

SUMATEC RESOURCES BERHAD ("SUMATEC" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 386,611,000 NEW ORDINARY SHARES IN SUMATEC, REPRESENTING TEN PERCENT (10%) OF THE EXISTING SHARE CAPITAL OF SUMATEC TO INDEPENDENT THIRD PARTY INVESTOR(S) TO BE IDENTIFIED ("PROPOSED PRIVATE PLACEMENT")

(Unless otherwise defined in this announcement, all terms used herein shall have the same meaning as those defined in the announcements in relation to the Proposed Private Placement)

Further to the announcements dated 7 June 2017, 23 June 2017 and 30 August 2017 in relation to the Proposed Private Placement, M&A Securities Sdn Bhd on behalf of the Board of Sumatec ("Board") wishes to announce the following additional information in relation to the Sumatec Group's trade receivables of RM185.0 million as at 31 December 2016.

The abovesaid trade receivables are in relation to fees for oil and gas production under the JIA and GDPA. Due to the low oil production at the field and volatile oil prices, the production operations experienced a tight operating cashflow position. As such, there was a delay in the settlement of the trade receivables to Sumatec. The Proposed Private Placement is intended to provide immediate funds for Sumatec to commence its operational strategies to boost oil production. The Board believes that an improvement in the oil production will alleviate the operating cashflow position currently experienced at the Rakushechnoye Oil and Gas Field.

Out of the total trade receivable of RM185.0 million, an amount of RM30.4 million of the trade receivables are non-current in nature (i.e. payment are not due within the twelve (12) months of the end of FYE 31 December 2016). These non-current trade receivables are due from COG which comprises the following:-

Details	FYE 31 December 2016 RM'million
Oil operations service fees to be received under the JIA ⁽¹⁾	23.6
Agency fees	9.8
Total trade receivables	30.4

Note:-

- (1) Under the terms of the JIA, Sumatec will be paid a service fee on a monthly basis in the form of an allocation from the Profits. The Profits is defined as the net profit from the sale of the net volume of oil/gas produced ("Net Production") less cost incurred by Sumatec in relation to the operations relating to the production of hydrocarbon (including liquid and gaseous hydrocarbons) from the Rakushechnoye Oil and Gas Field ("Petroleum Costs") and all the relevant charges and expenses including but not limited to Kazakhstan taxes, all the operational expenditures and cost as well as all the capital expenditures to be incurred by Sumatec in producing the Net Production but shall exclude personal and corporate income taxes to the government.

From 31 December 2016 up to the date of this announcement, COG has yet to settle the said amount of the non-current trade receivables as it is not due.

Under the terms of the JIA, COG and Sumatec will have a 50%:50% sharing of the Profits when oil production exceeds 2.0 million barrels. From 1 January 2014 up to 15 September 2017 (being the latest practicable date prior to this announcement), 276,948 barrels of oil have been produced under the JIA.

In order to alleviate the tight cash flow position, COG and Sumatec plans to boost oil production at the Rakushechnoye Oil and Gas Field and utilise COG's 50% share of the Profits to repay the non-current trade receivables to Sumatec. It is estimated that the 2.0 million production threshold can be

achieved in 2018 and COG will be able to repay the trade receivables from its share of Profits. In view of this, Sumatec has classified the RM30.4 million trade receivables as non-current in nature.

As the source of repayment is dependent on COG's share of 50% of Profits which only commences after achieving 2.0 million barrels of oil production threshold is met, Sumatec and COG plans to boost production through the following strategies:-

- (a) undertaking various field development and enhancement plans/activities to further increase oil and gas production activities at the Rakushechnoye Oil & Gas Field from 3rd quarter of 2017 up to 4th quarter of 2018. This includes preparation of control and management systems in relation to the health, safety and environmental standards, undertaking environmental impact assessment, preparation of detailed work program and field development program, purchase of equipment and machineries, preparation of necessary approvals required for the work program as well as other related works/initiatives for the field development and enhancement plans/activities; and
- (b) appointment of contractors and technical experts to increase the oil production activities. On 28 June 2017, COG has informed Sumatec that it has awarded four (4) production contracts to Industrial Energy Alliance LLP (appointed on 2 May 2017), Talap Munai Service LLP (appointed on 16 June 2017), Caspian Contractors Trust LLP (appointed on 16 June 2017) and Pricaspiyskoye Upravleniye Stroitelstva (appointed on 2 May 2017) for the repairing/rejuvenation of twelve (12) wells, construction of six (6) deep exploratory/appraisal wells and for the reconstruction of central processing facility and surface facilities commencing from the 3rd quarter of 2017 and scheduled to be fully completed by 4th quarter of 2018.

This announcement is dated 20 September 2017.