

**Explanatory notes to the agenda of the Virtual Annual General Meeting of Shareholders (the AGM) of Sequa Petroleum N.V. (the Company) to be held on 17 June 2022 at 11:00 a.m. CET.**

**Agenda item 2**

*(a) Reports by the Management Board on the financial years 2019 and 2020 (discussion)*

The 2019 and 2020 annual reports of the Management Board will be discussed, including the 2019 and 2020 reports of the Supervisory Board.

*(b) Shareholders' questions and requests (discussion)*

*(b.1) The annual general meetings of 2020 and 2021 (discussion)*

*(b.2) The absence of the audited 2019 and 2020 financial statements (discussion)*

*(b.3) The Company's operations (discussion)*

*(b.4) The Company's cash balances (discussion)*

*(b.5) The Company's General & Administrative costs (discussion)*

*(b.6) The Company's lease liabilities (discussion)*

*(b.7) The Company's corporate governance (discussion)*

*(b.8) The payment by the Company of a settlement put option (discussion)*

*(b.9) Interim distribution out of the reserves of the Company (discussion)*

By letter dated 16 February 2022 as supplemented or amended by a letter dated 3 May 2022, ADS Securities LLC (ADS), as holder of ordinary shares in the capital of the Company representing more than ten percent (10%) of the Company's issued share capital on the date hereof, has requested the Management Board and the Supervisory Board to place certain agenda items for discussion on the agenda of a general meeting of shareholders of the Company. In its request, ADS also requested the Company to answer the questions set out in Schedule 1 to these explanatory notes during the requested general meeting of shareholders. The Company answered ADS' questions in writing by means of a letter dated 3 March 2022. For the benefit of the other shareholders of the Company and a meaningful discussion during the AGM, the written answers of the Company have been included under Schedule 2 to these explanatory notes. For completeness sake, at the time the Company answered the questions from ADS, it could not yet take into account certainty of any information relating to the Sungara Joint Venture and the Angolan Transaction (cf. agenda item 8).

In accordance with the aforementioned request from ADS, the relevant agenda items have been included in the agenda of this AGM as agenda items 2b.1 through 2b.9 for discussion only. It is envisaged to discuss these agenda items along with accompanying questions raised by ADS.

**Agenda item 3**

*Implementation of the remuneration policy in the financial years 2019 and 2020 (discussion)*

The implementation of the remuneration policy for the Management Board in 2019 and 2020 will be discussed. The discussion takes place on the basis of the information included in the Annual Report 2019 (p. 74) and in the Annual Report 2020 (p. 69).

#### **Agenda item 4**

*Proposal to confirm the appointment of FSV Accountants + Adviseurs B.V. (FSV) as the external auditor of the Company for the financial year 2020 (vote)*

As the last general meeting of shareholders of the Company was held on 18 June 2019, and no further meetings were convened due to the COVID-19 pandemic and the fact that the annual accounts 2019 were not yet finalised, the Supervisory Board of the Company appointed FSV as the external auditor of the Company for the financial year 2020. The General Meeting is requested to confirm the resolution of the Supervisory Board.

#### **Agenda item 5**

*(a) Proposal to adopt the annual accounts 2019 (vote)*

It is proposed to the General Meeting to adopt the 2019 annual accounts drawn up by the Management Board.

The loss for the financial year 2019 of USD10.829m will be allocated to the retained deficit. Consequently, no profits are distributed, nor are other distributions to shareholders made.

Reference is made to the explanation on page 1 of the 2019 annual accounts concerning the current unavailability of an independent auditor's report relating to the Company's 2019 annual report and financial statements. Whilst the audit has been performed and the Company's annual report and accounts for the year ending on 31 December 2019 are deemed to give a true and fair view of the Company's financial position, the independent auditor's report relating to this annual report is not yet available as the auditor has temporarily been unable to issue certain audit reports. The auditor's inability to issue its audit report does not relate to the Company or its annual reports.

The Company's supervisory director Mr T. Shabib has reviewed the Company's annual report and financial statements for the financial year ending on 31 December 2019 and has no objections on the information contained therein. The Company's financial statements for the year ending on 31 December 2019 have not been signed by Mr T. Shabib in accordance with Section 2:101(2) of the Dutch Civil Code due to the absence of an independent auditor's report on the annual report and financial statements which would support Mr Shabib with the exercise of his supervisory duties in relation to the preparation of the annual report and financial statements.

*(b) Proposal to adopt the annual accounts 2020 (vote)*

It is proposed to the General Meeting to adopt the 2020 annual accounts drawn up by the Management Board.

The loss for the financial year 2020 of USD 3.657m will be allocated to the retained deficit. Consequently, no profits are distributed, nor are other distributions to shareholders made.

Reference is made to the explanation on page 1 of the 2020 annual accounts concerning the current unavailability of an independent auditor's report relating to the Company's 2020 annual report and financial statements. Whilst the audit has been performed and the Company's annual report and accounts for the year ending on 31 December 2020 are deemed to give a true and fair view of the Company's financial position, the independent auditor's report relating to this annual report is not yet available as the auditor has temporarily been unable to issue certain audit reports. The auditor's inability to issue its audit report does not relate to the Company or its annual reports.

The Company's supervisory director Mr T. Shabib has reviewed the Company's annual report and financial statements for the financial year ending on 31 December 2020 and has no objections on the information contained therein. The Company's financial statements for the year ending on 31 December 2020 have not been signed by Mr T. Shabib in accordance with Section 2:101(2) of the Dutch Civil Code due to the absence

of an independent auditor's report on the annual report and financial statements which would support Mr Shabib with the exercise of his supervisory duties in relation to the preparation of the annual report and financial statements.

#### **Agenda item 6**

- (a) *Proposal to release the Management Board members in office during the financial year 2019 from liability (vote)*

In accordance with Article 25.7 of the Articles of Association, it is proposed to release the members of the Management Board in office during the financial year 2019 from liability for their duties insofar as the exercise of such duties is reflected in the Annual Report 2019 or otherwise disclosed to the General Meeting.

- (b) *Proposal to release the Management Board members in office during the financial year 2020 from liability (vote)*

In accordance with Article 25.7 of the Articles of Association, it is proposed to release the members of the Management Board in office during the financial year 2020 from liability for their duties insofar as the exercise of such duties is reflected in the Annual Report 2020 or otherwise disclosed to the General Meeting.

#### **Agenda item 7**

- (a) *Proposal to release the Supervisory Board members in office during the financial year 2019 from liability (vote)*

During the financial year 2019 or a part thereof, Mr. L. Windhorst, Mr. J.J. van Rijswijk and Mr. T. Shabib were members of the Supervisory Board.

In accordance with Article 25.7 of the Articles of Association, it is proposed to release the members of the Supervisory Board in office during the financial year 2019 or a part thereof from liability for their duties insofar as the exercise of such duties is reflected in the Annual Report 2019 or otherwise disclosed to the General Meeting.

- (b) *Proposal to release the Supervisory Board member in office during the financial year 2020 from liability (vote)*

During the financial year 2020, Mr. T. Shabib was the sole member of the Supervisory Board.

In accordance with Article 25.7 of the Articles of Association, it is proposed to release the sole member of the Supervisory Board in office during the financial year 2020 from liability for his duties insofar as the exercise of such duties is reflected in the Annual Report 2020 or otherwise disclosed to the General Meeting.

#### **Agenda item 8**

*Proposal to approve (within the meaning of Section 2:107a of the Dutch Civil Code) the entering into the Sungara Joint Venture (vote)*

#### **Background to the Sungara Joint Venture and the Angolan Transaction**

The Company's wholly-owned subsidiary, Sequa Petroleum UK Limited (**Sequa UK**), is a shareholder of Sungara Energies Limited (**Sungara**). The other shareholders of Sungara are the National Petroleum Corporation of Namibia's subsidiary NAMCOR Exploration and Production (Proprietary) Limited (**Namcor**) and Petrolog Energies Limited (**Petrolog**), a company affiliated with African multinational Petrolog Group. The shareholders of Sungara currently hold one share each in the capital of Sungara.

Namcor is owned by the Government of the Republic of Namibia, with the mission to create value to all its stakeholders across the oil and gas value chain. Namcor is an experienced operator of exploration assets in Namibia and has maintained working interests in both exploration and production assets. Namcor has a significant footprint in Namibia with an average 10% carried interest in over 98% of issued petroleum exploration licences in the jurisdiction. Namcor has partnered with several NOCs across Sub-Saharan Africa including Shell in the Orange Basin, most recently and previously on the Kudu gas field.

Petrolog Group is a private company, established some 40 years ago as an oil service company. Over the years Petrolog Group has become a conglomeration of entities represented in four continents with offices in twelve countries, offering services including EPCM, Subsea, Diving, Geophysical and Geotechnical Survey, Drilling and Engineering Design. Petrolog Group has a strong and resolute workforce (650 employees) working together with a singular focus and vision, positioned to respond to client needs globally in order to provide top-notch, professional services in each field of endeavour. Petrolog adds immediate on-the-ground and local capability to the partnership across Sub-Saharan Africa.

The shareholders of Sungara and Sungara have entered into a shareholders' agreement that will govern the ownership and management of Sungara (the **Shareholders' Agreement**), which is explained in more detail below. The full effectiveness of the Shareholders' Agreement is conditional on the approval of the general meeting of shareholders of the Company for entering into the Sungara Joint Venture (as defined hereinafter).

Sungara has entered into an agreement with Sonangol Pesquisa & Producao SA (**Sonangol P&P**) to purchase a 10% interest in Block 15/06, 40% interest in Block 23 (with operatorship), and 35% interest in Block 27, all located in Angola (the **Angolan Transaction**).

The Block 15/06 joint venture comprises Eni (operator, 36.84%), Sonangol P&P (36.84%) and SSI Fifteen Limited (26.32%). Block 15/06 is one of the most prolific blocks in deep-water offshore Angola with current oil production of more than 100,000 barrels per day through two large floating production and storage facilities. Following successful exploration and appraisal in the past several years, an ongoing development programme is forecasted to increase production in the medium term beyond 150,000 barrels per day. The block has further upside potential which may materialise following future exploration, appraisal and development activity. Blocks 23 and 27 are exploration blocks, with no production.

Sungara's 10% participating interest in Block 15/06 provides it with current production of more than 10,000 barrels of oil per day, forecasted to grow beyond 15,000 barrels per day in the medium term, 75 million barrels reserves and resources, and further upside potential. Offshore exploration Blocks 23 and 27 also provide upside value. The consideration for the Angolan Transaction is ca. USD 500 million which includes a contingent payment of up to USD 50 million. The Angolan Transaction is planned to be funded by Sungara through a combination of equity contributions from each of the Sungara partners and third party debt. The economic effective date of the Angolan Transaction is April 2022 and completion, subject to customary conditions and approvals, is planned to occur in 2022.

#### The Sungara joint venture with Namcor and Petrolog (the **Sungara Joint Venture**)

It is intended that Sequa UK, Namcor and Petrolog (together the **Sungara Shareholders**) through their joint ownership of Sungara will enter into a long-term cooperation arrangement for their mutual benefit, and will utilise their experience, knowledge, resources and contacts to collectively analyse opportunities to acquire Target Assets (as described below).

Pursuant to the Shareholders' Agreement, the business of Sungara (the **Business**) shall be:

- (a) the acquisition and ownership of oil and gas assets in sub-Saharan Africa in the development or producing phase with either current or near-term production prospects or value upsides with

low marginal cost, exploiting growth potential and synergies, as may be determined from time to time by the Sungara board in accordance with Sungara's business plan (the **Target Assets**);

- (b) the acquisition and ownership of:
  - (i) a 10% participating interest in the rights and obligations derived from the production sharing agreement covering production Block 15/06, Angola dated 3 November 2006 and the related joint operating agreement;
  - (ii) a 40% participating interest in the rights and obligations derived from the production sharing agreement covering exploration Block 23, Angola dated 1 December 2006; and
  - (iii) a 30% participating interest in the rights and obligations derived from the production sharing agreement covering exploration Block 27, Angola dated 22 June 2021.(jointly the **Angolan Interests**); and
- (c) any other business, endeavour or undertaking approved by the board of Sungara from time to time.

On the date hereof, each of Sequa, Namcor and Petrolog hold one share in the capital of Sungara. On completion under the Shareholders' Agreement and on payment of each Sungara Shareholder's then due subscription amount, each Sungara Shareholder will be issued 18,000,000 shares each, and each Sungara Shareholder will hold thirty three and one third percent (33.33%) of the issued and outstanding shares in the capital of Sungara.

Sequa, Namcor and Petrolog have entered into the Shareholders' Agreement relating to Sungara. Pursuant to the Shareholders' Agreement:

- (a) The board of Sungara shall consist of six (6) directors, with the initial directors being two (2) directors nominated for appointment by each of Namcor, Petrolog and Sequa. Any director may be removed or replaced from time to time at the request of the shareholder of Sungara that nominated such director for appointment. The number of directors that each of Namcor, Petrolog and Sequa are entitled to nominate shall decrease by one (1) for each sixteen and two thirds percent (16.67%) of the shares in the capital of Sungara that such shareholder ceases to hold.
- (b) Decisions of the board of directors of Sungara require a simple majority decision. There are certain significant decisions relating to Sungara that require unanimous approval from all Sungara Shareholders (e.g. the entry into material contracts, issue of new shares in the capital of Sungara and the winding up of Sungara);
- (c) Any Sungara Shareholder that wishes to sell its shares in the capital of Sungara to a third party must first offer those shares for sale on the same terms to the existing Sungara Shareholders, who can exercise a right of first offer to purchase the offered shares in the capital of Sungara. There are restrictions on the entities that can become new shareholders of Sungara, and all shareholders of Sungara must be a party to the Shareholders' Agreement;
- (d) Shareholders of Sungara who fail to comply with the share transfer restrictions, to provide their subscription funding or who breach certain other negative covenants in the Shareholders' Agreement which are not remedied within 60 days, lose their decision-making rights and may not transfer their shares in the capital of Sungara;

- (e) Sungara Shareholders should not act in competition with Sungara in regard to opportunities to acquire Target Assets; and
- (f) The Shareholders' Agreement is governed by English law and disputes are to be resolved by international arbitration in London.

The full effectiveness of the Shareholders' Agreement and the payment by each Sungara Shareholder of its subscription amount is conditional on the satisfaction of certain conditions precedent, including the satisfaction of certain conditions under the Purchase Agreement, the general meeting of shareholders of the Company having approved the entering into the Sungara Joint Venture and completion of satisfactory due diligence on the Angolan Transaction. At completion under the Shareholders' Agreement, each Sungara Shareholder shall provide subscription funding in the amount of USD 10,000,000 and in return be issued 18,000,000 shares in the capital of Sungara. This subscription funding shall, in part, be used by Sungara to pay the deposit then due under the Purchase Agreement.

The Angolan Transaction is planned to be funded by Sungara through a combination of equity contributions from each of the Sungara Shareholders and third party debt. Senior debt is anticipated to cover ca. 70% of the funding required, with the remaining 30% being a combination of equity, quasi-equity, and mezzanine/junior debt, all at market-competitive terms and as currently being optimised.

#### The Angolan Transaction

On 27 April 2022, Sungara (as buyer) and Sonangol P&P (as seller) entered into a sale and purchase agreement for the sale and transfer of the Angolan Interests (**Purchase Agreement**). The consideration for the Angolan Interests is USD 502 million which includes a contingent payment of up to USD 50 million, payable two years after completion of the Angolan Transaction and subject to the realised oil price. A deposit is to be paid before completion of the Angolan Transaction, after certain conditions are fulfilled by Sungara and Sonangol P&P.

The completion of the Purchase Agreement and the transfer of the Angolan Interest is conditional upon (amongst other things) the approval of the Company's general meeting of shareholders to the entry into the Sungara Joint Venture, and receipt of approval of the transfer from the Angolan Ministry of Mineral Resources and Agencia Nacional de Petroleo, Gas e Biocombustiveis.

The Purchase Agreement provides for the Angolan Interests to be acquired, on an economic basis, as from 12 April 2022 and provides for adjustments to be made to the consideration to reflect Sungara's assumption of the hydrocarbon sale proceeds (and other benefits) and cash calls (and other liabilities) that accrue from such date until the date of completion of the Angolan Transaction.

The Purchase Agreement contains customary terms for a sale and transfer of this nature, including warranties from Sonangol P&P about the Angolan Interests and their current status and interim period restrictions on how Sonangol P&P must manage and treat the Angolan Interests ahead of completion of the Angolan Transaction. The Purchase Agreement is governed by English law and disputes are resolved through international arbitration in London.

#### Proposal

The management board of the Company (the **Management Board**) and the supervisory board of the Company (the **Supervisory Board**) request the general meeting of the Company to approve (within the meaning of Section 2:107a of the Dutch Civil Code) the entering into the Sungara Joint Venture.

The terms and conditions of and the further details of the Sungara Joint Venture and the Angolan Transaction are set out in these explanatory notes made available by the Company to its shareholders on its website on the date of publication of the agenda to the AGM.

In the event that the proposal for this agenda item 8 will not be adopted, the Management Board will consider a fundamental review of the strategy of the Company.

## **Agenda item 9**

*Proposal to designate the Management Board as the competent body authorised to resolve to issue shares in the capital of the Company and to resolve to restrict or exclude related pre-emptive rights (vote)*

As set out under agenda item 8, Sungara is a new entity with a focus on Sub-Saharan African upstream oil and gas, combining world-class technical expertise with local capability and commitment, able to operate and develop oil and gas assets throughout the region in line with the highest standards of integrity, quality, governance and responsibility. A number of large international oil & gas companies are withdrawing from the region, and Sub-Saharan Africa governments and national oil companies are keen on new entrants with significant African ownership and commitment to delivering local content, and the capability to operate to the highest global standards. Sungara has already identified a number of other potentially highly value accretive acquisition opportunities.

With the Block 15/06 announcement Sungara has become known across the region, and Sungara anticipates that a number of the ongoing discussions regarding new opportunities will accelerate, and more opportunities will become available to Sungara. To have already some additional cash equity available will boost Sungara's credibility further.

To credibly progress Sungara's accelerated business development efforts towards additional value accretive transactions and (if deemed beneficial) to further optimise the funding structure of the Angolan Transaction, either before or after completion of the Angolan Transaction as explained under agenda item 8, it is proposed to the General Meeting to designate the Management Board as the competent body to resolve:

- (a) to issue new ordinary shares and to grant rights to subscribe for ordinary shares in the capital of the Company, with a nominal value of EUR 0.10 each, for an issue price no less than EUR 0.10 per ordinary share; and
- (b) with respect to the issuance of ordinary shares or rights to subscribe for ordinary shares referred to under (a) of this agenda item, to limit or exclude the right of pre-emption of existing shareholders of the Company.

The authority of the Management Board to resolve to issue ordinary shares and to grant rights to subscribe to ordinary shares will be restricted to 25% of the entire issued capital of the Company on a fully diluted basis at the time of the first issuance of ordinary shares or the first granting of rights to subscribe for ordinary shares under this mandate.

The designations are made in accordance with Articles 6.1 and 6.6 of the Articles of Association of the Company. The Management Board resolution to issue ordinary shares or to grant rights to subscribe for ordinary shares will require the approval of the Supervisory Board.

The proposal includes the revocation of the resolutions adopted by the general meeting of shareholders held on 18 June 2019 relating to a reverse stock split and capital reduction without repayment as included under agenda item 10 of such general meeting of shareholders.

The designation is requested for a period of five (5) years from the date of the AGM until 17 June 2027. This designation does not affect the designation previously given to the Management Board by the general meeting of shareholders held on 18 June 2019.

## **Agenda item 10**

### *Composition of the Supervisory Board*

#### *(a) Vacancies in the Supervisory Board (discussion)*

The Supervisory Board currently consists of only one member. According to the articles of association of the Company, the Supervisory Board should consist of three to five members. It is the intention of the Supervisory Board to nominate for appointment by the general meeting - in a meeting to be held after the AGM and upon completion of the Angolan Transaction - at least two new members who are independent.

#### *(b) Proposal to re-appoint Mr. T. Shabib as member of the Supervisory Board for a period of two (2) years ending at the close of the 2024 Annual General Meeting of Shareholders (vote)*

The sole current member of the Supervisory Board, Mr. T. Shabib has been appointed as member of the Supervisory Board for a period ending at the close of the AGM.

In accordance with Article 17.2 of the Articles of Association, on 10 May 2022 the Supervisory Board resolved to nominate Mr. Shabib for re-appointment. Mr. Shabib has indicated that he is available for re-appointment.

Mr. Shabib is fifty-one (51) years of age. He holds no shares in the capital of the Company. He is an employee of Tennor Holding B.V., where he holds the position of director. Tennor Holding B.V. is a shareholder of the Company. Mr. Shabib is currently non-executive chairman of the board of la Perla Global Management UK Ltd. He is not a member of the supervisory board of any other company. Prior to joining Tennor in 2015, he was Head of Structured Finance at Arab Banking Corporation and Managing Director and Head of Strategic Investments at Qatar First Bank. Mr. Shabib holds an M.Sc. in Finance from London Business School, as well as an MBA and a B.Eng. from Imperial College, University of London. Over the last three years, Mr Shabib has been valuable for the Company, especially regarding the Company's ability to perform successful business development activities. It is proposed to nominate Mr. Shabib for re-appointment as member of the Supervisory Board as he has significant business and financial experience.

## **Agenda item 11**

### *Composition of the Management Board*

Each of the members of Management Board, Mr. J. Broekhuijsen, Mr. J.M. Luke and Mr. D. Ter Avest have been re-appointed as member of the Management Board for a period ending at the close of the AGM.

#### *(a) Proposal to re-appoint Mr. J. Broekhuijsen as member of the Management Board (CEO) for a period of four (4) years ending at the close of the 2026 Annual General Meeting of Shareholders (vote)*

In accordance with Article 11.3 of the Articles of Association, on 10 May 2022 the Supervisory Board resolved to nominate Mr. Broekhuijsen for re-appointment. Mr. Broekhuijsen has indicated that he is available for re-appointment.

Mr. Broekhuijsen is fifty-nine (59) years of age and does not hold any position relevant for the performance of his duties as member of the Management Board, other than his current position as member of the Management Board and as director Sequa Petroleum UK Ltd., Sequa Petroleum Europe Limited and Sungara.

Mr. Broekhuijsen holds 4,000 executive participation shares and 10,000,000 ordinary shares in the capital of the Company.

It is proposed to nominate Mr. Broekhuijsen for re-appointment as member of the Management Board as he has significant knowledge and experience in the oil and gas industry. In particular he has more than twenty-five (25) years of international commercial experience in E&P and LNG working for Shell and BG Group.

- (b) *Proposal to re-appoint Mr. J.M. Luke as member of the Management Board for a period of four (4) years ending at the close of the 2026 Annual General Meeting of Shareholders (vote)*

In accordance with Article 11.3 of the Articles of Association, on 10 May 2022 the Supervisory Board resolved to nominate Mr. Luke for re-appointment. Mr. Luke has indicated that he is available for re-appointment.

Mr. Luke is sixty-three (63) years of age and does not hold any position relevant for the performance of his duties as member of the Management Board, other than his current position as member of the Management Board and as director of Sequa Petroleum UK Ltd and Sequa Petroleum Europe Limited.

Mr. Luke holds 3,000 executive participation shares and 4,333,334 ordinary shares in the capital of the Company.

It is proposed to nominate Mr. Luke for re-appointment as member of the Management Board as he has significant knowledge and experience in the oil and gas industry. He has over thirty (30) years of experience in the offshore oil and gas industry, holding key positions in management, operations, engineering and marketing.

- (c) *Proposal to re-appoint Mr. D. ter Avest as member of the Management Board for a period of four (4) years ending at the close of the 2026 Annual General Meeting of Shareholders (vote)*

In accordance with Article 11.3 of the Articles of Association, on 10 May 2022 the Supervisory Board resolved to nominate Mr. Ter Avest for re-appointment. Mr. Ter Avest has indicated that he is available for re-appointment.

Mr. Ter Avest holds 3,000 executive participation shares and no ordinary shares in the capital of the Company.

Mr. Ter Avest is fifty-eight (58) years of age and does not hold any position relevant for the performance of his duties as member of the Management Board, other than his current position of Business Development Director. It is proposed to nominate Mr. Ter Avest for re-appointment as member of the Management Board as he has significant knowledge and experience in the oil and gas industry with Shell, Advanced Well Technologies and Sonoro Energy. He has over 30 years of experience in the oil and gas industry, holding key positions in management, project development, petroleum engineering, and business development. Mr. Ter Avest holds a PhD in Applied Physics from Twente University in the Netherlands.

## SCHEDULE 1

### QUESTIONS IN THE ADS REQUEST

#### General meetings

- 1) Why did no annual general meetings take place in 2020 and 2021?
- 2) Why has no information on the 2020 and 2021 annual general meetings been disclosed on the Company's website?

#### Financial statements

- 3) Why have the 2019 financial statements not (yet) been audited?
- 4) When is the audit of the 2019 financial statements expected to be completed and made available?
- 5) Why have the 2020 financial statements not (yet) been audited?
- 6) When is the audit of the 2020 financial statements expected to be completed and made available?
- 7) Will the financial statements for 2021 be audited and, if so, when is the audit expected to be completed and made available?
- 8) Why is FSV Accountants + Adviseurs B.V. not able to provide an audit on the financial statements?
- 9) Has the Board and/or Supervisory Board considered to ask another audit firm to review the financial statements and provide an audit?

#### Operations

- 10) We understand from the 2019 financial statements (see p. 14) and 2020 financial statements (see p. 17) that the Company does not have any meaningful operations at present. Could you please confirm this, including the reason for this, and provide a description of the current operations of the Company?"
- 11) How is the Company pursuing "*its strategy to create value in a cyclical market environment by means of acquisition, optimisation and monetisation of assets with proven resources, current and near-term production, and value upsides, applying its technical and financial expertise to establish a balanced asset portfolio in select areas with low marginal cost, growth potential and synergies*" (see p. 5 of the 2020 financial statements)?
- 12) How many acquisition opportunities were analysed by the Company since 2019 and how many offers were made by the Company since 2019?

#### Cash balances

- 13) Do the Board and Supervisory Board have any specific plans for new operations?
- 14) It is our understanding that the Company received a tax credit refund in the amount of EUR 35 million in financial year 2017. Could you elaborate on the investments made with these assets from the Company?
- 15) In what investment deposits has the Company deposited its current assets (see p. 37 of the 2020 financial statements)?

- 16) Please provide an overview of the investments made with the current assets of the Company, i.e. an overview of the investments deposits in the name of the Company.
- 17) Can the Company withdraw its current assets from these investment deposits at any time?
- 18) Does the Company pay negative interest over its current assets?
- 19) What is the reason for the discrepancy between the "Decrease in cash and cash equivalents in the period" for 2019 as included in the 2019 financial statements (USD 6,498,000, see p. 20) and as included in the 2020 financial statements (USD 5,686,000, see p. 17)?

#### **Underlying G&A costs**

- 20) How can it be that the underlying G&A costs were USD 3,600,000 in 2019 and USD 3,100,000 in 2020, while the Company did not have any (meaningful) operations?
- 21) What do the 'Legal and other professional fees' of USD 609,000 in 2019 and USD 375,000 in 2020 relate to and to whom were these fees been paid?
- 22) What do the 'Consulting costs' of USD 694,000 in 2019 and USD 237,000 in 2020 relate to and to whom were these costs paid?
- 23) Why are the 'Staff costs' USD 2,783,000 in 2019 and USD 2,668,000 in 2020, while the Company only employed 5 people in 2019 and 6 people in 2020 and did not appear to have meaningful operations (see our question [10] above)?
- 24) What do the 'Other administrative costs' of USD 502,000 in 2019 and USD 217,000 in 2020 relate to and to whom were these costs paid?
- 25) To whom were the USD 826,000,000 the bond restructuring conversion costs paid in 2019?

#### **Lease liabilities**

- 26) Who is using the properties that are being leased by the Company?
- 27) Why does the Company lease these properties, also given the fact that (as per question [23] above) the Company only employed 5 people and did not appear to have meaningful operations?
- 28) From whom does the Company lease these properties?
- 29) Where are these properties located?
- 30) What is interest rate related to the properties leased by the Company and to what does amounts does it relate?

#### **Other liabilities**

- 31) From the financial statements, we understand that in November 2015 the Company entered into a loan agreement with Sapinda Invest S.a.r.l. for the amount of USD 62.5 million. We further understand that this loan would be converted into equity after two years or upon the loan facility having been drawn in full. Could you please confirm (i) whether the loan is indeed converted into equity and (ii) what investments are made with the amount borrowed under the loan?

### **Corporate Governance**

- 32) Why is the Supervisory Board composition not in keeping with clause 17.1 of the AoA?
- 33) Has the Supervisory Board already nominated candidates for each vacant seat? And if not, is the Supervisory Board still intending to do so?
- 34) Does Mr Tareq Shabib, who is also an employee of Tennor Holding N.V., meet the independence requirements that apply to chairman of the supervisory boards as laid down in the DCGC?

### **Put option**

- 35) To whom was the put option settlement of USD 700,000 paid in 2019?

### **Interim distribution**

- 36) Could you please elaborate on whether it is envisaged to make a (interim) distribution to the shareholders of the Company within the upcoming year?
- 37) Have the Board and the Supervisory Board considered proposing the dissolution of the Company, given the fact that its assets (and thus shareholder value) appear to be slowly draining away while there are no (meaningful) operations and thus no operational income seems to be expected?

## SCHEDULE 2

### ANSWERS OF THE COMPANY TO THE QUESTIONS FROM ADS

#### General Meetings

- 1) The 2020 and 2021 Annual General Meetings have not taken place, initially due the impact of the pandemic, and subsequently due to delays with audit sign-off (see response under 3)). More recently, in view of key events anticipated in near term (reaching a key business development milestone and/or audit completion), the Company has been planning to hold an EGM/AGM upon reaching either one of those events.
- 2) See response under 1)

#### Financial Statements

- 3) The 2019 and 2020 audit work has essentially already been performed and the published Company's annual report and accounts for these years are deemed to give a true and fair view of the Company's financial position. However, the independent auditor's reports are not yet available as we understand from the auditor that they, for the time being, have been prevented by the Dutch Authority for the Financial Markets (AFM) from issuing audit reports for a number of companies. As far as we are aware, the delay has not been caused by and does not relate to the Company itself, or the contents of its annual reports.

In the meantime, the Company has published its 2019 and 2020 annual reports, in line with the audit work done to date, on the Sequa Petroleum N.V. website: (<https://www.sequa-petroleum.com/corporate/documentation-to-download/financial-statements/>). We also note that both 2019 and 2020 annual reports were already published (without audit report) via the Dutch Chamber of Commerce (*Kamer van Koophandel or KvK*) before the end of the year following the reporting period of the annual report, as required by the KvK. All of these will be replaced by audited accounts, to be adopted at a general meeting, as soon as possible.

- 4) The audit work has essentially already been completed, but unfortunately the issuing of the independent auditor reports is outside the Company's control. See response under 3).
- 5) See response under 3).
- 6) See response under 4).
- 7) The Company is currently working on its 2021 Management Accounts, with the audit planned for Q2 2022, to be made available as soon as the audit is completed, and the audit report has been received.
- 8) See response under 3)
- 9) As indicated in the response under 3), with respect to the audit reports for 2019 and 2020, we understand that the issue does not lie with the audit firm itself. Before the 2021 audit, it is important that the 2019 and 2020 audit reports are received from the auditor. For the 2021 audit, the Company will consider auditor alternatives and is open to recommendations.

#### Operations

- 10) Following the withdrawal from its operations in Norway and Kazakhstan and the 2019 restructuring of its debt, the Company is entirely focused on business development: identifying, screening and analysing acquisition opportunities, discussions with potential oil & gas asset sellers and (in particular

debt) investors, formulating and making offers on value accretive opportunities, negotiating SPAs and acquisition financing, performing due diligence, etc. The Company believes such an acquisition to be achievable in near future.

- 11) The Company's target acquisition opportunities are material producing oil & gas assets with current cash flow, further development opportunities and upside value, typically with a value of several hundreds of millions USD. Particularly for such sizeable, quality opportunities it is possible, even more so in the current business environment, to obtain acquisition financing without much need for additional equity from shareholders. Therefore, and especially with the current medium term oil price outlook, a deal would be highly value accretive to shareholders.
- 12) The Company has reviewed many potential oil & gas acquisition opportunities, ranging from short desktop analyses to dataroom visits and due diligence, submission of qualified offers, SPA negotiations and (debt) financing discussions. For example, since 2019 (the year when its debt restructuring was announced and completed), the Company has submitted a total of 17 offers to prospective sellers, ranging from expressions of interest to qualified and detailed bids, supported by potential (debt) financing arrangements. The table below gives an overview of these offers on an anonymous basis:

Offers & bids 2019-2021							
	Date	Seller	Format	Process	Buyer	Region	Aq. Value
1	2021	IOC	NBIO	No	Sequa	Caspian	500-1,000
2	2021	IOC	Eol	Yes	Consortium	Sub-Saharan Africa	>1,000
3	2021	NOC	Offer	Yes	Consortium	Sub-Saharan Africa	250-500
4	2021	NOC	Offer	Yes	Consortium	Sub-Saharan Africa	<250
5	2021	NOC	Offer	Yes	Consortium	Sub-Saharan Africa	<250
6	2021	IOC	Offer	Yes	Sequa+Partner	Sub-Saharan Africa	<250
7	2021	IOC	NBIO	No	Sequa+Partner	Caspian	<250
8	2020	Other	NBIO	No	Sequa	Sub-Saharan Africa	<250
9	2020	IOC	Offer	Yes	Sequa	Caspian	250-500
10	2020	Other	Eol	Yes	Sequa	Sub-Saharan Africa	>1,000
11	2020	Other	NBIO	No	Sequa	NW Europe	250-500
12	2019	NOC	NBIO	No	Sequa+Partner	Sub-Saharan Africa	250-500
13	2019	Other	NBIO	No	Sequa	NW Europe	500-1,000
14	2019	Other	NBIO	No	Sequa	NW Europe	500-1,000
15	2019	NOC	NBIO	No	Sequa+Partner	Sub-Saharan Africa	>1,000
16	2019	IOC	NBIO	No	Sequa	NW Europe	250-500
17	2019	IOC	NBIO	No	Sequa	NW Europe	250-500

- 13) Operations, production and cash flow (as operator, or non-operating JV partner) will start upon completion of an acquisition. As indicated in the response under 10), the Company believes such an acquisition to be achievable in near future.

### Cash balances

- 14) Cash from the Norwegian tax repayment has funded the Company's business including its debt restructuring, closing its business operations in Norway and Kazakhstan, and its pursuit of acquiring oil & gas properties from 2017 to this point, with ca. \$13.5m cash remaining at the end of February.

The tax refund only became available by following the strict Norwegian dissolution process, and closing Tellus (the Company's 100% owned Norwegian subsidiary) involved repaying some \$4.1m in outstanding Tellus loan notes to creditors of the Tellus business before it was acquired by the Company, as well as payments of \$3.1m to creditors of Tellus following its acquisition by the Company: a total of \$7.2m.

Then, besides funding G&A for the Company's UK based head office, in 2017-19 the Norwegian tax refund paid for the Company's 100% owned Kazakh subsidiary's activities, including the plugging and abandonment of its 2014 Aksai exploration well. The price environment at the time of exit made any further committed work unattractive, however the Company was able exit the licence with a vastly

reduced penalty for unfulfilled work of only 1%, negotiated down from 30% (a saving of \$13m). In total, exit from the country cost the Company \$0.9m, instead of a possible \$14m.

The 2019's bond restructuring (cost \$0.8m) left the Company debt free and once again able to pursue asset acquisitions, and the negotiated buy-out of the Tellus put-options (a legacy of the Tellus/Wintershall/Total opportunity acquisition, negotiated down to \$0.7m during the Company's potential default period) saved the Company \$3.8m on their face value (being the expected payment value upon restructuring, if not re-negotiated). See also the response under 35).

Since 2019 the Company has selected, negotiated and made offers for several oil & gas production assets (see the response under 12). Any one of the targeted transactions, if successful, would prove transformative to the Company's fortunes, provide substantial shareholder value, and accelerate additional transactions. The Company is currently waiting for the results of a possible transaction, while putting debt funding in place in anticipation of success.

- 15) The Company's cash balances are held in current accounts and instant access deposit accounts in the UK.
- 16) The Company holds no investments beyond its cash accounts.
- 17) The Company's cash balances are held in current accounts and instant access deposit accounts in the UK. In view of business development progress, the Company expects to need most, if not all, of its cash balance during 2022.
- 18) No
- 19) The figure of \$5,686,000 in the 2020 accounts is an error, this was the 2018 comparative figure. This will be corrected to \$6,498,000 in the final accounts.

#### **Underlying G&A Costs**

- 20) G&A represents the cost of retaining a small but highly experienced management team from the top end of the oil & gas industry, necessary to pursue business development for acquisition of material, quality assets (value typically around \$500m, see the response under 12)) that can provide significant money-multiplication potential. The team is supported by limited but high quality third-party technical and legal specialist support when bidding for such assets. The Company's management expertise combined with the very focused application of external high quality specialist support is deemed very cost-effective.
- 21) 2019 – KPMG/CW Energy: \$112k for tax advice including restructuring tax advice, FSV: \$66k for audit (restructuring year), Allen & Overy/Paul Hastings/Bracewell/King & Spalding: \$401k for legal advice (mainly restructuring by Allen & Overy/Paul Hastings, and some business development (acquisition) support by Bracewell/King & Spalding), GLAS/Bank of New York/BNP Paribas: \$27k for corporate fees, DePinna Notaries: \$3k.  
  
2020 - KPMG/CW Energy: \$38k for tax advice, FSV: \$32k for audit, Bracewell/Allen & Overy/Paul Hastings: \$296k for legal advice (~75% business development), miscellaneous \$9k.
- 22) 2019 – Priserve Consulting: \$46k for technical evaluation support, Rockflow Resources: \$70k for data room technical support, Wood Mackenzie: \$168k for specialist oil & gas data, Energy Investment Consultants/OAG Ventures/Durham Capital Corporation/Aon/KPMG: \$410k for business development/opportunity and financing support

2020 – Rockflow Resources: \$55k for technical evaluation support, Wood Mackenzie /Rystad Energy/Riglogix: \$116k for specialist oil & gas data, Energy Investment Consultants /OAG Ventures: \$61k for business development/opportunity and financing support, miscellaneous \$5k

23) See response under 20)

24) 2019 – Travel/Accommodation: \$168k, Ents: \$10k, Office: \$19k, Phone: \$9k, IT: \$108k, Industry memberships: \$63k, Website/RNS: \$17k, Conferences: \$6k, Insurance: \$97k, Costs for other group co's:\$5k.

2020 – Travel/Accommodation: \$18k, Ents: \$2K, Website/RNS: \$4k, Office: \$22k, Phone \$8k, IT: \$68k, Industry memberships: \$10k, Insurance: \$82k, miscellaneous: \$3k.

25) Paul Hastings/Allen & Overy (legal advisors), KPMG (tax advisors) and Bank of New York/GLAS (trustees).

### **Lease liabilities**

26) As described in the financial statements Note 24 (2019) and Note 22 (2020), the small properties leased were used by two of the Company's directors. Both leases were terminated during 2021.

27) The properties were used by directors whose family homes are outside the UK. Since the onset of the covid pandemic and associated travel restrictions, these directors have been working remotely.

28) The properties were leased from private landlords.

29) The properties were in central London.

30) The interest rate associated with the properties as presented in the 2019 and 2020 financial statements is an accounting construct, as required by IFRS 16. The accounting is described in detail in the notes referred to in the response under 26). No cash interest was due or paid under the lease agreements.

### **Other liabilities**

31) The Company drew \$10.94m under the \$62.5m facility during 2016 and 1H 2017, to cover its expenditure, principally in Norway but also Kazakhstan and the UK, until the Norwegian tax refund was received. Funds drawn under the facility, including all interest, converted into 7,053,350 ordinary shares in November 2017 (see Note 19 in the 2017 financial statements).

### **Corporate Governance**

32) The supervisory board used to consist of 3 members including an independent supervisory director. Already before one of the supervisory directors, Mr. Eichler, stepped down in 2017, the supervisory board had decided to search for and nominate additional supervisory board directors (with an eventual target of 5 members, and the majority being independent), upon acquisition of a major opportunity such that people of significant calibre and reputation could be attracted to the Company's supervisory board. Preparations for a search started upon signing the 2015 Norwegian opportunities but were not followed through after the acquisition financing failed when oil prices dropped to a very low point in 1H 2016.

Before such a major acquisition had been made, during a time of business development, and especially in the period of potential default, it was felt that the right people could not be attracted and that a reduced board was sufficient. When Mr. Windhorst stepped down as a supervisory director in 1H 2019, Mr. Shabib was proposed to and accepted by the 2019 AGM as supervisory board member (with

implementation upon completion of restructuring of the Company's debt a few months later). Together with Mr. Van Rijswijk (the independent supervisory director) this would have kept the supervisory board at two members.

When Mr. Van Rijswijk unexpectedly passed away, the search for new independent director(s) has been waiting for an acquisition of a major opportunity, in keeping with the supervisory board decision already made in this respect, and for the same reasons. The Company currently takes advantage of Article 24.1 of its Articles of Association which allows the remaining supervisory directors to assume the relevant powers when the supervisory board is understaffed.

- 33) The decision to search for and nominate additional supervisory directors once a major acquisition has been made still stands and will be acted upon subsequent to making a major acquisition. Whilst the requisite number of independent directors is not yet present on the Supervisory Board, it is intended to prioritise the recruitment of independent directors.
- 34) Mr Shabib is not independent within the meaning of the Dutch Corporate Governance Code. As a consequence of being the only supervisory board member, Mr Shabib has not explicitly been elected as the chairman of the supervisory board in accordance with article 19.1 of the articles of association.

### **Put option**

- 35) The Put Option settlement was paid to the former shareholders of Tellus Petroleum Invest AS. As described in the Report of the Management Board and note 22 in the 2019 financial statements, the put options were awarded by the Company in 2015 to the management of the Norwegian business Tellus Petroleum at the time of acquiring the interwoven Tellus/Wintershall/Total opportunities. These management individuals were Tellus' shareholders before it was acquired by the Company. Tellus was acquired by the Company as part of its ultimately unsuccessful attempts to acquire Norwegian oil & gas properties from Wintershall and Total in 2015/2016 (SPAs signed but could not complete).

As described in the Report of the Management Board and note 14 in the 2015 financial statements, Tellus' acquisition was mainly paid with the put option with a minimum future value of \$4.5m, to avoid cash expenditure at the time of the acquisition. This put option was negotiated down in 2018-2019 before, and implemented at the same time as, the Company's bond restructuring to avoid the Tellus management still being able to claim the full \$4.5m put option following the Company's restructuring of all its other creditors.

### **Interim distribution**

- 36) Current business development progress with a material producing asset of a quality and size already mentioned in the response under 11) and 12), will require all of the Company's cash resources.
- 37) Dissolution has been considered on a regular basis ever since the Company's period of potential default, as an alternative to restructuring. However, the gradual recovery of the oil & gas business environment from 2017 onwards with the oil price improving (interrupted in the early phase of the pandemic) and IOCs continuously rationalising their portfolios and moving into energy sources other than oil & gas, resulted in quality acquisition opportunities being potentially available to the Company.

Capturing just one of the Company's target opportunities would be highly value accretive for shareholders, e.g. the Gina Krog acquisition, if completed, would have already added hundreds of millions USD. The Company has already been close to acquisitions in 2019 and 2021. In particular the current business environment allows obtaining acquisition financing without the need for additional equity, as long as the opportunities have the size and quality that appeals to debt investors.

The Company has adjusted its business development strategy and approach, formed partnerships attractive to asset sellers as well as providers of acquisition financing, and progressed numerous discussions and negotiations towards opportunity capture.

Acquiring the currently leading business development target is anticipated to be highly value accretive, due to the combination of size, target quality with immediate as well as longer term production and cash flow, attractive financing with a very low equity requirement, all combined with ongoing developments in the geopolitical, general and energy business environment. News of such acquisition would immediately accelerate already ongoing discussions in relation to other acquisition opportunities.

Pursuing this business opportunity to its conclusion, anticipated in near term, is currently, in the Company's view, significantly more beneficial to the Company and its stakeholders [*(wording intentionally removed from answer)*] than a dissolution scenario.