

PROPOSED TRANSACTION WITH BACK-TO-BACK AGREEMENT TO FARM-OUT A NET 20% PARTICIPATING INTEREST IN THE LEMANG PRODUCTION SHARING CONTRACT

1. INTRODUCTION

The board of directors (the “**Board**”) of Ramba Energy Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to its announcement dated 7 September 2015, and wishes to announce that:-

- (a) the Company’s 80.4%-owned Indonesian subsidiary (owned indirectly through Ramba Energy Exploration Ltd), PT Hexindo Gemilang Jaya (“**Hexindo**”), has on 4 October 2015, entered into a farm-in agreement (the “**Agreement**”) with Mandala Lemang Singapore Pte. Ltd. (Company Registration Number: 201535592G), a company incorporated in Singapore (“**Mandala**”), pursuant to which Hexindo shall farm-out a 35% participating interest (the “**Assigned Participating Interest**”) in the Lemang production sharing contract (the “**Lemang PSC**”) to Mandala (the “**Proposed Transaction**”). As at the date of this announcement, Hexindo owns a 51% participating interest in the Lemang PSC;
- (b) as part of the Proposed Transaction and concurrently with the Agreement, Hexindo has on 4 October 2015, entered into a back-to-back agreement with Eastwin Global Investments Limited (Company Registration Number 1646134), a company incorporated in the British Virgin Islands (“**Eastwin**”) and who presently owns the remaining 49% participating interest in the Lemang PSC (the “**Back-to-Back Agreement**”). Under this Back-to-Back Agreement, Hexindo shall acquire a 15% participating interest in the Lemang PSC from Eastwin. As such the net effect of the Proposed Transaction is that Hexindo will effectively farm-out a 20% participating interest (the “**Net Assigned Participating Interest**”) and retain a 31% participating interest in Lemang PSC while Eastwin will retain a 34% participating interest in the Lemang PSC;
- (c) Hexindo, has on 4 October 2015, entered into a joint operating agreement (the “**New JOA**”) with Eastwin and Mandala, pursuant to which all three (3) parties to the New JOA shall define their respective rights and obligations with respect to petroleum operations conducted under the Lemang PSC. This New JOA shall replace the Old JOA signed between Hexindo and Eastwin (as elaborated in paragraph 4.2(b) below); and
- (d) Hexindo will, on completion of the Proposed Transaction, enter into a secondment agreement (the “**Secondment Agreement**”) with Mandala, pursuant to which Mandala will be entitled to send its qualified personnel to fill certain positions in Hexindo’s organisation for the conduct of certain petroleum operations after completion of the Proposed Transaction,

(collectively, the “**Definitive Agreements**”)

2. INFORMATION ON THE LEMANG BLOCK, MANDALA AND EASTWIN

2.1 Information on the Lemang block

The Lemang block is located in the northernmost part of the hydro-carbon rich South Sumatra basin, a proven region for oil and gas production with transportation infrastructure already in proximity. The Lemang PSC was initially entered into on 18 January 2007, and this contract granted Hexindo and PT Indelberg Indonesia (“**Indelberg**”) the right to join and assist Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (“**BP Migas**”) in the exploration for, exploitation of and development of the potential resources within the Lemang block.

2.2 Information on Mandala

Mandala is a wholly-owned subsidiary of Mandala Energy Limited, which is a South East Asia focused oil and gas exploration and production company. Mandala Energy Limited was founded in March 2015 and headquartered in Singapore. Mandala Energy Limited is backed by Kohlberg Kravis Roberts & Co., a global investment firm with approximately US\$100 billion of assets under management across a wide range of asset classes.

2.3 Information on Eastwin

On 26 August 2011, the Government of Indonesia had approved the substitution by Eastwin as the new owner of the 49% participating interest in the Lemang PSC, and Hexindo and Eastwin subsequently signed the Old JOA (as defined below) on 19 December 2011.

3. RATIONALE FOR THE PROPOSED TRANSACTION WITH BACK-TO-BACK AGREEMENT

The rationale for the Proposed Transaction with the Back-to-Back Agreement is as follows:-

- (a) The Proposed Transaction will improve liquidity in the Group and allow the Group to improve its financial position. This will grant the Company additional resources to take advantage of opportunities for new projects that may arise;
- (b) The Proposed Transaction enhances the Company’s ability to manage its future risks while also strengthening its financial and capital resources;
- (c) The Proposed Transaction will allow the Company to realise value for its shareholders. The Company acquired a 41% participating interest in the Lemang PSC in 2009 for US\$7,000,000. Therefore, the Consideration of up to US\$102,600,000 (as explained below) that Hexindo may receive from Mandala for a net 20% participating interest in the Lemang PSC represents a significant increase in the value of its participating interest in the Lemang PSC for the Company; and
- (d) The Proposed Transaction together with the Back-to-Back Agreement will ensure that the Company, Mandala and Eastwin each maintain a relatively balanced participating interest vis-à-vis one another in the Lemang PSC. Furthermore, as Eastwin is not the operator under the Old JOA, they are not able to provide all the necessary representations and warranties that are required by Mandala for their farm-in. The current arrangement will allow Hexindo to provide such representations and warranties

to Mandala under the Agreement, while enabling Hexindo to retain a 31% participating interest through the Back-to-Back Agreement.

4. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

4.1 Consideration for the Proposed Transaction

The aggregate consideration for the Proposed Transaction is up to US\$102,600,000, which is arrived at after deducting the amount payable to Eastwin pursuant to the Back-to-Back Agreement (collectively, the “**Consideration**”), and is to be satisfied as follows:-

- (a) the cash sum of US\$15,000,000 (“**Initial Cash Payment**”), which includes a US\$5,000,000 advance (“**Advance**”);
- (b) an additional payment in respect of costs incurred by Hexindo between the date of the Agreement and the date of completion of the Proposed Transaction (“**Completion Date**”);
- (c) crude oil reserve bonuses of up to US\$68,000,000, based on the estimated proved and probable (“**2P**”) ultimate recoverable volumes, payable by Mandala following each issuance of a reserve certificate by an independent petroleum engineer;
- (d) natural gas reserve bonuses of up to US\$10,000,000, based on estimated 2P ultimate recoverable volumes, payable following each issuance of a reserve certificate provided by an independent petroleum engineer;
- (e) a new commercial discovery bonus of US\$4,800,000; and
- (f) the provision of a financial carry arrangement by Mandala to Hexindo, being a partial carry on 3 exploration wells, of up to US\$1,600,000 each.

When arriving at the amount for the Consideration, the Company shall take into account (i) the existing cost recovery pool amount; (ii) the approved Plan of Development; (iii) the costs required to reach production; (iv) the Company’s reserves report as of 31 December 2014; and (v) other exploration leads and prospects within the Lemang block.

4.2 Conditions Precedent

Completion of the Proposed Transaction shall be conditional on the following conditions having been fulfilled or waived in accordance with the Agreement:-

- (a) the passing of a resolution at a general meeting of the Company to approve the sale and assignment of the Assigned Participating Interest by Hexindo to Mandala in the agreed terms, unless the requirement for such resolution is waived in writing (with a copy provided to Mandala) by the SGX-ST;
- (b) receipt by Hexindo, in accordance with the terms of the existing joint operating agreement dated 19 December 2011 entered into between Hexindo and Eastwin relating to the Lemang PSC (“**Old JOA**”), of written consent from Eastwin to the sale and assignment of the Assigned Participating Interest from Hexindo to Mandala and a

waiver from Eastwin of its preferential rights to acquire the Assigned Participating Interest granted under the terms of the Old JOA; and

- (c) receipt by Hexindo of the written approval of SKK Migas, the Government of Indonesia and any other Governmental Authority of the sale and assignment by Hexindo of the Assigned Participating Interest to Mandala without the imposition of any conditions for approval in excess of those (if any) which are usually imposed in similar circumstances, or which are, in the reasonable opinion of Mandala, unusual or onerous in the context of onshore Indonesian petroleum operations.

5. FINANCIAL INFORMATION

5.1 Value of the Net Assigned Participating Interest

Based on the unaudited financial statements of Hexindo as at 30 June 2015, the value of the Net Assigned Participating Interest is approximately S\$15.1 million. The net proceeds (based on the Initial Cash Payment less Advance) is approximately S\$11.5 million ("**Net Proceeds**"), after deducting professional fees and expenses.

As the final Net Proceeds from the Proposed Transaction are subject to the conditions set out in paragraph 4.1 of this announcement, the excess or deficit of Net Proceeds over the value of the Net Assigned Participating interest and estimated gain or loss from the Proposed Transaction shown below are solely for illustrative purposes only.

Value of the Net Assigned Participating Interest	S\$15.1 million
Net Proceeds	S\$11.5 million
Net loss on farm-out	(S\$3.6) million ^{(1),(2)}

(1) In the event that the Akatara 2P ultimate recoverable volume achieves 10 million barrels or more of oil, there will be a net gain from this Proposed Transaction of approximately US\$3.4 million (S\$4.4 million equivalent)

(2) In the event the Consideration were to be fully received, the net gain from this Proposed Transaction will be approximately US\$74.4 million (S\$100.1 million equivalent).

6. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 OF THE LISTING MANUAL

Based on the Company's latest announced consolidated accounts as at 30 June 2015, the relative figures computed for the bases set out in Rule 1006 of the Listing Manual Section A: Mainboard Rules ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in respect of the Proposed Transaction combined with the Back-to-Back Agreement are as follows:-

Rule		Relative Figure
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	18.0%

Rule 1006(b)	Net loss attributable to the assets acquired or disposed of, compared with the Group's net loss	8.4%
Rule 1006(c)	Aggregate value of the Consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares	151.5%
Rule 1006(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
Rule 1006(e)	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	36.7%

For the avoidance of doubt, the above relative figures have been calculated assuming the farm-out of the Net Assigned Participating Interest. As the relative figures computed on the bases set out in Rule 1006(c) and (e) of the Listing Manual exceeds 20%, the Proposed Transaction with the Back-to-Back Agreement is considered a "major transaction". Accordingly, the Proposed Transaction with the Back-to-Back Agreement must be made conditional upon approval by shareholders in general meeting pursuant to Rule 1014(2) of the Listing Manual. However, the Company will be submitting an application to SGX-ST for a waiver of the requirement to seek shareholders' approval for the Proposed Transaction together with the Back-to-Back Agreement (the "**Waiver**") based on, *inter alia*, the following reasons:-

- (a) The Group's core businesses include oil and gas exploration and production with Indonesia being its main area of business. Therefore, it is within the ordinary course of the Group's business to acquire and dispose of and to be a party to farm-in and farm-out deals involving participating interests in oil and gas exploration blocks, and to realise its investments as and when appropriate; and
- (b) The Board is of the unanimous opinion that the Proposed Transaction will not have an impact on the existing operations of the Group's business, that there will be no material change in the risk profile of the Company arising from the Proposed Transaction and that the Proposed Transaction will be beneficial and not prejudicial to the Company and its shareholders.

In accordance with paragraph 3.4(b) of Practice Note 10.1 of the Listing Manual, the Company has engaged KPMG as the independent financial adviser to confirm that the

opinion of the Board as stated above and their basis have been expressed by the Board after due and careful enquiry.

7. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The following pro forma financial effects of the Proposed Transaction on the net tangible assets ("NTA") per share of the Company ("Share") and its loss / earnings per Share ("LPS / EPS") are purely for illustrative purpose only. They are calculated assuming the farm-out of the Net Assigned Participating Interest and are based on the latest audited consolidated financial statements of the Group for the year ended 31 December 2014 ("FY2014"):-

NTA

Assuming that the Proposed Transaction and Back-to-Back Agreement had been completed on 31 December 2014 and based on the Group's audited financial statements for FY2014, the effects on the NTA per Share of the Group are as follows:

	Before the Proposed Transaction	After the Proposed Transaction	
		Minimum ⁽²⁾	Maximum ⁽³⁾
NTA (S\$ '000) ⁽¹⁾	63,564	59,939	163,694
Number of issued Shares ('000)	385,262	385,262	385,262
NTA per Share (Singapore cents)	16.5	15.56	42.49

(1) NTA is computed based on total assets less total liabilities and less intangible assets.

(2) Computed based on the Initial Cash Payment less Advance

(3) Computed based on the Consideration

LPS / EPS

Assuming that the Proposed Transaction and Back-to-Back Agreement had taken place on 1 January 2014 and based on the Group's audited financial statements for FY2014, the effects on the LPS of the Group are as follows:

	Before the Proposed Transaction	After the Proposed Transaction	
		Minimum ⁽²⁾	Maximum ⁽³⁾
Net (loss)/profit attributable to shareholders (S\$ '000)	(11,930)	(15,555)	88,200
Weighted average number of Shares used in the computation of basic loss/earnings per Share	367,702,195	367,702,195	367,702,195
Basic (loss)/earnings per	(3.24)	(4.23)	

Share (in cents) ⁽¹⁾			23.99
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- (1) Basic (loss)/earnings per Share is computed based on the weighted average number of Shares for the full financial year.
- (2) Computed based on the Initial Cash Payment less Advance
- (3) Computed based on the Consideration

8. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

None of the directors of the Company, substantial shareholders or controlling shareholders has any interest, direct or indirect, in the Proposed Transaction.

9. DETAILS OF ANY SERVICE CONTRACTS

No director is proposed to be appointed to the Company in connection with the Proposed Transaction.

10. 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 Proposed Transaction, the transactions contemplated within, 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 the announcement in its proper form and context.

11. CAUTIONARY STATEMENT

Shareholders and potential investors in the Company are hereby reminded to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors in the Company are reminded that the Proposed Transaction will be subject to various conditions. The Board wishes to emphasise that the Proposed Transaction is conditional upon, among other things, regulators' consents, approvals and/or waivers, as well as shareholders' approval in accordance with the listing rules of the SGX-ST.

Oil and gas exploration is an expensive, high-risk operation. Shareholders are therefore advised to exercise caution when dealing in shares of the Company, and should consult their legal, financial, tax and other professional advisers if they have any doubt as to the action to take.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement, the Back-to-Back Agreement, the New JOA and the Secondment Agreement are available for inspection during normal business hours at the registered office of the

Company at No. 29A, Club Street, Singapore 069414 for three (3) months from the date of this announcement.

The Company will make such further announcements to inform shareholders of any updates or developments.

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By Order of the Board of
RAMBA ENERGY LIMITED

Tan Chong Huat
Non-Executive Chairman

5 October 2015