

**Explanatory notes to the agenda of the Extraordinary General Meeting of Shareholders (EGM) of Sequa Petroleum N.V. (the Company) to be held at the 24<sup>th</sup> floor, Rembrandt Tower, Amstelplein 1 (1096 HA) in Amsterdam, the Netherlands on 24 April 2015 at 10.00 hours a.m. CET.**

**1 Explanation to agenda item 2) (proposal to extend the five month period, as referred to in section 2:101 of the Dutch Civil Code)**

Proposal to extend the five month period, as referred to in section 2:101 of the Dutch Civil Code and article 23 paragraph 2 of the articles of association of the Company, within which the annual accounts for the financial year 2014 have to be prepared and made available to the shareholders for inspection, by a period of six months, i.e. until 30 November 2015.

The request for extension is made in view of the conduct of an impairment test. The management board of the Company has to conduct an impairment test on the book value of the 75% subsoil use asset relating to the Aksai oil and gas block located in the territory of West-Kazakhstan oblast of the Republic of Kazakhstan under a contract of 16 May 2006 as amended from time to time (the Aksai license) and on the well drilled last year pursuant thereto. The Company's accounting policy requires that this asset is tested by the management board for impairment (please be referred to Schedule 1 for more details). In order to conduct this test properly, the management board would need the conclusions from the latest seismic technical work on Aksai and also would need to have clarity on the status of the license extension that the Company is planning to request. The normal timetable for the preparation of the financial statements requires the audit to be completed and the accounts to be finalized mid-May 2015. This timetable cannot be met, since seismic and technical work will be completed towards the end of the second quarter of 2015 and the clarity on the license extension is not expected until early in the third quarter of 2015.

## **Schedule 1**

### **Explanation Impairment Test**

There are some specific requirements for impairment testing of certain intangible assets.

Exploration licenses and other exploration and appraisal costs (i.e. unproved properties) must be assessed periodically (at least annually) to determine whether they have been impaired. A property would be impaired, for example, if no potentially commercial quantities of hydrocarbons have been found and/or there are no firm plans for further exploration or appraisal activity. Furthermore, a fundamental change in development timing or concept may indicate that full recovery of the carrying value is unlikely.

There is no time limit for which exploration and appraisal costs may be carried as intangible assets, but where an intangible asset is not yet available for use it must be reviewed for impairment annually. This annual review will involve the management board reviewing project economics and carrying values as part of the yearend process, along with an assessment of other indicators of impairment such as those listed below:

- (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (b) substantive expenditure on further exploration for and appraisal of resources in the specific area is neither budgeted nor planned;
- (c) exploration for and appraisal of resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- (d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and appraisal asset is unlikely to be recovered in full from successful development or otherwise extracting value.

If the results of the assessment indicate impairment, an impairment loss should be recognised. Impairment should be assessed on a property-by-property basis.