

RESPONSE TO SGX QUERIES

The Board of Directors ("Board") of the Company refers to the announcement released by the Company via SGXNet on 26 February 2021 in relation to the Company's Unaudited Financial Statements for the full year ended 31 December 2020.

The Board is pleased to provide the Company's responses to queries raised by SGX-ST in respect of the aforesaid announcement: -

- A. It was disclosed on page 16 of the Financial Statements that as at 31 December 2020, the Group has recorded a provision for legal claims measured at amortised cost amounting to S\$6.8mil which was based on a cashflow projection of Lemang PSC obtained from Mandala.**

In this regard, please clarify what is the nature and basis of the legal claims and rationale for making a provision.

In March 2015, Super Power Enterprise Group Ltd ("SPE") commenced arbitration proceedings against PT Hexindo Gemilang Jaya ("PT Hexindo"). PT Hexindo and SPE had previously entered into a contractual joint venture established under a joint operating agreement ("JOA") on 13 October 2009. Under the JOA, PT Hexindo and SPE each held 51% and 49% participating interest in Lemang PSC respectively.

SPE's interest in the Lemang PSC was however forfeited by the Government of Indonesia as a result of a supposed breach in the JOA, which resulted in the eventual substitution of another third party, Eastwin Global Investment Limited ("Eastwin"). SPE alleged that the forfeiture and subsequent substitution with Eastwin were unlawful and the forfeiture provisions relied upon by PT Hexindo were allegedly penal and unenforceable. SPE also sued PT Hexindo for damages, less any compensation due to PT Hexindo, plus interest up to the date of the award. Arising from the arbitration, the proceedings found in favour of SPE and granted them a partial final award on 1 August 2016. In response, PT Hexindo filed an originating summons in the High Court of Singapore, to set aside the partial final award granted to SPE.

In 2018, PT Hexindo entered into a legal settlement, whereby it agreed to pay US\$10 million to SPE, by way of assignment of proceeds from future sale of oil and gas from Lemang PSC, subject to carve out provisions that allow PT Hexindo to first repay other existing obligations identified to SPE, namely the repayments of advances from an ex-joint venture partner (Mandala) and loans and borrowings (Mercuria).

This provision for legal claim was recorded in the FY2018 results and disclosed in the Annual Report FY2018 (under note 21, 33(a) and FY2019 (under note 16(D)).

B. Please disclose as to how this provision was accounted for in the Group Financial Statements, which period the cashflow projection of Lemang PSC pertains to and when the Group received aforementioned cashflow projection.

This is disclosed under non-current liability. The cashflow projection of Lemang PSC is for the period from January 2019 to December 2036 and the cashflow projection was received in February 2019 which used to calculate the FY2018 provision.

C. The Group recognized an impairment loss on oil and gas properties of \$5.6mil (FY19: NIL). Please disclose the following: -

- i) Details of the oil and gas properties;**
- ii) How the amount of impairment was determined;**
- iii) Whether any valuation was conducted, the value placed on the assets, the basis and the date of such a valuation;**
- iv) The Board's confirmation as to whether it is satisfied with the reasonableness of the methodologies used to determine amount of impairment; and**
- v) Reasons for the impairment loss.**

i) The impairment loss of S\$5.6m relates to the Lemang PSC held via the Group's subsidiary, PT Hexindo.

ii) Mandala Energy Lemang Pte. Ltd. ("Mandala") sold its 90% participating interest to Jadestone Energy (Lemang) Pte. Ltd. ("Jadestone")[^], which was completed on 11 December 2020^{^^} ("the Sale").

The Board reviews the carrying amounts of its assets on an ongoing basis to determine whether there is any indication that its assets have suffered an impairment loss.

With the completion of the Sale, the Board assessed the recoverable amount of its participating interest in Lemang PSC Block and impaired its participating interest to its recoverable amount which took reference from the Sale.

This is disclosed under paragraph 8(e) in the Full Yearly Results 2020.

[^] <https://www.jadestone-energy.com/acquisition-of-operated-90-interest-in-lemang-psc/>

^{^^} <https://www.jadestone-energy.com/closing-of-the-lemang-psc-acquisition/>

- iii) This was a sale of asset between Mandala and Jadestone, Mandala was the Operator of Lemang PSC. The management of PT Hexindo is not a party in this sale as it is the minority shareholder and hence, did not performed any valuation.
- iv) The Board is satisfied with the reasonableness of the methodologies used to determine amount of impairment.
- v) Please refer to response under C(ii) above.

D. Please disclose the nature of the non-current Other receivables of \$3,440,000, the Board's assessment of the recoverability of the non-current Other receivables and the bases for such an assessment.

The non-current Other receivables of S\$3,440,000 arose from the subsidiary's participating interest in Lemang PSC. The receivable is recorded in the Joint Venture Statements as Accounts Receivable Value Added Tax-Unbilled. The Value Added Tax is reimbursable upon filing by the operator to and satisfactory examination by the tax service office. The ongoing process of the reimbursable value added tax is managed by the operator of the Lemang PSC, now Jadestone. In view of this, the Board assessed that the amount is recoverable over time.

E. Please provide the breakdown and aging of Trade Receivables of S\$9,696,000 and S\$9,737,000 as at 31 Dec 2020 and 31 Dec 2019 respectively.

31 Dec 2020

		Current	Past Due				
Trade receivables	Total	Within credit term	1-30 days	31-60 days	61-90 days	91-120 days	>121 days
Amount in S\$'000	9,696	7,337	1,692	416	108	5	138
In Percentage	100%	76%	17%	5%	1%	-	1%

31 Dec 2019

		Current	Past Due				
Trade receivables	Total	Within credit term	1-30 days	31-60 days	61-90 days	91-120 days	>121 days
Amount in S\$'000	9,737	7,605	1,620	395	66	17	34
In Percentage	100%	78%	17%	4%	1%	-	-

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F. Please provide a breakdown of Trade Payables, Other Payables (Current) and Other Payables (Non-Current) as at 31 Dec 2020 and 31 Dec 2019. Using the breakdown, please provide explanations for material variances.

Other payables (current)

	31 Dec 2020	31 Dec 2019	Variance	Material Variances Explanations
	S\$'000	S\$'000	S\$'000	
Cash calls	1,293	657	636	Cash calls for Lemang PSC
Accrued salaries & benefits	2,440	3,445	(1,005)	Majority of the amount relates to an amount due to a former director reclassified to sundry payables and lower provision for bonus.
Sundry payables and provisions	4,315	3,045	1,270	Largely reclassification of amount due to a former director from accrued salaries & benefits.
Other revenue related tax payables	-	2,958	(2,958)	Reversal of revenue tax provision in an oil and gas entity as no longer required based on tax advice
Total	8,048	10,105	(2,057)	

Other payables (Non-current)

	31 Dec 2020	31 Dec 2019	Variance	Material Variances Explanations
	S\$'000	S\$'000	S\$'000	
Advances from a joint venture partner	-	7,522	(7,522)	Extinguished advances from Mandala upon signing the settlement agreement dated 9 December 2020.
Production bonus	242	246	(4)	-
Provision for legal claims	8,659	8,822	(163)	Translation difference
Total	8,901	16,590	(7,689)	

G. Please provide the aging and nature of Other Payables (Current) and Other Payables (Non-Current).

As at 31 Dec 2020		Current	Past Due					
Amount in \$'000	Total	Within credit term	1-30 days	31-60 days	61-90 days	91-120 days	>121 days	Notes
Cash calls	1,293	-	(9)	58	72	24	1,148	i
Accrued salaries & benefits	2,440	2,440	-	-	-	-	-	ii
Sundry payables and provisions	4,315	2,832	57	145	-	-	1,281	iii
Production bonus	242	-	-	-	-	-	242	
Provision for legal claims	8,659	-	-	-	-	-	8,659	iv
Amount in \$'000	16,949	5,593	48	203	72	24	11,009	
In Percentage	100%	32%	-	1%	-	-	67%	

Notes:

- i. Unpaid cash calls for Lemang PSC advanced by a joint venture partner.
- ii. Largely accrued salaries, provision for bonus and annual leave within logistics entities.
- iii. Largely provision for statutory and professional fees, sundry payables, provision for land clearance and value-added taxes payable.
- iv. Majority of the provision for legal claims relates to the SPE S\$6.8m mentioned under A above.

By Order of the Board
ENECO ENERGY LIMITED

Colin Peter Moran
Executive Director cum Chief Executive Officer
09 March 2021