

**ENECO ENERGY LIMITED**  
(the "Company")  
(Company registration number 200301668R)  
(Incorporated in the Republic of Singapore)

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**RESPONSE TO SGX QUERIES**

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The Board of Directors ("Board") of the Company refers to the announcements released by the Company via SGXNet on 10 June 2019 and 12 June 2019 in relation to the Auditor's Comments of Accounts and Annual Report and Audited Financial Statements for the financial year ended 31 December 2018 (the "AFS2018").

The Board is pleased to provide the Company's responses to queries raised by SGX-ST on 25 June 2019 in respect of the aforesaid announcements:-

- a. **Guideline 11.3 of the Code provides inter alia that The Board should comment in the Company's Annual Report on whether it has received assurance from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.**

**Please clarify as to whether and how the Company has complied with Guideline 11.3 of the Code in relation to the assurance received from the CEO and the CFO that the financial records for the Group (and not just the key subsidiaries) have been properly maintained. Did the CFO of the Company, or person holding an equivalent position give assurance to the Board?**

The Board received written assurance from the CEO that the financial records had been properly maintained and that the financial statements gave a true and fair view of the Company's operations and finances. The previous CFO had resigned on 11 February 2019, and his last day of service was 30 April 2019. At the time of the preparation of the Annual report, the position of the CFO was vacant. The Company is in the process of identifying a suitable replacement CFO.

- b. **Guideline 9.3 of the Code provides inter alia that the breakdown of remuneration earned through fixed salary, variable compensation, stock options etc should be disclosed for each key management personnel.**

**Please clarify as to whether and how the Company has complied with Guideline 9.3 of the Code in relation to the breakdown for each key management personnel.**

There were 3 key management personnel, and the exact breakdown of their remuneration was disclosed at page 28 of the Company's Annual Report

- c. In the Exchange’s approval in-principle letter to the Company dated 5 December 2018 for the listing and quotation of placement shares, it was provided, inter alia, that “where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company’s announcements on use of proceeds and in the annual report”.

**We note that the Company did not provide a breakdown of the use of net proceeds of S\$5.82 million for working capital. Please provide the breakdown as required by the Exchange.**

We apologise for the omitting to disclose the use of proceeds for working capital in the annual report. We had previously disclosed the use of proceeds in our announcement dated 16 January 2019. The breakdown as announced were as follows:

<b>Purpose</b>	<b>Amount utilised (S\$ million)</b>
Payables for Oil & Gas	1.77
Payment of professional fees	0.86
Subsidiaries’ payables	0.88
Payment of general working capital	2.31
<b>Total</b>	<b>5.82</b>

- d. Listing Rule 704(6) provides that, inter alia, any material adjustments made to the Company’s preliminary full year results made subsequently by auditors needs to be immediately announced.

**Please provide a comparison between the unaudited and audited full year results for the Consolidated Cash Flow Statement and elaborate on the material variances.**

	<b>Audited S\$'000</b>	<b>Unaudited S\$'000</b>	<b>Variance S\$'000</b>	
<b>Operating activities:</b>				
Loss before income tax for the period	(44,687)	(12,863)	(31,824)	
Adjustments for:				
Depreciation and amortisation expenses	12,757	3,375	9,382	(a)
Gain on disposal of property, plant and equipment	(105)	(105)	-	
Finance costs	2,255	2,255	-	
Interest income from banks	(84)	(84)	-	
Forfeiture of advances from third party	(244)	-	(244)	(b)
Share based payment	22	22	-	
Impairment loss on intangible assets	993	-	993	(c)
Impairment loss of investment in exploration and evaluation assets	540	-	540	(c)
Impairment loss on oil and gas properties	83	-	83	
Loss on farm out of participating interest	896	847	49	
Write-back for doubtful trade receivable	(26)	-	(26)	
Write-back of legal and professional	-	(2,698)	2,698	(d)

fee				
Allowance for doubtful receivables	19,149	-	19,149	(e)
Net fair value loss/(gain) on oil options	(270)	(270)	-	
Foreign exchange translation adjustments	4,715	(167)	4,882	(f)
<b>Operating cash flows before working capital changes</b>	<b>(4,006)</b>	<b>(9,688)</b>	<b>5,682</b>	
Change in inventories	(24)	(24)	-	
Change in trade receivables	2,393	2,221	172	(g)
Change in other receivables	(6,538)	2,606	(9,144)	(g)
Change in prepaid operating expenses	260	221	39	(g)
Change in trade payables	(2,354)	3,351	(5,705)	(g)
Change in other payables and provisions	10,877	22	10,855	(g)
<b>Cash used in operations</b>	<b>608</b>	<b>(1,291)</b>	<b>1,899</b>	
Interest income received	84	84	-	
Income tax paid	(325)	(257)	(68)	
Finance costs paid	(1,513)	(2,217)	704	(b)
<b>Net cash flows used in operating activities</b>	<b>(1,146)</b>	<b>(3,681)</b>	<b>2,535</b>	
<b>Investing activities:</b>				
Proceeds from disposal of plant and equipment	141	141	-	
Purchase of plant and equipment and oil and gas properties	(11,046)	(11,258)	212	(h)
Acquisition of exploration & evaluation assets	-	(94)	94	
Acquisition of intangible assets	(50)	(30)	(20)	
<b>Net cash flows used in investing activities</b>	<b>(10,955)</b>	<b>(11,241)</b>	<b>286</b>	
<b>Financing activities:</b>				
Proceeds from issuance of shares	10,163	10,163	-	
Share issuance expenses	(322)	(322)	-	
Release in fixed deposits pledged	890	1,200	(310)	(i)
Repayment of finance lease	(1,082)	(895)	(187)	(h)
Net advances to joint venture partners	-	2,633	(2,633)	(b)
<b>Net cash flows generated from financing activities</b>	<b>9,649</b>	<b>12,779</b>	<b>(3,130)</b>	
Net decrease in cash and cash equivalents	(2,452)	(2,143)	(309)	
Effect of exchange rate changes on cash and cash equivalents	(28)	(27)	(1)	
Cash and cash equivalents at beginning of period	10,711	10,711	-	
<b>Cash and cash equivalents at end</b>	<b>8,231</b>	<b>8,541</b>	<b>(310)</b>	

of period				
<b>Note</b>				
Cash on hand and at bank	8,231	8,541	(310)	(i)
Fixed deposits	310	-	310	(i)
Cash and deposits	8,541	8,541	-	
Less: Restricted cash classified as non-current assets	(310)	-	(310)	
<b>Cash and cash equivalents</b>	<b>8,231</b>	<b>8,541</b>	<b>(310)</b>	

- (a) Increase in depreciation of oil and gas properties of Lemang PSC using the unit-of-production method
- (b) Reclassification with Other Payables for proper account presentation.
- (c) Impairment of Lemang PSC
- (d) Largely due to reversal of write-back of Legal and Professional Fee
- (e) Impairment for Amounts Due from Non-controlling Interest Holder (“NCI”) of S\$9.2m and former joint venture partner (Eastwin Global Investment Limited “Eastwin”) of S\$6.2m, and Amount Due from Broker of S\$3.8m
- (f) Foreign currency translation
- (g) Adjustments arising affecting working capital
- (h) Adjustments to reflect correct classifications (including Foreign currency translation)
- (i) Reclassification of Fixed Deposits placed with bank to secure banking facilities from Current Assets to Non-current Assets

- e. **Please elaborate on the Company’s material variances between the unaudited financial statements and the audited financial statements for the financial year ended 31 December 2018 as follows:**

**Consolidated Income Statement**

- i. **With reference to Note (c), please explain the reasons, nature and basis for the reversal of over-recognition of costs and the reclassification of write-back of current year expenses from Turnover to Service Costs and Related Expenses.**

This was largely due to adjustment made to capitalise as assets instead of expenses for Lemang assets and reclassification of accrued costs to the proper expense accounts after the finalisation of audit.

- ii. **It is mentioned in Note (d) that a restatement of bonus expenses was due to bonus for prior periods and write-back of current year’s excess bonus provision. Please explain the adjustments made with a breakdown of the amounts relating to prior period’s bonus and excess bonus provision for the current period.**

S\$’000

Prior period bonus paid to a Director in the current year	561
Reverse excess bonus provision	368
	929

- iii. It was provided in Note (e) that the increase in depreciation of oil and gas properties of Lemang PSC followed the use of Unit of Production method. We noted that the same depreciation method was used in FY2017. How does the Unit of Production depreciation method increase depreciation expense of oil and gas properties of Lemang PSC? Please provide the computation of depreciation expense.

The carrying amount of producing assets are depreciated generally on a specific exploration area basis using the unit-of-production method by reference to the ratio of production in the period and the related commercial reserve of the field.

Computation: Net Book Value x (Production / Remaining Reserve)

Based on the FY2018 Qualified Person Report, there was a deterioration in the Lemang asset reserve which resulted in high depreciation during the year.

- iv. How much was the reduction of Lemang PSC's operation costs and what led to the difference between the unaudited and audited results in Note (f)?

The reduction of Lemang PSC's operation costs under other operating expenses was approx. S\$8.4m largely due to adjustment made to write-back expenses following revision by Lemang's Operator after the finalisation of audit.

- v. For each of the non-controlling interest holder, former joint venture partner, Eastwin and Lemang PSC stated in Note (f), please disclose:
- The outstanding amount;
  - The amount of impairment provision in FY2018;
  - The bases for making the impairment provision; and
  - The Board's assessment and valuation techniques used in arriving at the impairment amount.

S\$'000

	Outstanding/ Carrying amount	Amount of impairment provision	Bases for making the impairment provision	Board's assessment and valuation techniques used in arriving at the impairment amount	Remarks
Amounts Due from Non-controlling Interest Holder ("NCI")	9,195	9,195	Refer to Announceme nt dated 21 June 2019 Para 10 i) a).	Prudent basis.	Full provision.
Amounts Due from former joint venture partner (Eastwin Global Investment Limited "Eastwin")	6,133	6133	Refer to Announceme nt dated 21 June 2019 Para Para 10 i) a) and b).	Prudent basis.	Full provision.

Legal settlement from Super Power Enterprise Group Ltd ("Super Power")	7,009	4,210	Legal settlement in FY2018.	Amortised costs as the settlement is based on payment ranking.	This is additional provision to top-up existing provision.
Impairment in Lemang PSC	3,451	1,533	Carrying value to be carried at recoverable amount.	Fair value less costs to sell based on recent sale transaction.	This refer to Investment in E&E and Goodwill as impairment was made to these 2 groups of assets
Amount Due from Broker	3,821	3,821	Refer to Results Announcement dated 21 June 2019 Para 9.	Prudent basis.	Full provision.
<b>Total</b>	<b>29,609</b>	<b>24,892</b>			

**Balance Sheet**

- vi. Please elaborate on the nature of transactions, bases and nature of impairment and double entries for all Other Receivables in Note (k).

S\$'000

	Audited	Unaudited	Variance	Nature	Bases	Impairment	Double entries for recognising and subsequent adjustments made
VAT receivable	7,190	3,888	3,302	Reimbursable Value Added Tax ("VAT") receivable on oil and gas activities which is reimbursable from the Indonesian government	Indonesian Government Legislation	N.A.	<b><u>Recognise:</u></b> Dr. Expenses/Assets  Dr. VAT Receivable  Cr. VAT Payable  Cr. Cash/Payable
Superpower Legal settlement - indemnity from Eastwin	-	13,685	(13,685)	Indemnity from Eastwin	Indemnity received from Eastwin. It has not been recognised due to	De-recognised the indemnity against the legal provision under non-	<b><u>Recognise:</u></b> Dr Other receivables  Cr Other Payables

					uncertainty of recovery.	current liabilities (NCL) – Other payables	<b>Adjustment:</b> Dr Other payables  Cr Other receivables
Loan to former joint venture - Eastwin	-	5,132	(5,132)	Loan as part of FY2016 farm-out deal.  Refer to Announcement dated 21 June 2019 Para Para 10 i) a) and b).	Prudent basis	Full impairment	<b>Recognise:</b> Dr Receivable from Eastwin  Cr Cash <b>Adjustments:</b> Dr Doubtful receivable exp  Cr Allowance for Doubtful receivable
<b>Non-Current Assets Other receivables</b>	<b>7,190</b>	<b>22,705</b>	<b>15,515</b>				

- vii. **With reference to Note (n)(iv) and (n)(v), please provide more details on the nature of the cash calls, what led to the cash call receivable and cash call advance.**

Cash calls are requests for payment for anticipated future capital and operating expenditures, sent by Joint Venture Operator to Non-operating Partner(s). Cash call receivable represents Lemang' revenue which will be used to repay or net-off the cash calls required by the Operator.

Cash call advance refers to cash calls funded by the joint venture partner. Cash call receivable and advance for the same joint venture partner are netted-off to provide a net cash call position for reporting purpose.

- viii. **What led to the amortization of liabilities in Note (r)(i)? Please also provide the nature of these liabilities.**

This refer to the Superpower ("SPE") Legal settlement in 2018. During the year, 1 of the subsidiaries, PT Gemilang Jaya ("Hexindo") had entered into a legal settlement, whereby it agreed to pay US\$10,000,000 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 Hexindo to first repay other existing obligations, namely the repayments of advances from joint venture partner and loans and borrowings.

The amortisation was due to discounting of liabilities after repaying other existing obligations.

For details, please refer to Footnote 33 at Page 112 of the Company's Annual Report.

**ix. How was the additional cash bonus payable to a Director derived in Note (r)(ii)?**

This was based on the letter signed by the Director to defer a portion of the cash bonus to FY2020.

For details, please refer to Footnote 21 and 37 at Page 98 and Page 123 of the Company's Annual Report.

By Order of the Board  
**ENECO ENERGY LIMITED**

Aditya Wisnuwardana Seky Soeryadjaya  
Executive Director cum Chief Executive Officer  
27 June 2019