

## LOYZ ENERGY LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 199905693M)

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- (1) **BINDING MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF PRIMELINE ENERGY HOLDINGS, INC.; AND**
  - (2) **INTENTION TO TRANSFER TO MAIN BOARD OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED.**
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## 1. INTRODUCTION

### 1.1 The Proposed Acquisition of Primeline Energy Holdings, Inc.

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 had, on 8 June 2015, entered into a binding memorandum of understanding (the “**MOU**”) with Mr Victor Hwang Yiou Hwa (“**VH**”) and Primeline Energy Holdings, Inc. (“**PEH**”, and together with its subsidiaries, the “**Target Group**”, and together with the Company and VH, the “**Parties**”) for the acquisition by the Company of PEH by way of a scheme of arrangement (the “**Scheme**”) to be undertaken by PEH and the Company in accordance with the laws of the Cayman Islands (the “**Proposed Acquisition**”).

PEH, a company incorporated in the Cayman Islands, is an independent oil and gas exploration and production company focusing exclusively on upstream opportunities in China. PEH is listed on the TSX Venture Exchange (“**TSX-V**”) in Canada. The Target Group owns exploration and development rights in the East China Sea, China, via two petroleum contracts, namely (a) Block 25/34 and (b) Block 33/07. As at the date of this announcement, VH holds, directly and indirectly, approximately 60.1% of the issued and paid-up share capital of PEH with the remaining 39.9% held by minority shareholders.

The consideration for the Proposed Acquisition payable by the Company to the shareholders of PEH (the “**Consideration**”) shall be satisfied entirely by the issue of 1,790,930,143 new ordinary shares in the capital of the Company (the “**Consideration Shares**”) at an issue price of S\$0.11 per Consideration Share.

The Consideration Shares amount to more than 100% of the existing issued and paid-up share capital of the Company as at the date of the MOU. Accordingly, the Proposed Acquisition, if completed, is expected to constitute a “reverse takeover” of the Company under Chapter 10 of the Listing Manual Section B: Rules of Catalist (“**Rules of Catalist**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and is subject to various conditions precedent.

### 1.2 Intention to transfer to Main Board of the Singapore Exchange Securities Trading Limited

The Company intends to seek a transfer of the listing of the Company from Catalist to the Main Board of the SGX-ST concurrent with the completion of the Proposed Acquisition (“**Completion**”).

## 2. INFORMATION ON VH AND THE TARGET GROUP

### 2.1 VH

As of the date of this announcement, VH holds, directly and indirectly, approximately 60.1% of the

issued and paid-up share capital of PEH, and is the chairman and president of PEH. He is the executive director of the family-controlled Chyau Fwu Corporation, which core business includes energy, property development and hospitality-related businesses, and is headquartered in Hong Kong with substantial property and other investments in countries such as Hong Kong, Singapore, Beijing, Taiwan, London and France.

## 2.2 The Target Group

On 11 May 2015, PEH announced that it intends to acquire the entire legal and beneficial interest in Primeline Petroleum Corporation (“**PPC**”) from VH (the “**PPC Acquisition**”). PPC, a company wholly-owned by VH, holds the working interest in Block 25/34 and Block 33/07. Assuming the completion of the PPC Acquisition, which remains subject to various conditions and approvals, PPC will be a wholly-owned subsidiary of PEH and will form part of the Target Group. In consideration for the PPC Acquisition, PEH will issue 44,669,851 new shares in PEH (“**PEH Shares**”) to VH. Assuming the completion of the PPC Acquisition, the Target Group will have a 49% working interest for Block 25/34 and a 100% working interest for Block 33/07. Please refer to paragraph 2.3 for further information on Block 25/34 and Block 33/07.

Barring any unforeseen circumstances, VH and PEH expect the PPC Acquisition to be completed by 31 July 2015. Assuming the completion of the PPC Acquisition and no new PEH Shares are issued by PEH up to such completion, the enlarged issued and paid-up share capital of PEH will increase to 178,679,404 PEH Shares and VH will own approximately 70.1% of the enlarged issued and paid-up share capital of PEH.

On 5 June 2015, PEH entered into a subscription agreement for the issue of convertible bonds with a principal value of US\$20,000,000 (the “**Convertible Bonds**”) by PEH to General Enterprise Management Services (“**GEMS**”). The Convertible Bonds will be issued in two tranches of US\$10,000,000 each and are convertible into new PEH Shares at a conversion price of C\$0.70 per PEH Share (for the first tranche of the Convertible Bonds) and C\$0.85 per PEH Share (for the second tranche of the Convertible Bonds). The intended use of proceeds from the Convertible Bonds is for the drilling programme in relation to Block 33/07. GEMS is an Asian private equity group with a core focus in the natural resources sector. Since 1998, GEMS has managed over US\$850 million of capital commitments from financial institutions, sovereign wealth funds, global corporations and prominent family offices and individuals from around the world.

## 2.3 Assets of the Target Group

### *Petroleum Contract – Block 25/34*

Block 25/34, an offshore area of approximately 84.7 square kilometers (“**sq km**”), is the development and production area for the producing gas field, LS36-1 (“**LS36-1 Gas Field**”), situated in the Lishui Basin in the East China Sea. As of the date of this announcement, the working interests for Block 25/34 are China National Offshore Oil Corporation (“**CNOOC**”) (51%), Primeline Energy China Ltd (“**PECL**”), a wholly-owned subsidiary of PEH (36.75%) and PPC (12.25%). CNOOC is the operator for Block 25/34.

On 1 July 2014, the development of the LS36-1 Gas Field was officially completed and CNOOC and the downstream buyer, Zhejiang Provincial Gas Development Co (“**Zhejiang Gas**”) commenced joint commissioning of the upstream and downstream facilities. A gas sale agreement was entered into by CNOOC and Zhejiang Gas in October 2014 (the “**Gas Sale Agreement**”) at approximately US\$14.50/MCF<sup>1</sup>. Production and processing facilities and infrastructure for the extracted gas, including subsea pipelines and sales gas pipelines, were all completed sometime in middle of 2014. The production period for the LS36-1 Gas Field was agreed to be for a minimum of 15 years from the commencement of commercial production in July 2014 and can be extended in the event that additional gas resources are discovered within the Block 25/34 which can be tied to the existing

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<sup>1</sup> Thousand standard cubic feet.

production facilities established for the LS36-1 Gas Field.

Based on the July 2014 report from McDaniel & Associates Consultants Ltd. (“**McDaniel**”, and its report, the “**Report**”)<sup>2</sup>, the estimate gross reserves for Block 25/34 are approximately 52,148 MMCF<sup>3</sup> (1P - proved reserves), 68,088 MMCF (2P - proved and probable reserves) and 87,518 MMCF (3P - proved, probable and possible reserves) as of 31 March 2014. In addition, based on the terms of the Gas Sale Agreement and McDaniel's view of the sale price in the Report, together with the development costs spent to date and commercial arrangements made by PEH, as of 1 January 2015, the estimated net present value after tax (at a discount rate of 10%) for the 49% stake in the LS36-1 Gas Field (assuming the completion of the PPC Acquisition) is approximately US\$294 million (2P - proved and probable reserves).

### ***Petroleum Contract – Block 33/07***

Block 33/07, an offshore area of approximately 5,877 sq km, is currently in the exploration phase. PEH was granted by CNOOC with a seven-year exploration period expiring in 2019, divided into three exploration periods of three, two and two years each, with a minimum work commitment in the first phase of two wells with a depth of 2,500 m as well as the acquisition and interpretation of 600 sq km of 3D seismic. The commitment for each of the second and third phase is one well with a depth of 2,500 m. The working interests for Block 33/07 are PEH (75%) and PPC (25%). CNOOC has the right to participate in up to 51% of the development by paying pro-rata development and operation costs. Primeline Energy Operations International Ltd, a wholly-owned subsidiary of PEH, is currently the operator for Block 33/07. Based on the Report, the high estimated gross prospective resources of Block 33/07 are approximately 1,093.7 MMCF.

PEH has completed the acquisition and interpretation of 600 sq km of 3D seismic in Block 33/07, which will allow it to identify additional prospects.

- 2.4 All information in this announcement relating to VH and the Target Group have been obtained from publicly available sources, and is subject to due diligence verification by the Company and its professional advisers. Further information relating to PEH can be found on its website, [www.primelinenergy.com](http://www.primelinenergy.com).

## **3. RATIONALE FOR THE PROPOSED ACQUISITION**

### **3.1 Attractive Assets**

The Proposed Acquisition will allow the Group to own, through the Target Group, the producing gas field, LS36-1. LS36-1 Gas Field, situated in the Lishui Basin in the East China Sea, is close to Zhejiang Province in China which has an estimated population of 50 million. Infrastructure and pipelines are already in place and the extracted gas from LS36-1 Gas Field can be transported to Zhejiang Province via these pipelines. The Company believes the current infrastructure at LS36-1 Gas Field is able to support its existing production and additional production within LS36-1, if further discoveries are made. This will greatly reduce the costs of production. In addition, the Proposed Acquisition will allow the Group to have a strong partner such as CNOOC, which has strong expertise and experience, an extensive network and portfolio of oil and gas assets in China. The partnership will provide opportunities for the Group both in China and other parts of the world.

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<sup>2</sup> The Report was prepared by McDaniel to support the regulatory filings with the TSX-V by PEH. The reserves estimates, resources estimates and future net revenue forecasts of the reserves were prepared in accordance with standards set out in the Canadian National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook.

<sup>3</sup> Million standard cubic feet.

### 3.2 Diversified Portfolio

The Proposed Acquisition will provide the Group with a stable portfolio of oil and gas assets in China that is expected to offer a steady income stream underpinned by the Gas Sale Agreement. In addition, the Proposed Acquisition will also give the Group high estimated gross prospective resources of approximately 1,373.3 MMCF for both Block 25/34 and Block 33/07 (as indicated in the Report) which would potentially increase the Group's reserves and production. This will also augment the Group's current anchor and producing assets located onshore Thailand. The Proposed Acquisition is consistent with the Group's strategy to strengthen its regional focus on Asia-Pacific, its core geographic area, and will transform the Group into a sizeable oil and gas company in Asia.

### 3.2 Better Access to Funding and Broader Investor Base

The Proposed Acquisition will allow the Group's business scale, profits, cashflow from operations and net asset value to increase. This is expected to provide the Group with easier access to financing from financial institutions as well as debt and equity capital markets. This will in turn provide the Group with balance sheet flexibility to fund future value accretive acquisitions. The Proposed Acquisition, if completed, will also result in an increase in the Company's market capitalisation, which will potentially widen its investor base and may lead to an overall increase in investors' interest and trading of the ordinary shares in the Company ("**Shares**"). Existing shareholders of PEH such as Fidelity Worldwide, which currently holds approximately 10% of PEH would, if remaining as shareholders of PEH at Completion, become shareholders of the Company following the Completion.

## 4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

### 4.1 Consideration

- (a) Assuming the completion of the PPC Acquisition but before taking into account the exercise of the outstanding warrants and options of PEH, the Consideration shall be approximately C\$180.5 million (approximately S\$197.0 million based on an exchange rate of C\$1.00 : S\$1.09163) based on C\$1.01 per PEH Share. The Consideration was arrived at on a willing-buyer, willing-seller basis and on arm's length basis, taking into account, among others, the indicative valuation of the Target Group (taking into account, among others, the Report) and the Group. Please refer to paragraph 2.3 of this announcement, where based on McDaniel's estimations, as of 1 January 2015, the net present value after tax (at a discount rate of 10%) for the 49% stake in the LS36-1 Gas Field (assuming the completion of the PPC Acquisition) is approximately US\$294 million (2P - proved and probable reserves).
- (b) The Consideration shall be satisfied by the Company on Completion by the allotment and issuance of 1,790,930,143 Consideration Shares based on an issue price of S\$0.11 per Consideration Share. The issue price of S\$0.11 per Consideration Share is based on arm's length commercial discussions between the Parties, taking into account, among others, the proposed issue of new Shares at S\$0.11 each to Fram Exploration ASA (as announced by the Company on 14 May 2015), the proposed reduction of the conversion price to S\$0.11 in relation to the Jit Sun Loans (as defined herein) (the "**Proposed Conversion Price Reduction**") (as announced by the Company on 9 June 2015) as well as the indicative valuation of the Group and the current market conditions.

### 4.2 Conditions Precedent

Completion shall be conditional upon the fulfilment or waiver, as the case may be, of certain conditions precedent set out below:

- (a) Due Diligence. The satisfactory completion of due diligence on (a) the Target Group, by the Company; and on (b) the Group, by PEH.

- (b) Shareholders of the Company. The approval of the shareholders of the Company (“**Shareholders**”) being obtained before the Completion for, among others, (i) the Proposed Acquisition; (ii) the allotment and issuance of the Consideration Shares; (iii) the whitewash resolution in respect of any obligation for VH and his concert parties to make a general offer under Rule 14 of The Singapore Code on Take-overs and Mergers (the “**Take-over Code**”) for Shares not owned or controlled by VH and his concert parties as a result of the allotment and issuance of the Consideration Shares to VH; and (iv) the transfer of the listing of the Company from Catalist to the Main Board of the SGX-ST.
- (c) Shareholders of PEH. The approval of PEH’s shareholders being obtained before the Completion for, among others, the PPC Acquisition and the Proposed Acquisition.
- (d) Securities Industry Council, Singapore. The receipt and non-withdrawal of the grant by the Securities Industry Council to VH of a waiver of any obligation for VH and his concert parties to make a general offer under Rule 14 of the Take-over Code for Shares not owned or controlled by VH and his concert parties as a result of the allotment and issuance of the Consideration Shares to VH.
- (e) SGX-ST and TSX-V Approval. All requisite approvals of the SGX-ST and TSX-V for the Proposed Acquisition being obtained.
- (f) Regulatory and Court Approvals. The receipt and non-withdrawal of all other necessary consents, approvals and waivers required under any and all applicable laws for the Proposed Acquisition and the Scheme and to give effect to the transactions contemplated under the Definitive Agreements, including securities regulatory authority in Canada and approval from the relevant court in the Cayman Islands with respect to the Scheme.
- (g) CNOOC, Target Group Lending Banks and GEMS. The approval of the Proposed Acquisition by CNOOC and the lending banks of PECL and PPC for the LS36-1 Gas Field being obtained and agreement by PEH with GEMS with respect to the Convertible Bonds.
- (h) Non-prohibition. The Proposed Acquisition and the Scheme not being prohibited by any statute, order, rule, regulation, direction or request promulgated or condition imposed by any legislative, executive or regulatory body or authority of Singapore or elsewhere applicable to any of the Parties.
- (i) Related Transactions. The completion of, among others, the PPC Acquisition, the Proposed Conversion Price Reduction and the proposed disposal of the Lewek Explorer 750, the Lewek Explorer 700 and certain auxiliary equipment by the Company (as announced by the Company on 14 May 2015).
- (j) Any other conditions precedent to be agreed by the Parties and included in the Definitive Agreements (as defined herein).

#### 4.3 Shareholders’ Loan

As at the date of this announcement, the aggregate outstanding loans due by the Group to its controlling shareholder, Jit Sun Investment Pte. Ltd. (“**Jit Sun**”), amounted to approximately S\$23,120,000 (“**Jit Sun Loans**”). The Jit Sun Loans shall be fully repaid by the issue of new Shares, subject to receipt of all approvals, including approvals from Shareholders. Please refer to announcement dated 9 June 2015 released by the Company with respect to the Jit Sun Loans for further information.

#### 4.4 Lock-up

##### (a) Jit Sun Lock-up

Jit Sun shall undertake to PEH and the Company that, subject to the Completion:

- (i) its existing 112,227,273 Shares shall be subject to a lock-up period from the date of the MOU; and
- (ii) it shall not sell any of the new Shares issued to it, pursuant to the conversion of the Jit Sun Loans into new Shares from the date of the issue of such new Shares,

to a date falling 12 months from the Completion. Notwithstanding the above, Jit Sun shall be allowed to sell up to 129,000,000 Shares off the open market, with the prior consent of the Board (on or after the date of Completion) and the board of PEH (prior to the date of Completion). Such purchaser shall be subject to a similar lock-up from the time of the completion of the sale falling six months from the completion of the sale.

##### (b) VH Lock-up

Subject to any applicable regulatory requirements, VH shall undertake to Jit Sun and the Company that, subject to the Completion, he shall not sell any of the Consideration Shares issued to him pursuant to the Proposed Acquisition from the date of Completion to a date falling 12 months from the date of Completion. Notwithstanding the above and subject to any applicable regulatory requirements, VH shall be allowed to sell up to 493,500,000 Consideration Shares off the open market, with the prior consent of the Board. Such purchaser shall be subject to a similar lock-up from the time of the completion of the sale to a date falling six months from the completion of the sale.

#### 5. OTHER PRINCIPAL TERMS OF THE MOU

##### 5.1 Definitive Agreements

The MOU sets out the principal terms and conditions on and subject to which the Parties are willing to effect the Proposed Acquisition. The terms and conditions set out in the MOU shall form the basis of, and be incorporated in an implementation agreement to be entered into with respect to the Proposed Acquisition and such other documents necessary or desirable for the Proposed Acquisition to be entered into by the Company and PEH (collectively the “**Definitive Agreements**”).

The Parties shall negotiate in good faith, and use reasonable endeavours to agree on the terms and conditions of the Definitive Agreements on or prior to 31 August 2015 or such other date as the Parties may agree in writing (the “**Long Stop Date**”) as well as all related matters to enable the consummation of the Proposed Acquisition and the implementation of the Scheme.

##### 5.2 Exclusivity

In consideration of the time, costs and expenses incurred or to be incurred for negotiations and due diligence investigations (legal, financial or otherwise) on (a) the Target Group, in relation to the Company; and (b) the Group, in relation to VH and PEH, each party agrees not to, directly or indirectly, encourage, initiate or engage in discussions or negotiations with, or provide any information to, any other person concerning:

- (a) the matters contained in the MOU;
- (b) unless with the prior written consent of the Company (in respect of VH and PEH only), any investment in the Target Group (or any of its members), any disposal (whether by way of sale,

transfer, assignment, offer or otherwise) of, or encumbrances over, all or any part of, or any interest in, the issued share capital, assets or businesses of each member of the Target Group; or

- (c) unless with the prior written consent of VH and PEH (in respect of the Company only), any investment in the Company (or any of its subsidiaries), any disposal (whether by way of sale, transfer, assignment, offer or otherwise) of, or encumbrances over, all or any part of, or any interest in, the issued share capital, assets or businesses of the Group, with the exceptions of, among others, the conversion of the Jit Sun Loans,

between the date of the MOU and the date of termination of the MOU.

### **5.3 Termination**

The MOU shall automatically terminate on the earlier of, among others, (a) the date the Parties agree in writing to terminate the MOU; (b) the entry by the Parties into the Definitive Agreements; or (c) the Long Stop Date.

### **5.4 Governing Law and Jurisdiction**

The MOU shall be governed by and construed in accordance with Singapore law, and the Company, PEH and VH shall submit to the exclusive jurisdiction of the courts in Singapore.

## **6. INTENTION TO TRANSFER TO MAIN BOARD OF THE SGX-ST**

Subject to the relevant approvals being obtained, it is the current intention of the Company to seek a transfer of the listing of the Company from Catalist to the Main Board of the SGX-ST for the transfer to be effective concurrent with the Completion.

Under Rule 210(1)(a) of the Listing Manual Section A: Mainboard Listing Rules of the SGX-ST (the "**Listing Manual**"), at least 25.0% of the issued share capital of the Company must be held in the hands of at least 500 public shareholders in order for the company to be listed on the Main Board. Accordingly, the Company may undertake a compliance placement and issue new Shares to meet the public float and shareholding spread requirements under the Listing Manual. The Company may also undertake a share consolidation on such ratio and at such time to be determined by the Board to meet the minimum trading price requirements. The Company will make the necessary applications to the Sponsor (as defined herein) and the SGX-ST in respect to the above-mentioned proposed transfer.

## **7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

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

## **8. DOCUMENT FOR INSPECTION**

A copy of the MOU 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.

## 9. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution when trading in the Company's Shares as there is no certainty or assurance as at the date of this announcement that the Definitive Agreements will be entered into on the terms and conditions set out in the MOU or the Scheme or the Proposed Acquisition will be undertaken at all.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. When in doubt as to the action they should take, Shareholders should consult their financial, tax or other advisers.

## 10. ANNOUNCEMENTS

Further announcements with respect to the Definitive Agreements, the Scheme and the Proposed Acquisition will be made in due course as and when appropriate.

## 11. 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 Scheme, the Proposed Acquisition, 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

Lee Chye Cheng, Adrian  
Managing Director  
Date: 9 June 2015

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*This announcement has been prepared by the Company and its contents have been reviewed by 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 Ms. Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.*