

## TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) : NON RELATED PARTY TRANSACTIONS SONA PETROLEUM BERHAD ("SONA PETROLEUM" OR "COMPANY") PROPOSED ACQUISITION OF 100% INTEREST IN THE STAG OILFIELD FOR A TOTAL CASH CONSIDERATION OF US\$50.0 MILLION ("PROPOSED ACQUISITION")

### SONA PETROLEUM BERHAD

Type	Announcement
Subject	TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS) NON RELATED PARTY TRANSACTIONS
Description	SONA PETROLEUM BERHAD ("SONA PETROLEUM" OR "COMPANY")  PROPOSED ACQUISITION OF 100% INTEREST IN THE STAG OILFIELD FOR A TOTAL CASH CONSIDERATION OF US\$50.0 MILLION ("PROPOSED ACQUISITION")

We refer to the announcements dated 2 November 2015, 30 November 2015 and 2 December 2015 in relation to the Proposed Acquisition.

On behalf of Sona Petroleum, CIMB Investment Bank Berhad ("**CIMB**") is pleased to announce that the approval of the Securities Commission Malaysia ("**SC**") in relation to the Proposed Acquisition had been received on 12 February 2016.

The SC noted that the independent technical and asset valuation expert, Gaffney, Cline and Associates (Consultants) Pte. Ltd.'s valuation report dated 20 January 2016 considered the purchase price was "not fair" as the purchase consideration for the Proposed Acquisition was above the fair market value of the Stag Oilfield.

However, in this regard, the Company is currently in negotiations with the sellers of the Stag Oilfield to reduce the purchase consideration for the Proposed Acquisition.

The SC recognised that the purchase price taken in isolation is one of several factors that shareholders will consider in approving the Proposed Acquisition and in deciding whether to exit their investment in the Company and receive the amount in the trust account that is due to them. Other factors may affect such a decision and shareholders may still take the view that a qualifying acquisition is reasonable although the price is "not fair". As such, where the difference between the transaction price and the fair value range will not necessarily make the proposal detrimental to the interest of investors, the SC may allow shareholders to decide on whether to proceed with the

transaction, provided all the required information is communicated fully and appropriately. Having considered the specific circumstances of Sona Petroleum's application to the SC, the SC is of the view that shareholders should be given the opportunity to decide on the proposal.

On behalf of Sona Petroleum, CIMB also sought relief from the requirement of paragraph 6.34 of the SC's Equity Guidelines, where the fair market value of the qualifying acquisition for Sona Petroleum must equal to at least 80% of the amount in its trust account.

The SC noted, inter alia, that –

- (a) the drilling of additional infill production wells in the Stag Oilfield (“**Infill Development**”) is to enhance and improve the production of proved plus probable (“**2P**”) reserves and is not for contingent resources, or for exploration or new development purposes which have an element of uncertainty;
- (b) the 2P reserves of the Stag Oilfield are contained in a 'common reservoir' of an on-going operating oilfield with a long production history;
- (c) the Proposed Acquisition would only be commercially viable if the 2P reserves are produced and immediately result in increased oil production. Therefore, the Infill Development is part and parcel of the Proposed Acquisition; and
- (d) no further regulatory approval would be required to carry out the Infill Development and Sona Petroleum would have full ownership and operatorship over the Stag Oilfield and full control over the Infill Development.

The SC's approval is subject to the following conditions:

- (i) Sona Petroleum to utilise up to 80% of the amount in its trust account for the acquisition of the Stag Oilfield and to finance part of the Infill Development. The funds to be utilised for the Infill Development will be placed in another trust account specifically for this purpose with a proper approval process in place for the monitoring and disbursement of funds. Sona Petroleum will also issue monthly and quarterly updates through announcements on Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”) on the amount of cash drawn down and balance in the trust account;
- (ii) Sona Petroleum to appoint an additional Independent Non-Executive Director who has the appropriate qualification and experience to effectively discharge the role of an independent director of a listed company, prior to the issuance of the circular to shareholders;
- (iii) CIMB and Sona Petroleum to fully comply with the requirements of the SC's Equity Guidelines, as applicable, pertaining to the implementation of the Proposed Acquisition; and
- (iv) CIMB and Sona Petroleum to fully comply with the Main Market Listing Requirements of Bursa Malaysia, as applicable, pertaining to the implementation of the Proposed Acquisition and the issuance of the circular to shareholders of Sona Petroleum.