REX INTERNATIONAL HOLDING LIMITED

(Company Registration Number: 201301242M)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2023

CONTENTS

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

	Note	Group Six Months Ended 30-Jun-23 US$'000	Group Six Months Ended 30-Jun-22 US$'000	Change %
Revenue:				
Sale of crude oil	4.2	106,916	99,454	8
Cost of sales:				
Production and operating expenses		(43,555)	(33,606)	30
Depletion of oil and gas properties	10	(22,399)	(17,321)	29
Exploration and evaluation expenditure	9	(6,908)	(10,590)	(35)
Cost of services		(314)	(413)	(24)
Gross profit		33,740	37,524	(10)
Administration expenses		(13,722)	(11,872)	16
Other expenses		(440)	(2,994)	(85)
Other income		300	217	38
Results from operating activities		19,878	22,875	(13)
Finance income		1,026	103	NM
Foreign currency exchange loss		(1,308)	(116)	NM
Finance expense		(11,285)	(4,429)	NM
Net finance costs		(11,567)	(4,442)	NM
Share of (loss)/ profit of equity-accounted investees (net of tax)		(175)	433	NM
Profit before tax	6	8,136	18,866	(57)
Tax expense	7	(4,446)	(12,831)	(65)
Profit for the period, net of tax		3,690	6,035	(39)
Other comprehensive loss				
– Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences from foreign operations, representing total other comprehensive loss for the period		(1,457)	(6,810)	(79)
Total comprehensive income/ (loss) for the period, net of tax		2,233	(775)	NM
Profit attributable to:				
Owners of the Company		3,056	4,843	(37)
Non-controlling interests		634	1,192	(47)
Profit for the period, net of tax		3,690	6,035	(39)

NM: Not meaningful

A. Condensed interim consolidated statement of profit or loss and other comprehensive income (continued)

	Note	Group Six Months Ended 30-Jun-23 US$'000	30-Jun-22 US$'000	Change %
Total comprehensive income/ (loss) attributable to:				
Owners of the Company		1,858	(1,441)	NM
Non-controlling interests		375	666	(44)
Total comprehensive income/ (loss) for the period, net of tax		2,233	(775)	NM
Earnings per share				
Basic earnings per share (cents)	6.1	0.23	0.37	(38)
Diluted earnings per share (cents)	6.1	0.23	0.37	(38)

NM: Not meaningful

B. Condensed interim statements of financial position

		Group		Company	
		30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
	Note	US$'000	US$'000	US$'000	US$'000
Assets					
Exploration and evaluation assets	9	32,417	36,856	–	–
Oil and gas properties	10	214,597	216,342	–	–
Goodwill and intangible assets	11	30,392	33,574	–	–
Property, plant and equipment	12	2,759	2,174	741	338
Subsidiaries		–	–	92,621	92,621
Associate		1,939	2,514	–	–
Jointly controlled entities		1,389	989	–	–
Other receivables	13	135,633	135,515	–	–
Non-current assets		419,126	427,964	93,362	92,959
Inventories		13,082	13,733	–	–
Trade and other receivables	13	122,822	88,062	16,901	5,226
Quoted investments		22,132	23,041	22,131	23,040
Cash and cash equivalents		53,360	115,758	16,152	25,923
Current assets		211,396	240,594	55,184	54,189
Total assets		630,522	668,558	148,546	147,148
Equity					
Share capital	14	89,581	257,677	89,581	257,677
Reserves		3,279	4,477	1,082	1,082
Retained earnings/ (accumulated losses)		80,700	(85,608)	(562)	(161,609)
Equity attributable to owners of the Company		173,560	176,546	90,101	97,150
Non-controlling interests		12,312	11,937	–	–
Total equity		185,872	188,483	90,101	97,150
Liabilities					
Loans and borrowings	16	80,948	77,987	–	–
Deferred tax liabilities		77,139	66,885	–	–
Provisions	17	176,809	190,661	–	–
Lease liabilities		1,153	636	319	87
Non-current liabilities		336,049	336,169	319	87
Loans and borrowings	16	31,141	13,961	–	–
Trade and other payables		76,842	129,536	57,751	49,704
Lease liabilities		618	409	375	207
Current liabilities		108,601	143,906	58,126	49,911
Total liabilities		444,650	480,075	58,445	49,998
Total equity and liabilities		630,522	668,558	148,546	147,148

C. Condensed interim statements of changes in equity

	Attributable to owners of the Company									
	Share capital US$'000	Treasury shares US$'000	Merger reserve US$'000	Capital reserve US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Group										
At 1 January 2023	257,677	(716)	4,129	2,180	1,536	(2,652)	(85,608)	176,546	11,937	188,483
Total comprehensive income for the period										
Profit for the period	–	–	–	–	–	–	3,056	3,056	634	3,690
Other comprehensive loss										
Foreign currency translation differences, representing total other comprehensive loss	–	–	–	–	–	(1,198)	–	(1,198)	(259)	(1,457)
Total comprehensive income for the period	–	–	–	–	–	(1,198)	3,056	1,858	375	2,233
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Dividends paid	–	–	–	–	–	–	(4,844)	(4,844)	–	(4,844)
Cancellation of share capital (Note 14)	(168,096)	–	–	–	–	–	168,096	–	–	–
Total transactions with owners	(168,096)	–	–	–	–	–	163,252	(4,844)	–	(4,844)
At 30 June 2023	89,581	(716)	4,129	2,180	1,536	(3,850)	80,700	173,560	12,312	185,872

C. Condensed interim statements of changes in equity (continued)

	Attributable to owners of the Company									
	Share capital US$'000	Treasury shares US$'000	Merger reserve US$'000	Capital reserve US$'000	Share-based payment reserve US$'000	Translation reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
<u>Group</u>										
At 1 January 2022	257,677	(716)	4,129	2,180	1,179	1,981	(80,067)	186,363	12,892	199,255
Total comprehensive loss for the period										
Profit for the period	–	–	–	–	–	–	4,843	4,843	1,192	6,035
Other comprehensive loss										
Foreign currency translation differences, representing total other comprehensive loss	–	–	–	–	–	(6,284)	–	(6,284)	(526)	(6,810)
Total comprehensive loss for the period	–	–	–	–	–	(6,284)	4,843	(1,441)	666	(775)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Share-based payment transactions – performance share plan, representing total transactions with owners	–	–	–	–	14	–	–	14	–	14
At 30 June 2022	257,677	(716)	4,129	2,180	1,193	(4,303)	(75,224)	184,936	13,558	198,494

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C. Condensed interim statements of changes in equity (continued)

	Share capital US$'000	Treasury shares USD$'000	Capital reserve US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total equity US$'000
<u>**Company**</u>						
At 1 January 2023	257,677	(716)	505	1,293	(161,609)	97,150
Total comprehensive loss for the period						
Loss for the period, representing total comprehensive loss for the period	–	–	–	–	(2,205)	(2,205)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends paid	–	–	–	–	(4,844)	(4,844)
Cancellation of share capital (Note 14)	(168,096)	–	–	–	168,096	–
Total transactions with shareholders	(168,096)	–	–	–	163,252	(4,844)
At 30 June 2023	89,581	(716)	505	1,293	(562)	90,101

C. Condensed interim statements of changes in equity (continued)

	Share capital US$'000	Treasury shares USD$'000	Capital reserve US$'000	Share-based payment reserve US$'000	Accumulated losses US$'000	Total equity US$'000
Company						
At 1 January 2022	257,677	(716)	505	936	(168,096)	90,306
Total comprehensive loss for the period						
Loss for the period, representing total comprehensive loss for the period	–	–	–	–	(38,867)	(38,867)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Share-based payment transactions – performance share plan, representing total transactions with shareholders	–	–	–	14	–	14
At 30 June 2022	257,677	(716)	505	950	(206,963)	51,453

D. Condensed interim consolidated statement of cash flows

	Group Six Months Ended	
	30-Jun-23 US$'000	30-Jun-22 US$'000
Cash flows from operating activities		
Profit before tax for the period	8,136	18,866
Adjustments for:		
Depreciation of property, plant and equipment	659	409
Depletion of oil and gas properties	22,399	17,321
Amortisation of intangible assets	425	425
Net finance costs	10,259	4,326
Other gains and losses	–	134
Impairment loss on exploration and evaluation assets	5,250	8,748
Change in fair value of quoted investments	438	2,837
Gain on disposal of quoted investments	(300)	(215)
Share of loss/ (profit) of equity-accounted investees, net of tax	175	(433)
Equity settled share-based payment transactions	–	15
	47,441	52,433
Changes in:		
– Inventories	651	1,807
– Trade and other receivables	(38,083)	9,108
– Trade and other payables	(52,744)	(12,855)
– Restricted bank deposits	475	–
Tax receipts from exploration and evaluation activities in Norway	–	12,810
Net cash (used in)/ from operating activities	(42,260)	63,303
Cash flows from investing activities		
Interest received	1,026	103
Investment in an associate	–	(1,000)
Purchase of quoted investments	(18,080)	(8,194)
Proceeds from disposal of quoted investments	19,008	3,880
Exploration and evaluation expenditure (Note 9)	(8,217)	(8,941)
Additions to oil and gas properties (Note 10)	(29,322)	(26,525)
Purchase of property, plant and equipment (Note 12)	(76)	(877)
Net cash used in investing activities	(35,661)	(41,554)
Cash flows from financing activities		
Interest paid	(9,957)	(3,434)
Payment for transaction costs related to loans and borrowings	(990)	–
Dividends paid to owners of the Company	(4,844)	–
Net proceeds from issuance of bonds by a subsidiary	30,047	–
Repayment of lease liabilities	(399)	(207)
Net cash from/ (used in) financing activities	13,857	(3,641)

D. Condensed interim consolidated statement of cash flows (continued)

	Group	
	Six Months Ended	
	30-Jun-23	30-Jun-22
	US$'000	US$'000
Net (decrease)/ increase in cash and cash equivalents	(64,064)	18,108
Cash and cash equivalents at beginning of the period	106,377	50,538
Effect of exchange rate fluctuations on cash held	2,141	(2,237)
Cash and cash equivalents at end of the period	44,454	66,409
Cash and cash equivalents in the statement of financial position	53,360	76,474
Restricted cash	(8,137)	(10,065)
Translation difference on consolidation	(769)	–
Cash and cash equivalents in the consolidated statement of cash flows	44,454	66,409

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Rex International Holding Limited (the "**Company**") is a company incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange Securities Trading Limited. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 ("**1H FY2023**") comprise the Company and its subsidiaries (collectively, the "**Group**").

The principal activities of the Company are those relating to investment holding.

The principal activities of the Group are relating to oil and gas exploration and production and oil exploration technology.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in United States ("**US**") dollar which is the Company's functional currency. All financial information presented in US dollars have been rounded to the nearest thousand, unless otherwise stated.

2.1. New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023, and earlier application is permitted; however, the Group has not early-adopted the new or amended standards in preparing these condensed interim financial statements.

2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

2.2. Use of judgements and estimates (continued)

Key sources of estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, Management must estimate the expected future cash flows from the asset or cash-generating unit ("**CGU**") and choose a suitable discount rate in order to calculate the present value of those cash flows.

Amortisation of technology intangible assets

Technology intangible assets are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these intangible assets, and therefore future depreciation expenses could be revised.

Provisions

Estimates of the Group's obligations arising from exploration drilling rehabilitation that exist as at the reporting date may be affected by future events which cannot be predicted with any certainty. The assumptions and best estimates in determining these provisions are made based on Management's judgement and experience and therefore, future exploration drilling rehabilitation obligations and expenses could be revised.

Depletion of oil and gas properties

Oil and gas properties are mainly depleted on a unit of production basis at a rate calculated by reference to prove plus probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Future development costs are estimated using assumptions as to the numbers of wells required to produce those reserves, the cost of the wells, future production facilities and operating costs; together with assumptions on oil and gas realisations based on the approved field development plans.

2.2. Use of judgements and estimates (continued)

Critical judgements made in applying accounting policies

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed below.

Business combination

An acquisition of a business, which is determined as an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return directly to investors, is a business combination.

Determining whether an acquisition meets the definition of a business combination requires judgement to be applied on a case-by-case basis. Acquisitions are assessed under the relevant SFRS(I) criteria to establish whether the transaction represents a business combination or an asset purchase. Depending on the specific facts, acquisitions of exploration and evaluation licences for which a development decision has not yet been made, have largely been concluded to represent asset purchases.

Acquisition accounting is subject to substantive judgement by Management. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. The fair value of oil fields in production and development phase is normally based on discounted cash flow models, where the determination of inputs to the model may require significant judgement.

Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely from future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers or ceases exploration and evaluation expenditure.

The Group's accounting policy requires Management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established and executed successfully. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

2.2. Use of judgements and estimates (continued)

Critical judgements made in applying accounting policies (continued)

Hydrocarbon reserves

Hydrocarbon reserves are estimates of the amount of oil that can be economically and legally extracted by the Group in approved fields. For the purpose of estimating reserves, several factors are considered, among others, such as geological, technical and economic, production techniques, recovery rates, production costs, transportation costs, demand and prices for commodities and exchange rates. Estimating the quantity and grade of reserves requires determining the size, shape and depth of the reservoirs or fields to be determined by analysing geological data and drilling samples. This process may require interpreting complex and difficult geological judgements. Because the economic assumptions change from period to period and the Group is still generating additional geological data during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the recovery of the carrying amount of oil properties due to changes in estimated future cash flows and the cost of depreciation recorded in profit or loss as it is given in terms of units of production based on total proven and probable reserves.

3. Seasonal operations

The Group's businesses were not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group has three reportable segments: Oil and Gas (exploration and production); Non-Oil and Gas (oil exploration technology); and Corporate.

The following summary describes the operations of each of the Group's reportable segments:

* Oil and Gas: Exploration and production of oil and gas, with concessions located in Oman, Norway and Malaysia.
* Non-Oil and Gas: Pertains to the technology segment. Rex Technology owns the Rex Virtual Drilling technology that can extract information on the presence of reservoir rock and liquid hydrocarbons using conventional seismic data.
* Corporate: Pertains to corporate functions.

These operating segments are reported in a manner consistent with internal reporting provided to the Group's Executive Chairman, Chief Executive Officer and senior management who are responsible for allocating resources and assessing performance of the operating segments.

4.1. Reportable segment

Information regarding the results of each reportable segment is as below:

Group	Oil and Gas US$'000	Non-Oil and Gas US$'000	Corporate US$'000	Total US$'000
1 January 2023 to 30 June 2023				
Sale of crude oil	106,916	–	–	106,916
Service revenue	–	496	–	496
Total revenue for reportable segments	106,916	496	–	107,412
Elimination of inter-segment revenue	–	(496)	–	(496)
Consolidated revenue	106,916	–	–	106,916
Segment expense	(54,799)	(511)	(2,857)	(58,167)
Finance income	225	–	801	1,026
Foreign exchange (loss)/ gain	(613)	4	(699)	(1,308)
Finance costs	(11,232)	(1)	(52)	(11,285)
Depreciation	(458)	–	(201)	(659)
Depletion of oil and gas properties	(22,399)	–	–	(22,399)
Amortisation of intangible assets	–	(425)	–	(425)
Share of loss of equity-accounted investees	–	(175)	–	(175)
Other material non-cash items:				
– Changes in fair values of quoted investments	–	–	(438)	(438)
– Gain from disposal of quoted investments	–	–	300	300
– Impairment losses on exploration and evaluation assets	(5,250)	–	–	(5,250)
Reportable segment profit/ (loss) before tax	12,390	(1,108)	(3,146)	8,136
Reportable segment assets	584,204	5,750	40,568	630,522
Segment assets include:				
Additions to:				
– Property, plant and equipment*	62	–	14	76
– Exploration and evaluation assets	8,217	–	–	8,217
– Oil and gas properties	29,322	–	–	29,322
Reportable segment liabilities	440,698	534	3,418	444,650

* Excludes right-of-use assets

4.1. Reportable segment (continued)

Group	Oil and Gas US$'000	Non-Oil and Gas US$'000	Corporate US$'000	Total US$'000
1 January 2022 to 30 June 2022				
Sale of crude oil	99,454	–	–	99,454
Service revenue	–	782	–	782
Total revenue for reportable segments	99,454	782	–	100,236
Elimination of inter-segment revenue	–	(782)	–	(782)
Consolidated revenue	99,454	–	–	99,454
Other income	–	–	2	2
Segment expense	(42,402)	(741)	(3,913)	(47,056)
Finance income	3	–	100	103
Foreign exchange gain/ (loss)	1,648	26	(1,790)	(116)
Finance costs	(4,393)	(1)	(35)	(4,429)
Depreciation	(307)	–	(102)	(409)
Depletion of oil and gas properties	(17,321)	–	–	(17,321)
Amortisation of intangible assets	–	(425)	–	(425)
Share of profit of equity-accounted investees	–	433	–	433
Other material non-cash items:				
– Changes in fair values of quoted investments	(7)	–	(2,830)	(2,837)
– Gain from disposal of quoted investments	–	–	215	215
– Impairment losses on exploration and evaluation assets	(8,748)	–	–	(8,748)
Reportable segment profit/ (loss) before tax	27,927	(708)	(8,353)	18,866
Reportable segment assets	478,680	4,891	35,123	518,694
Segment assets include:				
Additions to:				
– Property, plant and equipment*	877	–	–	877
– Exploration and evaluation assets	8,941	–	–	8,941
– Oil and gas properties	26,525	–	–	26,525
Reportable segment liabilities	317,033	1,066	2,101	320,200

* Excludes right-of-use assets

4.2. Disaggregation of revenue

Sale of crude oil

Nature of goods or services	Crude oil
When revenue is recognised	Revenue is recognised when the crude oil is loaded and on board the vessel arranged by buyer and certified by an independent surveyor
Significant payment terms	5 to 30 days after bill of lading date

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Group Six Months Ended	
	30-Jun-23 US$'000	**30-Jun-22 US$'000**
Geographical information		
Singapore	43,229	35,882
Norway	63,687	63,572
Total revenue	106,916	99,454

5. Financial assets and financial liabilities

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

	Group		**Company**	
	30-Jun-23 US$'000	**31-Dec-22 US$'000**	**30-Jun-23 US$'000**	**31-Dec-22 US$'000**
Financial assets measured at amortised cost				
Loan to a subsidiary	–	–	92,621	92,621
Trade and other receivables (Note 13)*	191,959	164,296	16,737	4,990
Cash and cash equivalents	53,360	115,758	16,152	25,923
	245,319	280,054	125,510	123,534
Financial assets measured at fair value				
Quoted investments	22,132	23,041	22,131	23,040

* Excludes income tax receivables and prepayments

5. Financial assets and financial liabilities (continued)

Accounting classifications and fair values (continued)

	Group		Company	
	30-Jun-23 US$'000	**31-Dec-22 US$'000**	**30-Jun-23 US$'000**	**31-Dec-22 US$'000**
Financial liabilities measured at amortised cost				
Loans and borrowings (Note 16)	112,089	91,948	–	–
Trade and other payables#	51,089	99,327	57,751	49,704
	163,178	191,275	57,751	49,704

Excludes advance from customers

5.1. Financial assets and financial liabilities – Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

5.1. Financial assets and financial liabilities – Fair value measurement (continued)

Measurement of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company.

Debt and equity securities

The carrying amounts of investments in debt and equity securities are approximate their fair value. Fair values are determined by reference to their quoted closing bid price in an active market at the measurement date, using the Level 1 valuation inputs.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their respective fair values due to the relative short-term maturity of these financial instruments.

The fair value of non-current other receivables was calculated using the discounted cash flow model based on the present value of expected cashflow at the risk-free rate plus estimated credit spread of counterparty at the reporting date. The carrying amounts of non-current other receivables are assumed to approximate its fair value as the Group believes that the difference between the fair value and the carrying amount, if any, is negligible.

No disclosure of fair value is made for non-current loans to subsidiaries as it is not practicable to determine their fair values with sufficient reliability since the balances have no fixed terms of repayment. The Company does not anticipate that the carrying amounts recorded at the reporting date would be significantly different from the values that would eventually be received.

6. Profit before tax

Profit before tax is stated after (charging)/ crediting the following:

	Group	
	Six Months Ended	
	30-Jun-23	**30-Jun-22**
	US$'000	**US$'000**
Depreciation of property, plant and equipment	(659)	(409)
Depletion of oil and gas properties	(22,399)	(17,321)
Amortisation of intangible assets	(425)	(425)
Impairment losses on exploration and evaluation assets	(5,250)	(8,748)
Change in fair value of quoted investments	(438)	(2,837)
Gain on disposal of quoted investments	300	215

6.1. Earnings per share

	Group Six Months Ended	
	30-Jun-23	30-Jun-22
Calculation of basic and diluted earnings per share ("**EPS**") is based on:		
Profit attributable to ordinary shareholders (US$)	3,056,000	4,843,000
Weighted average number of ordinary shares	1,302,320,991	1,302,320,991
Basic and fully diluted EPS (US cents)	0.23	0.37

There was no outstanding share award as at 30 June 2023.

10,524,100 share awards as at 30 June 2022 were excluded from the diluted weighted average number of ordinary shares calculation as they either had minimal impact or their effect would have been anti-dilutive. As such, the basic and fully diluted EPS were the same for the financial period ended 30 June 2022.

6.2. Related party transactions

Transactions with directors and other key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group. The directors and certain key executives of the management team are considered as key management of the Group.

Key management personnel compensation comprised:

	Group Six Months Ended	
	30-Jun-23 US$'000	30-Jun-22 US$'000
Short-term employment benefits		
– Directors	951	3,016
– Key executives	1,895	1,402
Post-employment benefits (including CPF)	6	6
Share-based payment	–	15
	2,852	4,439

7. Taxation

	Group Six Months Ended	
	30-Jun-23 US$'000	30-Jun-22 US$'000
Current tax credit		
Current period	(10,348)	643
Changes in estimates related to prior years	(1,673)	(8,589)
	(12,021)	(7,946)
Deferred tax expense		
Origination and reversal of temporary differences	16,467	20,777
Total tax expense	4,446	12,831

8. Net asset value

	Group		Company	
	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
Net asset value# (US$)	185,872,000	188,483,000	90,101,000	97,150,000
Total number of issued shares excluding treasury shares	1,302,320,991	1,302,320,991	1,302,320,991	1,302,320,991
Net asset value per ordinary share based on number of shares in issue as at the end of the financial period/ year (US cents)	14.27	14.47	6.92	7.46

Net asset value includes non-controlling interests.

9. Exploration and evaluation assets

	Group	
	30-Jun-23	31-Dec-22
	US$'000	US$'000
Cost		
At beginning of period/ year	88,336	75,035
Additions	8,217	24,522
Transferred to oil and gas properties (Note 10)	(4,664)	–
Translation difference on consolidation	(9,798)	(11,221)
At end of period/ year	82,091	88,336
Accumulated amortisation and impairment loss		
At beginning of period/ year	51,480	34,389
Impairment of capitalised exploration expenditure	5,250	24,285
Translation difference on consolidation	(7,056)	(7,194)
At end of period/ year	49,674	51,480
Carrying amounts at end of period/ year	32,417	36,856

Exploration and evaluation costs incurred were in respect of exploration and evaluation of hydrocarbons in Norway, Oman and Malaysia.

The table below shows the exploration and evaluation expenditure included in the consolidated statement of comprehensive income:

	Group	
	Six Months Ended	
	30-Jun-23	30-Jun22
	US$'000	US$'000
Impairment of exploration expenditure previously capitalised	5,250	8,748
Other exploration costs	1,658	1,842
Exploration and evaluation expenditure	6,908	10,590

Impairment assessment

In 1H FY2023, the Group recognised impairment loss of US$5,250,000 with respect to exploration and evaluation assets in Oman as one of the exploration wells was deemed non-commercial.

In 2022, the Group recognised total impairment loss of US$24,285,000 with respect to exploration and evaluation assets in Norway, as a result of relinquishment of certain licences.

10. Oil and gas properties

	Group	
	30-Jun-23	31-Dec-22
	US$'000	US$'000
Cost		
At beginning of period/ year	303,838	196,675
Additions	29,322	56,299
Transferred from exploration and evaluation assets (Note 9)	4,664	–
Acquisition	–	55,008
Change in decommissioning provision (Note 17)	–	5,490
Adjustments	60	(350)
Translation difference on consolidation	(15,370)	(9,284)
At end of period/ year	322,514	303,838
Accumulated depletion and impairment loss		
At beginning of period/ year	87,496	59,653
Depletion	22,399	28,252
Translation difference on consolidation	(1,978)	(409)
At end of period/ year	107,917	87,496
Carrying amounts at end of period/ year	**214,597**	**216,342**

Impairment assessment

In 2022, an impairment assessment was performed over the Group's oil and gas properties. Based on the impairment assessment performed, no impairment loss was recognised.

Acquisition of Yme Field

In 2022, Lime Petroleum AS ("**LPA**"), a subsidiary of the Group, entered into a conditional sale and purchase agreement with KUFPEC Norway AS ("**KUFPEC**"), to acquire KUFPEC's 10% interest in the Yme Field on the Norwegian North Sea, for a post-tax consideration of US$68.053 million (the "**Acquisition**"). The Yme Field is operated by Repsol Norge AS. The Acquisition further strengthens LPA's position as a full-fledged exploration and production player in the Norwegian Continental Shelf, following its acquisition of an 33.8434% interest in the producing Brage Field in 2021.

The Yme Field is located in PL 316 and PL 316B on the Norwegian Continental Shelf. According to the Norwegian Petroleum Directorate, Yme is a field in the south-eastern part of the Norwegian sector of the North Sea, 130 kilometres northeast of the Ula field.

The Acquisition was completed on 31 December 2022. The transaction has been determined to constitute a business combination and has been accounted for using the acquisition method of accounting as required by SFRS(I) 3 *Business Combinations*.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date, were as follows:

10. Oil and gas properties (continued)

Acquisition of Yme Field (continued)

(a) Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	US$'000
Cash	54,821
Deferred consideration*	29,512
Total consideration transferred	84,333

* The deferred consideration of US$29.51 million was settled on 3 February 2023.

(b) Acquisition-related costs

The Group incurred acquisition-related costs of US$219,000. These costs were included in 'Administrative expenses'.

(c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of the Acquisition.

	US$'000
Oil and gas properties	55,008
Trade and other receivables	21,111
Inventories	8,888
Deferred tax assets	1,526
Provisions	(22,520)
Trade and other payables	(11,589)
Total net identifiable assets	52,424

(d) Measurement of fair values

Management primarily used a discounted cash flow model (net present value of expected future cash flows) to determine the fair value of the oil and gas properties. The model incorporated expected future cash flows based on estimates of projected revenues, production costs and capital expenditures as at the acquisition date. The cash flows were estimated using post-tax basis in accordance with the industry practice where acquisition of licences on Norwegian continental shelf without grossing up the value with a tax amortisation benefit.

The trade and other receivables comprised gross contractual amounts due of US$21,111,000, of which none are expected to be uncollectible at the date of the Acquisition.

10. Oil and gas properties (continued)

Acquisition of Yme Field (continued)

(e) Fair values measured on a provisional basis

A preliminary purchase price allocation ("**PPA**") had been performed and all identified assets and liabilities had been measured at their acquisition date fair values in accordance with the requirements of SFRS(I) 3.

The final PPA will be completed within 12 months from the acquisition date. If new information obtained within one year from the date of acquisition about fact and circumstances that existed at the date of acquisition identified adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

(f) Goodwill

Goodwill arising from the Acquisition had been recognised as follows:

	US$'000
Cash consideration transferred	84,333
Provisional fair value of identifiable net assets	(52,424)
Goodwill (Note 11)	31,909

(g) Revenue and profit contribution

Since the Acquisition was completed on 23 December 2022, Yme Field did not contribute any revenue to the Group's results for financial year ended 31 December 2022. If the Acquisition had occurred on 1 January 2022, Management estimated that the Group's consolidated revenue would have increased by US$30,338,000, and consolidated profit for the year would have decreased by US$2,545,000. In determining these amounts, Management assumed that the fair value adjustments, determined provisionally, that arose on the date of the Acquisition would have been the same if the Acquisition had occurred on 1 January 2022.

11. Goodwill and intangible assets

Group	Goodwill US$'000	Technology US$'000	Customer Contracts US$'000	Total US$'000
Cost				
At 1 January 2022	–	4,700	3,800	8,500
Acquisitions – business combinations (Note 10)	31,909	–	–	31,909
At 31 December 2022	31,909	4,700	3,800	40,409
Translation difference on consolidation	(1,757)	–	–	(1,757)
At 30 June 2023	29,152	4,700	3,800	37,652
Accumulated amortisation				
At 1 January 2022	–	3,309	2,676	5,985
Amortisation	–	470	380	850
At 31 December 2022	–	3,779	3,056	6,835
Amortisation	–	235	190	425
At 30 June 2023	–	4,014	3,246	7,260
Carrying amounts				
At 30 June 2023	29,152	686	554	30,392
At 31 December 2022	31,909	921	744	33,574
At 1 January 2022	–	1,391	1,124	2,515

Amortisation

The amortisation of technology and customer contracts is included in "administration expenses".

12. Property, plant and equipment

The Group acquired property, plant and equipment (excluding right-of-use assets) of US$76,000 in 1H FY2023 (six months ended 30 June 2022: US$877,000).

No assets were disposed in both financial periods.

13. Trade and other receivables

	Group		Company	
	30-Jun-23 US$'000	31-Dec-22 US$'000	30-Jun-23 US$'000	31-Dec-22 US$'000
Trade receivables	38,121	3,426	–	–
Amounts due from subsidiaries, non-trade	–	–	11,654	4,795
Amounts due from a jointly controlled entity and an associate, non-trade	1,100	97	1,087	87
Deposits	223	218	104	103
Decommissioning receivables[1]	125,558	135,515	–	–
Other receivables	26,957	25,040	3,892	5
	191,959	164,296	16,737	4,990
Prepayments	2,860	2,456	165	236
Income tax receivables [2]	63,636	56,825	–	–
Trade and other receivables	258,455	223,577	16,902	5,226
Non-current	135,633	135,515	–	–
Current	122,822	88,062	16,902	5,226
	258,455	223,577	16,902	5,226

The non-trade amounts due from subsidiaries, a jointly controlled entity and an associate are unsecured, interest-free, and are repayable on demand.

[1] The decommissioning receivables represents a Brage decommissioning carry limited to 95% of decommissioning costs for the current Brage Field infrastructure which is guaranteed by Repsol Exploración S.A., the parent company of Repsol Norge AS, with a guarantee granted in the Group's favour on completion of the acquisition. Most of the decommissioning is expected to occur after the expiration of the licences' validity. At the end of Brage Field's production life, the Group will pay an effective 1.69% of the total estimated decommissioning costs for the current Brage Field infrastructure, in respect of its 33.8434% interest in the Brage Field. For decommissioning provision, see Note 17.

[2] Income tax receivables of US$63,636,000 (31 December 2022: US$56,825,000) relate to an amount receivable from the Norway tax authorities for exploration costs incurred during the respective financial period/ year. The refund will be paid out in November the following year.

14. Share capital

	Group and Company			
	30-Jun-23 Number of shares '000	30-Jun-23 US$'000	31-Dec-22 Number of shares '000	31-Dec-22 US$'000
Issued and fully paid ordinary shares, with no par value:				
At beginning of period/ year	1,315,508	257,677	1,315,508	257,677
Cancellation of share capital [1]	–	(168,096)	–	–
At end of period/ year	1,315,508	89,581	1,315,508	257,677

The Company's issued and fully paid-up capital as at 30 June 2023 comprised 1,315,507,991 (30 June 2022: 1,315,507,991) ordinary shares, of which 13,187,000 (30 June 2022: 13,187,000 were held by the Company as treasury shares.

The number of issued shares, excluding treasury shares, was 1,302,320,991 (31 December 2022: 1,302,320,991).

The treasury shares held represent 1.01% of the total number of issued shares (excluding treasury shares) as at 30 June 2023 (30 June 2022: 1.01%). There were no sales, transfers, cancellation and/or use of treasury shares in 1H FY2023.

There were no outstanding convertibles and/or subsidiary holdings as at 30 June 2023 and 30 June 2022, and no sales, transfers, cancellation and/or use of subsidiary holdings in 1H FY2023.

(1) On 20 January 2023, the shareholders of the Company had approved the capital reduction exercise at an Extraordinary General Meeting, to reduce the share capital of the Company by cancelling the share capital of the Company that had been lost or was unrepresented by available assets to the extent of the amount of the accumulated losses of the Company as at 31 December 2021 of US$168,096,000. The proposed capital reduction exercise was completed on 7 March 2023.

15. Share-based payment arrangements

Performance Share Plan ("PSP") (equity-settled)

The PSP of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 24 June 2013 and amended with shareholders' approval at Extraordinary General Meetings of the Company held on 30 April 2014, 28 April 2017 and 3 March 2022.

The PSP of the Company expired on 24 June 2023.

15. Share-based payment arrangements (continued)

Performance Share Plan ("PSP") (equity-settled) (continued)

Movement of the awards of ordinary shares granted under the PSP (the "**Awards**"):

	Number of Awards					
Date of Grant of Awards	At 1-Jan-23	Granted in 1H FY2023	Lapsed/ Cancelled in 1H FY2023	Vested in 1H FY2023	At 30-Jun-23	Number of Holders
8-Apr-22	10,524,100	–	(10,524,100) [1]	–	–	–
20-Oct-22	3,600,000	–	(3,600,000) [1]	–	–	–
	14,124,100	–	(14,124,100)	–	–	–

[1] On 13 March 2023, 10,524,100 and 3,600,000 Awards previously granted on 8 April 2022 and 20 October 2022 respectively had been cancelled (forthwith lapsed and to be of no value).

16. Loans and borrowings

	Group 30-Jun-23 US$'000	Group 31-Dec-22 US$'000
Non-current liabilities		
Secured bond issues	80,948	77,987
Current liabilities		
Current portion of secured bond issues	31,141	13,961

There were no unsecured loans or borrowings for the financial period ended 30 June 2023 and financial year ended 31 December 2022.

Secured bond issues

Financial period ended 30 June 2023

On 10 January 2023, one of the Group's subsidiaries, Lime Petroleum AS ("**LPA**"), successfully raised NOK 250 million through the tap mechanism in its existing Bonds (defined herein) (ISIN NO0012559246). After the tap issue was carried out, the total outstanding amount is NOK 1,200 million. The settlement took place on 18 January 2023. The bonds were issued at 99.25 per cent of the nominal amount.

On 17 April 2023, LPA successfully raised another NOK 50 million through the tap mechanism in its existing Bonds. After the tap issue was carried out, the total outstanding amount is NOK 1,250 million. The settlement took place on 21 April 2023. The bonds were issued at 99.0 per cent of the nominal amount.

16. Loans and borrowings (continued)

Secured bond issues (continued)

Financial year ended 31 December 2022

In 2022, LPA completed the issuance of a three-year senior secured bond issue of NOK 950 million (approximately US$96.70 million) (the "**Bond Issue**" or the "**Bonds**") (ISIN: NO0012559246), with maturity date on 7 July 2025. The coupon rate will be 3 months Norwegian interbank offered rate ("**NIBOR**") plus 9.25%. The Bonds were issued at 97% of the nominal amount. The Bonds are listed on the Oslo Børs.

Assets pledged as security

The Bond Issue is secured with, 1) *inter alia*, a pledge over the Company's wholly owned subsidiary, Rex International Investments Pte. Ltd.'s shareholding interests in LPA, and 2) first priority assignment of mortgage over the interest in the hydrocarbon licences in Norway, monetary claims under LPA's insurances, first priority charge over LPA's bank accounts including Charged Account and floating charges over LPA's trade receivables, operating assets and inventory.

17. Provisions

	Decommissioning provisions	
	30-Jun-23	**31-Dec-22**
	US$'000	**US$'000**
Group		
At beginning of period/ year	190,661	197,147
Acquisition of oil and gas properties (Note 10)	–	22,520
Unwinding of discount	1,943	3,766
Provisions reversed during the year	–	(13,189)
Translation difference on consolidation	(15,795)	(19,583)
At end of period/ year	176,809	190,661
Comprising:		
Current	–	–
Non-current	176,809	190,661
	176,809	190,661

Decommissioning provisions

The decommissioning provision represents the present value of the cost of rehabilitating and decommissioning oil field assets and infrastructure such as wells, pipelines and processing facilities in Oman and Norway, which are expected to be incurred when operations are ceased. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which Management believes are a reasonable basis upon which to estimate future liability. These estimates, including discount rates, are reviewed regularly to take into account any material changes to the assumptions.

17. Provisions (continued)

Decommissioning provisions (continued)

However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

In 2022, as part of the Group's regular review, provisions were revised following the establishment and commencement of the planned drilling programmes in Oman and Norway. Accordingly, the provisions decreased by US$13,189,000 with a corresponding decrease in decommissioning receivables of US$18,679,000 and increase in oil and gas properties of US$5,490,000 (Note 10).

18. Contingent liability

(a) Legal claims

<u>Masirah Oil Ltd</u>

On 5 August 2021, Petroci Holding ("**Petroci**") filed a claim against the Company's subsidiaries, Rex Oman Limited ("**Rex Oman**"), Masirah Oil Limited ("**MOL**"), and certain past and present directors of MOL in the High Court, Commercial Division of the British Virgin Islands, in connection with the alleged conduct of MOL's affairs, which led to a dilution of Petroci's interest in MOL as a partner and minority shareholder.

Management has considered the above claims and allegations and are of the view that these claims and allegations against Rex Oman and MOL are frivolous, baseless and unmeritorious. Management does not expect any material financial impact from the claim.

(b) Guarantee

<u>KUFPEC Norway AS</u>

The Company (hereinafter referred to as the "**Guarantor**", as a primary obligor and not merely as a surety) had provided a parent company guarantee to KUFPEC Norway AS ("**KUFPEC**") (hereinafter referred to as "**Seller**") to guarantee to the Seller that Lime Petroleum AS (hereinafter referred to as "**Buyer**") will perform the Guaranteed Obligations and shall comply with the terms and conditions of the Decommissioning Security Agreement ("**DSA**").

The Guarantor undertakes to pay to the Seller, within seven days upon written demand of the Seller stating that the Buyer has failed to pay any amount due and payable to the Seller under the DSA, such amount due and payable.

The Guarantor further undertakes to hold the Seller whole for any taxes that the Seller has to pay on any amount paid to the Seller under this Guarantee.

The Guarantor further undertakes, upon the request of the Seller, to immediately perform any Guaranteed Obligations not performed by the Buyer or procure that such Guaranteed Obligations are performed by a third party.

18. Contingent liability (continued)

(b) Guarantee (continued)

Jack-Up Barge Operations B.V.

On 6 March 2020, the Company provided a parent guarantee to Jack-Up Barge Operations B.V. ("**JUB**") to guarantee the duties, undertakings and obligations or discharge any or all of its liabilities under or pursuant to a charter party dated 30 December 2019 entered into by MOL for the charter of self-elevating platform "JB114" with JUB. The parent guarantee to JUB had been released and discharged on 20 June 2022.

Ministry of Petroleum and Energy

The Company had provided a parent company guarantee to the Ministry of Petroleum and Energy on basis of the Norwegian Petroleum Act. Under the Norwegian Petroleum Act, the Company undertakes financial liability as surety for obligations that may arise from exploration for and exploitation of subsea natural resources on the Norwegian Continental Shelf ("**NCS**") and any liability, including liability for any recovery claim, which may be imposed under Norwegian law for pollution damage and for personal injury.

Management believes that the Group and the operators of its licences in NCS are in compliance with current applicable environmental laws and regulations and hence does not consider it probable that a claim will be made against the Company under the guarantee.

19. Subsequent events

On 28 July 2023, the Company's wholly owned subsidiary Moroxite Holding Pte. Ltd. ("**MHPL**") entered into an addendum to the conditional share purchase agreement dated 30 December 2022 (the "**Agreement**") with Moroxite AB ("**MA**"), to amend certain terms and conditions of the Agreement (the "**Addendum**") in relation to the purchase of the shares of Moroxite T AB ("**Moroxite T**").

Under the terms of the Addendum, MHPL, being the purchaser, has agreed to the transfer of a 30% shareholding interest in Moroxite T back to MA, the vendor. Such transfer constitutes a partial reversal of the initial transfer of 100% shareholding interest to MHPL. MA has since refunded SEK0.30 (approximately US$0.03) to MHPL for the transfer of the 30% shareholding interest in Moroxite T by MHPL to MA.

Following from this, the consideration to purchase 70% of issued share capital of Moroxite T, comprising 700 shares, is at a nominal consideration of SEK 0.70 (approximately US$0.07), with a commitment to invest up to an additional SEK 43.2 million (approximately US$4.12 million), subject to the fulfilment of certain conditions. Please refer to the announcements dated 30 December 2022, 28 July 2023 and 4 August 2023 for further details.

F. Other information required by Listing Rule Appendix 7.2

1. Audit or review

The condensed consolidated statement of financial position of Rex International Holding Limited and its subsidiaries as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of performance of the Group

Consolidated Statement of Comprehensive Income

Revenue from sale of crude oil increased to US$106.92 million in 1H FY2023, from US$99.45 million for the six-month period ended 30 June 2022 ("**1H FY2022**"). The increase in revenue was due to an increase in the volume of oil lifted and sold from the Yumna Field in Oman and the inclusion of oil liftings from the Yme Field in Norway (the acquisition of which was completed on 31 December 2022). The increase in revenue was partially offset by a decrease in the volume of oil lifted and sold from the Brage Field in Norway in 1H FY2023, due to unforeseen production stoppages arising from technical issues and power outage.

Production and operating expenses increased to US$43.56 million in 1H FY2023, from US$33.61 million in 1H FY2022, mainly due to the inclusion of production costs from the Yme Field in Norway.

Depletion of oil and gas properties increased to US$22.40 million in 1H FY2023, from US$17.32 million in 1H FY2022, as a result of an increase in volume of oil lifted and sold.

Exploration and evaluation ("**E&E**") expenditure decreased to US$6.91 million in 1H FY2023, from US$10.59 million in 1H FY2022, mainly due to a decrease in recognition of impairment loss on E&E assets. The Group recognised impairment loss of US$5.25 million with respect to E&E assets in Oman as one of the exploration wells was deemed non-commercial. Comparatively, the Group recognised impairment loss of US$8.75 million with respect to E&E assets in Norway, as a result of relinquishment of licences in Norway in 1H FY2022.

Administrative expenses increased to US$13.72 million in 1H FY2023, from US$11.87 million in 1H FY2022, mainly due to an increase in payroll-related expenses in Norway, as a result of an increase in headcount, as well as bonus-related payouts and an increase in professional fees for the Group.

Other expenses of US$0.44 million recorded in 1H FY2023 were negligible as compared to the US$2.99 million recorded in 1H FY2022, owing to poor performance in the bond and equity markets.

Finance income increased to US$1.03 million in 1H FY2023 from US$0.10 million in 1H FY2022, due to better performance in the bonds and equity markets.

Finance expenses increased to US$11.29 million in 1H FY2023 from US$4.43 million in 1H FY2022, due to funds raised in 1H FY2023 through the tap mechanism of a subsidiary's existing bonds in Norway.

Net foreign currency exchange loss increased to US$1.31 million in 1H FY2023 from US$0.12 million in 1H FY2022, due to the weakening of the Norwegian Kroner against the United States dollar in 1H FY2023.

Net tax expense decreased to US$4.45 million in 1H FY2023 from US$12.83 million in 1H FY2022, mainly due to recognition of higher refundable tax arising from exploration costs incurred in Norway.

As a result of the aforementioned, the Group recorded net profit after tax of US$3.69 million in 1H FY2023, as compared to US$6.04 million in 1H FY2022.

Statement of Financial Position

Non-current assets of the Group decreased to US$419.13 million as at 30 June 2023, from US$427.96 million as at 31 December 2022. The increase was mainly due to the recognition of impairment loss on E&E assets in Oman of US$5.25 million in 1H FY2023 and a decrease in goodwill arising from foreign currency translation loss on consolidation, as a result of the weakening of the Norwegian Kroner against the United States dollar.

Inventories remained consistent at US$13.08 million as at 30 June 2023 and US$13.73 million as at 31 December 2022.

Current trade and other receivables of the Group increased to US$122.82 million as at 30 June 2023, from US$88.06 million as at 31 December 2022, largely due to an increase in trade receivables from the sale of crude oil in Oman, as the last oil lifting in 1H FY2023 was done towards the end of June 2023.

Quoted investments decreased to US$22.13 million as at 30 June 2023, from US$23.04 million as at 31 December 2022, due to the disposal of quoted investments in 1H FY2023.

Total current and non-current loan and borrowings increased to US$112.09 million as at 30 June 2023, from US$91.95 million as at 31 December 2022, due to funds raised through the tap mechanism of LPA's existing senior secured bonds.

Decommissioning provisions decreased to US$176.81 million as at 30 June 2023 from US$190.66 million as at 31 December 2022, due to foreign currency translation loss on consolidation, as a result of weakening of the Norwegian Kroner against the United States dollar.

Deferred tax liabilities increased to US$77.14 million as at 30 June 2023 from US$66.89 million as at 31 December 2022, due to additions to oil and gas properties and exploration and evaluation assets in Norway.

Total current and non-current lease liabilities increased to an aggregate of US$1.77 million as at 30 June 2023, from US$1.05 million as at 31 December 2022, due to the recognition of additional right-of-use assets and their corresponding lease liabilities in 1H FY2023.

Trade and other payables decreased to US$76.84 million as at 30 June 2023 from US$129.54 million as at 31 December 2022, largely due to settlement of deferred consideration payable of US$29.51 million from the acquisition of the Yme Field and settlement of outstanding accrued production costs in relation to production activities in both Norway and Oman.

Working capital increased to US$102.80 million as at 30 June 2023 from US$96.69 million as at 31 December 2022, mainly due to the increase in crude oil revenue in 1H FY2023.

Statement of Cash Flows

As at 30 June 2023, the Group's cash and cash equivalents and quoted investments totalled US$75.49 million (31 December 2022: US$138.80 million); with cash and cash equivalents at US$53.36 million (31 December 2022: US$115.76 million); and quoted investments at US$22.13 million (31 December 2022: US$23.04 million).

The Group reported net cash used in operating activities of US$42.26 million in 1H FY2023, after accounting for movements in working capital. This was primarily due to 1) an increase in production and operating expenses in Norway, 2) an increase in administrative and other operational expenses incurred in relation to the Group's business, and 3) settlement of deferred consideration of US$29.51 million in relation to the acquisition of Yme Field.

Net cash used in investing activities of US$35.66 million in 1H FY2023 was mainly attributable to 1) additions to oil and gas properties of US$29.32 million, 2) exploration and evaluation expenditure of US$8.23 million, 3) purchase of quoted investments of US$18.08 million and 4) purchase of property, plant and equipment of US$0.76 million. The net cash used in investing activities was also partially offset by proceeds from the disposal of quoted investments of US$19.01 million and interest received of US$1.03 million.

Net cash generated from financing activities of US$13.86 million in 1H FY2023 was mainly due to proceeds from the issuance of secured bonds by a subsidiary of US$30.05 million, which was partially offset by 1) transaction costs of US$0.99 million paid in relation to the issuance of secured bonds by a subsidiary; 2) interest payment of US$9.96 million; and 3) dividends paid to the owners of the Company of US$4.84 million.

As a result of the aforementioned, the Group recorded an overall net decrease in cash and cash equivalents of US$64.06million in 1H FY2023.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

Brent crude oil opened the year at US$81.87[1] a barrel as at 3 January 2023 and remained relatively stable during the first four months, mostly registering prices above US$80.00 a barrel. On 3 May 2023, Brent crude oil dropped to US$70.89 a barrel, its lowest during the first half of 2023, following concerns on US debt default and further rate hikes.[2] Against weak prospects in China and the US, Brent crude oil was mostly range bound at around US$70.00 a barrel during the second quarter of 2023 and closed at US$74.68 a barrel as at 30 June 2023. As at 4 August 2023, Brent crude oil was around US$84.69 a barrel.

Oil markets are expected to tighten, according to the International Energy Agency (IEA), with demand set to outstrip supply for the rest of 2023. Despite oil demand expecting to reach a record high, economic headwinds and interest rate hikes will hold back growth slightly as IEA halved the oil demand growth next year to 1.10 million bpd.[3] The Organization of the Petroleum Exporting Countries (OPEC) however, raised its 2024 demand growth to 2.25 million bpd on increasing oil consumption as China's economy improves. To support the market, OPEC and its allies, OPEC+ have extended supply curbs into 2024.[4]

In Norway, production at the Brage Field production is expected to be stable, with a high uptime and at a higher rate in the second half of the year, due a new successful oil producer which came on stream in May, earlier than planned. Another new producer is expected to start production in mid-September.

At the Yme Field, production had also been stable and with a high uptime in June. Only oil is sold from the Yme Field as the produced gas is being used for production operations and re-injected into reservoirs for improved oil recovery. A new producer well has been drilled and is being prepared for completion.

In Oman, production from the Yumna Field remained steady in the first half of 2023, after technical issues that occurred in 2022 were resolved. The production rates in the first half of 2023 (averaging about 4,800 stb/d from January to June 2023) were lower than before the change-outs of the tanker and the Mobile Offshore Production Unit in 2022, consistent with the natural progression of production wells i.e. the volume of oil produced will decline while the volume of water will increase as a producing well progresses towards its end of life. The production total liquid capacity is also limited by the production equipment size. To maintain a certain level of oil production volume, more producer wells are drilled over time to compensate for the lower oil production in the earlier producer wells. The Group will share updates on new workover and drilling plans when these have been finalised and approved by the authorities.

The Group is actively seeking solutions to restart production at the Yumna-3 well, which encountered an unplanned shutdown on 29 June 2023 due to an electrical failure of the Electrical Submersible Pump (ESP).

The Group will update shareholders whenever there are material developments to its operational plan.

Footnotes:

1 FactSet data
2 Business Times, Oil slumps 5% to five-week low amid US debt default fears, 3 May 2023
3 Reuters, Oil markets set to tighten, economic headwinds to hit growth, IEA says, 13 July 2023
4 Reuters, OPEC sees 2.2% oil demand growth in 2024 despite headwinds, 13 July 2023

5. Dividend information

5a. Current financial period reported on

Any dividends recommended for the current financial period reported on? No.

5b. Corresponding period of the immediate preceding financial year

Any dividends declared for the corresponding period of the immediate preceding financial year? No.

5c. Date payable

Not applicable.

5d. Books closure date

Not applicable.

5e. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No interim dividend has been declared or recommended for the Company for 1H FY2023 as the Board of Directors has decided to continue evaluating the Group's financial results, and the declaration or recommendation of the dividends will only be determined at the end of the financial year ending 31 December 2023.

6. Interested person transactions ("IPT")

The Group has not obtained a general mandate from shareholders for IPTs. There were no IPTs of S$100,000 or more in 1H FY2023.

7. Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that undertakings have been procured from the Board of Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual

8. Use of proceeds pursuant to Rule 704(30)

The Company had on 6 November 2013, completed a placement of 70 million new ordinary shares at an issue price of S$0.755 per share (the "**2013 Placement**"), raising net proceeds of S$50.87 million (after deducting placement expenses of S$1.98 million). As at the date of this announcement, the Company had utilised all the 2013 Placement proceeds except for a part of the amount allocated to the share buyback mandate of S$5.96 million.

The Company had utilised S$0.99 million in relation to the share buyback exercise as at the date of this announcement, and the ending balance of the amount allocated to the share buyback mandate as at 30 June 2023 and the date of this announcement, was S$4.97 million.

9. Use of funds/ cash by mineral, oil and gas companies pursuant to Rule 705(6)

<u>Actual use of funds/ cash</u>

	Three Months Ended 30-Jun-23 US$'000
Production and exploration activities in Oman	9,202
Production and exploration activities in Norway	31,469
Exploration and drilling activities in Malaysia	318
General working capital	2,600
Total	**43,589**

In the three-month period ended 30 June 2023 ("**2Q FY2023**"), US$9.20 million and US$31.47 million were used for production and exploration related activities in Oman and Norway respectively. US$0.32 million was used for the exploration and drilling activities in Malaysia. US$2.60 million was used for the Singapore and Rex Technology offices' staff costs, operational expenses, as well as consultancy and professional fees.

The actual amount of funds used for production and exploration related activities in Oman in 2Q FY2023 was US$1.57 million lower than the projected amount in the previous quarter ended 31 March 2023 ("**1Q FY2023**"), due to the postponement of the installation of additional flowline till September 2023 as a result of bad weather conditions, and slow progress in the geological and geophysical (G&G), reservoir and development studies.

The actual amount of funds used for production and exploration activities in Norway in 2Q FY2023 was US$8.53 million lower than the projected amount in 1Q FY2023, due to the delay in drilling of Yme Field, as a result of the repairs of existing wells and a faulty pump.

The actual amount of funds used for exploration and drilling activities in Malaysia in 2Q FY2023 was US$0.42 million lower than the projected amount in 1Q FY2023, due to a delay in the work programme.

The actual amount of funds used for general working capital was US$0.87 million lower than the projected amount in 1Q FY2023, due to a delay in bonus pay-out to certain directors of the Company, and lower actual professional fees and staff related costs.

The total actual use of funds for 2Q FY2023 amounted to US$43.59 million, which was US$11.38 million lower than the projected amount in 1Q FY2023.

Projection on the use of funds/ cash

	Three Months Ending 30-Sep-23 US$'000
Production and exploration activities in Oman [(1)]	9,901
Production and exploration activities in Norway [(2)]	36,157
Exploration and drilling activities in Malaysia [(3)]	243
General working capital [(4)]	2,658
Total	**48,959**

Footnotes:

(1) For capital expenditure in relation to drilling of Yunma-4, and production costs in relation to the production activities in Oman

(2) For continuous drilling in the Yme and Brage Field to increase production in Norway

(3) For geotechnical, geophysical and rig positioning services, and operational expenses in the Malaysia office

(4) For operational expenses in the Singapore and Rex Technology offices

12. Pursuant to Rule 705(7) - Details of exploration (including geophysical surveys), development and/or production activities undertaken by the issuer and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated

In 2Q FY2023, the Group incurred US$9.20 million and US$31.47 million for production and exploration related activities in Oman and Norway respectively. US$0.32 million was used for exploration and drilling activities in Malaysia.

Production from the Yumna Field in Oman, the Brage Field and the Yme Field in Norway are ongoing. Exploration activities in Malaysia are in progress for the pre-development phase of the Rhu-Ara and the Diwangsa Clusters in Malaysia.

Details of variances from previous projections are set out in paragraph 11 above.

13. Negative Confirmation by the Board pursuant to Rule 705(5) and Rule 705(6) of the Listing Manual.

On behalf of the board of directors (the "**Board**") of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board which may render the condensed interim financial statements for 1H FY2023 and the above information provided to be false or misleading in any material aspect.

BY ORDER OF THE BOARD OF
Rex International Holding Limited

Dan Broström
Executive Director and Chairman

Heng Su-Ling Mae
Independent Director

11 August 2023