

**REX INTERNATIONAL HOLDING LIMITED**  
(Company Number: 201301242M)  
(Incorporated in the Republic of Singapore)

---

**RESPONSES TO QUERIES FROM SHAREHOLDERS IN RESPECT OF THE COMPANY'S ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

---

*Unless otherwise defined, all terms and references used herein shall bear the same meanings ascribed to them in the annual report issued to shareholders on 31 March 2022 (the "Annual Report").*

Rex International Holding Limited (the "**Company**") and together with its subsidiaries, the "**Group**") refers to the Annual Report and the invitation to shareholders to submit questions in advance of the Annual General Meeting (the "**AGM**"). The Company would like to provide the following information in response to queries from shareholders.

- 1. What are the challenges of the Company in 2022 and beyond? Please explain.**
- 2. What will be the impact of current Russia-Ukraine conflict on the business?**

COMPANY RESPONSE

The Group has weathered various challenges over the years, including the 2014 oil price collapse and the 2020 Covid-19 pandemic and its ramifications on the global economy, through prudent and disciplined cash management, nimble seizing of business opportunities, and leveraging on technology.

The focus of the Company in 2022 and beyond is to build up on reserves that can support production for several years to come, to develop contingent resources into reserves and to have a pipeline of exploration projects.

To this end, Masirah Oil Ltd ("**MOL**") added two production wells in the Yumna Field in Oman, Lime Petroleum AS ("**LPA**") acquired a 33.8434 per cent interest in the producing Brage Field in Norway and Rex took on operatorship and 95 per cent interests in two clusters in Malaysia in 2021.

In 2022, a drilling campaign of one firm well and one optional well is planned in Block 50 Oman. In Norway, LPA will actively engage with the Brage Field operator on the in-fill drilling programme for production and exploration drilling of high value near-field prospects that are expected to add further production, on top of progressing development plans for its discovery assets and exploration plans in other licences.

In early March 2022, Brent crude oil prices soared past US\$130 a barrel for the first time since July 2008, on the outbreak of the Russia-Ukraine conflict. The bulk of the world's transportation modes remain powered by fossil fuels and the transition to renewables will take some time. Underinvestment in fossil fuel production in recent years in light of the global push toward clean energy, sanctions of Russian oil by the US and the European Union, as well as recent Covid-19 shutdowns in China will contribute to the continuing volatility of oil prices. The Company believes that Brent oil prices will likely be higher than in 2021.

While the Group will benefit from higher oil sales prices, it is also actively managing its exploration and production costs. For example in 2021, the Group carried out a cost-effective five-well drilling campaign comprising two development wells and three exploration wells, vis-à-vis incurring higher costs with separate drilling campaigns.

- 3. What is the breakeven price of the oil for Rex International? The oil will be quite volatile in the near term, for every ten dollars increase/decrease in oil price, how will this impact the bottom line of the organisation?**

COMPANY RESPONSE

The Company achieved good results in 2021 from oil sales with average oil sale price of US\$67 per barrel. Under present circumstances, the oil price for 2022 has been around US\$100 per barrel.

Oil price of US\$65 per barrel is used as a long-term estimate to ascertain viability of investment projects.

- 4. Will the Company revert to Quarterly Reporting in view of the move to the Mainboard?**

COMPANY RESPONSE

The Company will make the necessary announcement should it decide to revert to quarterly reporting.

- 5. Kindly list out the cost increment for listing on the Mainboard.**

COMPANY RESPONSE

The Company does not envisage any significant cost increment from the transfer of the Company's listing from the Catalist to the Mainboard of the SGX-ST.

- 6. What has the executive board done or plan to do in attracting wider coverage for Rex International?**

COMPANY RESPONSE

The Company has been stepping up engagement with securities analysts, brokerage houses and institutional investors as part of its ongoing investor relations activities.

**DIVIDEND**

- 7. On Rex's recent result – why is the announced 0.005 SGD cent only to be paid on the fourth quarter of 2022 while the quarterly dividend starting in 2023? Is there a plan for this year's usage of financial gain or alternatively, management is planning to invest? The Company is debt free as far as I understand.**

COMPANY RESPONSE

As stated in the Company's press release dated 28 February 2022, the Board will endeavour to maintain strategic and sensible capital management and to create shareholders' returns. The current level of oil price and market demand for oil make investments in production and reserves highly attractive if cash flow can be realised in the near term. Such investments, if successful, will further substantially increase shareholder value. The Company therefore has decided to use more of the Company's free cash flow on such near-term investments, with a focus to increase production and reserves. LPA's recent acquisition of 40 per cent interests in two licences with two discoveries is one such investment. For this reason, the Board is recommending a final dividend of S\$0.005 per ordinary share for the financial year ending 31 December 2021, payable in the fourth quarter of 2022.

The Company will consider paying a dividend, subject to the Company's performance based on the financial results for the half year ending 30 June 2022 (1H FY2022). The objective of the Company's dividend policy is therefore to pay a regular cash dividend, aiming at the target level of \$0.02 per ordinary share per annum, on a quarterly basis, starting from the first quarter of 2023, subject to the profitability of the Company and at the sole discretion of the Board.

- 9. In terms of dividend payment, does the Company intend to pay a fixed or proportionate dividend in the future?**
- 10. With the high oil prices, will Rex be considering a higher dividend ratio instead of the prospect 2 cents for FY2023?**

COMPANY RESPONSE

The Company's dividend policy was announced on 19 October 2021 and 28 February 2022. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

- 11. Is the Company exploring the possibility of diversifying its operations in future?**

COMPANY RESPONSE

In 2020, the Group only had production in Oman. In 2021, LPA acquired a 33.8434 per cent interest in the producing Brage Field in Norway, transforming the company from a pure exploration company to a full-fledged exploration and production company. Rex was also awarded operatorship and 95 per cent participating interest in two Production Sharing Contracts for the development and production of the Rhu-Ara and the Diwangsa Clusters (the "Clusters") located in offshore Peninsular Malaysia, a new location for the Group. The Group will focus on the pre-development phase of the Clusters over the next two years. The anticipated production will be a potential third leg to the Group's production and reserves base.

In 2022, the Company will continue to focus on its operations in Oman and Norway, with production in the Yumna Field in Oman and the Brage Field in Norway. Development plans for several discovery assets in Norway will be progressed and exploration drilling in Oman and Norway are also being planned.

**OMAN**

- 12. What is the current all-in oil production cost per barrel at the Yumna Field in Oman?**
- 13. What is the estimated cost production per barrel for the coming year considering the change in storage tanker and upgraded Mobile Offshore Production Unit?**

COMPANY RESPONSE

Upon the completion of the change out of the tanker and the Mobile Offshore Production Unit (“MOPU”), normalised production cost will remain around US\$80,000 per day.

The change out of equipment will significantly give flexibility of higher liquid handling capacity and more opportunities to optimise production with higher volume of oil produced.

- 14. The production volume from the Yumna Field had declined from a high of 12,672 barrels/day in March 2021 to 7,518 barrels/day in January 2022. From February 2022, the replacement of the floating storage tanker and the MOPU had further contributed to the decline in production volumes. Can the company provide details of the factors contributing to the consistent decline in production volumes from March 2021 to January 2022?**

COMPANY RESPONSE

A decline in production is a natural course of a production well’s life cycle, as oil and gas fields contain residual water, which is driven up the well with the hydrocarbons. After time, there may be more water and less oil or gas.

Production was choked back in August 2021 to carry out the annual calibration of safety valves and for upgrades to the transfer pumps and in September 2021 to January 2022 for reservoir and fluid flow optimisation and to carry out maintenance of the MOPU’s production system.

Production was halted for 19 days in February 2022 to carry out a planned change of the floating storage tanker.

Production was halted for eight days in March 2022 to carry out a planned change of the floating storage tanker and for the planned change-out of the MOPU with upgraded facilities on-board. The change-out of the MOPU is expected to be completed in end-April 2022.

- 15. With the change of the floating storage tanker and the MOPU, what is the targeted production volumes we can expect from the Oman field in the year 2022?**
- 16. At the current rate of oil extraction, the current oil reserves can be extracted within how many years assuming there are no new oil reserves discovery in Oman?**

COMPANY RESPONSE

The summary qualified person’s report on the Yumna Field dated 24 February 2022 states that as of 31 December 2021, the Yumna Field had produced 5.772 MMstb of oil. There are also estimated 15 per cent more in 2P reserves, meaning that the field will be in production longer than originally anticipated. The Group is looking at optimisation of the Yumna reservoir and is

planning a drilling campaign comprising one firm well and one optional well after the monsoon season in 2022.

**17. Are there any advanced oil extraction techniques that can speed up the oil extraction rate in Oman in view of current high oil prices?**

COMPANY RESPONSE

The oil extraction rate needs to be carefully calibrated to extend the lifespan of a well. Production rate is also limited by the liquid (water and oil) capacity of the storage tanker; hence a planned change of the floating storage tanker was carried out in the first quarter of 2022.

Normal enhanced oil recovery methods include pressure support by water or gas injection. In the case of the Yumna field, the reservoir has very high productivity, with very good porosity and permeability. Also, the production is supported by a large underlying water reservoir (aquifer) which maintains the reservoir pressure.

While there are no current plans for enhanced oil recovery, electric submersible pumps (ESP) have been introduced to facilitate production. The three Yumna wells have been producing more than anticipated in 2021. MOL will continuously monitor the reservoir performance and review possible enhanced oil recovery methods.

**18. Could you explain the geological differences between the prospect within the Khufai carbonate as compared to the previous three wells drilled in Oman (non-commercial) that makes this prospect promising?**

**19. Could you provide an update on the quality and amount of commercial oil reserves by these concessions onshore of Oman within the Khufai carbonate?**

**20. How far is this prospect from other concessions onshore of Oman that are commercially viable?**

COMPANY RESPONSE

The three exploration wells drilled in 2021 targeted the Lower Aruma. The results confirmed the extents of the good quality Lower Aruma sandstone and will help refine MOL's understanding of the trap mechanisms in the area.

Carbonates are sedimentary rocks formed by layers of carbonate sediment laid down by marine organisms such as corals. More than 60 per cent of the world's oil and 40 per cent of the world's gas reserves are held in carbonate rock.

Carbonate reservoirs normally have lower porosity than sand reservoir. However, fracturing caused by tectonic activity and chemical processes can increase porosity. This is the case for the commercial Khufai fields onshore Oman. Comparisons made by MOL show that the matrix carbonate porosity in the onshore producing fields is 3 per cent while the matrix carbonate porosity in the Block 50 Khufai wells is 5 per cent.

A potential discovery could represent a commercial opportunity.

The prospect is about 100km from other onshore concessions that are commercially viable and producing from the Khufai.

**21. Kindly give an update of the pending legal cases involving Rex's subsidiary MOL.**COMPANY RESPONSE

As stated in the Company's announcement dated 11 August 2021, the Company is of the view that the claims and allegations against Rex Oman Limited ("Rex Oman") and MOL are frivolous, baseless and unmeritorious. Rex Oman and MOL will respond strongly and take all measures necessary to resist and refute these frivolous, baseless and unmeritorious claims and allegations. The Company assesses that there will be no material financial impact from the claim.

As the matter is before the court, the Company will make the necessary announcements when there are material developments in connection with the foregoing matter.

**NORWAY****22. What is the current all-in oil production cost per barrel at Brage, Norway?****23. What is the estimated cost production per barrel for the coming year considering labour and equipment cost?**COMPANY RESPONSE

The calculation of all-in production cost per barrel is a complicated exercise with many variables such as exploration expenses, development investments, operating costs, production profiles and life of the field. Rystad Energy's 17 November 2021 press release<sup>1</sup> alludes to competitive production costs in offshore deepwater such as Norway: "The average breakeven price for new oil projects has dropped to around US\$47 per barrel – down around 8% over the past year and 40% since 2014, with offshore deepwater remaining one of the least expensive sources of new supply."

<sup>1</sup>Source: Rystad Energy, [As falling costs make new oil cheaper to produce, climate policies may fail unless they target demand](#), 17 November 2021

**24. At the current rate of oil extraction, the current oil reserves can be extracted within how many years assuming there are no new oil reserves discovery at Brage, Norway?****25. The decline in production volumes also applies to the Brage Field, with production volume of 3,800 barrels/day in 2020 to the current 2,792 barrels/day for Feb 2022. What production volumes can we expect from the Brage Field in 2022?****26. For Brage Field, it is estimated that it has 17.36 MMboe, which Rex's share is over 5 MMboe. As Rex paid US\$42.6 million for the rights of this late-stage production, can the Board estimate how long this field can have positive yield for the Company?****27. What is the drilling plan for LPA's reserves?**COMPANY RESPONSE

Referring to page 39 of the Annual Report, according to the Norwegian Petroleum Directorate, there are 2.76 million Sm<sup>3</sup> of oil equivalent or 17.36 mmboe of remaining reserves in the Brage Field as at 31 December 2021<sup>2</sup>, accordingly, giving LPA net 2P Reserves of about 5.88 mmboe.

In 2021, the Brage Field produced 0.50 million Sm<sup>3</sup> or 3.14 mmbœ. Brage is in late-stage production, but the field is in an investment phase involving continuous drilling operations. New wells are targeting both undrained areas of a core part of the field, as well as exploration prospects in close proximity to the platform.

As an example, oil production in March 2022 from the Brage Field in Norway, net to LPA, amounted to 3,561 barrels of oil equivalent per day (boe/d). Production started from the A-35B infill well on 12 March 2022, with an initial high rate that is under natural decline, in line with expectations.

The slightly lower production rate in 2022 has been compensated by the significantly higher oil price compared to 2021. The Brage production currently meets the Group's budgeted production volume, while oil price exceeds our expectations at the time of the acquisition.

<sup>2</sup>Source: Norwegian Production Directorate website, Field: BRAGE - Factpages - NPD  
Conversion: 1 Sm<sup>3</sup>: 6.29 barrels, according to the Norwegian Petroleum Directorate

## **MALAYSIA**

### **28. What is the drilling plan for Malaysia's oil prospects?**

#### COMPANY RESPONSE

The new Small Field Asset Production Sharing Contract terms include an up-to-two-year pre-development phase followed by a two-year development and a 10-year production period. Over the next two years, the Group's focus will be on the pre-development phase of the Clusters. Development plans are under review and a market update will be given when ready. We have established a team that is actively reviewing the fields within the Clusters and ranking them for potential field development projects.

## **COMMERCIAL DRONES**

### **29. Could you provide an update on the investment in Xer?**

### **30. Are Xer heavy duty drones in commercial production and deployment since the fourth quarter of 2021? Could you provide an update on the technical and sales milestones that Xer has achieved so far and what are the steps going forward?**

### **31. Will Rex be investing in other heavy duty drone companies such as F-drones which are developing a fully electric and autonomous proprietary drone, capable of delivering 100kg payloads over 100km?**

### **32. What is the update of the drone company, Xer's production and revenue projections?**

#### COMPANY RESPONSE

The Xer commercial drones are in development according to schedule and will be put into production once tests are conducted. The Company will give an update in the second quarter of 2022. The Company is not looking to invest in other heavy duty drone companies for the time being.

**BY ORDER OF THE BOARD OF**  
Rex International Holding Limited

Dan Broström  
Executive Director and Chairman

22 April 2022