Eneco Energy Limited
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200301668R)

QUALIFIED OPINION BY INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “Board”) of Eneco Energy Limited (“Company”, and together with its subsidiaries, the “Group”) wishes to announce that the Company’s Independent Auditor, Foo Kon Tan LLP has issued a Qualified Opinion in their report (the “Independent Auditor’s Report”) on the audited financial statements of the Group for financial year ended 31 December 2019 (“FY2019”) (the “Audited Financial Statements”).

A copy of the Independent Auditor’s Report, together with the extract of the relevant Notes to the Audited Financial Statements, are annexed to this announcement. The Independent Auditor’s Report and the Audited Financial Statements will form part of the Company’s 2019 Annual Report.

Shareholders are advised to read the full Audited Financial Statements contained in the 2019 Annual Report, which will be announced to SGXNet and made available on the Company’s website in due course.

By Order of the Board
ENECO ENERGY LIMITED

Colin Peter Moran
Chief Executive Officer and Executive Director
29 May 2020

Independent Auditor's Report
To the members of Eneco Energy Limited

Report on the Audit of the Financial Statements

Qualified Opinion
We have audited the accompanying financial statements of Eneco Energy Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and the Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

1. Amount due from a broker

   As disclosed in the Basis for the Disclaimer of Opinion issued in the audited financial statements of the Company for the financial year ended 31 December 2018, Ramba Energy West Jambi Ltd ("REWJ"), a wholly-owned subsidiary of the Company, who is also the contractor to the West Jambi concession (the "Concession"), was required to furnish a banker's guarantee to the concession holder in order to secure the extension of the exploratory permit for the Concession which had expired in FY 2017. The ex-Chief Executive Officer and ex-Executive Director who is also the substantial shareholder of the Company had withdrawn $3.88 million (equivalent to US$2.83 million) (the "Queried Payment") from another subsidiary's bank account which was then advanced to the broker to secure the banker's guarantee in favour of REWJ. The amount was initially recorded as an amount due from the broker and management subsequently made full impairment allowance on the amount after queries were raised about its recoverability. The predecessor auditors of the Company noted inconsistencies in the explanations and documents provided and were unable to obtain satisfactory audit evidence or explanations to ascertain the commercial rationale of such arrangement, and the nature, existence and recoverability of the amount. Accordingly, the predecessor auditors were unable to determine whether the payment was appropriately accounted for, presented, disclosed and whether the allowance recorded against the carrying amount was appropriate. The predecessor auditors have also reported their concerns on this matter to the Audit Committee ("AC") of the Company.

   On 10 September 2019, the AC appointed an independent reviewer, to review, inter alia, the circumstances surrounding the Queried Payment to the broker and the Group's corporate governance and internal controls related to the queried payment.

   As at the date of this audit report, the review by the independent reviewer is still ongoing. Accordingly, the matter arising remains unresolved.

Independent Auditor's Report
To the members of Energy Energy Limited (Cont'd)

Basis of Qualified Opinion (Cont'd)

2. Access to accounting information of a joint arrangement

In September 2017, the Group through its 80.4%-owned subsidiary, PT Hexindo Gemilang Jaya ("PT Hexindo"), entered into an agreement to farm-out a 15% participating interest in Lemang Production Sharing Contract ("Lemang PSC") which included a call option granted by the Group to farm-out another 6% participating interest in Lemang PSC to Mandala Energy Lemang Pte. Ltd. ("Mandala"). The Group completed the initial farm-out of the 15% participating interest in Lemang PSC to Mandala in July 2018. Mandala subsequently exercised the call option to acquire the other 6% participating interest in Lemang PSC from PT Hexindo in July 2019.

As at 31 December 2019, PT Hexindo and Mandala each own 10% and 90% participating interests, respectively, in the Lemang PSC. PT Hexindo continues to be in dispute with Mandala over its claim of the net funding cap balance of $4.5 million (equivalent to US$3.3 million) arising from the sale of the 6% participating interest to Mandala in July 2019 as disclosed in Note 9 to the financial statements.

Mandala, being the operator of the Lemang PSC Block, continues to issue default notices to PT Hexindo for failure to meet the cash call obligations since October 2019. Arising from this ongoing dispute, the Group's management has not been furnished with the monthly statement of accounts of the Lemang PSC since September 2019 which are maintained by Mandala.

PT Hexindo recognises its interest in Lemang PSC in accordance with the accounting treatment of a joint operation under SFRS(I) 11 – *Joint Arrangements*. The auditors of PT Hexindo ("component auditors") were unable to gain access to the audit work papers of the auditors of Mandala. Accordingly, the component auditors were unable to perform and complete their audit procedures to obtain sufficient and appropriate audit evidence over the financial statements of PT Hexindo for the financial year ended 31 December 2019.

3. Provision for legal claim

As disclosed in Note 16(D) to the financial statements, PT Hexindo has entered into a legal settlement with Super Power Enterprise Group Ltd ("SPE") whereby it agreed to pay US$10 million to SPE by way of assigning the proceeds from future sale of oil and gas from the Lemang PSC Block, subject to carve out provisions that allow PT Hexindo to first repay the other existing obligations identified to SPE, namely the repayment of advances from a joint venture partner and the loans and borrowings due to a third party. As at 31 December 2018, the Group has recorded a provision for legal claims measured at amortised cost amounting to $6.9 million (equivalent to US$5.1 million) which was based on a cashflow projection of Lemang PSC obtained from Mandala.

As at 31 December 2019, management did not receive the cashflow projection of Lemang PSC from Mandala for the forecast period. Accordingly, we were unable to perform and complete our audit procedures to obtain sufficient and appropriate audit evidence over the completeness and accuracy of the provision for legal claim as at 31 December 2019.

Independent Auditor's Report
To the members of Eneco Energy Limited (Cont'd)

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We were unable to obtain sufficient appropriate evidence about the matters as described in the Basis for Qualified Opinion section above. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. <u>Going concern assumption</u>

Note 2 to the financial statements provides more information on the going concern basis of preparation of the financial statements, and the material uncertainty which casts doubt on the ability of the Group and the Company to continue as a going concern.

As disclosed in Note 21 to the financial statements, a third party has granted a US$10 million loan facility (the "Facility"), of which US$6.75 million has been disbursed, bearing an effective interest of 15% per annum, to the Group's wholly-owned subsidiary, Ramba Energy Lemang Ltd ("RELL") in FY 2015. The Facility was for working capital needs in relation to the exploration and development activities of the Group.

As at 31 December 2019, $11.7 million (equivalent to US$8.7 million), which included the loan principal bearing an effective interest of 15% per annum, interest, default interest and marketing fees was outstanding. The loan is repayable over 24 instalments commencing from January 2019 with final repayment in December 2020. The Facility is currently secured by a fixed charge over the subsidiary's operating accounts, a share charge over the Group's equity share in RELL, a corporate guarantee by the Company and a personal guarantee provided by a related party of the controlling shareholder. Since February 2019, the Group has temporarily suspended the repayment of the loan principal and related interest and marketing expenses to the said third party as discussions with the third party in respect of the restructuring of the loans are still ongoing. Accordingly, the Group and the Company are in breach of the loan covenants as at 31 December 2019.

Independent Auditor's Report
To the members of Eneco Energy Limited (Cont'd)

Key Audit Matters (Cont'd)

1. Going concern assumption (Cont'd)

On 3 December 2019, the Singapore Exchange Securities Trading Limited ("SGX-ST") notified the Company that it has been placed on the Watch-list due to 3 consecutive years' losses with effect from 4 December 2019. The Company will have to fulfil the requirements under Rule 1314 of the SGX-ST Listing Manual ("Listing Manual") for its exit from the Watchlist within 36 months from 4 December 2019, i.e. by 3 December 2022, failing which SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delist the Company.

On 9 March 2020, the Company requested a voluntary suspension pursuant to Rule 1303(3) of the Listing Manual, pending the satisfactory conclusion and resolution of the issues raised by the Company's auditors in connection with its ability to operate as a going concern. Arising from this voluntary suspension of the Company's shares, the Company may have difficulty to raise fresh funds to meet the various operational cashflows needs through fund raising options.

Management's basis for preparing the financial statements on a going concern basis as at 31 December 2019 is provided in Note 2, including the fact that the Group (i) managed to enter into a standstill and settlement agreement with the third party on 12 May 2020, which will eventually result in the full and final settlement of the outstanding loan and the release of the corporate guarantee extended by the Company and (ii) a subsidiary of the Company has been offered a working capital loan of $3 million from a major financial institution on favourable terms subsequent to the balance sheet date.

Our response and work performed:

We evaluated management's assessment of the Group's and the Company's ability to continue as a going concern, relying on the sources of liquidity and funding available to the Group and the Company and more importantly, the conclusion and crystallisation of the standstill and settlement agreement with the third party. We challenged management on the key assumptions used in the cash flows forecasts for the next 12 months from the balance sheet date. We also assessed if these forecasts are reasonable by performing sensitivity analysis on the forecasts by considering potential downside scenarios and the resultant impact on available funds. We have also considered the liquidity and recoverability of existing financial and non-financial assets on the balance sheet date.

Furthermore, we have obtained the legal confirmation and held discussion with the Company's legal counsel to assess the probability of crystallisation of the Group's contingent liabilities as disclosed in Notes 16 and 34 to the financial statements that may possibly have an adverse impact on the Group's and the Company's ability to continue as a going concern. In addition, we have sighted to the letter of offer extended by the financial institution.

Disclosure of the pertinent information has also been set out in Note 2 to the financial statements.

Independent Auditor's Report
To the members of Eneco Energy Limited (Cont'd)

Key Audit Matters (Cont'd)

2. Classification and valuation of asset held-for-sale

On 17 January 2020, the Company announced the appointment of RISC A&D Pty Ltd ("RISC") as an advisor to the Group to package, market and sell its 100% participating interest in West Jambi Kerja Sama Operasi ("West Jambi KSO" or the "Asset") located in South Sumatra, Indonesia. The West Jambi KSO is wholly owned by REWJ. Management has obtained the Board's approval in December 2019 to proceed with the appointment of RISC to market the Asset (the "Transaction").

SFRS(I) 5 – *Non-current Assets Held for Sale and Discontinued Operations* requires management to measure the Asset in accordance with SFRS(I) 1-36 – *Impairment of Assets* immediately before the initial classification of the Asset classified as "held-for-sale". Management has recorded a full impairment loss amounting to $17.2 million (equivalent to US$12.6 million) since the exploratory permit for the concession of the Asset had already expired and management has not furnished the banker's guarantee to the concession holder. Furthermore, management has not obtained the required approval on the new work commitments from the concession holder as at the balance sheet date.

We considered the accounting treatment of the abovementioned transaction in the financial statements as a key audit matter because of the significance of the Asset and the appropriate application of SFRS(I) 5, specifically whether (i) the classification of the Asset is made in accordance with the requirements of SFRS(I) and (ii) the measurement of the Asset at the lower of fair value less costs to sell or their carrying amount.

Our response and work performed:

We have reviewed the minutes of Board's meetings to evaluate and determine the appropriate accounting treatment of the Transaction in accordance with SFRS(I) 5. We read the engagement letter entered between the Company and RISC on the proposed disposal of the Asset. We inquired with management and RISC to obtain an understanding of the bases and considerations taken by RISC in arriving at the fair value less costs to sell of the Asset. We have considered the fact that the concession of the Asset had already expired and the Group has not furnished the required banker's guarantee to the concession holder.

Disclosure of the pertinent information has been set out in Notes 7 and 12 to the financial statements.

3. Recoverability of an amount due from Mandala

As highlighted in the preceding paragraphs, the Group continues to be in dispute with Mandala over the Group's claim of $4.5 million (equivalent to US$3.3 million) in respect of the net proceeds receivable after deducting funding cash calls from the disposal of an additional 6% participating interest in Lemang PSC Block to Mandala in July 2019 while Mandala continues to assert that the Group's legal position is not supported by the provisions as set out in the Farm In Agreement. Given the uncertainties and the potential downside that the Group may face in its pursuit to recover the outstanding amount, management recorded a full impairment loss of $4.5 million (equivalent to US$3.3 million) in the statement of comprehensive income for the financial year ended 31 December 2019.

Independent Auditor's Report
To the members of Eneco Energy Limited (Cont'd)

Key Audit Matters (Cont'd)

3. <u>Recoverability of an amount due from Mandala (Cont'd)</u>

Impairment losses have been determined in accordance with SFRS(I) 9 – *Financial Instruments*, which is now based on expected credit loss ("ECL") model. This area was a key audit matter due to the amounts involved, as well as the inherent subjectivity that was involved in judgement made by the Group in relation to assumptions used in the ECL model.

Our response and work performed:

We obtained and read the legal advice furnished by the Company's legal counsel in respect of his assessment on the merits of the legal suit and inquired with the Board and the management on their assessment and considerations over the costs and benefits and assessed the probability of recovering the amount due from Mandala.

Disclosure of the pertinent information has been set out in Note 9 to the financial statements.

Other Matter

The financial statements for the financial year ended 31 December 2018 were audited by another firm of auditors whose report dated 10 June 2019 expressed a disclaimer of opinion on those financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Independent Auditor's Report
To the members of Eneco Energy Limited (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report
To the members of Eneco Energy Limited (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Kong Chih Hsiang Raymond.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore
29 May 2020

2 Going concern

The Group has incurred loss before income tax and total comprehensive loss of $26.8 million and $26.3 million (FY 2018 - $44.7 million and $40.0 million), respectively, for the financial year ended 31 December 2019. As at 31 December 2019, the Group reported a deficit in equity of $22.0 million and current liabilities have exceeded current assets by $26.4 million (FY 2018 - $11.4 million).

As disclosed in Note 21 to the financial statements, a third party has granted a US$10 million loan facility (the "Facility"), of which US$6.75 million has been disbursed, bearing an effective interest of 15% per annum, to the Group's wholly-owned subsidiary, Ramba Energy Lemang Ltd ("RELL") in FY 2015. The Facility was for working capital needs in relation to the exploration and development activities of the Group.

As at 31 December 2019, $11.7 million (equivalent to US$8.7 million), which included the loan principal bearing an effective interest of 15% per annum, interest, default interest and marketing fees was outstanding and is repayable over 24 instalments commencing from January 2019 with final repayment in December 2020. The Facility is currently secured by a fixed charge over the subsidiary's operating accounts, a share charge over the Group's equity share in RELL, a corporate guarantee by the Company and a personal guarantee provided by a related party of the controlling shareholder. Since February 2019, the Group has temporarily suspended the repayment of the loan principal and related interest expense to the said third party as discussions with the third party in respect of the restructuring of the loans are still ongoing. Accordingly, the Group and the Company are in breach of the loan covenants as at 31 December 2019.

On 3 December 2019, the Singapore Exchange Securities Trading Limited ("SGX-ST") notified the Company that it has been placed on the Watch-list due to 3 consecutive years' losses with effect from 4 December 2019. The Company will have to fulfil the requirements under Rule 1314 of the SGX-ST Listing Manual ("Listing Manual") for its exit from the Watchlist within 36 months from 4 December 2019, i.e. by 3 December 2022, failing which SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delist the Company.

On 9 March 2020, the Company requested a voluntary suspension pursuant to Rule 1303(3) of the Listing Manual, pending the satisfactory conclusion and resolution of the issues raised by the Company's auditors in connection with its ability to operate as a going concern. Arising from this voluntary suspension of the Company's shares, the Company may have difficulty to raise fresh funds to meet the various operational cashflows needs through fund raising options.

Notwithstanding these conditions, the directors are of the view that the preparation of the financial statements on a going concern basis remains appropriate based on the following considerations:

1. The Group and the Company will remain a going concern so long as the loan previously entered with a third party can be restructured. On 12 May 2020, the Board announced the completion of the standstill and settlement agreement entered with the third party and on completion, it will result in a full and final settlement of the outstanding loan due to the third party and the release of corporate guarantee previously extended by the Company;

2. The Group's logistics segment in both Singapore and Indonesia is able to generate sufficient cash flows and the deficiencies in the Group's net assets and net current assets arose solely from the Group's oil and gas segment, domiciled in Indonesia. The Board is of the view that the Group's shareholdings in the entities which own the various oil and gas assets in Indonesia, are ringfenced through multiple layers of shareholdings and would not have an impact to the viability of the Company's financial position in the event of contingent or actual legal claims by third party creditors against these entities;

2 Going concern (Cont'd)

3. A wholly-owned subsidiary of the Company has been offered a working capital loan of $3 million from a major financial institution on favourable terms subsequent to the balance sheet date.; and

4. Management has also considered various measures, which include but not limited to (a) the Jobs Support Scheme and its related enhancements, (b) waiver of monthly foreign worker levies due in April and May 2020 and levy rebates, and (c) enhanced rental waivers for industrial and office tenants of government agencies as announced in the Unity Budget on 18 February 2020, the Resilience Budget on 26 March 2020 and the Solidarity Budget on 6 April 2020 respectively.

The financial statements have been prepared on a going concern basis which contemplate the realisation of assets and the satisfaction of liabilities in the normal course of business. As described above, management has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group and the Company are unable to continue as a going concern, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities which may arise and to reclassify non-current assets and liabilities as "current assets" and "current liabilities" respectively. No such adjustments have been made to the financial statements of the Group and the Company in respect of these.

7 Investments in exploration and evaluation assets

Investments in exploration and evaluation assets refer to the participating rights in the oil and gas sharing contract, signature bonus and capitalised cost relating to the directly attributable overheads in the exploration and evaluation activities.

The Group	$'000
Cost	
At 1 January 2018	21,649
Farm-out of participating interests (Note 27)	(1,899)
Net exchange differences	514
At 31 December 2018	**20,264**
Farm-out of participating interests (Note 24)	**(1,119)**
Net exchange differences	**(306)**
At 31 December 2019	**18,839**
Accumulated amortisation and impairment loss	
At 1 January 2018	246
Amortisation during the year (Note 27)	289
Impairment loss recognised during the year (Note 27)	540
Net exchange differences	19
At 31 December 2018	**1,094**
Amortisation during the year (Note 27)	**74**
Impairment loss recognised during the year (Note (a) & (Note 27))	**17,199**
Net exchange differences	**(234)**
At 31 December 2019	**18,133**
Net book value	
At 31 December 2019	**706**
At 31 December 2018	19,170

As at 31 December 2018, the carrying amount included the Group's concessionary rights to West Jambi Kerja Sama Operasi ("West Jambi concession") located in South Sumatra, Indonesia, which is wholly owned by the Group, through its subsidiary, Ramba Energy West Jambi Limited. The exploratory permit for this concession has expired.

The details of the impairment loss recognised in FY 2018 are disclosed in Note 6 to the financial statements.

Note (a):
On 17 January 2020, the Company announced the appointment of an external party as an advisor to the Group to package, market and sell its West Jambi concession. Management has obtained the Board's approval in December 2019 to proceed with the appointment of the advisor to market the Asset.

As at 31 December 2019, management recorded a full impairment loss amounting to $17.2 million (equivalent to US$12.6 million) in respect of the carrying amount of the West Jambi concession since the exploratory permit for the West Jambi concession has already expired and management has not furnished the banker's guarantee to the concession holder. The West Jambi concession with a carrying amount of $Nil was transferred to "Assets held-for-sale" as at the balance sheet date. (Note 12).

9 Other receivables

	The Group		The Company	
	31 December 2019 $'000	31 December 2018 $'000	**31 December 2019 $'000**	31 December 2018 $'000
Non-current				
Value added tax receivables (Note A)	**5,592**	7,190	-	-
Other receivables	**9,008**	9,008	**-**	-
Impairment loss recognised	**(9,008)**	(9,008)	**-**	-
Other receivable, net (Note C)	**-**	-	**-**	-
	5,592	7,190	**-**	-
Current				
Amount due from subsidiaries (Note B)	-	-	**2,515**	3,512
Other receivables	**18,369**	13,892	**-**	-
Impairment loss recognised	**(18,369)**	(13,892)	**-**	-
Other receivable, net (Note C)	**-**	-	**-**	-
Refundable deposits	**578**	860	**1**	68
Sundry receivables	**532**	944	**14**	15
Disbursements due from customers	**19**	43	**-**	-
	1,129	1,847	**2,530**	3,595
Total other receivables	**6,721**	9,037	**2,530**	3,595
Comprises:				
Financial assets	**1,129**	1,847	**2,530**	3,595
Non-financial assets	**5,592**	7,190	**-**	-
	6,721	9,037	**2,530**	3,595

Note A:
It relates to reimbursable Value Added Tax ("VAT") receivable from the Indonesian tax authorities on oil and gas activities, which is reimbursable upon full recovery of the cost recovery pool.

Note B:
Amounts due from subsidiaries are non-trade in nature, unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash or offset against intercompany balances.

Note C: Other receivables that had been fully impaired
The Group's other receivables that are fully impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

The Group	**2019 $'000**	2018 $'000
Other receivables - nominal amounts	**27,322**	22,900
Allowance for doubtful other receivables		
Balance at beginning of year	**(22,900)**	(3,393)
Impairment loss recognised (Note 27)	**(4,533)**	(19,149)
Exchange differences	**111**	(358)
Balance at end of year	**(27,322)**	(22,900)
Net balance	**-**	-

9 Other receivables (Cont'd)

Note C: Other receivables that had been fully impaired (Cont'd)
As at 31 December 2019, the cumulative impairment losses provision in the statement of financial position amounting to $27.3 million (2018 - $22.9 million) recognised arose from the following:

Advances extended to a former joint venture partner (Non-current)

The advances extended to a former joint venture partner was non-trade in nature, unsecured and non-interest bearing. It was repayable from the sales proceeds of 60% of the joint venture partner's participating share of crude oil and natural gas. The advance to the former joint venture partner was classified as non-current, as repayment was not expected to be received within the next 12 months, based on the budgeted oil lifting and sales. The Group recorded a full allowance of $5,132,000 (equivalent to US$3,750,000) in the previous financial year.

Amount due from a broker (Non-current)

The amount due from a broker related to cash which has been placed as collateral with a broker to secure a bank guarantee in order to apply for the extension of the exploratory permit for West Jambi concession as mentioned in Note 7 to the financial statements. The Group has made full allowance of $3,876,000 (equivalent to US$2,832,000) for the amount due from the broker in the previous financial year.

Amounts due from a joint venture partner (Current)

In July 2019, the Group's subsidiary, PT Hexindo Gemilang Jaya ("PT Hexindo"), completed the farm-out of an additional 6% participating interest in Lemang PSC Block to a joint venture partner cum operator for a total consideration of $9.5 million (Note 24). The net proceeds receivable after deducting funding cash calls due from the joint venture partner amounted to $4,477,000 (equivalent to US$3,323,000) as at 30 September 2019. The Group continues to be in dispute with the joint venture partner over its claim in respect of the abovementioned proceeds receivable while the joint venture partner purported that the Group's legal claim is not supported by the provisions set out in the Farm In Agreement. Given the uncertainties and the potential downside that the Group may face in its pursuit to recover the outstanding amount, management recorded a full impairment loss of $4.5 million, after setting off the cash call payables of $0.52 million to the joint venture partner in the current financial year. In the previous year, the Group recognised a full allowance of $3,473,000 (equivalent to US$2,538,000) for the impairment loss on advances made to a joint venture partner of Ramba Energy Jatirarangon Limited.

Amounts due from/cash calls due from the NCI holder (Current)

In the previous financial year, the Group recognised a full allowance on a non-trade balance of $9,329,000 (equivalent to US$6,817,000) with a non-controlling interest ("NCI") holder of PT Hexindo.). The amount due from the NCI holder included a loan of US$6,600,000, bearing an interest rate of 10% per annum and repayable by February 2018.

Cash call advanced to a former joint venture partner (Current)

The amount was non-trade in nature, unsecured, non-interest bearing and expected to be repayable within the next twelve months. In the previous financial year, the joint venture partner had farmed out its participating interest in full. The Group recorded an impairment of $1,090,000 (equivalent to US$796,524) for the cash call advanced to the former joint venture partner.

All other receivables are denominated in the respective functional currencies of the entities in the Group.

12 Assets held-for-sale

On 17 January 2020, the Company announced the appointment of an independent third party as an advisor to the Group to package, market and sell its 100% participating interest in the West Jambi concession.

SFRS(I) 5 – *Non-current Assets Held for Sale and Discontinued Operations* requires management to measure the West Jambi concession in accordance with SFRS(I) 1-36 – *Impairment of Assets* immediately before the initial classification of the West Jambi concession classified as "assets held-for-sale". Accordingly, management has recorded a full impairment loss amounting to $17.2 million (equivalent to US$12.6 million) since the exploratory permit for the concession of the West Jambi concession had already expired and management has not furnished the banker's guarantee to the concession holder. Furthermore, management has not obtained the required approval on the new work commitments from the concession holder as at 31 December 2019.

16 Other payables

Note D: Sundry payables (Non-current)
As at 31 December 2019, sundry payables comprise (a) a legal claim of $1.9 million (equivalent to US$1.4 million) (2018: $2 million (equivalent to US$1.4 million) by Verona Capital Pty. Ltd and a legal settlement sum of $13.7 million (equivalent to US$10 million), payable to Super Power Enterprise Group Ltd ("SPE"), recorded at amortised cost of $6.9 million (2018 - $7.0 million) respectively.

The Group has incurred legal settlement sum of $4.2 million in the previous financial year. 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 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.

During that financial year, 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 21).

Eastwin has previously agreed to indemnify PT Hexindo against any claims from SPE arising from the substitution. As at 31 December 2019, the Group has not recognised the indemnity receivable on its statement of financial position due to uncertainty of recovery.

34 Contingencies

Contingent liabilities

(a) **Legal dispute**

On 30 September 2019, Mandala issued a cash call for 1 October 2019 to the Group's 80.4%-owned subsidiary, PT Hexindo Gemilang Jaya ("PT Hexindo"), being its share of the anticipated cash requirements for October 2019 under the terms of the Amended and Restated Joint Operating Agreement for the Lemang PSC Block dated 4 October 2015 ("JOA"). PT Hexindo did not pay this amount in view of the remaining net consideration receivable from Mandala upon farm out of its 6% participating interest.

On 10 October 2019, Mandala issued a Default Notice to PT Hexindo, declaring that the latter is in default under the JOA as a result of the non-payment. Mandala issued similar cash calls and Default Notices to PT Hexindo from November 2019 and thereafter. PT Hexindo did not pay similarly for the reason that there is a remaining net consideration receivable due from Mandala to PT Hexindo and the latter takes the position that any amount due under the cash calls should be offset against the amount due from Mandala to PT Hexindo.

Notwithstanding this, management has made full impairment loss on the receivable (See Note 9) and has accrued for the cash call payables up to 31 December 2019 (See Note 16). The Group is in communication with Mandala to find ways to resolve the disputes and in the meantime, neither Mandala nor the Group have commenced legal actions against one another.

(b) **Guarantees**

The Group has provided the following guarantees at the end of the reporting period.

(i) Guarantee to landlord on the rental obligation taken by subsidiaries of $703,000 (2018 - $834,000); and

(ii) Guarantee to a vendor and customers for a performance bond of $864,000 (2018 - $805,000).

(c) **Oil and gas operations**

The Group's oil and gas operations in Indonesia are subject to Indonesian laws and regulations governing the discharge of materials into the environment or otherwise relating to environment protection. These laws and regulations may require the acquisition of a permit before drilling commences, which may restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and require remedial measures to prevent pollution resulting from the Group's operations. The Government has imposed environmental regulations on oil and gas companies operating in Indonesia and in Indonesian waters. Operators are prohibited from allowing oil into the environment and must ensure that the area surrounding any onshore well is restored to its original state insofar as this is possible after the Operator has ceased to operate on the site.

Management believes that the Group and the Operator of the Block are in compliance with current applicable environmental laws and regulations.

34 Contingencies (Cont'd)

Contingent liabilities (Cont'd)

(d) **Operating hazards and uninsured risks**

The Group's oil and gas operations are subject to hazards and risks inherent in drilling for and production and transportation of natural gas and oil, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowouts, cratering, pipeline ruptures and spills, which can result in the loss of hydrocarbons, environmental pollution, personal injury claims and other damage to properties of the Group. Additionally, certain of the Group's oil and natural gas operations are located in areas that are subject to tropical weather disturbances, some of which can be severe enough to cause substantial damage to facilities and possibly interrupt production.

As protection against operating hazards, the Group maintains insurance against some, but not all potential losses. The Group's insurance coverage for its oil and gas exploration and production activities includes, but is not limited to, loss of wells, blowouts and certain costs of pollution control, physical damage to certain assets, employer's liability, comprehensive general liability, and automobile and worker's compensation insurance.