

# Primeline Energy Holdings Inc: **Capital Markets Update**

June 15th 2015



**PRIMELINE**  
ENERGY HOLDINGS INC.

超準能源

# Primeline Petroleum Corp (PPC) Acquisition - Rationale

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- On 11 May 2015, Primeline announced its intent to acquire the entire legal and beneficial interest in PPC, from Mr. Victor Hwang, Primeline's Chairman, President and majority shareholder.
- No pro-forma forecasts can be given under the pertinent securities regulations in both Canada ahead of the issue to shareholders of the relevant documentation pertaining to each transaction.
- the Board of Primeline believes that the Acquisition will bring scale, balance sheet and simplicity/transparency benefits to Primeline's shareholders.
- Additionally, the Acquisition is a condition precedent for the drawdown of the US\$20m exploration funding by GEMS for the exploration work to fulfil the obligation under Petroleum Contract Block 33/07.

# PPC and its Relationship to Primeline

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- Primeline (PEH) has 75% and PPC has 25% of Contractors' Rights respectively in 2 Petroleum Contracts in the East China Sea – Block 25/34 and Block 33/07
- PPC is 100% controlled by Victor Hwang, PEH Chairman/majority shareholder.
- Block 25/34: the LS36-1 gas field (85 km<sup>2</sup>); Operator: CNOOC (51%), PEH (36.75%) PPC (12.25%). McDaniel Proved + Probable (2P) gross reserves estimates at July 2014 of 14.9 Mmboe (Gas: 68.1 bcf, Liquids: 3.6 MMbbl).
- Block 33/07: (5,877 km<sup>2</sup>). 7 year exploration period of three phases (3, 2, 2 years) from Nov 2012. Operator: PEH (75%) with PPC (25%). Minimum work program in phase 1: 600 km<sup>2</sup> of 3D and 2 wells. Contractors responsible for 100% of all exploration costs. CNOOC has right to participate in up to 51% of any commercial development by paying pro rata development and operation costs.

## PPC Acquisition – Key Terms

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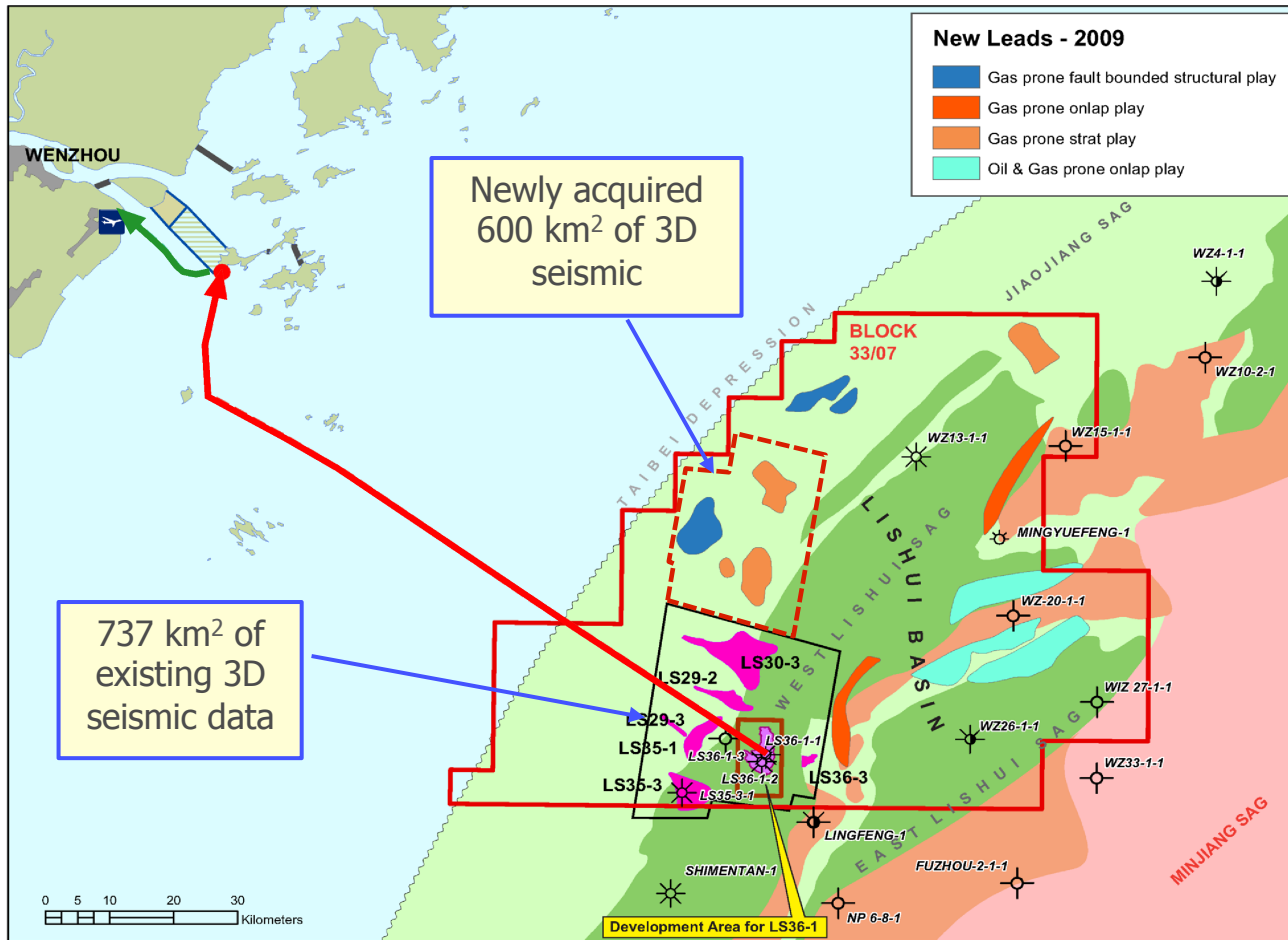
- The Sale and Purchase agreement for the Acquisition is in the process of finalization and will be executed shortly.
- The consideration is to be paid in shares of Primeline, on the basis of full price transparency subject to a fairness opinion via independent assessment and will be subject to approvals, including, among others those of the TSX-V and disinterested shareholders.
- The consideration is the issue to Mr Hwang of shares representing approximately one third of the current issued share capital of the Company, being 44,669,851 shares.
- This is in line with the preliminary estimate given in the press release relating to the diluted share capital used in the relevant calculations in the Loyz press release announcement.

# PPC Acquisition - Process

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- Primeline has formed a Special Committee comprised of the independent non-executive directors of the Company, Messrs. Alan Johnson, Peter Kelty and Vincent Lien, to evaluate the Acquisition
- Primeline has engaged Blair Franklin Capital Partners Inc. of Toronto to advise the Special Committee and to provide the fairness opinion.
- The first draft of the fairness opinion is expected soon.
- The circular, which will contain further details on the Acquisition, will be posted around June 26<sup>th</sup> and the EGM will be held on July 23<sup>rd</sup>.
- Accordingly, the transaction is expected to close on July 30<sup>th</sup> and drawdown of the GEMS funding will be simultaneous.

# PPC Acquisition and GEMS Funding – Exploration To Proceed



- High impact exploration to add additional resources in the immediate vicinity and the rest of the Block anchored around the producing LS36-1 facility.
- 2 wells planned for summer/fall 2015.
- Medium term plans include oil play and multi-well programme.



## Merger with Loyz - Rationale

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- On 9<sup>th</sup> July 2015, the PEH announce that it will merge with Loyz
- Loyz is a South East Asian focused E&P company listed on the Catalist board of the SGX with oil production in Thailand, and exploration licenses in the Australia and New Zealand.
- Loyz owns a 20% working interest in concessions L33/43, L44/43 and SW1 in North-Central Thailand. Eco Orient Energy (Thailand) Ltd is the operators with a 60% interest whilst the remaining 20% belongs to Berlanga-Group. Production licences currently amount to 106 km<sup>2</sup> with approximately a further 1078 km<sup>2</sup> of exploration acreage.
- Current production is ca. 6,000 barrels of oil per day (bopd).
- The combined company will have oil production in Thailand and gas production in China, plus the significant exploration upside in both countries and the Philippines, Australia and New Zealand.

## Merger with Loyz - Strategy

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- The merger will result in the creation of an ambitious pan-Asia/Pacific oil and gas company and is expected to constitute a “Reverse Takeover” under Chapter 10 of the Listing Manual of the SGX which existing Primeline shareholders will have the controlling position in Loyz.
- Primeline will become a wholly-owned subsidiary of Loyz, and apply to delist from the TSX-V. The merged company will apply to migrate from be listed on the Catalist board of the SGX to main board SGX with significant production, cash flow and exploration upside
- The merger is proposed to be effected by way of a scheme of arrangement under Cayman Islands law (the “Arrangement”) under which Loyz would acquire all of the ordinary shares of Primeline by issuing Loyz shares.
- Completion will be subject to entry into definitive, binding agreements on or before August 31, 2015 and approvals of the shareholders.



## Merger with Loyz – Key Terms

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- **The consideration to be received by Primeline shareholders for their shares of Primeline (“Primeline Shares”) pursuant to the Arrangement has been fixed at 10.023 share of Loyz share per Primeline share, (based on Cdn \$1.01 per ordinary share to be satisfied by the issue of shares of Loyz at an agreed price of SG\$0.11 (approximately Cdn\$0.10) per Loyz share).**
- **The closing price of the Primeline Shares on the TSX Venture Exchange (the “TSX-V”) on June 5, 2015, the last trading day before this announcement, was Cdn\$0.415, and the closing price of Loyz’ shares on the SGX-ST on June 5, 2015 was SG\$0.119.**

## Merger with Loyz - Shareholding

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- Assuming the completion of the PPC Acquisition and the issue of approximately 44.67 million Primeline Shares to Mr. Hwang as consideration, he is expected to hold, directly or indirectly, approximately 125.21 million Primeline Shares out of the 178.68 million Primeline Shares expected to be issued and outstanding, or 70%
- Loyz presently has 571.30 million shares issued and outstanding, and assuming completion of the Arrangement and conversion of its existing shareholders loans, is expected to have approximately 2,708.91 million shares issued and outstanding.
- Primeline's shareholders will own 66.1% of the enlarged share capital, and Mr. Hwang will hold approximately 1,255.05 million Loyz Shares representing approximately 46.3% and will be the largest and controlling shareholder of Loyz.

## Loyz current major shareholder and other arrangements

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- Loyz' largest shareholder is Jit Sun Investments Pte. (“Jit Sun”), which is owned by the Lee family of which Adrian Lee, the managing director of Loyz is member of. The Lee family has various interests in SE Asia but is best known for its position in Ezra, a home grown Singapore oil field service company with turnover of circa S\$1b.
- Jit Sun is owed shareholders loans of SG\$23.12 million which Loyz intends to repay by the issuance of 210.18 million shares. It has also agreed with Sky Park Investments Limited, a subsidiary of Jit Sun, for the sale of certain rigs for US\$16 million in cash. The rigs are presently leased, and Loyz will pay US\$4.5 million and issue 136.50 million shares (or pay US\$ 11.3 million in cash if certain conditions to issuance of the shares cannot be fulfilled) to the lessee in order to terminate the lease.
- Further information with regard to Loyz can be obtained from its website [www.loyzenergy.com](http://www.loyzenergy.com)

## Merger with Loyz – Canadian Shareholders

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- Primeline notes Loyz’s announcement with respect to the proposed merger states that upon completion of the merger, the resultant group intends to seek a transfer of its listing from Catalist to the Main Board of the Singapore Stock Exchange, subject to the necessary regulatory and shareholders’ approvals.
- Such migration to the Main Board should facilitate the holding/trading of shares of the resulting merged company by Canadian shareholders. Indeed, given Loyz would in all likelihood have a significant number of Canadian shareholders Primeline expects that brokers can and will make arrangements to facilitate trading for their clients.
- For so long as the merged company has Canadian shareholders in excess of a certain minimum level of Canadian Shareholders, it will remain subject to continuous disclosure and other requirements of Canadian provincial securities law.