



GSS Energy Limited
(Incorporated in the Republic of Singapore)
(Company Registration No. 201432529C)

TERMINATION OF CO-OPERATION AGREEMENT WITH PT SARANA GSS TREMBUL BY PT PERTAMINA

The Board of Directors of GSS Energy Limited (the “**Company**” together with its subsidiaries, the “**Group**”) wishes to inform its shareholders that PT Sarana GSS Trembul (“**PT SGT**”)¹, an associate company of the Company, had notified the Company on 22 December 2022 that they had received a letter from PT Pertamina (“**Pertamina**”) dated 26 September 2022 terminating the Co-operative agreement (“**KSO Agreement**”) for the Trembul Operating Area with PT SGT (the “**Termination Letter**”), with effect from 26 September 2022.

Update to shareholders

The letter stated, amongst others, that the KSO Agreement was terminated based on the reason that PT SGT had not completed the first three years firm commitment and had not fulfilled remaining obligations of the work program amounting to US\$6,418,000, which were meant to be fulfilled by 2 February 2022 (noting that an extension was granted by Pertamina previously on 20 September 2020) (the “**Termination**”).

Notwithstanding that the Termination Letter was received on 26 September 2022, the Company was only notified on 22 December 2022. The Company had immediately sought clarifications with PT SGT and the operating partner, Oakhurst Investments Pte Ltd (“**Oakhurst**”). Both PT SGT and Oakhurst had clarified that they did not inform the Company upon the receipt of the Termination Letter as they were in discussions with Pertamina to seek an extension for the work programme of the Trembul Operating Area to be completed which included the securing of new funding by Oakhurst to complete such work programme.

PT SGT and Oakhurst has since informed the Company that they are in the midst of securing an appointment with Pertamina to be held within January 2023 to appeal against the Termination and to extend the deadline for the fulfilment of the work programme of the Trembul Operating Area. The Company has highlighted to PT SGT and Oakhurst that it should be kept apprised of the latest developments promptly and the Company will keep its shareholders duly informed accordingly (including the outcome of the appeal).

¹ The Company holds 20.0% of GSS Energy Trembul Limited (“**GETL**”) and GETL in turn, holds 49.0% of PT SGT. Further, GETL had entered into a mandatory convertible bond agreement on 14 February 2017 to provide a loan facility of up to Rp. 210 billion (equivalent to approximately S\$23 million) to PT SGT where the outstanding loan amounts under such facility is mandatorily convertible into equity of PT SGT upon the maturity date of the loan period (being 2 February 2020) (the “**Convertible Loan**”). Upon the conversion of the Convertible Loan, based on the shareholders’ agreement entered into on 24 February 2016, GETL is expected to hold 89.0% of PT SGT. As at the date of this announcement, the mandatory conversion of the outstanding loan amount pursuant to the Convertible Loan has not taken place as GETL had been in continuing discussions with PT SGT and Oakhurst on the status of the work programme completion. Notwithstanding that the maturity date has passed, upon resolution being obtained in relation to the appeal for the Termination and the extension of the work programme, GETL will initiate discussions with the other shareholder of PT SGT to extend the conversion period of the Convertible Loan.

Background of the KSO Agreement

The KSO Agreement for the Trembul Operating Area was entered into by PT SGT on 2 November 2016, with an agreement period of fifteen (15) years².

The Company disposed 80% of its shareholdings GETL to Oakhurst on 17 June 2019³. Under the terms of the transfer of shares in GETL, Oakhurst undertakes to settle all liabilities and obligations of PT SGT⁴ owed to third parties prior to the date of the disposal and to fund and complete the work programme of GETL for the Trembul Operating Area.

Financial impact of the Termination

No income has been generated under the KSO Agreement and the Company has no plans to incur further expenditure on the work program for the Trembul Operating Area.

The Termination will affect the recoverability of the Group's investment in GETL (S\$2,753,000) and the amount of money due from GETL and PT SGT (S\$9,862,000), which are based on the latest unaudited financial statements for the financial period ended 30 June 2022.

If the appeal against the Termination is not successfully obtained by 31 December 2022, the Company would have to write-off / impair the above amounts in the accounts for the financial year ending 31 December 2022 and this write-off / impairment is expected to have a material effect on the Group's net tangible assets. The unaudited financial statements of the Group for the financial year ending 31 December 2022 is expected to be announced by the Company by 1 March 2023.

For the shareholders' information⁵, the Company has also included the pro forma financial impact on the Group pursuant to the Termination, based on the latest audited financial statements for the financial year ended 31 December 2021, as set out below:

Net Tangible Assets ("NTA")

Assuming that the Termination was on 31 December 2021, the pro forma financial effects on the Group's NTA per share would be as follows:

² Please refer to the announcement dated 3 November 2016: https://links.sgx.com/FileOpen/SGX-GSSEL-20161103-Joint_%20Operation_%20Agreement_%20for_Trembul%20_Area.ashx?App=ArchiveAnnouncement&FileID=427556&AnncID=3QWUEXH35L31QT3P.

³ Please refer to the announcement dated 18 June 2019: https://links.sgx.com/FileOpen/SGX-GSSEL-20190618_Disposal_of_subsidary_GETL.ashx?App=Announcement&FileID=563782.

⁴ Notwithstanding these terms, a loan of S\$470,000 was provided by the Company to GETL during the financial year ended 31 December 2021 based on an agreed discussion with Oakhurst as a temporary loan (on a no interest and no repayment date basis) to complete the construction of the bridge in the drilling area of the Trembul Operating Area, which was required by Pertamina. Oakhurst did not have the sufficient funds then and was in discussions with parties to secure of new funding to complete such work programme. These amounts are to be repaid with first priority to the Company upon generation of revenue by PT SGT, assuming that (a) the appeal against the Termination is successful; (b) the work programme is completed in accordance with requirements; (c) there is successful monetisation of the Trembul Operating Area; and (d) such monetisation is sufficient to repay all outstanding debts (including through recovery of sunk costs from Pertamina) and provide returns to stakeholders.

⁵ Please note that the pro forma financial effects of the Termination on the Group's NTA per Share and EPS as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the Termination. Further, these pro forma financial effects are based on the latest audited financial statements for the financial year ended 31 December 2021 and not in relation to the financial year ending 31 December 2022.

	Before the Termination	After the Termination
NTA (S\$'000)	63,623	51,007
Number of shares as at the date of this announcement	630,191,957	630,191,957
NTA per share attributable to shareholders (Singapore cents)	10.10	8.09

Earnings Per Share (“EPS”)

Assuming that the Termination was on 1 January 2021, the pro forma financial effects on the Group’s EPS would be as follows:

	Before the Termination	After the Termination
Earnings after tax (S\$'000)	5,166	(7,449)
Number of shares as at the date of this announcement	630,191,957	630,191,957
EPS after tax (Singapore cents)	0.82	(1.18)

Further Announcements

The Company will continue to update its shareholders on developments in relation to the KSO Agreement and the Trembul Operating Area, in accordance with requirements under the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist.

Cautionary Statement

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Anthony Kuek
Chairman
28 December 2022

This announcement has been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd ("Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited ("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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