NauticAWT Limited

(Company Registration Number: 201108075C)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF NAUTICAWT ENERGY PTE. LTD.

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST")

The Board of Directors (the "**Board**") of NauticAWT Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the captioned subject, the announcement released by the Company on 18 February 2019 in respect of the same (the "**Announcement**"), and the earlier announcement released by the Company on 27 July 2018 in relation to the entry into a binding term sheet (the "**Term Sheet**") with respect to the proposed disposal of farm-in interest in Block VIIB, West Georgia with Qyrin Petroleum and the corresponding announcement released by the Company on 7 August 2018 setting out the response from the SGX-ST in respect of the Term Sheet (collectively, the "**Term Sheet Announcements**"), and appends its corresponding replies as follows.

Unless otherwise defined, capitalized terms used herein shall bear the same meaning ascribed to them as in the Announcement and the Term Sheet Announcements.

1. **Para 4.1 *"The consideration for the Proposed Disposal shall be the sum of US$1 (the "Consideration"), which shall be paid in cash."* – Why is the Consideration for the Proposed Disposal only at US$1 when the earlier Potential Disposal to QP was for a consideration of US$1.5 million (the "QP Consideration")? Was an independent valuation conducted to support the Consideration of US$1? Otherwise, how does the Board and Audit Committee ("AC") get comfort that the Proposed Disposal is entered into in the best interest of the Company?**

Subsequent to entering into the Term Sheet, QP did not exercise the option to purchase the Block VIIB which had been granted to QP as per terms set out in the Term Sheet (despite the Company having fulfilled the terms by delivering the "Letter of Support" on 20 December 2018 as required under the Term Sheet, where QP has the discretion to exercise or reject the option (as the case may be) for good reason acting reasonably and in good faith).

QP did not exercise the option granted under the Term Sheet before the original option expiry date and the Company had extended the option expiry date to 12 February 2019 (the "**Extended Expiry Date**") while negotiating with QP. However, the option was still not exercised by QP before the Extended Expiry Date. Accordingly, the Term Sheet had lapsed on 12 February 2019.

The SSA which the Company had entered into as mentioned in the Announcement was signed after taking into consideration the lapsing of the Term Sheet and lack of interest from potential buyers.

The Company had been carrying out minimal and limited work program activities at the Block VIIB PSC subsequent to the decision to dispose of this asset. Under the Block VIIB PSC requirement, the Company is obliged to meet certain minimum working program which requires

additional funding (including but not limited to capital investment). In negotiating for the Proposed Disposal, the Company had to also ensure that the new buyer will be willing to meet such requirements.

In addition to the cash consideration of US$1, the Purchaser also has to assume (i) the liabilities of approximately US$0.3 million at Georgia operations of Block VIIB PSC, and the (ii) US$0.16 million loan due to QP under the Term Sheet.

In order to maintain the Block VIIB PSC, the Company has to meet certain obligations including but not limited to substantial funding (including both capital expenditures and operational expenditures) to carry out the work program activities under the PSC. Furthermore, failure to maintain the terms of the PSC can incur a default resulting to termination of the Block VIIB PSC and potential penalties and liabilities arise from the termination.

Having taken into consideration the commercial difficulties arising from (i) the liabilities that the Purchaser has to assume, (ii) the net liabilities position of the Target as at 31 December 2018, and (iii) this asset had not been making any contributions to the financials of the Group since its acquisition in December 2016, the Company is of the view that the Proposed Disposal is in the best interest of the Group and its Shareholders in order to relieve the Group's financial burden.

As such, no independent valuation was conducted for the Proposed Disposal and in turn the Block VIIB PSC.

2. What caused the change in balance sheet position of the Target from a net book value of US$2.6 million in 30 Jun 2018 to a net liabilities position of US$3.2m in 31 Dec 2018?

The Company wishes to clarify that the net book value of US$2.6 million as announced on 7 August 2018 is the net book value of the Target's interests in Block VIIB PSC (the "**Block VIIB PSC asset**") as at 30 June 2018 which was recorded in the books of the Target. During the second half year ended 31 December 2018, there had been further cash injection of approximately US$0.1 million to the Block VIIB PSC asset for some minimal and limited work program activities.

Upon the lapsing of the Term Sheet, and the entering of the SSA, the Company had made an impairment of US$2.7 million to the entire Block VIIB PSC asset, which had resulted in a NIL net book value of this asset as at 31 December 2018.

Accordingly, the Target has a net liabilities position as at 30 June 2018 of US$0.4 million (before the impairment) and net liabilities position of US$3.0 million (after the impairment). The net liabilities position of the Target, as at 31 December 2018, is US$3.2 million.

3. What are the steps taken by the Company to demonstrate that the Proposed Disposal is the best offer that Company can fetch?

The Company had been in negotiations with third parties to dispose of the Block VIIB PSC asset since 2017, as disclosed accordingly in the Group's audited financial statements for FY2017. However, save for the offers from QP and the Purchaser, the Company had received no other reasonable offers.

4. How much funds has the Company paid for the investment in Block VIIB and Block VIIB PSC thus far?

The Company had incurred an aggregate of US$2.7 million as of 31 December 2018, of which US$1.2 million was in relation to the acquisition of 50% farm-in interest of the Block VIIB PSC from Vectra (the "**Acquisition**").

In order to boost the production, upon the Acquisition, the Target has drawn down a bank loan of SGD$2.0 million for the re-development of the old wells which had impaired due to damages caused to the rock around the well bores, through poor drilling practice and old soviet era technology originally employed at Block VIIB. However, the re-development costs were capital-intensive, and thus did not result in an appreciable increase in production.

The Company was aware of the potential risks and rewards involved in the Block VIIB PSC based on the available analyses and data prior to the Acquisition. Investments in oil and gas upstream projects carry a high degree of uncertainty given the reliance on an unknown state of nature. In the case of the Block VIIB PSC asset, a combination of mechanical solutions and financial resources for capital and operating expenditures are essential for material improvement to production rates.

5. It was disclosed that the Company would expect to realise a net gain on disposal of US$0.2 million after taking the waiver of the Related Company Balance of US$2.3m. However, the Related Company Balance of US$2.3m is an intercompany balance due to the Company. If such Related Company Balance is not waived, what is the gain/loss to the Company as a result of the Proposed Disposal? What are the Company's consideration for waiving it?

If the Related Company Balances (which comprised the amounts due to the Company and its related companies) is not waived, the gain on the disposal would have been US$3.2 million. For avoidance of doubt, the amount due to the Company, being NauticAWT Limited, is US$2.3 million as at 31 December 2018.

As part of the commercial negotiations with the Purchaser, it is part of the requirements of the SSA for the waiver of the Related Company Balances, only upon which will the Purchaser be interested to acquire 100% interest of Block VIIB PSC.

6. How was Mr Cheah Meng Fui, the Purchaser, introduced to the Company?

Mr Cheah was introduced by a business associate of the Company. As disclosed in the Announcement, he is not related to any of the Company's directors, controlling shareholders, substantial shareholders or their respective associates.

7. In the absence of a valuation report to justify the value of the asset vis a vis the sale price of US$1, how is the Board assured that sufficient information has been provided for the Shareholders to decide on the Proposed Disposal at EGM?

The Company has had 3 reserve evaluation reports from 2007 to 2017 from independent reserve estimators. Generally, the reserve valuation report determines the majority value of an oil field asset and the exact reserve may or may not recover, subject for numbers of factors such as technology, expertise, environmental, political and government policies, amongst others. The reserve evaluation reports have shown promising reserves and such reports had been provided to all potential buyers for their assessment purposes.

To maintain the licence in good standing and avoid default, immediate and ongoing capital injection is required. However, the Company does not have capital funding to support that and have been using operating funds from the Group which was stressful to the cash flow. There are no other parties outside of Mr Cheah willing to accept the deal and inject capital urgently. A rejection of Mr Cheah's offer would almost certainly result in default and loss of the licence with potential penalties. Accordingly, the Board has assessed the situation and, based on the foregoing, is of the view that the Proposed Disposal will be in the best interests of the Group and its Shareholders.

8. **Para 5** ***"Based on the unaudited consolidated financial statements of the Target for the financial year ended 31 December 2018, the Target is in a net liabilities position of US$3.2 million (after the impairment of US$2.7 million in relation to the Block VIIB PSC and including net amount due to related companies of US$3.0 million (the "Related Company Balances")) as at 31 December 2018. The Related Company Balances, including an amount of US$2.3 million owing from the Target to the Company, will be waived upon completion of the Proposed Disposal."*** **– Did the Company run through the impairment with its auditor? What are the Board's considerations and basis for the impairment charge?**

   Yes, the Company has informed and discussed with the Company's auditors in relation to the basis of the impairment which was made on the investment and receivables in relation to the Block VIIB PSC asset, based on the Consideration of US$1. However, it has not been audited as at the date of this announcement. In view of the assessment, the Board is of the opinion that the impairment is reasonable and justifiable.

By Order of the Board

John Grønbech
Executive Director and CEO
7 March 2019

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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