

ENECO ENERGY LIMITED
(the "Company")
(Co. Reg. No. 200301668R)
(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERIES

The Board of Directors ("Board") of the Company refers to the announcement released by the Company via SGXNet on 12 August 2021 in relation to the Company's Unaudited Financial Statements for the period ended 30 June 2021.

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

1. In respect of the Group's non-current Other receivables of S\$3.5mil, please disclose the following:-

- (a) The breakdown of the other receivables;**
- (b) The nature of the other receivables; and**
- (c) The Board's assessment of the recoverability of the non-current other receivables.**

- (a) The non-current Other receivables relates to the Groups subsidiary PT Hexindo Gemilang Jaya the holder of the 10% participating interest in the Lemang PSC. The entire S\$3.5m Other receivable is recorded in the December 2020 Lemang PSC Joint Venture statements as unbilled Value Added Tax (VAT). The receivable is recorded in the December 2020 joint venture statements as Unbilled Value Added Tax.
- (b) It is as per note 1 a) above, VAT owed to the Lemang PSC.
- (c) The Value Added Tax is reimbursable upon filing by the operator of the Lemang PSC, Jadestone Energy Lemang Ltd, to the relevant authority in Indonesia at the appropriate time. The management of the ongoing VAT process is currently managed by Jadestone Energy Lemang Pte Ltd, the holder of 90% participating interest in Lemang PSC. In view of this, the Board has assessed and believes the amount is recoverable over time.

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2. In respect of the Group's current Trade receivables and Other receivables of S\$9.1mil and S\$0.76mil respectively, please disclose:-
(a) the breakdown and aging of the Group's receivables; and
(b) nature of the Group's other receivables.

(a) Trade receivables

S\$'000	Current	Past Due				
	Within credit term	1-30 days	31-60 days	61-90 days	91-120 days	>121 days
9,100	7,395	1,361	168	104	4	68
100%	81%	15%	2%	1%	-	1%

(b) Other receivables

S\$'000	Total	Current	Past Due				
		Within credit term	1-30 days	31-60 days	61-90 days	91-120 days	>121 days
Refundable deposits	509	509	-	-	-	-	-
Sundry receivables	213	213	-	-	-	-	-
Disbursements due from customers	38	38	-	-	-	-	-
Total	760	760	-	-	-	-	-
In Percentage	100%	100%	-	-	-	-	-

The entire Other receivables of S\$0.76M is predominately related to the Logistics segment.

3. Please disclose a breakdown of current trade payables and other payables amounting to S\$9.5mil and S\$8.8mil respectively. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

(a) Trade payables

S\$'000	Current	Past Due				
	Within credit term	1-30 days	31-60 days	61-90 days	91-120 days	>121 days
9,543	1,808	701	290	222	441	6,081*
100%	19%	7%	3%	2%	5%	64%

*S\$6.0m in >121 days relates entirely to the Oil & Gas segment

(b) Other payables

Amount in S\$'000	Total	Current	Past Due					Nature
		Within credit term	1-30 days	31-60 days	61-90 days	91-120 days	>121 days	
Cash calls advanced by a joint venture partner	1,596	-	30	51	59	31	1,425	i
Accrued salaries & benefits	2,245	2,245	-	-	-	-	-	ii
Sundry payables and provisions	4,913	2,458	86	20	24	17	2,308	iii
Total	8,754	4,703	116	71	83	48	3,733	
In Percentage	100%	54%	1%	1%	1%	-	43%	

- i. Unpaid cash calls for Lemang PSC owed to the Joint Operating Agreement.
- ii. Largely provision for bonus and annual leave of S\$1.5m for logistics business in Singapore and Indonesia.
- iii. The sundry payables of S\$1.5M includes a S\$0.8M amount owing to an unrelated third party pursuant to a deed of assignment entered between a former director, unrelated third party and the Company, indirect taxes payable of S\$1.3m, amount due to an Oil & Gas joint venture partner of S\$0.9m, provisions of S\$1.1m for statutory, consultancy and professional fees, etc.

The counterparties for current and non-current other payables are payable to non-related parties.

4. Please disclose an aging and the breakdown of the Group's non-current other payables of S\$9.1mil.

Amount in S\$'000	Total	Current	Past Due					Nature
		Within credit term	1-30 days	31-60 days	61-90 days	91-120 days	>121 days	
Production bonus	247	-	-	-	-	-	247	iv
Sundry payables	8,804	-	-	-	-	-	8,818	v
Total	9,051	-	-	-	-	-	-	
In Percentage	100%	-	-	-	-	-	100%	

- iv) Amounts owing to an Oil & Gas joint venture partner.
- v) The sundry payables were previously explained in the Annual Report FY2018, FY2019 and in the latest FY2020 in note 16 Note D Sundry payables (non-current). The FY2020 relevant note is reproduced as follows:

Note 16 D: Sundry payables (Non-current)

As at 31 December 2020, sundry payables comprise (a) a legal claim of S\$1.9 million (equivalent to US\$1.4 million) (2019 - S\$1.9 million (equivalent to US\$1.4 million) by Verona Capital Pty. Ltd and a legal settlement sum of S\$13.7 million (equivalent to US\$10 million), payable to Super Power Enterprise Group Ltd ("SPE"), recorded at amortised cost of S\$6.8 million (2019 - S\$6.9 million) respectively. The Group does not expect the amounts to be repaid within the next 12 months.

In March 2015, SPE commenced arbitration proceedings against 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 FY2019, 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 joint venture partner (Note A) and loans and borrowings (Note 20). Eastwin has previously agreed to indemnify PT Hexindo against any claims from SPE arising from the substitution. As at 31 December 2020, the Group did not recognise the indemnity receivable on its statement of financial position due to uncertainty of recovery.

5. Please disclose the breakdown and nature of prepaid operating expenses of S\$0.8mil.

Prepaid operating expenses	S\$'000
Insurance for truck vehicles and employees	436
IT software license and maintenance	96
Employee benefit	37
Insurance premium bond for properties	48
Rental	75
Road tax	43
Others	57
Total	792

6. Please provide the reason(s) for the significant borrowings of S\$3mil when the Group recorded a cash and cash equivalent of S\$5.9mil as at 30 Jun 2021.

Please also disclose the following:-

- (a) Details of the loan, including the terms of the loan, interest on the loans and maturity dates;**
- (b) A breakdown of the lenders and their identities (and its ultimate beneficial shareholders and directors if this is not a bank);**
- (c) When the loans were obtained and approved by the Board including the Audit Committee; and**
- (d) The use of proceeds from the loan.**

Given the uncertainties of the COVID-19 pandemic environment in year 2020, the Company decided to take advantage of the financing assistance program launched by the Singapore Government known as the Temporary Bridging Loan facility.

This loan facility provided the Group with additional funds to support working capital needs in the uncertain environment of Covid-19 in 2020. To secure additional low cost

working capital at the time was deemed to be a prudent exercise in a very uncertain time to ensure ongoing sustainability of the business.

- (a) A wholly-owned subsidiary secured the S\$3 million borrowing from a local bank, it is secured by a corporate guarantee from the Company. The loan is due to be fully repaid by June 2022 and has an interest rate of 3% per annum;
- (b) The lender is a Singapore multinational banking and financial services corporation;
- (c) The loan was obtained in June 2020 and was tabled and approved by the Board in May 2020 with the full attendance of Audit Committee members; and
- (d) The proceeds are to be used for working capital purposes as and when required.

7. Please provide the reason(s) for the significant current trade payables and other payables of \$18.3mil when the Group recorded a cash and cash equivalent of S\$5.9mil.

The breakdown of current trade payables and other payables by segments are as follow:

Current Payables	Total S\$'000	Corporate and others	Logistics	Oil & Gas
Trade	9,543	4	3,476	6,063
Other	8,754	1,643	3,067	4,044
Total	18,297	1,647	6,543	10,107

Approximately S\$10m of the current trade payables and other payables total of S\$18.3m relates to the Oil & Gas segment. The majority is old debts dated as far back as 2016. The oil and gas entities are ringfenced through multiple layers of shareholdings and would not have impact to the Group's and the Company's financial position in the event of any contingent or actual claims by the creditors against these oil and gas entities. Additionally, as previously advised by the Company's Singapore legal counsel, individual subsidiaries within a group of companies will be treated as separate entities and the parent company cannot be made liable for the subsidiaries' debts, unless the parent company had expressly agreed to be so liable. To the best of our knowledge, there was no corporate guarantee given to any of the oil and gas entities in Indonesia.

In the Logistics segment, the current other payables include a provision of S\$2.2m for staff bonus, annual leave, etc. Accordingly, these provisions do not represent immediate impact to the Group's and Company's financial position.

By Order of the Board
ENECO ENERGY LIMITED

Colin Peter Moran
Executive Director
17 September 2021