

# Silk Energy Provides Omnibus Update Regarding Ustyurt Property Financing Arrangements

Toronto, Ontario--(Newsfile Corp. - April 27, 2020) - **Silk Energy Limited (CSE: SILK)** (the "**Company**") is pleased to report it has entered into revised agreements concerning its interest in the Ustyurt Property and its financing arrangements.

## Background

The Company's business is to explore for oil and gas on the Ustyurt Property in the Republic of Kazakhstan, through the Company's wholly-owned Norwegian subsidiary, Silk Energy AS ("**Silk AS**"). The Kazakh government has granted an exploration license to a Kazakh limited liability partnership (the "**LLP**"). The LLP has two limited partners each holding a 50% participating interest: KazMunayGas National Company JSC ("**KazMunayGas**"), the Kazakh state-owned oil and gas company, and UnionField, a British Virgin Islands company. Silk AS has contracted to purchase all of the shares of UnionField from Right Way Ltd. (the "**Vendor**") for payment consisting of a US \$21 million convertible debenture which bears interest at a rate of 6% (the "**Convertible Debenture**") and the assumption of responsibility for funding UnionField's contributions to the LLP.

Completion of the transfer of the ownership of UnionField to Silk AS is subject to obtaining an approval from the Government of Kazakhstan (the "**Government Approval**"). The Government Approval is considered routine and application for the Government Approval was submitted in late March. However, to secure Silk Energy's economic interest in the Ustyurt Property until such time as the Government Approval is granted, the Company and Silk AS entered into contractual arrangements with the Vendor and UnionField relating to operations on the Ustyurt Property, UnionField and UnionField's assets. These arrangements are described in further detail in the Company's news release dated December 11, 2019.

## Updates regarding Ustyurt Property Interest

Silk AS and UnionField Group Limited ("**UnionField**") have entered into an agreement amending and replacing their previously announced Joint Activities Agreement. The amending agreement (the "**Second JAA**") is effective as of January 31, 2020.

At the same time, the Company, Silk AS, and Right Way Limited ("**Right Way**") also entered into an agreement to replace the previously announced Restated Payment Terms Agreement. The new agreement (the "**Second RPTA**") is also effective as of January 31, 2020.

## **The Second JAA**

The Second JAA amends the terms of the initial Joint Activities Agreement dated November 26, 2019. As with the initial Joint Activities Agreement, the Second JAA sets out Silk AS' contractual rights in respect of exploration and development on the Ustyurt Property and rights to 95% of any oil production therefrom (no production is anticipated in the near future). It also clarifies Silk AS' obligations to indemnify UnionField for reasonable expenses (being applicable government charges or penalties) in the event that Silk AS fails to carry out its operational obligations under the Second JAA.

The Second JAA also provides that if Silk AS is unable to meet its financial obligations, it shall indemnify UnionField for any damages or expenses incurred by UnionField up to the total dollar amount of the financial obligations which Silk

AS failed to perform under the Second JAA.

### **The Second RPTA and Convertible Debenture**

The Company has issued the Convertible debenture to the Vendor and has entered into the Second RPTA. The Second RPTA amends the terms of the initial Restated UnionField Payment Terms Agreement dated November 26, 2019. The purpose of the amendments is to provide protections requested by the Vendor to the effect that, once Silk AS has completed its acquisition of UnionField:

- until the Convertible Debenture is fully paid (whether through conversion of the Convertible Debenture or by cash payment), neither the Company nor Silk AS may alter UnionField's constating documents or its business structure without the Vendor's approval; and
- if the full amount owing pursuant to the Convertible Debenture is not paid upon maturity of the Convertible Debenture (whether through conversion of the Convertible Debenture or by cash payment), then the Vendor is entitled to have the ownership of UnionField returned to it.

The Second RPTA also acknowledges certain payments which Silk AS must make to UnionField to enable it to fund its commitments under the LLP. Silk AS has agreed to pay UnionField:

1. US \$1,000,000 payable concurrently with Government Approval;
2. US \$4,000,000 payable upon Company listing; and
3. US \$350,000 payable pursuant to the terms of the Loan Agreement.
4. US \$8,800,000 by January 31, 2022.

### **Updates regarding GEM Credit Facility Fee Terms**

The Company is pleased to announce that it has agreed with GEM Investments America, LLC. ("**GEM**") and GEM Global Yield Fund LLC SCS ("**GEM Global**") to update the payment terms of a \$1 million commitment fee payable to GEM.

### **Background**

On March 12, 2019, Silk AS entered into an investment agreement (the "**Agreement**") with GEM and GEM Global, an investment group based in Luxembourg. Upon the acquisition of Silk AS, the Agreement was transferred to the benefit of the Company on October 17, 2019.

The Agreement is for an aggregate subscription amount of up to \$50 million (the "**Facility**") and expires on the earlier of (i) March 12, 2022 and (ii) GEM having invested an aggregate of \$50 million for the purchase of the Company's common shares pursuant to the Agreement.

The Company is required to pay GEM a commitment fee of CDN \$1 million (the "**Fee**"), which is 2% of the aggregate amount of the Facility, which is payable by the end of 2020. The Agreement provides that the Company may elect to pay the Fee in either cash and/or the Company's common shares, such common shares to be issued in accordance with the rules and regulations of the Canadian Stock Exchange.

### **The Amendment**

As agreed between the Company, GEM and GEM Global, the Company shall issue 5,000,000 common shares (being \$0.20 per common share) to GEM Global in full satisfaction of the Fee.

The amendment of the Fee payment terms will improve the Company's balance sheet by removing the debt of the Fee and adding to the equity of the Company.

### **Listing Status**

The Company continues to work towards satisfaction of the conditions of the CSE conditional listing approval referred to in the Company's December 9<sup>th</sup>, 2019 News Release. The Company has also applied to list its common shares on the

Standard List of the London Stock Exchange. Advisors have been appointed and a draft Prospectus is being finalized by the Company

### **Debt Settlement/Issue of Shares**

The Company's board of directors also authorized the issue of common shares and units to settle certain debts owed to a former financial consulting firm, a former management services provider, and a creditor.

The Company settled the amount of CAD \$140,213 and 2,000,000 common shares owing under a corporate financing agreement to a former financial consulting firm by payment of USD \$55,000 in cash, and the issuance of 1,633,333 common shares at the deemed price of \$0.20 per share.

The Company settled the amount CAD \$261,783 owed to a former management services provider by the issuance of 500,000 common shares at the deemed price of \$0.20 per share.

The Company further settled the amount USD \$10,957 owed to a creditor by the issuance of 100,000 units (the "**Settlement Units**"). Each Settlement Unit will consist of one (1) common share and one-half (1/2) of a common share purchase warrant. Each whole warrant (each a "**Warrant**") will be exercisable to acquire one common share of the Company at a price of \$0.21 for a period of eighteen months after July 15, 2019.

### **Additional Matters**

The Company shall also issue units to brokers and agents who acted as finders of subscribers for the Company's private placement of convertible debentures and private placement tranches in respect of units (the "**Finders**").

Such Finders of subscriber's for Company's convertible debentures may be paid by a cash commission of up to 6% of the aggregate principal amount of the convertible debenture and up to 6% of the principle amount in common share warrants (the "**Broker Warrants**"). Each Broker Warrant will be exercisable to acquire one common share of the Company at a price of \$0.15 for a period of eighteen months after December 17, 2019.

Such Finders of subscriber's for Company's units may be paid by a cash commission of up to 6% of the aggregate principal amount of the private placement units sold to purchasers identified by the Finder and up to 6% of the number of units sold (the "**Broker Units**"). Each Broker Unit will consist of one (1) common share and one-half (1/2) of a common share purchase warrant. Each whole Warrant will be exercisable to acquire one common share of the Company at a price of \$0.21 for a period of eighteen months after July 15, 2019.

### **Corrections**

Further to the Company's news release dated January 30, 2020, the \$800,000 tranche of convertible debentures that closed on December 17, 2019 and bears interest at a rate of 8% per annum in fact has a term of 25 months from the date of issuance and not 15 months from the date of issuance.

The \$200,000 tranche of convertible debentures bearing interest at a rate of 8% per annum in fact closed on January 17, 2020 and also has a term of 25 months from the date of issuance and not 15 months from the date of issuance.

For further information, please contact Steve Kappella, Chief Executive Officer of the Company, at [info@silkenenergy.com](mailto:info@silkenenergy.com).

*The CSE has not reviewed and does not take responsibility for the adequacy or accuracy of the contents of this release.*

### **Forward Looking Information**

*This press release contains forward-looking statements based on assumptions, uncertainties and management's best estimates of future events. These forward-looking statements include, but are not limited to, statements with respect to the Company's application for listing on the CSE, completion of the acquisition of UnionField, and the Government Approval associated therewith, the Company's oil and gas exploration activities in Kazakhstan, its proposed listing on*

*the London Stock Exchange, and its proposed financing activities. Actual results may differ materially from those currently anticipated. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, the Company's inability: to satisfy the CSE's listing conditions; to conclude the acquisition of UnionField; to obtain financing on reasonable terms, or at all; to satisfy the London Stock Exchange's listing conditions; or to obtain the required government approval and permission for exploration activities in Kazakhstan. The Company has no intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.*



**Silk energy**

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