



SONA PETROLEUM BERHAD

(Company No.: 945626-P)

(Incorporated in Malaysia under the Companies Act, 1965)

ADDENDUM TO THE CIRCULAR TO SHAREHOLDERS DATED 8 MARCH 2016 IN RELATION TO THE

PROPOSED ACQUISITION BY SONA E&P (PERTH) PTY LTD OF THE STAG OILFIELD FROM QUADRANT NORTHWEST PTY LTD AND SANTOS OFFSHORE PTY LTD, FOR CASH CONSIDERATION OF US\$25.0 MILLION

The terms and abbreviations used are consistent with the Circular unless defined otherwise.

Reference is made to the Circular to Shareholders dated 8 March 2016 in relation to the Proposed Acquisition ("**Circular**").

Further to the above, we wish to draw the attention of the shareholders of Sona Petroleum to the following updates.

1. INTRODUCTION

On 25 March 2016, CIMB announced on behalf of the Company that the Company has received a proposal from the Management Team recommending the Company to undertake a capital repayment to all shareholders of Sona Petroleum including the Initial Investors but excluding Platinum Autumn ("**Previous Proposed Capital Repayment**").

The Previous Proposed Capital Repayment involved a capital repayment of up to RM80.0 million (or from 0 to about 7.1 sen per ordinary share of RM0.01 each in Sona Petroleum ("**Share**")), **less** such amounts to be paid by Sona Petroleum for the Share Repurchase. Under this proposal, the actual amount of distribution will vary in accordance with the number of dissenting shareholders who vote against the Proposed Acquisition and the amount to be paid out pursuant to the Share Repurchase.

On 30 March 2016, the Company convened its EGM in relation to the Proposed Acquisition. During the EGM, shareholders passed the motion to adjourn the EGM to a later date. Shareholders also provided their feedback on the Previous Proposed Capital Repayment and requested the Company to consider further improving the proposal.

On 13 April 2016, the Board has received a revised proposal from the Management Team recommending that the Company undertakes a revised capital repayment of 8 sen per Share, after the completion of the Proposed Acquisition ("**Proposed Revised Capital Repayment**").

2. THE PROPOSED REVISED CAPITAL REPAYMENT

The proposed amount of capital repayment of 8 sen per Share is not dependent on the level of Share Repurchase. All of Sona Petroleum's shareholders, excluding the Management Team (who holds their Shares via Platinum Autumn), whose names appear in the Company's Record of Depositors on an entitlement date to be announced after the completion of the Proposed Acquisition, shall be entitled to receive the cash distribution under the Proposed Revised Capital Repayment. The entitled shareholders for the Proposed Revised Capital Repayment will also include Warrant holders who exercise their Warrants prior to the entitlement date and whose names appear in the Company's Record of Depositors on that date, excluding holders of the Converted Shares (as defined in Section 2.3 below) ("**Entitled Warrant Holders**").

The Proposed Revised Capital Repayment is subject to, among others, the following:

- (i) The approval for the Proposed Acquisition;
- (ii) The formal approval of the Board;
- (iii) Approval of the SC for the proposed exemption under Paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers ("**Code**") to Platinum Autumn from the obligation to undertake a mandatory take-over offer on Sona Petroleum ("**Proposed Exemption**"), if required;
- (iv) The approval of shareholders of Sona Petroleum at an EGM to be convened for the Proposed Revised Capital Repayment and if required, the Proposed Exemption, as soon as practicable after the approval of the Proposed Acquisition (a separate circular and notice of EGM will be issued to members at least 21 days prior to the EGM); and
- (v) Approval by the High Court of Malaya.

2.1 Estimated timeframe for completion

Subject to all the required approvals being obtained and the completion of the Proposed Acquisition, the Proposed Revised Capital Repayment is expected to be completed by the third quarter of 2016.

2.2 Rationale of the Proposed Revised Capital Repayment

The Proposed Revised Capital Repayment is intended to reward the Company's shareholders for their support to the Company and the Proposed Acquisition in an equitable and transparent manner. It provides upfront value to investors in the form of an immediate cash payment of 8 sen per Share or about 17% return based on the share price of RM0.46 per Share.

In addition, the exercise of Warrants by Platinum Autumn to facilitate the Proposed Revised Capital Repayment will involve additional financial commitment by Platinum Autumn. This demonstrates the Management Team's commitment towards the Company and the success of the Proposed Acquisition.

2.3 Source of funds

The total amount to be distributed by the Company under the Proposed Revised Capital Repayment (“**Distribution Amount**”) will depend on the number of Shares to be cancelled pursuant to the Share Repurchase. The Distribution Amount will be funded by the following:

- (a) first, the Distribution Amount will be funded by the remaining 20% of the Trust Amount, after deducting payments made pursuant to the Share Repurchase; and
- (b) thereafter, the remaining Distribution Amount (if any) will be funded by the proceeds from the exercise of Warrants held by Platinum Autumn.

As illustrated in Section 2.12 of the Circular, although the Base Purchase Price of the Proposed Acquisition has decreased from US\$50.0 million to US\$25.0 million, the saving of US\$25.0 million is not available for distribution to shareholders as the Company must set aside the saving for the Drilling Cost Escrow Account to satisfy the criteria that 80% of the Trust Amount is used for the Proposed Acquisition and the Drilling Cost of the Stag Oilfield. As such, only 20% of the Trust Amount is available to the Company for payment towards the Distribution Amount, if there are no Share Repurchase requests from the dissenting shareholders.

If there is Share Repurchase, the Company may be required to raise additional funding for the Proposed Revised Capital Repayment. In this respect, Platinum Autumn proposes to provide this additional funding to the Company by way of exercising up to 193.5 million Warrants held by them into new Shares (“**Converted Shares**”). Holder(s) of the Converted Shares will not be entitled to the capital repayment. To fund the cost of exercising the Warrants, Platinum Autumn intends to either:

- (a) obtain a credit facility to fund the exercise of the Warrants, secured by a pledge/charge in favour of the financial institution of the Converted Shares; or
- (b) exercise the Warrants and then sell the Converted Shares to third party investor(s).

The above is only possible if the Warrants and Converted Shares are not subject to any moratorium or selling restrictions. As the Warrants and Converted Shares held by Platinum Autumn are Moratorium Securities, Platinum Autumn proposes to partially lift the moratorium over up to 193.5 million Warrants held by them (“**Variation to the Enhanced Moratorium**”).

In this regard, in compliance with the Equity Guidelines, Sona Petroleum will notify the SC in writing in relation to the final number of Moratorium Securities to be lifted after the completion of the Proposed Acquisition, once the Distribution Amount has been ascertained.

The above discussion in relation to source of funds is based on the issued and paid-up share capital of the Company as at the date of this letter. In the event there are Entitled Warrant Holders, the Distribution Amount of 8 sen per Share to them will be funded out of their warrant exercise price of RM0.35 per Warrant. The Company intends to utilise the remaining proceeds from the Entitled Warrant Holders for working capital and/or future investments.

2.4 Comparison with the Previous Proposed Capital Repayment

A comparison of some of the key terms between the Previous Proposed Capital Repayment and the Proposed Revised Capital Repayment can be summarised as follows:

Terms	Previous Proposed Capital Repayment	Proposed Revised Capital Repayment
Range of Distribution Amount (RM)	From 0 to RM80 million	From about RM68 million (in the case of 25% Share Repurchase) to RM90 million (if no Share Repurchase)
Range of Distribution Amount / Share (sen)	From 0 to 7.1 sen	8 sen
Share Repurchase threshold condition	In the event the total payment for Share Repurchase exceeds RM60 million, the Previous Proposed Capital Repayment will not be implemented	The distributions under the Proposed Revised Capital Repayment are not subject to any Share Repurchase threshold condition
Method	Reduction of share premium account	Reduction of share premium account
Source of funds	Utilising the remaining 20% of the Trust Amount	Utilising the remaining 20% of the Trust Amount and/ or proceeds from conversion of Warrants by Platinum Autumn
Approvals required	<ul style="list-style-type: none"> (1) Completion of the Proposed Acquisition; (2) Approval from the Board after completion of the Proposed Acquisition; (3) Approval from shareholders of the Company for the Previous Proposed Capital Repayment; (4) Order by the High Court of Malaya confirming the Previous Proposed Capital Repayment; and (5) Approval or consent of any other relevant regulatory authorities and/or parties, if applicable. 	<ul style="list-style-type: none"> (1) Completion of the Proposed Acquisition; (2) Approval from the Board after completion of the Proposed Acquisition; (3) Approval of the SC for the Proposed Exemption, if required; (4) Approval from shareholders of the Company for the Proposed Revised Capital Repayment and if required, Proposed Exemption; (5) Order by the High Court of Malaya confirming the Proposed Revised Capital Repayment; and (6) Approval or consent of any other relevant regulatory authorities and/or parties, if applicable.

2.5 Effects of the Proposed Revised Capital Repayment

2.5.1 Variation to the Enhanced Moratorium

As Platinum Autumn may exercise up to 193.5 million Warrants to fund the Proposed Revised Capital Repayment, Platinum Autumn proposes to vary the terms of the Enhanced Moratorium as set out in Section 4.2 of the Circular. Pursuant to the Variation to the Enhanced Moratorium, the milestones to be achieved by Sona Petroleum for the release of the Moratorium Securities are set out below:

Milestones	Expected Timing ⁽¹⁾	Release of Moratorium Securities ⁽²⁾		
		Original Moratorium	Enhanced Moratorium	Variation to the Enhanced Moratorium
(a) Warrants to be lifted from moratorium to facilitate the Proposed Revised Capital Repayment to shareholders	By 30 September 2016	-	-	34% of Moratorium Securities ⁽³⁾
(b) Completion of the First Phase of Infill Development and full utilisation of the Drilling Cost Escrow Amount	By 31 March 2017	-	-	-
(c) Sona Petroleum have generated one (1) full financial year of Audited Commercial Revenue from the asset(s) acquired under the Qualifying Acquisition	By 31 March 2018	100% of Moratorium Securities	-	-
(d) After completion of the First Phase of Infill Development, oil production of the Stag Oilfield (in terms of the number of bbl per year) has increased above the levels of its annual production in 2015	By 31 March 2018	-	-	-
(e) Approval of the renewal of the Production Licence	By 31 August 2018	-	40% of Moratorium Securities	-
(f) One (1) year anniversary of the renewal of the Production Licence	By 31 August 2019	-	60% of Moratorium Securities	66% of Moratorium Securities

Notes:

- (1) The expected timing is indicative only and depends on, among others, the relevant regulatory process and procedures.
- (2) Note that the Warrants would have to be exercised by end July 2018 and as such, any Shares arising from the exercise of the Warrants will be subject to the moratorium and the same release timing as stated above.
- (3) Assuming the Proposed Revised Capital Repayment is fully funded by the exercise of Warrants. Therefore, the maximum of 193.5 million Warrants held by Platinum Autumn are lifted from the moratorium, whilst the remaining Moratorium Securities continue to be subject to the moratorium.

2.5.2 Pro forma net assets (“NA”) of Sona Petroleum

The Proposed Revised Capital Repayment will result in a distribution of 8 sen per Share to all shareholders except for Platinum Autumn and holders of the Converted Shares. For illustrative purpose, the pro forma effects of the Proposed Revised Capital Repayment on the NA of the Company are as follows:

Scenario I: Assuming no Share Repurchase

	Audited as at 30 September 2015	After Completion of the Proposed Acquisition ⁽¹⁾	After the Proposed Revised Capital Repayment
	RM 000		
Share capital	14,107	14,107	14,107
Share premium	13,262	⁽²⁾ 215,850	⁽⁴⁾ 125,564
Other reserves, net of accumulated losses	(7,457)	⁽²⁾⁽³⁾ 303,727	303,727
Shareholders' funds / NA	19,912	533,684	433,398
No. of Shares in issue (RM 000)	1,410,714	1,410,714	1,410,714
NA per Share (RM)	0.01	0.38	⁽⁵⁾ 0.31

Notes:

- (1) Assuming there is no dissenting shareholder voting against the Proposed Acquisition and no requirement for our Company to refund the monies held in the Cash Trust Account.
- (2) Upon the Conditions Precedent being fulfilled, our Company no longer has the obligation to refund the proceeds held in the Cash Trust Account to our entitled shareholders. Consequently, the financial liability component of the public issue shares will be reclassified from non-current liability to other reserves and share premium.
- (3) After deducting estimated transaction expenses in relation to the Proposed Acquisition.
- (4) After cancellation of share premium pursuant to the Proposed Revised Capital Repayment.
- (5) NA per Share decreased from RM0.38 to RM0.31 due to the repayment of 8 sen per Share to entitled shareholders.

Scenario II: Assuming 25% Share Repurchase

	Audited as at 30 September 2015	After Completion of the Proposed Acquisition ⁽¹⁾	After exercise of the Warrants ⁽⁵⁾	After the Proposed Revised Capital Repayment
	RM 000			
Share capital	14,107	⁽²⁾ 11,286	⁽⁶⁾ 13,220	13,220
Share premium	13,262	⁽³⁾ 162,525	⁽⁶⁾⁽⁷⁾ 229,493	⁽⁸⁾ 161,778
Other reserves, net of accumulated losses	(7,457)	⁽³⁾⁽⁴⁾ 225,665	⁽⁷⁾ 224,477	224,477
Shareholders' funds / NA	19,912	399,476	467,190	399,475
No. of Shares in issue (RM 000)	1,410,714	1,128,571	1,332,040	1,332,040
NA per Share (RM)	0.01	0.35	0.35	⁽⁹⁾ 0.30

Notes:

- (1) Assuming there are 25% dissenting shareholders voting against the Proposed Acquisition, requiring our Company to refund the monies held in the Cash Trust Account and cancel the Relevant Shares pursuant to the Share Repurchase.
- (2) After cancellation of the Relevant Shares pursuant to the Share Repurchase.
- (3) Upon the Conditions Precedent being fulfilled, our Company no longer has the obligation to refund the proceeds held in the Cash Trust Account to our entitled shareholders. Consequently, the financial liability component of the public issue shares will be reclassified from non-current liability to other reserves and share premium.
- (4) After deducting estimated transaction expenses in relation to the Proposed Acquisition.
- (5) After the exercise of Warrants to fund the Proposed Revised Capital Repayment.
- (6) After issuance of new Shares arising from the exercise of the Warrants to fund the Proposed Revised Capital Repayment.
- (7) Upon the exercise of the Warrants, warrant reserve will be transferred to share premium.
- (8) Pursuant to the cancellation of share premium pursuant to the Proposed Revised Capital Repayment.
- (9) NA per Share decreased from RM0.35 to RM0.30 due to the repayment of 8 sen per Share to entitled shareholders.

2.5.3 Platinum Autumn's shareholdings

Scenario I: Assuming no Share Repurchase

Shareholders	As at 11 April 2016		After Completion of the Proposed Acquisition		After Proposed Revised Capital Repayment ⁽¹⁾	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Platinum Autumn	282,142,800	20.0%	282,142,800	20.0%	282,142,800	20.0%
Initial Investors	30,871,500	2.2%	30,871,500	2.2%	30,871,500	2.2%
Other Shareholders	1,097,700,000	77.8%	1,097,700,000	77.8%	1,097,700,000	77.8%

Note:

- (1) Platinum Autumn does not exercise any Warrant as the entire Distribution Amount will be funded from the amount remaining in the Cash Trust Account.

Scenario II: Assuming 25% Share Repurchase and Platinum Autumn converts its Warrants and holds the Converted Shares

Shareholders	As at 11 April 2016		After Completion of the Proposed Acquisition ⁽¹⁾		After Proposed Revised Capital Repayment ⁽²⁾	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Platinum Autumn	282,142,800	20.0%	282,142,800	25.0%	475,612,200	⁽³⁾ 36.0%
Initial Investors	30,871,500	2.2%	30,871,500	2.7%	30,871,500	2.3%
Other shareholders	1,097,700,000	77.8%	815,557,125	72.3%	815,557,125	61.7%

Notes:

- (1) Cancellation of 282,142,875 Shares (representing about 25% of the total outstanding Shares excluding Shares held Platinum Autumn) pursuant to the Share Repurchase.
- (2) Exercise of 193,469,400 Warrants held by Platinum Autumn into new Shares to fund the Distribution Amount.
- (3) Depending on the number of Warrants to be exercised, Platinum Autumn's shareholding may exceed 33%, triggering the mandatory take-over obligation on the Company pursuant to the Code. In this regard, Platinum Autumn will be making an application to the SC on the Proposed Exemption, if required.

Scenario III: Assuming 25% Share Repurchase and Platinum Autumn sells its Converted Shares to New Investor(s)

Shareholders	As at 11 April 2016		After Completion of the Proposed Acquisition ⁽¹⁾		After Proposed Revised Capital Repayment ⁽²⁾	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Platinum Autumn	282,142,800	20.0%	282,142,800	25.0%	282,142,800	21.4%
Initial Investors	30,871,500	2.2%	30,871,500	2.7%	30,871,500	2.3%
New Investor(s)	-	-	-	-	193,469,400	14.6%
Other shareholders	1,097,700,000	77.8%	815,557,125	72.3%	815,557,125	61.7%

Notes:

- (1) Cancellation of 282,142,875 Shares (representing about 25% of the total outstanding Shares excluding Shares held Platinum Autumn) pursuant to the Share Repurchase.
- (2) Assuming Platinum Autumn exercises 193,469,400 Warrants and disposes the Converted Shares to new Investor(s).

2.5.4 Adjustment to the Exercise Price of the Warrants

If our Company undertakes the Proposed Revised Capital Repayment, pursuant to the Deed Poll for the Warrants dated 21 June 2013 (“**Deed Poll**”), the Exercise Price shall be adjusted, calculated or determined. In accordance with paragraph 1(C), Third Schedule of the Deed Poll, the exercise price shall be adjusted as follows:

$\text{New Exercise Price} = S \times \frac{(C - D)}{C}$
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where:

- S = Existing Exercise Price of RM0.35 per Warrant;
- C = the Current Market Price of each Share on the Market Day immediately preceding the date on which the Proposed Revised Capital Repayment is publicly announced to Bursa Securities or (failing any such announcement), immediately preceding the date of the announcement of the entitlement date of the Proposed Revised Capital Repayment; and
- D = the fair market value, as determined (with the concurrence of the Company Auditors) by an Approved Principal Adviser or Auditors, of that portion of the Capital Distribution attributable to one (1) Share.

Such adjustment shall be effective (if appropriate, retroactively) from the day following the entitlement date for the Proposed Revised Capital Repayment. As such, Warrant holders who have not exercised their Warrants after the said entitlement date will be able to exercise their outstanding Warrants into new Shares based on the New Exercise Price.

Illustrative New Exercise Price of the Warrants pursuant to the Proposed Revised Capital Repayment

For illustrative purposes, assuming the market price for each Share as at the date of the relevant announcement is RM0.50, and based on the proposed capital repayment of 8 sen per Share, the New Exercise Price can be calculated as follows:

$$\begin{aligned}\text{New Exercise Price} &= \text{RM0.35} \times \frac{(\text{RM0.50} - \text{RM0.08})}{\text{RM0.50}} \\ &= \text{RM0.30 (after rounding up pursuant to the Deed Poll)}\end{aligned}$$

3. EXTENSION OF THE CUT-OFF DATE FOR SATISFACTION OF THE CONDITIONS PRECEDENT UNDER THE SPA

On 31 March 2016, CIMB had, on behalf of the Board, announced that in view of the adjournment of the Company's EGM and other pending Conditions Precedent, namely the execution of the Transitional Services Agreement and the Dampier Spirit FSO Assignment and Assumption Document, Sona Australia has agreed with the Sellers to extend the cut-off date to satisfy or waive the Conditions Precedent as stipulated in the SPA from 31 March 2016 to 30 April 2016.

Save for the above amendments, all other details in the Circular pertaining to the Proposed Acquisition remain unchanged.

This addendum is dated 14 April 2016.

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