

CHARISMA ENERGY SERVICES LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 199706776D)

**SETTLEMENT WITH WHITESEA SHIPPING & SUPPLY (LLC) FZC
THROUGH THE DISPOSAL OF VESSELS**

1. INTRODUCTION

The Board of Directors (the “**Directors**” or the “**Board**”) of the Charisma Energy Services Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”), wishes to inform its shareholders that on 14 May 2021, the Company, together with direct wholly-owned subsidiaries, Anchor Offshore Services Inc. (“**AOS**”), Anchor Marine 2 Inc. (“**AM2**”) and Anchor Marine 3 Inc. (“**AM3**”), entered into a settlement agreement with Whitesea Shipping & Supply (LLC) FZC (“**WSS**”) to settle the Claims (as defined below) (the “**Settlement Agreement**”).

2. BACKGROUND TO THE SETTLEMENT AGREEMENT

- 2.1. AM2 (as owner of the vessels named “SAREM” of vessel number J8B4017 (“**SAREM**”), and “SALEH” of vessel number J8B4016 (“**SALEH**”)) and AM3 (as owner of the vessels named “SAMED” of vessel number J8B4018 (“**SAMED**”), and “SAEB” of vessel number J8B4019 (“**SAEB**”)), entered into respective bareboat charters with AOS, as charterers, for the vessels SAREM, SALEH, SAMED, and SAEB (collectively, the “**Vessels**”). AOS subsequently entered into bareboat charters with WSS for the respective Vessels (the “**Bareboat Charters**”). As a result of entering into the bareboat charters, WSS is in possession and in control of the Vessels.
- 2.2. AOS commenced arbitration against WSS in arbitration SIAC Arbitration No. 382 of 2017 (“**ARB 382/17**”) in respect of the Bareboat Charters due to outstanding charter income. On 9 January 2020, AOS obtained an arbitration award against WSS (the “**Award**”). AOS applied for ratification and recognition of the Award in front of Sharjah Court by way of application No. 1619/2020 Order on Petition. On 7 September 2020, AOS commenced execution proceedings against WSS under Execution file No. 2538/2020 Execution Plenary in respect of the enforcement of the Award (the “**Enforcement Proceedings**”). As part of the Enforcement Proceedings, attachment orders have been issued by the Sharjah Court on, amongst other things, the Vessels and four bank accounts held by WSS (which are collectively referred to as the “**WSS Bank Accounts**”).
- 2.3. WSS has appealed against the Enforcement Proceedings (the “**Appeal Proceedings**”).
- 2.4. WSS intends to purchase the Vessels from AM2 and AM3 respectively, through its special purpose vehicles.
- 2.5. Subsequent to further negotiation, the Parties entered into the Settlement Agreement to settle AOS’ claims (the “**Claims**”) arising from the Bareboat Charters, ARB 382/17, the Award, the Enforcement Proceedings, the Appeal Proceedings and for the sale and purchase of the Vessels.

3. INFORMATION ON WSS

WSS is a company incorporated in United Arab Emirates and is mainly involved in the business of providing offshore and marine services. The director(s) and ultimate beneficial owner(s) of WSS are not related or connected to and are independent third parties from the Company, the Directors or the Group.

4. MATERIAL TERMS OF THE SETTLEMENT AGREEMENT

- 4.1. **Effective Date:** Within 5 banking days from the date of the Settlement Agreement, (a) the Company shall procure that Teras Conquest 2 Pte Ltd will discontinue proceedings against WSS in respect of a dispute between themselves and promptly furnish to WSS evidence that Teras Conquest 2 Pte Ltd has done so; and (b) WSS shall discontinue proceedings against Teras Conquest 2 Pte Ltd, Teras Conquest 3 Pte Ltd,

Teras Conquest 5 Pte Ltd, and promptly furnish to Charisma evidence that it has done so (collectively “**Ezion Proceedings**”). The date on which all Ezion Proceedings have been discontinued shall be the “**Effective Date**”. For the avoidance of doubt, the Disposals (as defined below) are unrelated to Ezion Holdings Limited.

- 4.2. **Settlement Sum:** The settlement sum agreed with WSS is US\$4,000,000 (the “**Settlement Sum**”) and was arrived at after arm’s length negotiations, taking into account, amongst other factors:
- (a) the physical conditions of the Vessels;
 - (b) the operating history of the Vessels;
 - (c) market price of vessels with similar specification to the Vessels;
 - (d) the future burn rates of the Vessels; and
 - (e) the future costs on continuing the Enforcement Proceedings, recovery of the Vessels and the expected recovery of the Enforcement Proceedings.
- 4.3. WSS shall pay by telegraphic transfer the Settlement Sum, to be paid in instalments as follows:
- (a) US\$200,000 to be paid by no later than the date falling 21 working days after the date of the Settlement Agreement in cash to Al Tamimi, the Company’s law firm;
 - (b) US\$800,000 to be paid in 4 instalments of US\$200,000 in accordance with the Settlement Agreement to the Company’s designated bank account; and
 - (c) US\$3,000,000 to be paid in 15 instalments of US\$200,000 in accordance with the Settlement Agreement to a designated bank account (the “**Escrow Account**”) under the name of the escrow agent (the “**Escrow Agent**”) pursuant to the escrow agreement entered into between WSS, AOS, AM2, and AM3 (the “**Escrow Agreement**”). Upon delivery of the respective Vessels, these 15 instalments shall be released in accordance with the Escrow Agreement.
- 4.4. **Transfer of Title of the Vessels:** The title of the Vessels shall be transferred as follows (the “**Disposals**”):
- (a) Upon receipt of the first US\$1,000,000 of the Settlement Sum in accordance with the Settlement Agreement, AM2 shall transfer ownership and title of SAREM to WSS (or its nominee), together with the provision of relevant documentation.
 - (b) Upon receipt of the next US\$1,000,000 of the Settlement Sum into the Escrow Account and in exchange for the release of the same from the Escrow Account, AM3 will procure the release of the first preferred mortgage over SAMED granted by AM3 in favour of Malayan Banking Berhad and transfer ownership and title of SAMED to WSS (or its nominee), together with the provision of relevant documentation.
 - (c) Upon receipt of the next US\$1,000,000 of the Settlement Sum into the Escrow Account and in exchange for the release of the same from the Escrow Account, AM2 will procure the release of the first preferred mortgage over SALEH granted by AM2 in favour of Overseas-Chinese Banking Corporation Limited and transfer ownership and title of SALEH to WSS (or its nominee), together with the provision of relevant documentation.
 - (d) Upon receipt of the final US\$1,000,000 of the Settlement Sum into the Escrow Account and in exchange for the release of the same from the Escrow Account, AM3 will procure the release of the first preferred mortgage over SAEB granted by AM3 in favour of Malayan Banking Berhad and transfer ownership and title of SAEB to WSS (or its nominee), together with the provision of relevant documentation.

¹ Ezion Holdings Limited, Teras Conquest 2 Pte Ltd, Teras Conquest 3 Pte Ltd, Teras Conquest 5 Pte Ltd, Teras Conquest 7 Pte Ltd, and WSS intends to enter into a standalone agreement to settle the disputes between themselves (the “**Ezion Agreement**”).

4.5. **Settlement:**

- (a) Upon receipt of the first US\$200,000 of the Settlement Sum, AOS shall within 2 banking days, apply to the relevant Sharjah Courts in the United Arab Emirates to remove the attachment orders over the WSS Bank Accounts and the Vessels, and shall do its utmost to secure the removal of the attachment orders by the Sharjah Court on the Vessels and the WSS Bank Accounts.
- (b) Upon receipt of the Settlement Sum, AOS shall within 3 banking days withdraw and/or discontinue the Enforcement Proceedings.
- (c) It is agreed by the parties to the Settlement Agreement that the Settlement Sum paid by WSS and received by AOS shall be accepted as full and final settlement of any and all claims, losses, damages, costs, expenses, differences and/or matters between the Parties arising out of or in connection with the Bareboat Charters, ARB 382/17, the Award, the Appeal Proceedings and the Enforcement Proceedings and shall constitute full, final and irrevocable release and discharge of any and all claims by the parties in relation to and/or arising out of the Bareboat Charters, ARB382/17, the Award, the Appeal Proceedings and/or the Enforcement Proceedings.
- (d) Upon receipt of the Settlement Sum, all agreements, contracts, claims, losses, damages, costs, expenses, differences, matters and/or obligations existing as at the date of this Agreement between any member of the Group and any member of the WSS and its affiliates (the “**WSS Group**”) (the “**Existing Matters**”) shall be terminated, cancelled and/or settled, and the Group and the WSS Group shall have no further claims against each other in respect of the Existing Matters.

5. **RATIONALE FOR THE SETTLEMENT AND DISPOSALS OF VESSELS**

The entry into the Settlement Agreement and Disposals of Vessels are in line with the Group’s decision to exit the oil and gas services business. This was done in consultation with the secured lenders of the Vessels. This will also enable the Group to receive cash receipts upon the completion of the Settlement Agreement and Disposals of the Vessels and to support the Group’s refinancing exercise with its financial institutions.

6. **FINANCIAL INFORMATION**

6.1. **Financial information**

(a) Book value of the Vessels

Based on the unaudited financial statements of the Group for the financial year ended 31 December 2020 (“**FY2020**”), the net book values of the Vessels are US\$733,000.

(b) Excess of the relevant Settlement Sum over the book value of the Vessels

Based on the unaudited financial statements of the Group for FY2020, the excess of the Settlement Sum over the book value of the Vessels is US\$3,267,000.

(c) Net losses attributable to the Vessels

Based on the unaudited financial statements of the Group for FY2020, the net losses generated by the Vessels are US\$195,000 for FY2020.

(d) Gain on the Disposals

The gains estimated to be generated from the Disposals of the Vessels are US\$3,167,000 (“**Net Gains**”) after deducting estimated costs to sell of US\$100,000. The Net Gains represent negative 105% as a percentage of the consolidated net loss of the Group of US\$3,004,000 based on the unaudited financial statements for FY2020.

6.2. Intended use of the Settlement Sum

The Settlement Sum receivable from WSS, after deducting the estimated costs to sell, will be utilised to repay the secured bank loans, unsecured creditors and working capital of the Group. The relevant mortgages over the Vessels will be discharged pursuant to the Disposals.

6.3. Financial effects

(a) Illustrative nature of financial effects

The financial effects of the Disposals on the net tangible liabilities (“**NTL**”) per share and losses per share (“**LPS**”) of the Group, prepared on a proforma basis on the audited consolidated financial statements of the Group for financial year ended 2019 (“**FY2019**”) and on the assumption that the settlement and Disposals will result in the proceeds of US\$4,000,000, are set out below. The financial effects are purely for illustrative purposes only and are therefore not necessarily indicative of the actual financial position of the Group after completion of the Settlement Agreement and Disposals of the Vessels.

(b) NTL

Assuming that the Settlement Agreement and Disposals of the Vessels had been completed on 31 December 2019, being the end of the most recently completed financial year of the Group, the financial effects on the NTL per share of the Group would be as follows:

	Before the completion of the Settlement Agreement and Disposals of the Vessels	After the completion of the Settlement Agreement and Disposals of the Vessels
NTL (US\$ '000)	(20,505)	(17,338)
No. of issued ordinary shares, excluding treasury shares (in million)	13,657	13,657
NTL per share, excluding treasury shares (US\$ cents)	(0.15)	(0.13)

(c) LPS

Assuming that the Settlement Agreement and Disposals of the Vessels had been completed 1 January 2019, being the beginning of the most recently completed financial year of the Group, the profit attributable to Shareholders and the financial effects on the LPS of the Group for FY2019 would be as follows:

	Before the completion of the Settlement Agreement and Disposals of the Vessels	After the completion of the Settlement Agreement and Disposals of the Vessels
Loss attributable to Shareholders (US\$ '000)	(25,250)	(22,551)
Weighted average no. of ordinary shares, excluding treasury shares (in million)	13,169	13,169
LPS (US\$ cents) (excluding treasury shares)	(0.19)	(0.17)

(d) Share capital

The Disposals will not have any impact on the existing issued and paid-up share capital of the Company.

7. CATALIST RULE 1006 RELATIVE FIGURES

7.1. The relative figures in relation to the Disposals of the Vessels computed on the applicable basis set out in Rule 1006 of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst (the "Catalist Rules") and based on the figures reported in the unaudited financial statements of the Group for FY2020, are as follows:

Rule 1006	Bases of Calculation	Relative figure (%)
(a)	Net asset value of the assets to be disposed of compared with the Group's net liability value.	(3.20)% ⁽¹⁾
(b)	Net losses attributable to the assets disposed of, compared with the Group's net loss.	6.49% ⁽²⁾
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation ⁽³⁾ based on the total number of issued shares excluding treasury shares.	19.45% ⁽⁴⁾
(d)	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. ⁽⁵⁾
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	N.A. ⁽⁶⁾

Notes:

- (1) Computed based on the net book value of the Vessels of US\$733,000 and net liabilities value of the Group of US\$22,916,000, as at 31 December 2020.
- (2) Computed based on the net losses generated by the Vessels of US\$195,000 collectively and net losses of the Group of US\$3,004,000, for the financial year ended 31 December 2020.
- (3) Computed based on the market capitalisation of the Company of S\$27,313,395 (approximately US\$20,562,670 based on the exchange rate of US\$1.33:S\$1.00). The Company's market capitalisation of S\$27,313,395 was determined by multiplying the number of shares in issue of 13,656,697,535 by the VWAP of S\$0.002 per share, based on the trades done on the Catalyst of the SGX-ST on 31 January 2019, being the last market day which the Shares were traded immediately preceding the date and up to the signing of the Settlement Agreement.
- (4) Computed based on the Settlement Sum to be received of US\$4,000,000 and the Company's market capitalisation of S\$27.3 million.
- (5) No equity securities will be issued by the Company as consideration.
- (6) The Disposals of the Vessels are not of mineral, oil or gas assets by a mineral, oil and gas company.

7.2. As the relative figures computed based on Catalyst Rule 1006 involve negative figures, Rule 1007 provides that Chapter 10 of the Catalyst Rules may still be applicable to the Disposals in accordance with the applicable circumstances of Practice Note 10A of the Catalyst Rules ("**Practice Note 10A**").

7.3. As the relative figures set out under Catalyst Rules 1006(a), 1006(b) and 1006(c) in relation to the Disposals of the Vessels exceed 5% but do not exceed 50% and the Disposals of the Vessels result in a gain in disposals for the Company, the Disposals fall within the exemptions set out under Paragraphs 4.4(c) and 4.4(e) of Practice Note 10A. As such, the Disposals constitute a "discloseable transaction" pursuant to Catalyst Rules 1007 and 1010 and is therefore not subject to shareholders' approval in an extraordinary general meeting.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement in relation to the Ezion Agreement and save for their respective interests arising by way of their shareholdings and/or directorships in the Company, none of the Directors, controlling shareholders or their associates have any interest, direct or indirect, in the Settlement Agreement.

9. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Settlement Agreement and the Disposals. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. 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 in the Settlement Agreement and the Disposals, 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The Settlement Agreement is available for inspection during normal business hours for a period of three (3) months commencing from the date of this announcement at the registered office of the Company at 438B Alexandra Road, #05-08/09 Alexandra Technopark, Singapore 119968.

Due to the mandatory safe distancing measures issued by the Singapore Ministry of Health in relation to the COVID-19 outbreak, please contact the Company at enquiries@charismaenergy.com prior to making any visits to arrange for a suitable time slot for the inspection.

12. FURTHER ANNOUNCEMENTS

The Company will provide updates to the shareholders via SGXNet as and when there are further material developments in relation to the Settlement Agreement and Disposals of the Vessels.

13. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Shareholders and potential investors who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Tan Wee Sin
Company Secretary
17 May 2021

*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

The contact person for the Sponsor is Ms Ng Shi Qing, 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, sponsorship@ppcf.com.sg.