

LOYZ ENERGY LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199905693M)

PROPOSED SETTLEMENT OF AN AMOUNT OWING BY THE COMPANY OF APPROXIMATELY US\$8.56 MILLION VIA THE PROPOSED PLACEMENT OF AN AGGREGATE OF 465,870,885 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT AN ISSUE PRICE OF S\$0.0260 PER NEW ORDINARY SHARE

The board of directors (the “**Board**” or the “**Directors**”) of Loyz Energy Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the loan agreements dated 1 April 2014 and 1 December 2014, as amended (collectively, the “**Loan Agreements**”) entered into between the Company and Jit Sun Investments Pte. Ltd. (“**Jit Sun**”), pursuant to which Jit Sun extended certain loan facilities to the Company on the terms contained in the Loan Agreements. As at the date of this announcement (“**Announcement**”), approximately US\$8.56 million (equivalent to approximately S\$12.11 million) (including principal sum and outstanding interests payable) remained outstanding and owing by the Company to Jit Sun (the “**Outstanding Balance**”). As at the date of this announcement, Jit Sun has interests in 151,409,901 ordinary shares in the capital of the Company, representing approximately 14.3% of the Company.

1. INTRODUCTION

The Board wishes to announce the following:

- (a) Jit Sun had, on 27 February 2017, provided a written notification to the Company that a deed of assignment had been entered into with the subscribers set out in paragraph 2 below (collectively, the “**Subscribers**”, and the deed of assignment, the “**Deed of Assignment**”), pursuant to which, the Outstanding Balance had been assigned to the Subscribers. As a result of the Deed of Assignment, the Outstanding Balance is now owed by the Company to the Subscribers; and
- (b) the Company had, on 27 February 2017, entered into a subscription agreement (the “**Placement Agreement**”) with the Subscribers pursuant to which, the Company has agreed to allot and issue to the Subscribers, and the Subscribers have agreed to subscribe and pay for, an aggregate of 465,870,885 new ordinary shares in the capital of the Company (the “**New Shares**”) at an issue price of S\$0.0260 per New Share (the “**Issue Price**”), as full and final settlement of the Outstanding Balance, in the proportion as set out in paragraph 2 below (the “**Placement**”). For the avoidance of doubt, no proceeds will be raised by the Company in connection with the Placement.

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

2. THE PLACEMENT

The Issue Price of S\$0.0260 represents a discount of approximately 2.3% to the volume weighted average price (“**VWAP**”) of S\$0.0266 per share of the Company (“**Share**”), based on trades done on the Catalist board of the SGX-ST (the “**Catalist**”) on 24 February 2017, being the full market day on

which Shares were traded prior to the entering into of the Placement Agreement. The Issue Price was arrived at pursuant to discussions with the Subscribers, taking into account, among others, the VWAP of the Shares quoted on Catalist on 24 February 2017.

The New Shares will be allotted and issued to the Subscribers in the following proportion:

Name of Subscriber	Number of New Shares	As a percentage of the enlarged share capital of the Company⁽¹⁾ (%)
Fortune Asia Long Short Fund ⁽²⁾	75,000,000	4.9
Honghu Capital Co. Ltd ⁽³⁾	61,000,000	4.0
Huang He ⁽⁴⁾	61,000,000	4.0
Guo Weihua ⁽⁴⁾	61,000,000	4.0
Chen Xiongzhao ⁽⁴⁾	30,000,000	2.0
Tan Sze Seng ⁽⁴⁾	75,000,000	4.9
Lim Tiong Kheng Steven ⁽⁴⁾	48,870,885	3.2
Tan Yee Kit ⁽⁴⁾	54,000,000	3.5
Total	465,870,885	30.5

Notes:

- (1) Based on the enlarged share capital of the Company of 1,526,527,683 Shares after the issuance of the 465,870,885 New Shares.
- (2) Fortune Asia Long Short Fund is managed by Fortune Capital Management Pte Ltd and seeks to achieve long-term capital growth through investments in equities which are publicly traded and listed in recognised stock exchanges in Asia (excluding Japan) and/or equities which are publicly traded or listed in recognised stock exchanges outside Asia, of issuers whose revenue is derived substantially from business activities or operations in Asia.
- (3) Honghu Capital Co. Ltd is an investment company with its head office based in Hong Kong. The beneficial owner of Honghu Capital Co. Ltd. is Mr Deng Junjie, a private investor who is subscribing for the New Shares for investment purposes.
- (4) These Subscribers are private investors who are subscribing for the New Shares for investment purposes.

Pursuant to Rule 803 of Listing Manual Section B: Rules of Catalist of the SGX-ST (the “**Catalist Rules**”), the Company has confirmed that it will not, pursuant to the Placement, issue the New Shares to transfer a controlling interest of the Company without the prior approval of shareholders of the Company (“**Shareholders**”) in a general meeting. The New Shares 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 Catalist Rules.

There is no placement agent appointed for the Placement. The Company was introduced to the Subscribers through Jit Sun, which had entered into the Deed of Assignment with such Subscribers. No introducer fee was paid to Jit Sun. Each of the Subscribers is subscribing for such number of New Shares for investment purposes, and is not related to the other Subscribers.

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 Placement on Catalist.

3. NEW SHARES

As of the date of this Announcement, the Company has an issued and paid-up share capital of 1,060,656,798 Shares and has no treasury Shares.

The 465,870,885 New Shares represent approximately 43.9% and 30.5% of the existing and enlarged issued and paid-up share capital of the Company, respectively.

The New Shares are to be issued pursuant to the existing share issue mandate approved by Shareholders (the “**General Mandate**”) at the annual general meeting of the Company held on 27 October 2016 (the “**2016 AGM**”). The General Mandate authorises the Directors to allot and issue new Shares not exceeding 100% of the total number of issued Shares (excluding treasury Shares) in the capital of the Company, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to existing Shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury Shares) in the capital of the Company. As at the 2016 AGM, the Company had 1,044,387,798 issued Shares (excluding treasury Shares) (after adjusting for 689,000 new Shares arising from vesting of share awards under the Loyz Energy Performance Share Plan on 14 November 2016 which were subsisting at the time of the 2016 AGM). Accordingly, the Company could issue up to 1,044,387,798 new Shares on a *pro-rata* basis and up to 522,193,899 new Shares on a non *pro-rata* basis under the General Mandate.

As at the date of this Announcement, and since the approval of the General Mandate by the Shareholders at the 2016 AGM, the Company has issued 16,958,000 new Shares on a non *pro-rata* basis pursuant to the General Mandate.

Accordingly, the proposed allotment and issuance of the New Shares falls within the limit of the General Mandate.

The New Shares, when issued and fully-paid, shall be free from all claims, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with the Shares as at the date of issue of the New Shares save that they will not rank for any dividend, rights, allotments or other distributions, the record of which falls on or before the date of completion of the allotment and issuance of the New Shares.

4. RATIONALE FOR THE PLACEMENT AND USE OF PROCEEDS

The New Shares are to be issued and allotted to the Subscribers as full and final settlement of the Outstanding Balance. As such, there will be no proceeds raised by the Company from the Placement.

The Placement will improve the Company’s financial position by reducing the overall debt profile of the Group. Based on the unaudited consolidated financial statements as at 31 December 2016, the Group recorded net working capital deficit of approximately US\$8.3 million, total borrowings of US\$30.3 million and a gearing ratio of 50%. Upon completion of the Placement, *ceteris paribus*, the Group’s immediate net working capital position will turn positive, gearing ratio reduced to 44% and total borrowings will be reduced accordingly, by approximately US\$8.56 million (disregarding the expenses to be incurred in the Placement).

In addition to the above, the Placement will also be beneficial to the Company as it enlarges the shareholder base of the Company and is also expected to improve the level of trading liquidity of the Shares.

Recently, the Company has also successfully restructured its bank loans with the financial institutions

to better match cash inflows with the principal and interest repayments. The Placement, together with other initiatives undertaken by the Group, including reduction of costs and capital expenditure, will strengthen the balance sheet of the Group enabling it to drive growth and business in the midst of volatility in the oil and gas industry.

For avoidance of doubt, the negotiations to settle the outstanding amounts with Jit Sun or the Subscribers were conducted by the current management team, comprising mainly Mr Jeffrey Pang (Chief Executive Officer and Executive Director of the Company) and approved by the present Board (save for Mr Adrian Lee, the Non-Executive Director of the Company). Mr Adrian Lee is the brother of Mr Lionel Lee, the sole shareholder of Jit Sun, and he had abstained from deliberations and approval at the Board level in respect of the Placement.

5. DIRECTORS' OPINION

No proceeds will be raised by the Company from the Placement. The Directors are of the opinion that, barring any unforeseen circumstances, after taking into consideration the Group's present bank facilities, internal resources and operating cash flows, the working capital available to the Group is sufficient to meet its present requirements.

Notwithstanding the present sufficiency of working capital, the Directors are of the opinion that the Placement will enable the Company to improve its financial position by reducing the overall debt profile of the Group.

6. FINANCIAL EFFECTS OF THE PLACEMENT

The proforma financial effects of the Placement are presented for illustration purposes only and are not intended to be indicative or reflect the actual future financial situation of the Company and the Group after the completion of the Placement.

The proforma financial effects of the Placement have been computed based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2016 ("FY2016") as well as the following assumptions:

- (i) the financial effect on the consolidated net asset value ("**NAV**") per Share is computed based on the assumption that the Placement was completed on 30 June 2016;
- (ii) the financial effect on the loss per Share is computed based on the assumption that the Placement was completed on 1 July 2015;
- (iii) expenses relating to the Placement of approximately US\$10,000; and
- (iv) for the avoidance of doubt, the financial effects on the NAV per Share, loss per Share and gearing have not taken into account the issuance of new Shares by the Company subsequent to 30 June 2016 up to the date of this Announcement.

Share capital and NAV per Share

	Before the Placement	After the Placement
Number of Shares as at 30 June 2016	1,043,698,798	1,509,569,683
Share capital (US\$'000)	115,440	124,000
NAV attributable to Shareholders (US\$'000)	28,453	37,103
NAV per Share (US cents)	2.73	2.45

Loss per Share

	Before the Placement	After the Placement
Net loss attributable to Shareholders in FY2016 (US\$'000)	19,546	19,556
Weighted average number of Shares	842,126,035	1,307,996,920
Loss per Share (US cents)	2.32	1.50

Gearing

	Before the Placement	After the Placement
As at 30 June 2016		
Total borrowings (US\$'000)	31,134	22,574
Total shareholders' funds (US\$'000)	28,453	37,013
Gearing ratio	52%	38%

7. CONDITIONS PRECEDENT

Completion of the Placement is conditional upon, among others, the listing and quotation notice being obtained from the SGX-ST for the listing of and quotation for the New Shares on Catalist as well as the fulfillment of the terms and conditions set out in the Placement Agreement.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

The Directors have been informed that under the Deed of Assignment, in the event the Placement is not completed for whatsoever reasons, the Outstanding Balance will be assigned back from the Subscribers to Jit Sun. In view of the above, Jit Sun, being a substantial Shareholder, has an interest in the Placement. Mr Adrian Lee (the Non-Executive Director of the Company) is the brother of Mr Lionel Lee, the sole shareholder of Jit Sun.

Save as disclosed above and 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 Placement.

9. 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 Placement will be completed as it is subject to the conditions precedent set out in paragraph 7 above. When in doubt as to the action they should take, Shareholders and potential investors should consult their financial, tax or other advisers.

10. ANNOUNCEMENTS

Further announcements on the Placement, including the receipt of the listing and quotation notice from the SGX-ST, 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 Placement, 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.

12. DOCUMENT FOR INSPECTION

A copy of the Placement Agreement is available for inspection by Shareholders during normal business hours at the registered address of the Company at 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095 for a period of three (3) months from the date of this Announcement.

By order of the Board

Jeffrey Pang
Chief Executive Officer and Executive Director
27 February 2017

*This Announcement has been prepared by Loyz Energy Limited (the “**Company**”) and its contents have been reviewed by the Company’s sponsor (the “**Sponsor**”), ZICO Capital Pte. Ltd., for compliance with the SGX-ST Listing Manual Section B: Rules of Catalyst. 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 of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.