

INITIATE COVERAGE

Rex International Holding (REXI SP)

Near First Oil Production, Backed By Huge Cash War chest And Assets

Rex has proven its ability to create substantial value from its recent divestment of two Norwegian assets to Lundin Norway for US\$45m and its remaining assets could be worth more vs its book value. Rex targets to achieve first oil in Oman by 1Q20 and we expect a strong cash flow if production drilling is successful. Also, Rex has a strong net cash balance of S\$89.5m, forming 41.5% of its market cap. We initiate with a BUY and SOTP-based target price of S\$0.218, implying 1.1x 2020F P/B.

- **Deeply undervalued given first oil prospects and strong balance sheet.** Boosted by the recent Rolvsnes transaction, Rex International Holding (Rex) boasts a strong net cash balance of S\$89.5m. Rex targets to achieve first oil in Oman by 1Q20 and we expect a strong cash inflow of S\$51.6m in 2020 if it is successful. Rex also owns three valuable concessions in Norway, of which oil discovery at two of the exploratory assets would unlock huge value for Rex, while the third concession (the Shrek prospect) has recently been discovered to contain oil.

SOTP Valuation	3Q19 NAV (S\$,000)	NAV per Share (SGD\$)	RNAV (S\$,000)	RNAV per share (SGD\$)
Block 50 Omani assets	99,438	0.077	143,102	0.111
Norwegian assets	28,219	0.022	63,837	0.049
Net cash	89,487	0.069	89,487	0.069
Other assets	72,668	0.056	72,668	0.056
Other liabilities	(88,063)	-0.068	(88,063)	(0.068)
Net asset value	201,748	0.156	281,031	0.218

- **Proven track record in divesting of Norwegian assets.** Rex has a track record in monetising its discovery assets. In 1Q19, Rex divested of its interests in two assets for US\$45m, realising a gain of around US\$30m. Rex still owns three assets in Norway, which are worth an estimated US\$20.7m on its balance sheet. Depending on the discovery of oil, the Norwegian assets could be worth a lot more than its estimated current book value of US\$20.7m.

- **Targeting first oil production in Oman by 1Q20.** Rex owns a 92.7% direct stake in the Block 50 Oman concession and first production could bring in revenue of US\$71.7m/year on average, assuming average production of around 5,000 bpd for five years. Rex has a recoverable cost pool of about US\$100m, of which 65% could be offset with oil revenue. Also, the Oman Oil Company has an option to buy 25% of Rex's interest in Block 50 Oman, potentially increasing its net cash balance further for capital recycling.

- **We initiate with BUY and SOTP-based target price of S\$0.218, implying 1.1x 2020F P/B and net cash forming 41.5% of its market cap.** Rex is trading at 0.8x 2020F P/B, below its long-term average and lower vs the industry average of 1.3x 2020F P/B. Key rerating catalysts include the first oil production in Oman, targeted for 1Q20, and the sale of Rex's Norwegian assets.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2017	2018	2019F	2020F	2021F
Net turnover	0	0	0	144	87
EBITDA	(14)	15	20	64	17
Operating profit	(15)	14	19	63	16
Net profit (rep./act.)	(9)	1	20	52	13
Net profit (adj.)	(9)	1	20	52	13
EPS (US\$ cent)	(0.7)	0.1	1.6	4.1	1.0
PE (x)	n.m.	138.4	7.8	3.0	12.6
P/B (x)	1.3	1.3	1.1	0.8	0.8
EV/EBITDA (x)	n.m.	10.0	7.5	2.3	8.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	(2,394.4)	280.8	4,155.9	36.4	14.5
Net debt/(cash) to equity (%)	(9.9)	17.7	(12.2)	(42.8)	(53.9)
Interest cover (x)	(37.3)	22.9	24.3	56.4	14.5
ROE (%)	n.a.	1.0	15.7	31.7	6.3

Source: Bloomberg, UOB Kay Hian

BUY

Share Price	S\$0.167
Target Price	S\$0.218
Upside	30.3%

COMPANY DESCRIPTION

Rex International Holding is a production and exploration oil company with concessions in Norway and Oman.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	REXI SP
Shares issued (m):	1,300.7
Market cap (S\$m):	217.2
Market cap (US\$m):	159.7
3-mth avg daily t'over (US\$m):	7.2
52-week high/low	S\$0.205 / S\$0.051

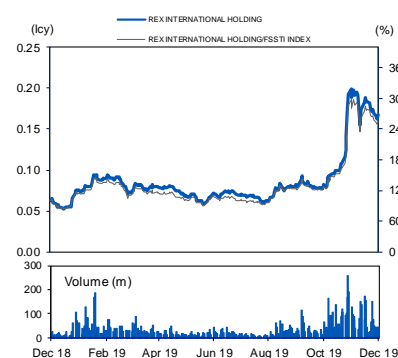
1mth	3mth	6mth	1yr	YTD
67.0	136.4	213.8	156.3	225.0

Major Shareholders

	%
Limea Ltd (Lidgren Family)	34.8
Bevoy Investment Ltd (Kjellesvik Family)	6.53

FY18 NAV/Share (US\$)	0.11
FY18 Net Cash/Share (US\$)	0.01

PRICE CHART



Source: Bloomberg

ANALYST(S)

Llelleythan Tan
 +65 6590 6615
 llelleythant@uobkayhian.com

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This report uses the closing prices of 11 December 2019

Investment Highlights

Deeply undervalued given first oil prospects and strong balance sheet. Boosted by the recent Rolvsnes transaction, Rex boasts a strong net cash balance of S\$89.5m. Rex still has many valuable assets on their balance sheet as well as tax incentives from the Norwegian government. Rex targets to achieve first oil in Oman by 1Q20 and we expect a strong cash inflow of S\$51.6m in 2020 if it is successful. In addition, the Norwegian government provides a 78% cash-back for exploration expenditure, deleveraging Rex's balance sheet. Rex also owns three valuable concessions in Norway of which oil discovery in two of the exploratory assets would unlock huge value for Rex. The last concession, the Shrek Prospect, was recently discovered to have oil. We believe the Shrek prospect could be worth a lot more than its current estimated book value of US\$16.6m.

Strong expertise and track record in divesting of Norwegian assets. After divesting of the licences for the Rolvsnes discovery, Rex still owns three Norwegian assets: a) 30% stake in PL818 and PL818B in the North Sea, b) 20% stake in PL841 in the Norwegian Sea, and c) 30% stake in PL838 and PL838B (Shrek prospect) in the Norwegian Sea. In Oct 19, the Shrek prospect was discovered to have oil.

In the event that oil is found in the Norwegian assets, coupled with confirmation from the Rex Virtual Drilling (RVD) technology, Rex could either divest of its licences or participate in production drilling. Divesting of the licences before production drilling would provide Rex with a lump sum of cash, removing the need for production drilling capex. Additionally, Rex could sell half of its licences while allowing the other half to move into production drilling. Rex has a track record in monetising its oilfield assets as seen by the agreement with Lundin Norway to divest of its interests in two assets for US\$45m, with the company realising a gain of around US\$30.0m. The Rolvsnes discovery was estimated to contain roughly 14m-78m bbl of oil, with Rex owning a 30% interest.

Based on our assumptions (Figure 1), we estimate the fair value of the Shrek prospect at US\$42.8m, instead of the prospect's current estimated book value of around US\$16.6m. As the Shrek prospect is located near the Skarv Floating Production Storage and Offloading (FPSO) facility, we reckon that Rex is able to sell the asset at a premium as the close proximity to the FPSO facility would mean lower production drilling capex needed if an operator was to commence production drilling.

Due to its expertise and track record in monetising its discovery assets, Rex may divest of its licence for the Shrek prospect in 2020 to a potential operator, realising a net gain of around US\$26.2m in 2020 via other income.

First oil production from Block 50 Oman to produce strong cash flow in 2020. Assuming no delays in setting up the rig and drilling equipment, management expects production drilling to commence in 1Q20. Also, revenue contribution from Block 50 Oman is expected to start in 2020. We estimate Block 50 Oman to contribute revenue of US\$143.4m in 2020 and generate an operating profit of S\$51.6m.

We have based our assumptions on an average production of 5,000 bpd starting from 2020 till 2024, a 35% oil revenue split to the Omani Government, an operating profit margin of 36% and an oil price of US\$65.00/bbl. We have included different scenarios in the financials section of this report.

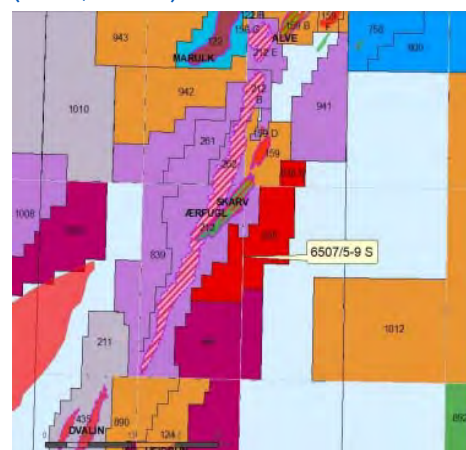
As of 3Q19, exploration and evaluation assets remained at US\$93.9m, of which at least US\$73.1m consisted of the assets in Oman. Furthermore, the Oman Oil Company is understood to have an option to farm-in up to 25% of Block 50 Oman. If exercised, the option would boost Rex's current cash balances further and provide Rex with a bigger cash war chest for more exploration projects in Oman, something management plans to do in the future.

FIGURE 1: ASSUMPTIONS FOR THE SHREK DISCOVERY

Rolvnes discovery		Shrek discovery	
Estimated resource range (Mmboe)	14-78	Estimated resource range (Mmboe)	19-38
UOB Kay Hian's assumption of 2C (mm bboe)	40	UOB Kay Hian's assumption of 2C (mm bboe)	29
% interest owned by Rex	30%	% interest owned by Rex	30%
Assumption of barrels owned by Rex (mm boe)	12	Assumption of barrels owned by Rex (mm boe)	9
Divestment of licence (US\$'000)	43,000	Divestment of licence (US\$'000)	42,750
Price per barrel (US\$)	3.6	Price per barrel (US\$)	5
		Estimated book value (US\$'000)	16,560
		Net gain (US\$'000)	26,190

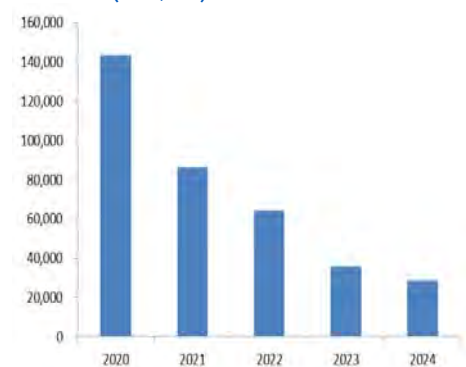
Source: UOB Kay Hian

FIGURE 2: MAP OF THE SHREK PROSPECT (PL838, PL838B)



Source: UOB Kay Hian

FIGURE 3: FORECASTED REVENUE FROM OMAN 50 (US\$,000)

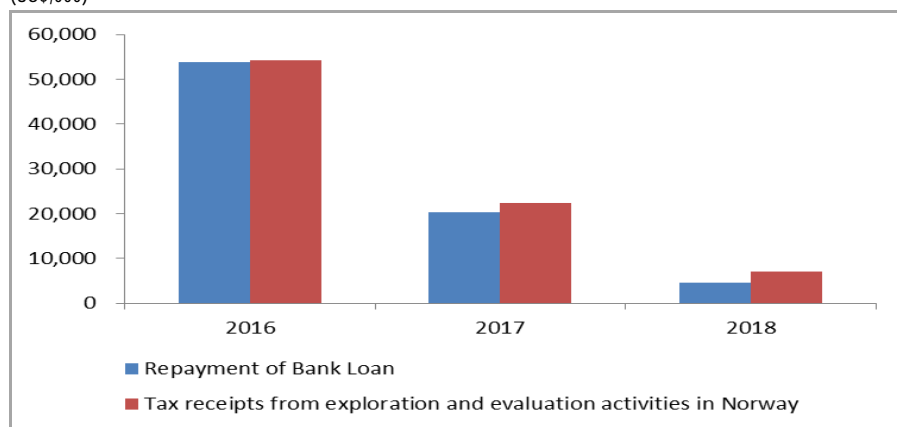


Source: UOB Kay Hian

Substantial cash from divestments and annual tax incentives. Norway is very supportive of oil exploration as the government provides 78% cash-back for all exploration expenditure annually, regardless of whether oil is found. The cash refund would be paid out in November/December in the following year. According to Rex's 2018 annual report, Rex is due to receive a cash tax rebate of US\$29.1m in Nov 19; this has been included in its trade and other receivables account and further increases Rex's net cash position for 4Q19. We have learnt from management that cash gained from the tax rebates would be used to repay borrowings on its balance sheet in the same financial year.

For 100% of exploration expenditure costs, Rex takes a loan of 78% from banks and utilises cash for the remaining 22%. The Norwegian government then provides cash-back for the 78% borrowed in November in the following year. Therefore, existing debt on the balance sheet would be paid off in the next financial year. Repayments of bank loans on Rex's cash flow statement are almost identical to the amount of tax rebates received from the Norwegian government in the previous year (Figure 4). By continuing its exploration activities in Norway, Rex is able to use the tax rebates to de-lever its balance sheet or recycle capital for more exploration activities, ensuring a fundamentally strong balance sheet.

FIGURE 4: TAX REBATES FROM NORWAY USED TO PAY OFF BANK LOANS THE FOLLOWING YEAR
(US\$,000)

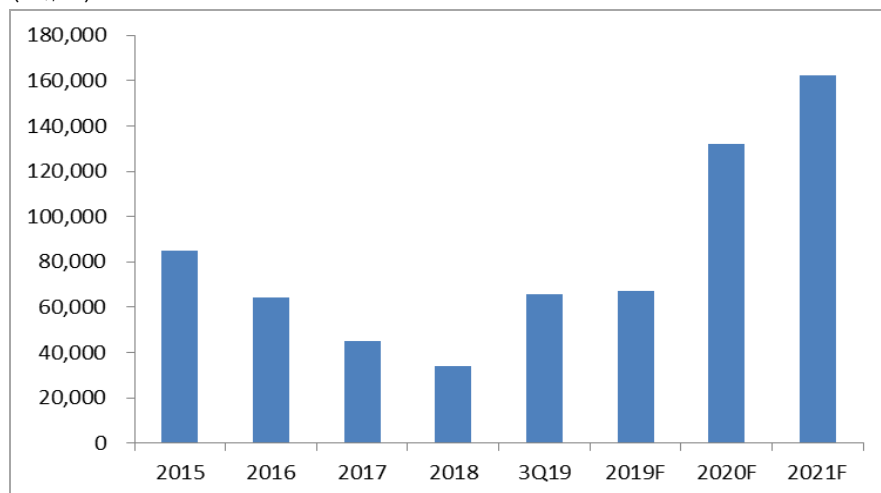


Source: UOB Kay Hian

With the proceeds from the Norwegian transaction received in 2Q19, Rex's net cash position increased to US\$71m (S\$98m) in 2Q19 before moderating slightly to US\$65.8m in 3Q19 (tax rebate from Norway included). Armed with a net cash of US\$65.8m, Rex has the means to increase exploration drilling activity or seek potential synergistic M&As. Rex has also started its maiden share buyback since Aug 19

Strong cashflow from Oman and potential sale of discovery assets would boost cash levels for 2020 and beyond.

FIGURE 5: TOTAL NET CASH POSITION
(US\$,000)



Source: UOB Kay Hian

Valuation

Trading at 2020F P/B of 0.8x, with net cash balance forming 41.5% of market cap. We initiate BUY with SOTP-based target price of S\$0.218, implying 1.1x 2020F P/B. Rex is trading at 0.8x 2020F P/B, below its long-term average of 1.0x P/B and relatively low vs the industry average of 1.3x 2020F P/B. As of 3Q19, NAV/share stood at US\$0.116 (S\$0.156).

Rex still owns many undervalued assets in its balance sheet that could unlock huge value for the company. We believe that revenue from the production of oil in Block 50 Oman coupled with the sale of the Norwegian discovery assets would help boost its NAV/share and narrow the P/B gap between Rex and its peers. We initiate coverage with a BUY rating and a SOTP-target price of S\$0.218, implying 30.3% upside from the current closing price.

FIGURE 6: P/B RATIO (2014-19)



Source: Bloomberg, UOB Kay Hian

FIGURE 7: SOTP VALUATION OF RNAV

SOTP Valuation	3Q19 NAV (S\$,000)	NAV Per Share (SGD\$)	RNAV (S\$,000)	RNAV Per Share (SGD\$)
Block 50 Omani assets	99,438	0.077	143,102	0.111
Norwegian assets	28,219	0.022	63,837	0.049
Net Cash	89,487	0.069	89,487	0.069
Other assets	72,668	0.056	72,668	0.056
Other liabilities	(88,063)	-0.068	(88,063)	(0.068)
Net asset value	201,748	0.156	281,031	0.218

Source: UOB Kay Hian

FIGURE 8: REX IS TRADING BELOW SIMILAR-SIZED COMPETITORS

Company	Ticker	Trading			PE			P/B			Net Debt (S\$m)
		Curr (lcy)	Price (lcy)	Mkt Cap (US\$m)	2018 (x)	2019F (x)	2020F (x)	2018 (x)	2019F (x)	2020F (x)	
Hibiscus Petroleum Bhd	HIBI MK	MYR	0.915	349	6.9	6.3	6.2	1.5	1.2	1.3	(269)
Tethys Oil Ab	TETY SS	SEK	77	291	4.4	6.0	5.7	1.1	1.0	0.9	(707)
Far Ltd	FAR AU	AUD	0.05	213	n.a.	n.a.	n.a.	1.6	2.5	2.5	(36)
Carnarvon Petroleum Ltd	CVN AU	AUD	0.34	361	242.9	n.a.	n.a.	3.4	2.8	2.3	(74)
Norwegian Energy Co Asa	NOR NO	NOK	224.5	603	n.a.	8.2	5.9	n.a.	0.7	0.6	491
Pharos Energy Plc	PHAR LN	GBp	54.5	280	8.4	46.9	24.3	0.5	0.5	0.6	2,954
Eland Oil & Gas Plc	ELA LN	GBp	159.4	444	7.3	6.3	4.0	1.1	0.9	0.7	2,604
Average					54.0	14.7	9.2	1.5	1.4	1.3	709
Rex International Holding	REXI SP	SGD	0.167	159	125.5	n.a.	n.a.	1.4	1.1	0.8	(50)

Source: Bloomberg, Uob Kay Hian

Financial Forecasts

Surge in revenue and profitability from start of oil production. We forecast strong revenue numbers for Rex from 2020 onwards, largely due to the expected commencement of production drilling in Oman. Revenue forecasts for Block 50 Oman average US\$71.7m/year. This is based on the assumptions of an average production rate of 5,000 bpd starting 2020, an operating profit margin of 36%, an oil price of US\$65.00/bbl and a 35% revenue split to the Omani government.

As the oil found from the discovery well in Oman was good-quality light oil, we have assumed that it would sell at a price which is at least on a par with the current Omani crude oil price of US\$65.0/bbl. Our revenue and PATMI estimates for 2019-21 are at US\$0.5m, US\$144.0m and US\$86.8m, with PATMI at US\$20.3m, US\$52.5m and US\$12.5m respectively.

FIGURE 9: REVENUE ASSUMPTIONS FOR BLOCK 50 OMAN

Oman 50						
% of the block owned	93%					
Revenue per barrel (US\$/barrel)	65.0					
Rex's revenue cut (%)	65%					
Operating profit (%)	36%					
Days in the year	365					
WACC	10%					
Bear case: 4,000 barrels/day	FY20	FY21	FY22	FY23	FY24	
Barrels/day	9,000	5,000	3,500	1,500	1,000	
Revenue (US\$,000)	129,076	71,709	50,196	21,513	14,342	
Operating profit (US\$,000)	46,467	25,815	18,071	7,745	5,163	
NPV (US\$,000)	42,243	21,335	13,577	5,290	3,206	
Base case: 5,000 barrels/day	FY20	FY21	FY22	FY23	FY24	
Barrels/day	10,000	6,000	4,500	2,500	2,000	
Revenue (US\$,000)	143,418	86,051	64,538	35,854	28,684	
Operating profit (US\$,000)	51,630	30,978	23,234	12,908	10,326	
NPV (US\$,000)	46,937	25,602	17,456	8,816	6,412	
Bull case: 6,000 barrels/day	FY20	FY21	FY22	FY23	FY24	
Barrels/day	11,000	7,000	5,500	3,500	3,000	
Revenue (US\$,000)	157,759	100,392	78,880	50,196	43,025	
Operating profit (US\$,000)	56,793	36,141	28,397	18,071	15,489	
NPV (US\$,000)	51,630	29,869	21,335	12,342	9,618	

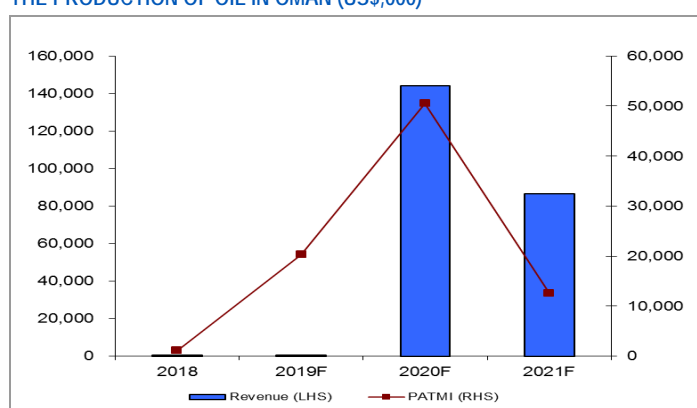
Source: UOB Kay Hian

FIGURE 10: BLOCK 50 OMAN'S NPV/SHARE VS NAV/SHARE

Average of 5,000 Barrels/Day	
Block 50 Oman	
USDSGD	1.36
Sum of NPV (US\$,000)	105,222
Number of shares	1,291,220
NPV/RNAV per share (USD\$/ Share)	0.081
NPV/RNAV per share (SGD\$/ Share)	0.11
NAV for Oman (SGD\$/ Share)	0.077

Source: UOB Kay Hian

FIGURE 11: SIGNIFICANT INCREASE IN REVENUE AND NET PROFIT FROM THE PRODUCTION OF OIL IN OMAN (US\$,000)



Source: UOB Kay Hian

Overview Of Norwegian Assets

Rex continues to have interests in licences in Norway that are close to existing producing fields and pipeline infrastructure, allowing a fast-track path to potential commercialisation and return on investment when more discoveries are made in its assets. Lime Petroleum AS (LPA), as a prequalified company, benefits from the Norwegian tax system with 78% cash-back on all exploration expenditures. This system has been a huge success since its introduction in 2005, allowing diverse companies to drill a sufficient number of wells, resulting in a string of significant discoveries in all provinces of the Norwegian Continental Shelf.

Rex has adopted a value creation strategy, particularly in Norway, built on its unique technology-led, de-risked exploration approach. The portfolio will be re-built through awards in licensing rounds and farm-in transactions with the company targeting to participate in one exploration well activity per year, giving the potential for a step change in the form of a value increase. Three strategies have been identified going forward: a) Pro-active evaluation of farm-in opportunities, b) extensive applications in the upcoming annual licensing round for cost-effective portfolio growth, and c) continued use of RVD to de-risk geological evaluations.

FIGURE 12: ASSETS IN NORWAY

Licence	Location	Area (sq km)	LPA's Stake	Rex's Effective Stake In Licence Holding Entity	Operator	Other Partners	Expiry Date
PL818	North Sea	77	30%	27%	Aker BP	Equinor	05.02.2023
PL818B	North Sea	20	30%	27%	Aker BP	Equinor	05.02.2023
PL841	Norwegian Sea	111	20%	18%	Edison	Equinor, Petoro	05.02.2023
PL838 - PL838B	Norwegian Sea	125	30%	27%	PGNiG	Aker BP	05.08.2023

Source: Rex International

Norway continues to produce a significant amount of oil and gas. According to the Norwegian Petroleum Directorate (NPD), Norway produced a total of 86.2m Sm³ oil (1.49m bpd) in 2018, compared with 92.2m Sm³ (1.59m bpd) in 2017, down 6.3% yoy. The NPD forecasts production to increase from 2020 to 2023, following a slight decline in 2018/19. Total production of oil and gas in 2022/23 is estimated to be close to that in the record-breaking year of 2004. In the 50 years since Norwegian petroleum activities began, about 47% of the estimated total recoverable resources have been produced and sold. Thus, there is a large volume of remaining resources, and it is expected that the level of activity on the Norwegian Continental Shelf will remain high over the next 50 years as well. All of Norway's oil reserves are located offshore on the Norwegian Continental Shelf which is divided into three sections: the North Sea, the Norwegian Sea and the Barents Sea. The bulk of Norway's oil production occurs in the North Sea. New exploration and production activity is taking place further north in the Norwegian Sea and Barents Sea.

More exploration wells were spudded in the North Sea. According to the NPD, 53 exploration wells were spudded in 2018, compared with 36 in 2017. Most of the wells drilled in 2018 were drilled in the North Sea. Eleven discoveries were made, with a preliminary resource estimate of 82m standard cubic metres of recoverable oil equivalents (o.e.). This is higher than that in each of the three previous years. Exploration costs are expected to increase by 10% from 2018 to 2019, after which a moderate reduction is expected over the next few years. In the Awards in Predefined Areas (APA) 2017, which were awarded in early-18, 75 new licences were awarded to 34 companies. Of these, 45 are located in the North Sea, 22 in the Norwegian Sea and 8 in the Barents Sea.

Overview Of Omani Assets

Oman is the largest oil and natural gas producer in the Middle East outside the Organization of the Petroleum Exporting Countries (OPEC). According to Thomson Reuters, Oman had an estimated 4.7b bbl of proved oil reserves as of 2018. The National Centre for Statistics and Information (NCSI) reported that the Sultanate's crude oil production, including condensates, stood 0.8% higher yoy at 326.3m barrels in 11M18. This is against an output of 323.7m bbl for the corresponding period of 2017. Of the total production, crude oil production was down 1.7% at 290.2m barrels.

Oman recorded a daily average crude oil production of 977,100 barrels during 11M18. The average price of Oman Crude surged by 35% to US\$68.70/bbl in 11M18, from US\$50.90/bbl in 11M17. One of Oman's critical infrastructure projects is the development of a port and industrial area (including a refinery and petrochemical complex) in the strategically-located town of Duqm, on the Arabian Sea. A US\$400m crude oil storage terminal is also being built in Duqm, the first phase of which will have a storage capacity of 10m bbl of crude oil.

Block 50 Oman concession. The approximately 17,000 sq km offshore concession is located in Gulf of Masirah, offshore east Oman and the town of Duqm. Masirah Oil (MOL) holds 100% of the Block 50 Oman concession. Rex holds an effective interest of 92.65% in MOL through its indirect wholly-owned subsidiary Rex Oman. MOL is also 2.35% held by Petroci, the national oil company of the Ivory Coast (also known as Côte D'Ivoire) and 5.00% held by Schroder & Co Banque S.A. Block 50 Oman is one of the first concessions secured by the founders of Rex before the company's IPO. On 4 Feb 14, an oil discovery was announced at Block 50 Oman.

The second exploration well that was drilled in the concession had successfully reached the well depth target of more than 3,000 metres into the Cambrian formation. Hydrocarbons were discovered in several formations with good oil samples extracted. The oil discovery is significant as it is the first offshore discovery east of Oman, after 30 years of exploration activity in the area, and won the "Offshore Discovery of the Year" award. During a 48-hour test, hydrocarbons were flowed to the surface and the well achieved a restricted flow rate of 3,500 bpd of high-quality light oil without water production from a sandstone reservoir of excellent quality. In 2017, the Karamah#1 well which was drilled identified a 5-metre oil bearing interval on the wireline logs in a carbonate reservoir, further confirming the presence of a working petroleum system in the block.

Key milestones achieved in 2018. Four key milestones achieved include: a) carried out feasibility study on discovery well Yumna, based on reprocessed seismic data which was re-analysed with an updated version of RVD (RVD version 4) and substantial conventional interpretation; b) finalised updated mapping of the block with a view to determining possible drilling on prospects that could be taken forward for production in parallel or sequentially with the Yumna discovery; c) announced the group's consideration to maintain a high equity stake in Block 50, following the encouraging results of the feasibility and concept studies on the Yumna discovery well; and d) appointed an independent investment bank as financial adviser to review non-dilutive financing options and to conduct fixed income securities meetings to fund the development activities at the Yumna discovery.

Plans to unlock value from huge recoverable cost pool. A recoverable cost pool of more than US\$100m has been accrued from exploration activities on the Block 50 licence. This cost pool can be deducted against revenue in the production phase, significantly increasing the economic attractiveness of the Yumna discovery. The extensive technical works carried out on the licence have de-risked exploration potential. The plan is to use free cash flow from the production at Yumna to fund a new exploration drilling campaign focused on the prospects adjacent and similar to the Yumna discovery. New discoveries could be developed in parallel or sequentially with Yumna, utilising the same equipment. Hence, production could be increased in volume and duration while reaping economies of scale.

Yumna discovery is only a small part of Block 50 Oman. Obtained from the prospectus of another E&P company Hibiscus Petroleum, AkerGeo did a Qualified Person's Report on the prospective resources in Block 50 Oman. As seen from the table below, Yumna's (GA South) P50 is 3.18m barrels, only 0.6% of the total P50 in Block 50 Oman. Although P50 implies the quantity stated has at least 50% probability of being exceeded, this still shows the vast amount of oil reservoir in Block 50 Oman that Rex has yet to drill and discover.

FIGURE 13: PROSPECTIVE RESERVOIRS IN BLOCK 50 OMAN

Prospect	Reservoir Layers	Unrisked P50 MMBO	Probability %	Risked P50 MMBO
Masirah 1 North	Shuaiba	61.5	15%	8.93
GA South	Natih	14.6	22%	3.18
	Shuaiba	10.7	24%	2.55
K1-N	Natih	1696	8%	133.53
	Shuaiba	1398	15%	214.02
	Khufai	59.2	8%	4.70
	Abu Mahara	86	9%	7.80
K1-S	Natih	311.4	6%	19.61
	Shuaiba	404.1	15%	59.39
	Khufai	17.1	8%	1.36
	Abu Mahara	26	8%	2.12
K2	Natih	324.9	6%	20.46
	Shuaiba	267.8	13%	34.98
	Khufai	26.1	8%	2.07
	Abu Mahara	39.8	8%	3.25
		4743.2		517.96

Source: Hibiscus Prospectus

FIGURE 14: REX'S ASSETS IN OMAN



Source: Rex International

FIGURE 15: PROFIT & LOSS

Year to 31 Dec (US\$m)	2017	2018	2019F	2020F	2021F
Revenue, net	0	0	0	144	87
Operating expenses	(15)	14	19	(81)	(70)
EBIT	(15)	14	19	63	16
Other non-operating income	0	(0)	(0)	(0)	(0)
Associate contributions	(1)	0	0	0	0
Net interest income/(expense)	(0)	(1)	(1)	(1)	(1)
Pre-tax profit	(15)	13	18	62	15
Tax	6	(11)	6	0	0
Minorities	0	(1)	(4)	(9)	(2)
Extraordinary items	0	0	0	0	0
Net profit(rep./act.)	(9)	1	20	52	13
Net profit(adj.)	(9)	1	20	52	13
Deprec. & amort.	1	1	1	1	1
EBITDA	(14)	15	20	64	17
Per share data (US\$ cent)					
EPS - diluted	(0.7)	0.1	1.6	4.1	1.0
Reported EPS - diluted	(0.7)	0.1	1.6	4.1	1.0
Book value per shares (BVPS)	9.2	9.2	10.8	14.8	15.8
Dividend per share (DPS)	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, UOB Kay Hian

FIGURE 16: BALANCE SHEET

Year to 31 Dec (US\$m)	2017	2018	2019F	2020F	2021F
Cash/Near cash equiv.	12	5	43	110	140
Accounts receivable/debtors	10	31	30	30	30
Stocks	3	2	2	2	2
Other current assets	34	29	24	24	24
Current assets	58	68	99	166	196
Fixed assets	77	136	95	80	65
Investments	1	0	0	0	0
Intangible assets	6	5	4	3	3
Other non-current tangible assets	0	0	0	0	0
Total non-current assets	84	141	99	84	68
Total assets	142	209	198	250	264
Accounts payable/creditors	3	4	15	12	12
Short-term debt/borrowings	0	26	26	28	30
Other current liabilities	0	0	0	0	0
Current liabilities	3	31	41	40	42
Long-term debt	0	0	0	0	0
Deferred tax liability	2	41	0	0	0
Other non-current liabilities	11	11	11	11	11
Total non-current liabilities	13	52	11	11	11
Total liabilities	16	83	52	51	53
Minority interest - accumulated	7	7	7	7	7
Shareholders' equity	119	119	139	192	204
Liabilities and shareholders' funds	142	209	198	250	264

Source: Bloomberg, UOB Kay Hian

FIGURE 17: CASH FLOW

Year to 31 Dec (US\$m)	2017	2018	2019F	2020F	2021F
Operating cashflows	11	(4)	1	61	17
Pre-tax profit	(15)	13	18	62	15
Tax	6	(11)	6	0	0
Deprec. & amort.	1	1	1	1	1
Associates	(1)	0	0	0	0
Working capital changes	(1)	1	12	(3)	0
Non-cash items	0	0	0	0	0
Others	21	(8)	(35)	1	1
Cash from investing activities	(20)	(30)	42	16	16
Capex (growth)	(0)	(0)	(1)	(0)	(0)
Investments	(1)	5	0	0	0
Others	(19)	(35)	43	16	16
Cash from financing activities	(14)	28	(6)	(9)	(3)
Issue of shares	0	0	0	0	0
Proceeds from borrowings	7	33	(0)	2	2
Loan repayment	(20)	(5)	0	0	0
Others/interest paid	(1)	(1)	(5)	(11)	(5)
Net increase/(decrease) in cash	(23)	(6)	38	67	30
Beginning cash	33	12	5	43	110
Changes due to forex impact	2	(0)	0	0	0
End cash	12	5	43	110	140

Source: Bloomberg, UOB Kay Hian

FIGURE 18: KEY METRICS

Year to 31 Dec (%)	2017	2018	2019F	2020F	2021F
Growth					
Turnover	1.7	14.3	20.0	29,384.8	(39.8)
EBITDA	n.a.	n.a.	33.5	222.3	(73.0)
Pre-tax profit	n.a.	n.a.	37.1	245.1	(76.1)
Net profit	n.a.	n.a.	1,675.8	158.4	(76.1)
Net profit (adj.)	n.a.	n.a.	1,675.8	158.4	(76.1)
EPS	n.a.	n.a.	1,672.0	158.4	(76.1)
Profitability					
EBITDA margin	(3,831.7)	3,670.5	4,081.9	44.6	20.0
EBIT margin	(4,108.7)	3,449.4	3,899.3	43.9	18.8
Gross margin	(853.1)	(558.7)	9.0	45.6	52.9
Pre-tax margin	(4,328.1)	3,204.7	3,660.8	42.8	17.0
Net margin	(2,394.4)	280.8	4,155.9	36.4	14.5
ROE	n.a.	1.0	15.7	31.7	6.3
ROA	n.a.	0.7	10.0	23.4	4.9
ROIC	(6.1)	1.6	13.8	28.0	6.2
RONTA	(4.7)	1.8	11.2	25.0	5.9
Leverage					
Interest cover (x)	(37.3)	22.9	24.3	56.4	14.5
Debt to total capital	0.0	17.3	15.1	12.4	12.4
Debt to equity	0.0	22.2	18.7	14.6	14.7
Net debt/(cash) to equity	(9.9)	17.7	(12.2)	(42.8)	(53.9)
Current ratio (x)	17.2	2.2	2.4	4.2	4.7

Source: Bloomberg, UOB Kay Hian

Appendix I - Risk Factors

Issues and delays in production of oil in Oman. As an O&G exploration and production company, Rex does not own all the infrastructure required for production drilling. Outsourced equipment such as drilling and well completion equipment and material, pipelines, storage tanks, separation equipment, enhanced oil recovery equipment and material, and logging equipment are provided by external oil service providers. By leasing such infrastructure and services from third-party providers, Rex has no control over its quality and availability. Therefore, Rex may face interruptions due to logistical complications for oil production in Oman, or Norway for that matter.

O&G exploration risk in Norway. Rex's ability to maintain a commercially viable operation is dependent on whether it will continue to be successful in obtaining more concessions, licences and participating interests; discovering additional oil reserves; and further developing and exploring its interests in existing reserves and resources. There is no assurance that the exploration activities in Norway will result in the discovery of new or profitable oil reserves.

Oil price fluctuation. Rex is dependent upon the price and demand for oil. Modest fluctuations in oil prices may adversely affect its business, revenues and profits. The difference between the prices received for the oil that Rex produces and the costs of exploring for, developing, producing and selling oil will largely determine its profitability.

Actual exploration, production and operating costs may differ. Exploration, production and operating costs are based on assumptions and projections which may differ significantly from actual costs. This may affect results of operations, future cash flow and financial condition and valuation.

Heavy dependence on its ability to acquire additional concessions and/or licences. Rex's growth is heavily dependent on its ability to negotiate additional concessions and licences. The success of Rex's core business activities will be contingent upon the continuation of its relationships with its partners and its ability to select and evaluate suitable concessions and/or licences. In the event that Rex is delayed and unable to negotiate for an extension, the licensors of the concessions and/or licences could terminate agreements.




Appendix II – Company Background/Management

RECENT MILESTONES

9 JANUARY 2018	Rex Technology Management is awarded approximately US\$1.95m in arbitration with HiRex.
18 JANUARY 2018	Lime Petroleum AS (LPA) is awarded one new licence in Awards in Predefined Areas (APA) 2017.
29 JANUARY 2018	Liquidators sell Lime Petroleum's (Lime) assets to Rex subsidiary.
30 JANUARY 2018	LPA sells stake in Norwegian Sea licence PL762 as part of Rex's value creation strategy in Norway, to focus on areas close to infrastructure in the North Sea, while fully leveraging on the group's unique technology-led, de-risked approach.
9 FEBRUARY 2018	Isle of Man Court orders Hibiscus subsidiaries to pay costs of appeal in Lime case.
3 APRIL 2018	LPA participates in drilling of a horizontal test production well on the Rolvsnes discovery.
17 APRIL 2018	Rex disposes of its entire holding of 30.29% in FRAM Exploration AS, the group's available-for-sale investment.
16 JULY 2018	Rex subsidiary divests of its entire holding of 25.72% in Steeldrum Oil Co Inc, an available-for-sale investment.
27 AUGUST 2018	The drilling of the horizontal test production well of the Rolvsnes discovery is completed successfully, with drilling results showing good reservoir productivity and connection to a good oil volume, and production rate of up to 7,000 boepd.
17 SEPTEMBER 2018	Rex receives unsolicited, nonbinding indications of interest for assets in LPA.
2 OCTOBER 2018	Rex on track to achieve production in Oman following completion of feasibility and concept studies on the Yumna discovery well.
8 OCTOBER 2018	Rex subsidiary's divestment of its entire 25.72% stake in Steeldrum Oil Co. Inc., an available-for-sale investment, is completed.
15 OCTOBER 2018	LPA divests of its 20% interest in non-core Barents Sea asset, PL850
5 NOVEMBER 2018	Rex appoints a financial adviser to review non-dilutive financing options and conduct fixed income securities meetings for 92.65% subsidiary Masirah Oil, to fund oil production activities at the Yumna discovery in offshore Oman.
10 DECEMBER 2018	The Kuala Lumpur High Court's winding up order and appointment of Mr Duar Tuan Kiat of Ernst & Young in Kuala Lumpur as liquidator for the winding up of HiRex is lodged on 4 Dec 18 with the Companies of Commission Malaysia, following the receipt of the written Winding-Up Order dated 27 Nov 18.
28 JANUARY 2019	LPA enters into agreement to divest of its interests in the Rolvsnes discovery in PL338C, PL338E and the Goddo prospect in PL815 for a total consideration of US\$45m, subject to regulatory approvals and conditions precedent.

Source: REX Annual Report 2018

DIRECTORS AND KEY MANAGEMENT

Name	Position	Experience
 <p>Mr. DAN BROSTRÖM</p>	Chairman and Executive Director	<p>Mr Dan Broström has been with the group since 2011. He was appointed as an executive director on 11 Jan 13 and re-elected to the board on 26 Apr 19. He is the executive chairman of the board and a member of the remuneration and audit committees.</p> <p>Prior to joining the company, Mr Broström was a senior partner at MVI Holdings between 1993 and 2005, where as a consultant, he assisted Swedish companies in setting up businesses in Singapore through fundraising activities and sourcing for suitable business partners.</p> <p>From 1990 to 1993, Mr Broström was the CEO at Hufvudstaden UK, a real estate company. He has a degree in Economics from Stanford University in the US, and a Bachelor of Arts in Economics from Gothenburg University in Sweden.</p>
 <p>DR KARL LIDGREN</p>	Non-Independent Executive Director	<p>Dr Karl Lidgren was appointed as a non-independent non-executive director on 1 May 13 and was re-designated as a non-independent executive director on 15 Jan 15. He was last re-elected to the board on 26 Apr 19 and is a member of the nominating committee.</p> <p>Dr Lidgren and his brother, Mr Hans Lidgren, have since the 1980s utilised satellite altimeter data in oil exploration activities, which have enabled major oil and gas findings. A founder of Rex, Dr Lidgren represents the interests of Limea Ltd on the company's board of directors.</p> <p>Dr Lidgren graduated from Lund University in Sweden in 1970 with a degree in economics. Upon graduation, he taught in Lund University until 1972 before taking on the role of an investigator for the Swedish government from 1972 to 1980. He concurrently obtained a Doctor of Philosophy in Economics from Lund University in 1976. Dr Lidgren taught in Lund University as a professor from 1980 until his retirement in 2000.</p>
 <p>Mr. SIN BOON ANN</p>	Lead Independent Non-Executive Director	<p>Mr Sin Boon Ann was appointed as an Independent Non-Executive Director on 24 Feb 14. He was re-elected to the Board on 27 Apr 18. Mr Sin is Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee.</p> <p>He received his Bachelor of Arts and Bachelor of Laws from the National University of Singapore in 1982 and 1986 respectively, and a Master of Laws from the University of London in 1988. Mr Sin was admitted to the Singapore Bar in 1987 and was a member of the teaching staff of the law faculty, National University of Singapore from 1987 to 1992.</p>

MR MUHAMMAD SAMEER YOUSUF KHAN

Independent Non-Executive Director



Mr Muhammad Sameer Yousuf Khan was appointed as an independent non-executive director on 26 Jun 13 and re-elected to the Board on 28 Apr 17. He is chairman of the audit committee and a member of the nominating and remuneration committees.

Mr Khan has more than 40 years of experience in the fields of accounting, business and financial advisory. He began his career in 1972 at Ernst & Young's London office. Subsequently in 1983, he joined Drydocks World Group, a large maritime group based in the Middle East.

Mr Khan held various positions in Drydocks World Group and was group CFO and executive director from 2007 to 2011. He was responsible for Drydocks World Group's acquisition of two SGX listed companies, namely, Pan United Marine and Labroy Marine. After leaving Drydocks World Group, Mr Khan has been providing consultancy and advisory services in Singapore.

DR CHRISTOPHER ATKINSON

Independent Non-Executive Director



Dr Christopher Atkinson was appointed as an Independent Non-Executive Director on 6 Jan 15 and was re-elected to the board on 27 Apr 18. He is a member of the group's technical review committee.

Dr Christopher Atkinson is a professional geologist with over 30 years of experience in the upstream oil and gas sector. He is currently the founder and director of Worldwide Petroleum Services Pte Ltd and a director of Sonoro Energy Limited. Prior to this, Dr Atkinson was a founding investor in several exploration and production start-up ventures in Southeast Asia, the UK and Canada. He has also worked for Shell International Petroleum Company and was a 15-year career veteran with the Atlantic Richfield Company (ARCO), where his last held position was vice president of exploration, Europe/North Africa.

Dr Atkinson holds a PhD in Geology and a BSc (Hons) Geology (1st Class) from the University of Wales, Swansea. He has been a Fellow of the Geological Society of London since 1996 and is a Life Member of the Petroleum Exploration Society of Southeast Asia, where he served as president from 2002 to 2003.

MR MÅNS LIDGREN

Chief Executive Officer ("CEO")



Mr Måns Lidgren is the CEO and is responsible for overseeing the strategic positioning and business expansion of the group, including making major business and finance decisions.

Prior to joining the company, Mr Lidgren was interim CEO and director of Lime Petroleum Plc from Aug 11 to Dec 12 and CFO of his family business from Aug 09 to Aug 11. He has seven years of experience in financial structuring, M&As, investments and business development.

Mr Lidgren graduated from Lund University in Sweden with a Bachelor of Science and a Master of Science, both in Business Administration and Economics in 1999 and 2000 respectively.

MR PER LIND

Chief Financial Officer



Mr Per Lind is the CFO overseeing the group's finance, legal, administration and group structural matters. He also works with the CEO in business development.

Prior to joining the company, from 2009 to 2013, he was Vice President, Investments at Tangerine Time, a Singapore-based investment company investing in real estate and financial services in Singapore, India and the UK. Mr Lind was an active group management member and Director of Investments at Raffles Residency.

Before being Senior Vice President of Finance in AEP Investment Management, a Singapore-based investment management company in 2008, Mr Lind spent five years as director of finance & corporate development with 1st Software Corporation Ltd, a software company listed on the mainboard of the Singapore Exchange from 2003 to 2008.

MR SVEIN KJELLESVIK

Chief Operating Officer



Mr Svein Kjellesvik is the COO and executive chairman of the group's 90% subsidiary, Lime Petroleum AS. He is responsible for the group's overall operations, including the integration of new business development plans into the group's operations.

Prior to joining the company, Mr Kjellesvik has been an independent entrepreneur and he has been involved in the start-up of Rex Middle East Ltd (formerly known as Rex Oil & Gas Ltd) and Lime Petroleum Plc. Before retiring from Schlumberger in 2002, Mr Kjellesvik held leading positions in Schlumberger's seismic division and corporate headquarters.

He has also been the president of their Global Marine Seismic Division. Mr Kjellesvik has played leading roles in key innovations in the seismic industry which includes multi-cable 3D seismic, 4 component seismic, and seismic 4D.

MRS LINA BERNTSEN

Chief Technology Officer



Mrs Lina Berntsen is the CTO and co-ordinates the use of Rex Virtual Drilling for the group. Mrs Berntsen re-joined the group in 2012 as the Rex Virtual Drilling Specialist to Lime Petroleum Norway AS (now known as Lime Petroleum AS).

Prior to this from 2011 to 2012, she provided consultancy services to the group as a Technology Specialist at Equus Consulting AB, a business providing advanced mathematical analysis. From 2010 to 2011, Mrs Berntsen was the Rex Virtual Drilling Specialist for Rex Oil & Gas, and oversaw the operations and coordinated analyses in relation to the use of Rex Virtual Drilling

Prior to this, Mrs Berntsen was development engineer in Gambro Lundia AB, a global medical technology company, where she was responsible for product development and design control relating to dialysis technology. She was previously the marketing coordinator in biotechnology company Chemel AB, where she also worked on product development.

Source: REX Annual Report 2018

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