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REX INTERNATIONAL HOLDING LIMITED

(Company Number: 201301242M)
(Incorporated in the Republic of Singapore)

RESPONSES TO SGX QUERIES

Rex International Holding Limited (the "**Company**" or "**Rex**" and together with its subsidiaries, the "**Group**") has received the following queries from the Singapore Exchange Securities Trading Limited (the "**SGX Queries**"), pertaining to the Company's unaudited financial statements for the financial period ended 30 June 2024 ("**HY2024**") in respect of the financial year ending 31 December 2024 ("**FY2024**") and the following announcements:

(a) dated 11 August 2021, entitled "Masirah Oil Limited" (the "**11 Aug 2021 Announcement**"); and
(b) dated 19 August 2024, entitled "Rex and relevant parties sign global settlement agreement with Petroci on legal case" (the "**19 Aug 2024 Announcement**").

The board of directors (the "**Board**") of the Company has provided the following responses to the SGX Queries.

1. It is disclosed on page 3 of the unaudited financial statements that the tax expense and profit before tax for HY2024 was US$49,136,000 and US$38,684,000 respectively. Please explain what led to the significant increase in tax expense from US$4,446,000 to US$49,136,000 such that the tax expense for HY2024 exceeded its profit before tax for HY2024.

<u>Response</u>

The significant increase in tax expense from US$4.45 million in 1H FY2023 to US$49.14 million in 1H FY2024 was mainly due to an increase in taxable income in Lime Petroleum AS ("**LPA**"), as a result of increased production from the Brage and Yme Fields in Norway. The Norwegian petroleum taxation system is based on the ordinary corporate tax of 22% and a special petroleum tax of 56%, totalling 78%. This explains the main reason for the significant tax expense recognised in 1H FY2024. In addition, the refundable tax arising from exploration activities in LPA (the Norwegian petroleum taxation system allows 78% tax refund of all exploration expenditure) had reduced significantly in 1H FY2024 as LPA focused more on production development activities in current production fields.

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2. It is noted that there are additions to oil and gas properties of US$61,166,000 for the financial period ended 30 June 2024. Please elaborate with details on such additions to oil and gas properties.

Response

The additions to oil and gas properties of US$61.17 million was due to an increase in production activities in the Yme and Brage Fields to raise the production level in Norway, and the multi-well programme in Oman. There were three drilling activities in Norway; and one drilling activity and three workovers in Oman in 1H 2024.

3. It is disclosed in the 11 Aug 2021 Announcement that "The Board of Directors (the "**Board**") of Rex International Holding Limited (the "**Company**") wishes to announce that Petroci Holding ("**Petroci**"), had on 5 August 2021, filed a claim against the Company's subsidiary, Rex Oman Limited ("**Rex Oman**"), 86.37% subsidiary 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" and in the 19 Aug 2024 Announcement that "The Board wishes to announce that Rex Oman, MOL and the other defendants (including Mr Hans Lidgren, a controlling shareholder of the Company and past director of MOL) related to the abovementioned legal case, have on 16 August 2024, signed a global settlement agreement with Petroci Holding ("**Settlement Agreement**"), the terms of which are confidential, which provides for a full and final settlement (with no admission as to liability) of the parties' claims and termination of related judicial proceedings in the British Virgin Islands".

Please provide further details regarding the "alleged conduct of MOL's affairs", including but not limited to the identities of the directors involved.

Response

The "alleged conduct of MOL's affairs" relate to corporate actions by MOL regarding capital injections into MOL by Rex*, which then led to a dilution of Petroci's interest in MOL as a partner and minority shareholder. The other two defendants were Dr Rabi Bastia and Mr Hans Lidgren, then board directors of MOL. The MOL board directors varied over time. The MOL board comprised three to five directors and the approvals were made by the majority or by unanimous approval for each capital injection.

*References:
4 August 2017, Capital Injection Into Masirah Oil Ltd
25 April 2017, Capital Injection Into Masirah Oil Ltd
3 January 2017, Capital Injection Into Masirah Oil Ltd
8 August 2016, Capital Injection Into Masirah Oil Ltd

4. It is disclosed in the 19 Aug 2024 Announcement that "This will increase Petroci's shareholding in MOL to 12.5% and reduce Rex Oman's shareholding in MOL to 81.14% ("**Disposal**")."

Please disclose the impact of the Settlement Agreement, including but not limited to, the transfer of shares in MOL to Petroci, on the Group's financial performance and financial position.

Response

The reduction in Rex Oman's shareholdings in MOL to 81.14% does not result in a change in control of MOL, and such transaction will be accounted for as an equity transaction with no gain or loss recognised in the consolidated statement of comprehensive income, in accordance with SFRS(I) 10 Consolidated Financial Statements. The carrying amount of the non-controlling interests ("**NCI**") will be adjusted to reflect the change in the NCI's ownership interest in MOL. With the increase in NCI's shareholdings, a higher portion of the net assets of MOL will be allocated to NCI in the consolidated statement financial position.

5. It is disclosed on the 19 Aug 2024 Announcement that "On closing of the Settlement Agreement, MOL and Petroci will enter into a service agreement pursuant to which Petroci will provide technical services to MOL at no cost. If MOL achieves certain agreed key performance targets during the 18-month term of the service agreement, MOL will issue new shares to Petroci which will result in Petroci's shareholding interest in MOL increasing to 25%".

(a) Please disclose the salient terms of service agreement, including penalty for termination (if any) and clarify whether the Settlement Agreement was contingent on the signing of the service agreement.

Response

Closing of the settlement has not occurred. The service agreement has not been signed as the terms have not been finalised. However, based on the current draft, there is no penalty for termination.

The service agreement is not a condition to closing; however, there is an obligation for parties to enter into the service agreement on closing.

(b) Please elaborate on the "technical services" and "key performance targets".

Response

Key performance targets are to be related to a material increase in production by MOL and material extension(s) of the field life of existing wells from the baseline set out in a Qualified Person's Report. The technical services relate to broad analysis of subsurface data and well management.

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(c) Please explain the rationale for entry into the service agreement and clarify whether there is any existing similar service agreement in place currently.

<u>Response</u>

The service agreement was agreed upon after having considered Petroci's abundance of experience in the North Sea and Gulf of Mexico with large oil companies. Additionally, Petroci, the state-owned oil company of the Ivory Coast, is now engaged in multiple projects in West Africa together with international oil majors and smaller companies, a geography that Rex has also just entered, so there are potential synergies to be reaped. Agreements with the remuneration payable as a share in the future production is not uncommon in the oil and gas industry. There is no similar service agreement in place currently. Please refer to response to 5(f) below for further elaboration on the rationale.

(d) Please disclose how the resultant shareholding interest in MOL of 25% is being arrived at.

<u>Response</u>

Closing of the settlement has not occurred. The service agreement has not been signed as the terms have not been finalised.

As part of the settlement, Petroci's interest in MOL will increase from 1.83% to 12.5%.

MOL welcomes Petroci's renewed interest to participate and contribute resources to MOL's activities in Oman. As detailed in the draft service agreement, following extensive negotiations between the parties, Petroci's shareholding interest in MOL will increase up to 25% (up to another 12.5%), contingent on the stringent KPIs being achieved. The achievement of the KPIs will be extremely beneficial and value accretive to MOL, and ultimately to Rex and its shareholders.

(e) Please provide the financial impact on the Company if MOL issues shares to Petroci during the 18-month term of the service agreement such that Petroci holds 25% in MOL.

<u>Response</u>

Please refer to response to Query 4 above, where a further reduction in Rex Oman's shareholdings in MOL does not result in a change in control of MOL, and such transaction will be accounted for as an equity transaction with no gain or loss recognised in the consolidated statement of comprehensive income, in accordance with SFRS(I) 10 Consolidated Financial Statements.

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(f) Please provide Board's assessment whether and how the service agreement is in the best interests of the Company and its shareholders.

Response

MOL has been involved in Block 50 in Oman over many years. The Block has been reviewed by both internal and external resources multiple times. If consultancy services provided by Petroci under the service agreement yield substantial and durable production increase, this is most beneficial for MOL. Since the services are only provided with remuneration payable on a success basis, there is no risk to MOL but only upside with the service agreement. Entering into the service agreement has clear commercial advantages and is in the best interest of the Company.

BY ORDER OF THE BOARD OF
Rex International Holding Limited

John d'Abo
Executive Director and Chairman

3 September 2024