

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

**PROPOSED DISPOSAL OF THE ENTIRE ISSUED ORDINARY SHARE CAPITAL OF MUSTANG
OPERATIONS CENTER 1 LLC**

1. INTRODUCTION

1.1. The Proposed MOC 1 Transaction

The board of directors (the “**Directors**” or the “**Board**”) of Charisma Energy Services Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, CES Oil Services Pte. Ltd. (the “**Vendor**”) has entered into a sale and purchase agreement (the “**SPA**”) with Alpha Energy Holdings Limited (“**Alpha**”) and its wholly-owned subsidiary, Caracol Petroleum LLC (the “**Purchaser**”) on 28 September 2018 in relation to the proposed disposal of the entire issued ordinary share capital of Mustang Operations Center 1 LLC (“**MOC 1**”), by the Vendor to the Purchaser (the “**Proposed MOC 1 Transaction**”).

2. CONSIDERATION

The Consideration for the Proposed MOC 1 Transaction was arrived on a willing buyer and willing seller basis by the Parties at an aggregate amount of US\$9,000,000 (equivalent to S\$12,393,000 at the exchange rate of US\$1:S\$1.377) (the “**Consideration**”). Pursuant to the SPA, the Consideration of US\$9,000,000 will be satisfied in full as follows: -

- a) US\$4,500,000 (equivalent to S\$6,196,500 at the exchange rate of US\$1:S\$1.377), by way of issuance and allotment of 49,572,000 new fully paid ordinary shares in the capital of Alpha (“**Consideration Shares**”) at the issue price of S\$0.125 (“**Issue Price**”), which is the volume weighted average price per share of Alpha for trades done on the SGX-ST before the trading halt of the shares of Alpha on 24 September 2018, being 12 September 2018; and
- b) US\$4,500,000 (equivalent to S\$6,196,500 at the exchange rate of US\$1:S\$1.377), by way of issuance of S\$6,196,500 1.35 per cent. convertible perpetual capital securities (the “**Capital Securities**”), which are convertible into 14,824,800 new fully paid ordinary shares in the capital of Alpha (“**Conversion Shares**”) on the terms and subject to the conditions of the SPA.

The Consideration was arrived at following arm’s length negotiations, taking into account the equity investment of US\$1,000,000 by the Vendor as well as a debt owing by MOC 1 to the Vendor of US\$7,910,090 (equivalent to S\$10,892,193.90 at the exchange rate of US\$1:S\$1.377). Upon the CES Completion (as defined below in paragraph 5.1), the debt owing by MOC 1 to the Vendor would fully extinguish.

The terms and conditions of the Capital Securities are set out in Section 5.3 of this announcement.

3. RATIONALE FOR THE PROPOSED MOC 1 TRANSACTION

The Proposed MOC 1 Transaction is in line with the Group's decision to focus on expanding and developing new businesses and opportunities for the Group within the renewable energy sector.

MOC 1 currently holds assets including but not limited to the processing facility which is required to facilitate the production of crude oil and natural gas from the Mustang Field (the "**MOC 1 Assets**"). The development of the project at the Mustang Field ("**Mustang Project**") as well as the development of the processing facility by MOC 1 had been put on hold for a period of time due to prevailing market conditions which include the sustained drop in global oil prices and the lack of financing to fund the Mustang Project.

The Board understands that Alpha has been looking to acquire and consolidate its working interest in the Mustang Field into a controlling block, together with the assets complementary to the project. In light of this, the Board believes that the Proposed MOC 1 Transaction is in the best interests of the Company as not only will the disposal help the Group to focus on the renewable energy sector, the Company expects to benefit from the expected future development of the Mustang Project through the Consideration Shares to be issued by Alpha to the Company

4. INFORMATION ON THE PURCHASER, ALPHA AND MOC 1

4.1. MOC 1

MOC 1, an Alaska limited liability company, is a joint venture set up in 2014 to construct and lease a processing facility to process oil from the Mustang field located on the North Slope of Alaska ("**Mustang Field**").

As of date of this announcement, the Alaska Industrial Development and Export Authority ("**AIDEA**") owns 25,000 Preferred Class B Shares and 1,250 Priority Class B Shares constituting 96.33% of the membership interest in MOC 1, including the equity ownership interests, voting rights, management rights, and capital account related thereto. The Vendor owns 1,000 Class A Common Shares (i.e. 100% of the ordinary shares in MOC 1), constituting 3.67% of the membership interest in MOC 1, including the equity ownership interests, voting rights, management rights, and capital account.

No valuation was commissioned in respect of MOC 1 for the Proposed MOC 1 Transaction.

4.2. Purchaser

The Purchaser is a limited liability corporation incorporated in the state of Delaware, USA. The Purchaser is engaged in oil and gas exploration through working interests.

4.3. Alpha

Alpha is a company incorporated in Singapore and was listed on Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist**"). Alpha and its subsidiaries (the "**Alpha Group**") is a mineral, oil and gas company, and their core business are the exploration, exploitation and production of oil and gas.

5. **PRINCIPAL TERMS OF THE PROPOSED MOC 1 TRANSACTION**

5.1. **Sale and Purchase**

Pursuant to the SPA, the Purchaser will acquire the entire issued ordinary share capital of MOC 1 from the Vendor, with all rights, benefits and entitlements, as well as all claims, charges, liens and other encumbrances whatsoever, attaching thereto as at the date of completion (the “**CES Completion Date**”). Following completion (“**CES Completion**”), MOC 1 will cease to be a joint venture of the Group.

The Board understands that the Purchaser intends to dissolve MOC 1 subsequent to the CES Completion such that the MOC 1 Assets will be owned by the Purchaser (or its respective agents, successors-in-title, nominees and permitted assigns).

5.2. **Conditions Precedent to the Proposed MOC 1 Transaction**

Under the terms of the SPA, the completion of the Proposed MOC 1 Transaction is conditional upon satisfaction (or waiver) of the following conditions precedent (“**Conditions Precedent to the Proposed MOC 1 Transaction**”):

- (a) the approval of the board of directors of Alpha having been obtained and not having been revoked or amended;
- (b) the approval of the shareholders of Alpha, including the approval of its independent shareholders under Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), having been obtained at an extraordinary general meeting to be convened in respect of the Purchaser’s entry into the SPA and the membership interest purchase and sale agreement between the Purchaser and AIDEA (“**AIDEA Agreement**”), and all transactions contemplated and/or in connection therewith, and such approval not having been revoked or amended and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Purchaser and/or Alpha and the Vendor and to the extent that any conditions to such approval are required to be fulfilled on or before the CES Completion Date, they are so fulfilled in all material respects;
- (c) the approval of the board of directors of the Company having been obtained and not having been revoked or amended;
- (d) (if necessary) the approval of the shareholders of the Company having been obtained at an extraordinary general meeting to be convened in respect of the Vendor’s entry into the SPA, and all transactions contemplated and/or in connection therewith, and such approval not having been revoked or amended and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Vendor, the Purchaser and/or Alpha and to the extent that any conditions to such approval are required to be fulfilled on or before the CES Completion Date, they are so fulfilled in all material respects;
- (e) all approvals (including, without limitation, from the SGX-ST and each of the continuing sponsors of the Company and Alpha), consents and licences (whether governmental, corporate or otherwise) for the transactions described or contemplated herein having been obtained and not having been revoked or amended and, where such approval is subject to conditions, such conditions being acceptable to the Purchaser and, to the extent that any such conditions are required to be fulfilled on or before the CES Completion Date, they are so fulfilled in all material respects;

- (f) the allotment and issuance of, the Consideration Shares, the Capital Securities and the Conversion Shares not being prohibited by any statute, order, rule or regulation promulgated by any legislative, executive or regulatory body or authority in Singapore or in any other jurisdiction affecting the Vendor;
- (g) a listing and quotation notice from the SGX-ST being obtained for the listing and quotation of the Consideration Shares and the Conversion Shares on Catalist;
- (h) the execution of the Deed Poll;
- (i) the Vendor having received on the CES Completion Date, a certificate substantially in the form set out in the SPA dated as of the CES Completion Date and signed off by a duly authorised officer of Alpha;
- (j) each of that certain Design and Build Construction Contract dated effective 6 August 2014 between MOC 1 and Brooks Range Petroleum Corp ("**BRPC**"), which is the operator of the Southern Miluveach Unit ("**SMU**"), the Facility Agreement effective 30 September 2014 between MOC 1 and Strategic Equipment Inc., the Mustang Operations Center Charter Agreement, dated 6 August 2014, among BRPC and the other parties thereto and any security instruments related thereto shall have been terminated with no further liability to any party thereto;
- (k) the vendors of TP North Slope Development, LLC ("**TPNSD**") having entered into definitive agreements with Alpha, through the Purchaser, for the acquisition of the TPNSD working interest in the SMU leases, as contemplated by the non-binding term sheet dated 20 March 2018;
- (l) AIDEA having issued a release of all claims against the Vendor, the Company and Strategic Equipment Inc. in the form and substance satisfactory to the Company;
- (m) the Company providing releases of all claims against the Purchaser and BRPC by the Company and MOC 1 in the form and substance satisfactory to the Purchaser; and
- (n) the Purchaser providing releases of all claims against MOC 1 and the Company by the Purchaser and BRPC in the form and substance satisfactory to the Company.

The parties agree that the Conditions Precedent to the Proposed MOC 1 Transaction may be waived, in whole or in part and conditionally or unconditionally, by the mutual agreement between the parties.

The parties shall use best endeavours to ensure that the Conditions Precedent to the Proposed MOC 1 Transaction shall be fulfilled as soon as practicable but in any event before the long-stop date of 31 December 2018. If any of the Conditions Precedent to the Proposed MOC 1 Transaction are not fulfilled or waived on or before the long-stop date, the provisions of the SPA (other than the surviving clauses relating to confidentiality and announcements, notice, costs and expenses, governing law and jurisdiction and general) shall terminate on the long-stop date and neither party shall have any claim against the other for costs, damages, compensation or otherwise, save in respect of any antecedent breach of the SPA.

5.3. Principal Terms of the Proposed Issuance of Capital Securities in connection with the Proposed MOC 1 Transaction

The Capital Securities will be constituted by a deed poll to be executed by the Company ("**Deed Poll**"). The terms and conditions of the Capital Securities ("**Conditions of the Capital Securities**") will be set out in, and will constitute part of, the Deed Poll.

The principal Conditions of the Capital Securities are summarised as follows:

Issue Size	S\$6,196,500 in aggregate principal amount of Capital Securities which will be in registered form in denominations of S\$688,500.
Type of Securities	1.35 per cent. convertible perpetual capital securities
Convertibility	<p>The Capital Securities are convertible into an aggregate of up to 14,824,800 fully paid-up Shares.</p> <p>"Shares", for the purposes of this section, shall mean the ordinary shares in the capital of Alpha.</p> <p>Each conversion shall be made at a block of 1,647,200 fully paid-up Shares.</p>
Distributions	<p>The Capital Securities confer a right to receive annual distributions in accordance with the terms and conditions of the Capital Securities which will be set out in, and will constitute part of, the deed poll, at a fixed rate of 1.35 per. cent. per annum, calculated on an actual/365 (fixed) basis (the "Distributions").</p> <p>For the first year, Distributions shall be made on the first anniversary of the issue date. Subsequently, Distributions shall be paid semi-annually.</p> <p>The Distributions shall be payable in cash.</p>
Conversion Price	S\$0.418 per Conversion Share.
Conversion Right	<p><u>Optional Conversion Right</u></p> <p>The subscriber, which shall be the Vendor in this case (the "Subscriber"), may at any time (but shall not be obliged to) elect, by giving a notice in writing to Alpha and the Purchaser in the form as stipulated in SPA, to exercise its conversion right in respect of any or all its Capital Securities at the Conversion Price.</p> <p><u>Compulsory Conversion Right</u></p> <p>Notwithstanding the above, in the event that the market price of each Share reaches or exceeds S\$0.25, Alpha shall, within three (3) market days, notify the Subscriber, in the form as stipulated in the SPA, to compulsorily exercise its conversion right in respect of all outstanding Capital Securities at the Conversion Price.</p>
Redemption	Alpha shall have the option (but not the obligation) to redeem, and upon the exercise of such option by Alpha by giving a notice in writing to the Capital Securities holder in the form as set out in the SPA (a " Redemption Notice "), Alpha shall make payment in cash for the redemption of such

	number of Capital Securities not converted into Conversion Shares by the Capital Securities holder at the Conversion Price per Conversion Share outstanding and unconverted.
Anti-dilution Protection	The Conversion Price will be adjusted in certain circumstances, including subdivisions, consolidations and reclassifications of Shares, issuance of securities and capital distributions, other than specific excluded events.

6. **FINANCIAL EFFECTS OF THE PROPOSED MOC 1 TRANSACTION**

6.1. Assumptions

The financial effects of the Proposed MOC 1 Transaction set out below are purely for illustrative purposes only and are not intended to reflect the actual future results and financial position of the Group after completion of the Proposed MOC 1 Transaction.

The financial effects of the Proposed MOC 1 Transaction have been prepared on a pro forma basis based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 (“**FY2017**”) and the unaudited financial statements of MOC 1 for FY2017. All expenses in connection with the Proposed MOC 1 Transaction have been disregarded.

6.2. Net Tangible Assets (“NTA”)

For illustrative purposes and assuming the Proposed MOC 1 Transaction had been completed on 31 December 2017, the pro forma financial effects of the Proposed MOC 1 Transaction on the consolidated NTA of the Group for FY2017 are as follows:

NTA	Before the Proposed MOC 1 Transaction	After completion of the Proposed MOC 1 Transaction
Consolidated NTA (US\$'000)	53,314	50,250 ⁽¹⁾
Number of shares (in million)	13,166	13,166
NTA per share (US cents)	0.40	0.38

Note:

- (1) The NTA is lower after the completion of the Proposed MOC 1 Transaction due to the difference between the NAV attributable to MOC 1 of US\$8,910,090 and value of current share price of Alpha of US\$5,845,752, derived by multiplying the 64,396,800 Consideration Shares and Conversion Shares that will be received, by the volume weighted average price per Share of Alpha of S\$0.125 for trades done on SGX-ST for the full market day on 12 September 2018, at the exchange rate of US\$1:S\$1.377.

6.3. Earnings per Share

For illustrative purposes and assuming the Proposed MOC 1 Transaction had been completed on 1 January 2017, the pro forma financial effects of the Proposed MOC 1 Transaction on the earnings per share (“**EPS**”) of the Group for FY2017 are as follows:

EPS	Before the Proposed MOC 1 Transaction	After completion of the Proposed MOC 1 Transaction
Net losses attributable to shareholders of the Company (US\$'000)	(31,358)	(34,422) ⁽¹⁾
Weighted average number of shares (in million)	13,138	13,138
EPS (US cents)	(0.24)	(0.26)

(1) Due to difference between the NAV attributable to MOC 1 of US\$8,910,090 and value of current share price of Alpha of US\$5,845,752, derived by multiplying the 64,396,800 Consideration Shares and Conversion Shares that will be received by the volume weighted average price per Share of Alpha of S\$0.125 for trades done on SGX-ST for the full market day on 12 September 2018, at the exchange rate of US\$1:S\$1.377.

6.4. Other Financial Information

Based on the management accounts of MOC 1 for FY2017, the net profit attributable to MOC 1 is Nil as the development of the Mustang Project had been put on hold for some time, and the NTA attributable to MOC 1 as at 31 December 2017 in the consolidated NTA of the Group for FY2017 was approximately US\$8,910,090.

7. EXCESS FROM CONSIDERATION OVER BOOK VALUE

Based on the Consideration of US\$9,000,000, the excess from the Consideration of the Proposed MOC 1 Transaction over the book value is expected to be approximately US\$89,910. The loss on disposal pursuant to this transaction is approximately US\$3,064,000 based on the value of the current share price of Alpha. As the Group will not be receiving cash consideration, the intended use of proceeds is not applicable.

8. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006

Based on (i) the latest announced unaudited consolidated financial statements of the Group for the six-month period ended 30 June 2018 ("1H2018") and (ii) the unaudited financial statements of MOC 1 for 1H2018, the relative figures for the Proposed MOC 1 Transaction computed on the bases set out in Rule 1006 of the Catalyst Rules, are as follows:

Rule 1006	Bases	Size of Relative Figures (%)
(a)	The net asset value of the assets to be disposed of ⁽¹⁾ , compared with the Group's net asset value of US\$51,993,000.	17.14%
(b)	The net profits ⁽²⁾ attributable to the assets disposed of, compared with the Group's net profits of US\$354,000.	Not Meaningful ⁽²⁾
(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation ⁽³⁾ based on the total number of issued shares excluding treasury shares.	39.70% ⁽⁴⁾
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁵⁾

(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves.	Not applicable ⁽⁶⁾
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Notes:

- (1) The net asset value attributable to the assets disposed of under the Proposed MOC 1 Transaction is US\$8,910,090 (equivalent to S\$12,269,193 at the exchange rate of US\$1:S\$1.377).
- (2) "Net profits" means profit before income tax, minority interests and extraordinary items. The net profits of MOC 1 for 1H2018 were Nil.
- (3) The Company's market capitalisation is determined by multiplying the number of ordinary shares (the "Shares") in issue (13,166,385,035) (excluding treasury shares) by the volume weighted average price of S\$0.0026 per Share on 25 September 2018, being the last traded market day immediately preceding the trading halt of the Company's shares on 26 September 2018.
- (4) Based on the consideration of S\$13,589,458, and the Company's market capitalisation of approximately S\$34,232,600. The consideration is derived by multiplying the 64,396,800 Consideration Shares and Conversion Shares that will be received by the latest announced NAV of Alpha as at 30 June 2018 of US\$0.1546 (equivalent to approximately S\$0.211), using an exchange rate of US\$1:S\$1.365 (as at 30 June 2018).
- (5) There will be no issuance of equity securities by the Company in relation to the Proposed MOC 1 Transaction.
- (6) Not applicable as the Company is not a mineral, oil or gas company.

As the relative figures computed based on Rules 1006 (a) and (c) of the Catalist Rules exceed 5% but do not exceed 50%, hence the Proposed MOC 1 Transaction constitutes a "discloseable transaction" under Chapter 10 of the Catalist Rules.

9. DIRECTORS' ABSTENTION FROM RECOMMENDATION AND VOTING

For the avoidance of doubt, in order to avoid any conflict of interests, Mr Tan Ser Ko, being on the board of directors of both Alpha and the Company, will abstain from making a recommendation as well as voting on the resolution in respect of the Proposed MOC 1 Transaction.

10. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above, none of the Directors or (to the best information, belief and knowledge of the Directors) controlling shareholders of the Company (other than in their capacity as Directors or Shareholders of the Company) has any interest, direct or indirect, in the Proposed MOC 1 Transaction.

11. SERVICE AGREEMENTS

No person will be appointed as a Director of the Company in connection with the Proposed MOC 1 Transaction and accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

12. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in trading their shares in the Company as the Proposed MOC 1 Transaction is subject to conditions precedent and there is no certainty or assurance as at the date of this announcement that all of the conditions precedent will be satisfied (or waived, as the case may be) or that the Proposed MOC 1 Transaction will be completed. The Company will make the necessary announcements when there are further developments on the Proposed MOC 1 Transaction. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers,

bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

13. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company for three (3) months from the date of this announcement.

14. RESPONSIBILITY STATEMENT

The Directors of the Company 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 Proposed MOC 1 Transaction, 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
CHARISMA ENERGY SERVICES LIMITED

Chong Wai Ching
Company Secretary
29 September 2018

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") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lance Tan, Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and Email: sponsorship@ppcf.com.sg).