

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

RESPONSE TO SGX QUERIES

The Board of Directors (the “Board”) of Eneco Energy Limited (the “Company”, and together with its subsidiaries, the “Group”) refers to the announcement released by the Company via SGXNet on 28 June 2019 in relation to the Financial Statements and Related Announcement – First Quarter (“Q1”) Results for the period ended 31 March 2019 (“1Q2019”).

The Board would like to provide the Company’s responses to queries raised by Singapore Exchange Securities Trading Limited (“SGX-ST”) on 03 July 2019 in respect of the aforesaid announcement:-

- a) **In relation to the Company’s explanation that NCA decreased mainly due to the revaluation of USD denominated assets, please provide details of these assets and the USD to SGD ratios for 1Q2019 compared to 1Q2018.**

| Balance Sheet as at | Group | |
|-----------------------|-----------|-----------|
| | 31 Mar 19 | 31 Dec 18 |
| | S\$'000 | S\$'000 |
| USD/SGD exchange rate | 1.3559 | 1.3685 |

Non-current assets

| | | |
|---|--------|--------|
| Oil and gas properties | 10,605 | 12,270 |
| Investment in exploration and evaluation assets | 18,959 | 19,170 |
| Other receivables | 7,125 | 7,190 |
| | 36,689 | 38,630 |

In addition to the forex movement, the decrease in Oil and gas properties was driven by depreciation on the Lemang asset as explained in the Q1 Results Announcement Para 8 pt (e) under the Heading of Total Costs and Operating Expenses.

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b) Please provide the aging of the Group's Trade Receivables and the Board's assessment on the recoverability of the Group's trade receivables and the bases for such an assessment.

| | | Current | Past Due | | | |
|-------------------|-------------|--------------------|------------|------------|------------|-----------|
| Trade receivables | Total | Within credit term | 1-30 days | 31-60 days | 61-90 days | >91 days |
| Aging % | 100% | 73% | 20% | 5% | 1% | 1% |

The Group provides for lifetime Expected Credit Loss (ECL) for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due.

As the Group's credit exposure is monitored on an ongoing basis, the Group has determined that the ECL on trade and other receivables is insignificant.

The Board is positive of the recoverability and do not foresee any substantial credit loss arising from the Trade Receivables balance.

c) Please provide an explanation for the decrease in bank balances.

| | S\$'000 |
|------------------------------------|----------------|
| Payable for Oil & Gas | 302 |
| Payment of professional fees | 73 |
| Subsidiaries' payables | 39 |
| Payment of general working capital | 2,097 |
| | 2,511 |

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- d) **Please provide a breakdown of Trade and other payables and provide an explanation for the material variances in each of the line items included in the breakdown of Trade and other payables.**

Please also disclose the nature of other payables.

| | 31 Mar 19 | 31 Dec 18 | Variance | |
|---|----------------------|----------------------|-----------------|---|
| | S\$'000 | S\$'000 | S\$'000 | |
| Trade payables | 14,606 | 15,027 | (421) | In-line with the decrease in business |
| Advances from joint venture partner | - | 558 | (558) | Repaid via sales proceeds from Lemang's participating interest. |
| Cash calls advanced from joint venture partner | 3,527 | 3,668 | (141) | Decrease in payable to joint venture partner. |
| Accrued salaries & benefits (include payable to a Director) | 2,575 | 3,518 | (943) | Mainly 13 th salary payment. |
| Sundry payables | 3,631 | 3,723 | (92) | |
| Security deposits from tenants | 8 | 8 | - | |
| Deferred rent payable | - | 18 | (18) | |
| | 24,347 | 26,520 | (2,173) | |

Advances from joint venture partner

The advance from joint venture partner were non-trade in nature. 60% of the production proceeds in Lemang are utilised monthly to repay this advance.

Cash calls advanced from joint venture partner

The cash call advances from joint venture partner are non-trade in nature and will be offset upon completion of the pending 6% farm-out of the Lemang asset.

Accrued salaries & benefits

These include accruals for CPF, 13th salary, variable bonus, annual leave payable.

Sundry payables

Legal, professional and statutory payables from previous years.

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e) **With regards to the negative working capital position of the Group, please:-**

a. **Clarify how the Board of Directors is satisfied that the Group is able to generate sufficient cash flows from its operations:**

The expenditure budget of Lemang, to which Hexindo at close of Q1 2019 held a 16% participating interest (which subsequently as per Announcement dated 2 July 2019 on Farm-out of Participating Interest is now at 10%), is prepared by the operator, Mandala. Based on our recent discussions with Mandala, we believe that there will be no significant increase on the expenditure budget of Lemang in the next 12 months.

Furthermore, any payables billed by Mandala to Hexindo are being offset against the farm out proceeds of the additional 6% of Hexindo's stake, which was exercised by Mandala in late 2018, and which was completed recently as announced on 2 July 2019. Going forward, subsequent cash calls (based on our reduced 10% stake) will be offset against our net funding cap balance upon completion of the farm-out. We are informed by Mandala that as of 1 July 2019, our net funding cap has a positive balance of USD3.73 million.

It is our opinion that the cash requirements of Hexindo in respect of Lemang for the next 18 months can be met through the utilization of our positive net funding cap balance. The cash requirements of Hexindo formed a large part of the going concern issue highlighted by the external Auditors. In view of the matters herein, we feel that this aspect of concern has been somewhat alleviated.

b. **Provide details of the loans to be restructured, including the amounts involved; and**

The loan from the Third Party Lender is US\$6,750,000 which was drawn down in 2017 from a US\$10,000,000 facility granted to Ramba Energy Lemang Ltd for working capital needs in relation to the exploration and development activities. Please refer to Footnote 23 at page 100 of the Company's Annual Report for 2018.

c. **Provide details on the additional funding to be received, including, but not limited to, the parties providing the additional funding, the amount of such additional funding and the estimated timeline for the receipt of such additional funding.**

Refer to Announcement dated 21 June 2019 Para 2 pt 1.

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f) **Please identify the substantial shareholder who has undertaken to provide continuing financial support.**

The substantial shareholder of the Company is Aditya Wisnuwardana Seky Soeryadjaya ("DAS").

g) **Please quantify the maximum amount of financial support to be provided by the substantial shareholder and the form of the financial support.**

DAS's shareholding is in another private Company in Singapore that is estimated to be worth approximately \$10 million.

h) **Please also clarify whether the Audit Committee is satisfied that the form and amount of continuing financial support from the substantial shareholder is adequate and satisfactory to enable the Group and the Company to meet their financial obligations as and when they fall due.**

The Audit Committee is satisfied that the Group and Company is able to meet their financial obligations, considering the matters explained at paragraph (e) above and also the positive on-going discussions with the Third Party Lender.

By Order of the Board
ENECO ENERGY LIMITED

Colin Peter Moran
Executive Director cum Chief Executive Officer

05 July 2019