**”) with Nabors Drilling Technologies USA d/b/a Ramshorn Investment (“**Nabors**”) for:

- (a) the settlement of outstanding balances owing by the Group to Nabors amounting to (i) US\$15 million in relation to the fixed second tranche payment of the acquisition cost of the Mustang Field working interest (“**WI**”), (ii) trade payables of US\$11 million, and (iii) contingent payment of US\$12 million, and
- (b) acquisition of 6.0786% WI ownership and 1.535% overriding royalty interest ownership in the Mustang Field from Nabors,

in exchange for a US\$27 million secured note.

Background and Overview

Reference is made to the Mustang Project Circular and annual report for the financial year 31 December 2018 relating to the US\$25 million second tranche payment cost of the Mustang Project due and payable on 30 May 2016 to the previous working interest owners, namely Nabors and Alaska Venture Capital Group.

Pursuant to the purchase agreement entered on 1 July 2014 for the acquisition of WI in the Mustang Field from Nabors by the then respective WI owners, namely Caracol, TPNSD and BRPC (the “**Purchase Agreement**”), the Group, subsequent to the consolidation of interest in TPNSD and BRPC, owes Nabors a second tranche payment US\$15 million in deferred compensation (the “**Deferred Consideration**”). In addition, the Purchase Agreement stipulates that upon the achievement of certain production targets stipulated in the Purchase Agreement, the Group will pay Nabors an additional US\$12 million (collectively, the “**Contingent Payment**”). For avoidance of doubt, the Deferred Consideration was taken into account when arriving at the TPNSD Consideration.

Nabors also owns a 6.0786% WI (“**Nabor WI**”) and a 1.535% overriding royalty interest in the proceeds from the sale of oil upon production (“**Nabor ORR**”) of the Mustang Field.

Nabors Alaska Services Corp. (“**Nabors Alaska**”), a subsidiary of Nabors, which provides certain drilling and related services on the Alaska North Slope had previously provided drilling services for the Mustang Field amounting to approximately US\$11 million (the “**Drilling Receivable**”).

The Group have entered into a non-binding term sheet with Nabors to exchange the Deferred Compensation, Contingent Payment, Drilling Receivable, Nabor WI and Nabor ORR for a secured note from the Group in an amount equal to US\$27 million (the “**Secured Note**”).

Please refer to Appendix 1 of the announcement for details of the non-binding term sheet.

The Rationale

This settlement of the Deferred Compensation and Drilling Receivable allows the Group to defer and align payments to the Mustang Field production. This also supports the Group's ability to continue its operations smoothly and as a going concern.

Additionally, the return of the Nabor WI and extinguishment of the Nabor ORR is beneficial to the Group as this increases net proceeds from production attributable to the Group, which in turn increases the Group's profitability.

Non-Binding Term Sheet

The parties to the Term Sheet acknowledged and agree that nothing in the Term Sheet shall be construed as an offer or commitment on the part of either party to negotiate definitive documentation or complete the proposed transactions. Unless and until the parties execute the definitive documentation, there shall exist no legally binding obligation by either party relating to the provisions of the Term Sheet.

The Company would provide further information, including the required disclosures under Chapter 10 of the Catalist Rules in relation to the acquisition of WI from Nabors, when the definitive documentation has been signed.

CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading their Shares. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take. There is no certainty or assurance as at the date of this announcement that the negotiations in relation to the Term Sheet will be successful. The Company will make the necessary announcements when there are further developments in relation to the Term Sheet.

DIRECTOR'S 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 Mustang Project Transactions, the Term Sheet, 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.

BY ORDER OF THE BOARD ALPHA ENERGY HOLDINGS LIMITED

Tan Wee Sin
Company Secretary
5 June 2019

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by the SGX-ST. 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 Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

The contact person for the Sponsor is Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).

Principal Terms of the Secured Note

The Group will agree to execute the Secured Note and will grant Nabors or its designated affiliate a perfected security interest ("**Security Interest**") in certain properties owned by the Group and/or operated by BRPC, including assets in relation to the Mustang Field, and any production therefrom, securing the Secured Note.

The Secured Note shall have a maturity date of six (6) years from the signing of definitive documentation and shall accrue interest at a rate of 8.5% per annum. The Secured Note shall be repayable in equal consecutive quarterly instalments, beginning January 31, 2020. The Group may prepay the entire principal balance outstanding under the Secured Note, together with all accrued and unpaid interest thereon, at any time without penalty. If the Group defaults on any obligation it has to Nabors (subject to any applicable grace periods), including any scheduled payment under the Secured Note not being paid when due, Nabors may call the entire amount outstanding under the Secured Note as immediately due and payable.

The Group and Nabors Alaska will agree to include a provision in the Secured Note whereby to the extent that the actual quarterly gross revenue of the Group in any quarter year exceeds one-fourth of the annual future gross revenue as set forth on the projection of estimated proved (2P) production and revenue as of 31 December 2018, as included in the Independent Qualified Person's Report dated 25 March 2019 by DeGolyer and MacNaughton, 75% of such excess gross revenue shall be paid to Nabors Alaska (the "**Cash Flow Bonus Payments**") and such payments shall reduce the amount due under the Secured Note.

The Secured Note will by its terms be subordinated to any existing security interest in favour of AIDEA, ING Bank ("**ING**"), the State of Alaska, BRPC's or the Group's existing or (subject to a dollar cap of US\$100 million, unless prior written agreement is obtained) future reserved based lending ("**RBL**") facility lenders, or by action of law. If BRPC increases the borrowing base of the RBL facility above \$60 million, the quarterly payments due to Nabors pursuant to the Secured Note shall increase by a fraction of the quarterly payment which has as its numerator the amount increased above \$60 million and a denominator of \$60 million.

Until the Secured Note is repaid in full, the Group will agree to incur no other future senior or *pari passu* or junior indebtedness with earlier maturity without Nabors' prior written consent nor allow any other new liens on Mustang and other BRPC properties that is not expressly subordinated to the Secured Note. BRPC will use its best efforts to coordinate the execution of an intercreditor agreement between Nabors Alaska, AIDEA, ING and the RBL facility lenders to document the priority set in the term sheet. Nabors will agree to any current or future terms required by the more senior lenders. Nabors will agree to subordinate its position in favour of AIDEA, ING and the RBL facility lenders by (a) not declaring an Event of Default (x) prior to May 15, 2020, and (y) thereafter, for a period of one hundred twenty (120) days following any default without the senior lienholders written consent, and (b) if BRPC fails to make a payment for six (6) months (through November 30, 2019), agreeing to the accrued, unpaid interest being added to the principal of the Secured Note.

Nabors, BRPC and/or the Group, as applicable, will execute and deliver such documents and make such filings as may be necessary to give effect to and perfect the security interest.

In exchange for the Secured Note, Nabors and Nabors Alaska will agree to extinguish the Deferred Compensation, Drilling Receivable and any existing claims against the Group. Nabors will also agree to assign the Nabors WI and Nabors ORR to BRPC or the Group, subject to an indemnity by BRPC for any environmental liability that Nabors incurs due to its previous ownership of the Nabors WI and Nabors ORR.