

LIME PETROLEUM'S ACQUISITION OF 33.84% OF THE BRAGE FIELD IN NORWAY

Rex International Holding Limited's ("Rex") 90% subsidiary, Lime Petroleum AS ("Lime Petroleum") had on 15 June 2021, entered into a conditional sale and purchase agreement ("SPA") with Repsol Norge AS ("Repsol"), to acquire Repsol's 33.8434% interests in the Brage Field and five licences on the Norwegian Continental Shelf over which the Brage Field straddles (the "Target Assets"), for a post-tax consideration of US\$42.6 million (the "Consideration") (the "Acquisition"). The Brage Field is operated by Wintershall Dea Norge AS.



KEY TAKEAWAYS

- The transaction consideration of US\$42.6 million includes deferred tax assets which are recoverable for Lime Petroleum
- Production from the Brage Field of estimated 3,440 barrels of oil equivalent per day (net) will add another leg to the Group's current oil production in Oman of 12,210 of barrels of oil per day (gross)
- Net 2P Reserves of about 7.3 mmbob from the Brage Field will be added to Lime Petroleum's current 2C Contingent Resources of 27.7mmbob
- At the end of Brage Field's production life, Lime Petroleum will pay an effective 1.69% of the total estimated decommissioning costs for the current Brage Field infrastructure
- The effective date of the transaction will be 1 January 2021

QUESTIONS & ANSWERS

What is the rationale for Lime Petroleum buying 33.84% of the Brage Field?

Although Brage is a mature field, the Group believes the economics from its current reserve base are robust and that there is further upside. A drilling programme to ramp-up production will commence later in 2021.

- Present reserves and resources in Brage will add to the Group's existing inventory of reserves (producing assets) and contingent resources (discovery assets).
- Brage is producing and will add production and cash-flow with effect from 1 January 2021, upon completion of the Acquisition.

The price of US\$42.6 million seems high?

The Group believes that the transaction is beneficial for the Rex Group:

- The effective date is 1 January 2021, which means payment for all production will be received by Lime Petroleum retrospectively, from the effective date up and until completion. This will be offset against the final cash amount to be paid at completion.
- Brage is today producing around 3,440 barrels of oil per day. This will have a positive impact on Rex's Earnings Per Share upon completion.
- The whole transaction and bond issue is based on the premise that the Brage acquisition is highly accretive to the Group with a very short repayment time.

Please refer to the Company's announcement and press release dated 16 June 2021 for more details.

[LIME PETROLEUM ACQUIRES 33.84% OF PRODUCING BRAGE FIELD IN NORWAY FROM REPSOL](#)

- d. The transaction allows for Rex to diversify and to have two producing units – Oman and Norway.
- e. The intricate Norwegian Petroleum Tax system is beneficial to Lime in the near term as deferred tax assets can also be used to offset against near term profits to reduce tax.
- f. The Target Assets' unaudited pro forma net profit before tax for FY2020 of approximately US\$21 million. The Target Assets' unaudited pro forma net profits attributable to Repsol were calculated based on actual production figures from the Norwegian Petroleum Directorate website, historical Brent crude oil prices for 2020 (average approximately US\$42 per barrel), estimated operating expenses based on information provided by Repsol, and estimated depreciation of assets due to the Target Assets. Any increase in Brent crude oil prices will be positive.

What about capex and investment in drillings in Brage?

The transaction is based on the premise that capex will be paid for by existing production and future development.

Lime Petroleum is doing a bond of US\$60 million. Aren't you taking on a lot of risks?

To clarify, the bond is issued at the Lime Petroleum level and ring-fenced, thus shielding Rex from any obligations:

- a. Placement of the bond is possible due to Brage's production profile, cash flow generation and quality in the security provided.
- b. The bond issue is used towards the purchase price and refinancing of an existing revolving exploration facility.
- c. The expected maturity date of bond is in 2.5 years.

Will interest rates be high?

- a. Interest costs are deductible costs for tax purposes in Norway, reducing the effective interest rate.

Is it very risky to take on decommissioning costs with a "late-life" asset?

To clarify, the seller will retain an obligation to finance 95% of the decommissioning costs and guaranteed by the Seller's parent company.

- a. The proposed letter of credit relating to the 1.69% of the full decommissioning costs of the current Brage Field infrastructure would come from Lime Petroleum.
- b. Lime Petroleum will only be liable for a net after tax of 1.69% of the full decommissioning cost.
- c. Decommissioning is scheduled to start earliest in 2030 at the end of the validity of the licence.

Is Rex going to do a rights issue to finance the Acquisition?

No.

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CAUTIONARY STATEMENT

Shareholders of the Company ("Shareholders") and potential investors should exercise caution when trading in the shares of the Company in relation to this announcement as there is no certainty that the Acquisition will be completed as it is subject to the fulfilment of terms and conditions as set out in the announcement. When in doubt as to the action they should take, Shareholders and potential investors should consult their financial, tax or other advisors.