

CHARISMA ENERGY SERVICES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 199706776D)

RECEIPT OF NOTICE OF DEMAND

1. INTRODUCTION

The Board of Directors (the “**Directors**” or the “**Board**”) of the Charisma Energy Services Limited (the “**Company**”, together with its subsidiaries, the “**Group**”), wishes to update its shareholders that the Company and Anchor Marine 3 Inc, a wholly-owned subsidiary of the Company (“**AM3**”) received notices of demand dated 1 February 2023 (the “**Notices of Demand**”).

2. INFORMATION ON THE NOTICES OF DEMAND

- 2.1. The Notices of Demand were issued by the legal counsel representing one of the secured lending banks of the Group (the “**Bank**”).
- 2.2. In relation to the Notice of Demand issued to AM3, it is noted by the Bank that since the maturity date of 5 January 2022 under the Facility Agreement¹, AM3 has failed to, *inter alia*, make full payments under or in connection with the Facility Agreement and that such default(s) remain unaddressed and/or remedied as of 1 February 2023. Consequently, the Bank is declaring an event of default under the Facility Agreement (the “**EOD**”) and that the facility thereunder is cancelled. AM3 is therefore required to make immediate payment and discharge the entirety of the secured obligations which is now immediately due and payable. This amounts to a sum of US\$7,994,789.68, being the total outstanding sum in respect of the secured obligations as of 1 February 2023 under the Facility Agreement (the “**Outstanding Indebtedness**”). The payment of such Outstanding Indebtedness is due by close of business on 3 February 2023.
- 2.3. The Notice of Demand issued to the Company is by virtue of a guarantee dated 18 December 2014 (the “**Guarantee**”), where the Company had guaranteed to pay on demand as principal debtor, *inter alia*, all sums due and owing from AM3 (as borrower) under the Facility Agreement. Accordingly, as a result of the EOD, the Company will be liable under the Guarantee for the Outstanding Indebtedness.

3. BACKGROUND ON THE NOTICES OF DEMANDS

- 3.1. The Notices of Demand received pertains to the facility granted by the Bank under the Facility Agreement to AM3 for the acquisitions of two (2) anchor handling tug supply vessels, being “**SAMED**” of vessel number J8B4018 (“**SAMED**”), and “**SAEB**” of vessel number J8B4019 (“**SAEB**”) (the “**AM3 Vessels**”), in 2014. Pursuant to the Facility Agreement, the AM3 Vessels were part of the security package provided to the Bank. Due to headwinds in the oil and gas industry faced by the Group, the values and charter rates of the AM3 Vessels had declined and AM3 was unable to make the relevant payments required under the Facility Agreement.

¹ Facility agreement dated 18 December 2014 amongst AM3, the Bank and the Company, as may be amended and/or supplemented by the Variation Agreement dated 12 December 2017.

- 3.2. The Group had then entered into a settlement agreement with Whitesea Shipping & Supply (LLC) FZC (the “**Settlement Agreement**”) to sell four (4) anchor handling tug supply vessels² (the “**Vessels**”), having obtained the appropriate approvals from the banks (including the Bank) which provided the acquisition financing to the Group for such Vessels. For further information on the settlement sale (including the rationale), please refer to the announcement dated 17 May 2021³. Further deterioration on the conditions of the Vessels and industry headwinds resulted in a further decline in the values of the Vessels. This led to delays in completing the sale of the Vessels. Subsequently on 21 September 2022, the Company announced⁴ that the Group had entered into addendums to the Settlement Agreement. Pursuant to the addendums and as at the date of this announcement, two (2) Vessels have been disposed (being SAREM and SAEB). The sales of the remaining two (2) Vessels, SALEH and SAMED, are expected to be completed by 31 March 2023.
- 3.3. Whilst the proceeds of the sale from SAEB had been provided to the Bank, the proceeds from the sale of SAMED will only be paid to the Bank upon completion of such sale.
- 3.4. The Group was able to divest certain of its assets, where various amounts of the proceeds were utilised to repay outstanding amounts under the Facility Agreement. From the divestment of these assets over the past few years, the Group had utilised US\$14.2 million of the sales proceeds in the various assets towards the repayment of outstanding amounts under the Facility Agreement to the Bank. Notwithstanding, these were not full repayments required and outstanding amounts remained under the Facility Agreement, ultimately resulting in the Notices of Demand being issued by the Bank.

4. UPDATES ON DEBT RESTRUCTURING AND RECAPITALISATION

- 4.1. As previously announced by the Company over the preceding years, the Group has made various efforts to complete its debt restructuring and recapitalisation exercises which will allow the Group to operate on a going concern basis and resume trading.
- 4.2. Pursuant to the conclusion of the latest discussions, the Company announced on 18 January 2023⁵ that it had entered into a new conditional subscription agreement (the “**New CSA**”) for the subscription of shares and options of the Company by the subscriber thereunder (the “**Subscription**”). Under the New CSA, new terms and conditions of the debt restructuring and recapitalisation exercises were identified and agreed with the subscriber.
- 4.3. In relation thereto and with reference to the Notices of Demand, the Group has commenced discussions on the new debt restructuring terms with the Bank and request for support of thereto, based on the following factors:

² Being SAMED, SAEB, “SAREM” of vessel number J8B4017 (“**SAREM**”), and “SALEH” of vessel number J8B4016 (“**SALEH**”).

³ <https://links.sgx.com/FileOpen/Charisma%20-%20Whitesea%20Settlement%20Announcement.ashx?App=Announcement&FileID=666651>

⁴ <https://links.sgx.com/FileOpen/CES%20Announcement%2020220921.ashx?App=Announcement&FileID=732087>

⁵ <https://links.sgx.com/FileOpen/20230118%20CES%20Announcement.ashx?App=Announcement&FileID=744412>

- (a) the recovery expected from the completion of the corporate actions contemplated under the Subscription (including a scheme of arrangement⁶) is likely to be higher than a liquidation scenario as S\$1,357,500 from the proceeds from the Subscription will be applied to the satisfaction of liabilities under the proposed terms to the Scheme of Arrangement. Furthermore, in a forced sale scenario, the remaining assets of the Group will be sold at forced sale values which are likely to be below market values;
- (b) the Group is doing its best in preserving the value of the Company to all its stakeholders through the debt restructuring and recapitalisation exercises.

5. EFFECTS

- 5.1. The Company has written to the Bank in relation to the receipt of the Notices of Demand to seek the Bank's continuous support in the new debt restructuring discussions. Meanwhile, the Company will continue to engage the Bank in discussions to resolve the matter. In the meantime, the completion of the corporate actions undertaken by the Company pursuant to the debt restructuring and recapitalisation exercises is subject to obtaining the requisite approvals from various stakeholders of the Group (including the Bank). Should these corporate actions fail to complete, the Company will not be able to operate on a going concern basis or resume trading and will have to consider and assess alternative options, including but not limited to liquidation.
- 5.2. In the event that there is inadequate support and approvals obtained by the Company for its corporate actions, the Company will not be able to settle the Outstanding Indebtedness owing to the Bank and this will have a material adverse effect on the Company.

6. FURTHER ANNOUNCEMENTS

In accordance with Catalist Rule 704(22), the Company will continue to update shareholders via SGXNet regarding the financial situation of the Group. The Company will make further announcements as and when there are material developments.

7. TRADING CAUTION

Notwithstanding that the trading of the Company's shares is suspended, 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 Ser Ko
Director
3 February 2023

⁶ it is expected that the Company will implement a scheme of arrangement to propose settlement terms for outstanding amounts due to certain of its eligible creditors (including the Outstanding Indebtedness owing to the Bank) (the "**Scheme of Arrangement**").

*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.*

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