VELESTO ENERGY BERHAD ("VELESTO" OR "COMPANY")

PROPOSED DISPOSAL OF 'VELESTO NAGA 3', A JACK-UP RIG BY VELESTO DRILLING 3 (L) LTD, A WHOLLY-OWNED SUBSIDIARY OF VELESTO RIG ASSETS (L) LTD, WHICH IN TURN IS A WHOLLY-OWNED SUBSIDIARY OF VELESTO FOR A CONSIDERATION OF USD63.0 MILLION TO BE SATISFIED ENTIRELY IN CASH ("PROPOSED DISPOSAL")

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*For the purpose of this announcement, "**USD**" refers to United States Dollar and "**RM**" refers to Ringgit Malaysia. Unless otherwise stated, the exchange rate of USD1.00:RM4.1010 which is the middle rate quoted by Bank Negara Malaysia as at 12.00 p.m. on 12 December 2025, being the last practical date ("LPD") prior to this announcement, has been applied to the figures included in this announcement.*

1. INTRODUCTION

On behalf of the Board of Directors of Velesto ("**Board**"), we are pleased to announce that Velesto Drilling 3 (L) Ltd ("**Seller**"), a wholly-owned subsidiary of Velesto Rig Assets (L) Ltd, which in turn is a wholly-owned subsidiary of Velesto, has entered into a Sale and Purchase Agreement with PT Indonesia Drilling Energy ("**Buyer**") on 14 December 2025, Addendum No.1 dated 15 December 2025 and including any addendums and/or supplementary agreements in relation thereto (hereinafter collectively referred to as "**SPA**") for the Proposed Disposal of 'Velesto NAGA 3', a jack-up drilling rig registered with the Registrar of Malaysian Ships at Port Kelang and bearing registration no. 334435, International Maritime Organisation ("**IMO**") no. 8769614 ("**Rig**") for a total disposal consideration of USD63,000,000 ("**Disposal Consideration**") based on the terms and conditions as set out in the SPA.

Further details on the Proposed Disposal are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED DISPOSAL

The Proposed Disposal shall entail the disposal of the Rig to the Buyer for a disposal consideration of USD63,000,000 ("**Disposal Consideration**") to be satisfied entirely in cash.

Please refer to **Appendix I** for the salient terms of the SPA. All capitalized terms used but not defined herein will have the meaning(s) ascribed thereto in the SPA.

2.1 Background information on the Rig

Design	:	GustoMSC-CJ46-X100D
Type	:	Independent Leg Jack Up
Year built	:	2010
Port registry	:	Port Kelang
Classification	:	American Bureau of Shipping
Class notation	:	✠A1, Self Elevating Drilling Unit
Dead weight tonnage	:	4365 tonnes
Gross register tonnage	:	9627 tonnes
Living quarters	:	150 POB
Registered owner	:	Velesto Drilling 3 (L) Ltd
Net book value ("**NBV**")	:	USD57.0 million or RM233.9 million (including inventories) as at 31 December 2024

Original cost of investment	:	USD179.0 million (Year 2010) and USD21.1 million (from Year 2011 to Year 2024) (excluding inventories)

2.2 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration was arrived at on a "willing-buyer willing-seller" basis, taking into consideration the following:

(i) the NBV[(1)] of the Rig as at 31 December 2024 of USD57.0 million or RM233.9 million. The Disposal Consideration of USD63.0 million or RM258.4 million represents a pro forma gain on disposal[(2)] of RM17.1 million; and

(ii) the fair value of the Rig as at 25 September 2025 ranges between USD60 million to USD70 million, based on recent transactions. The Disposal Consideration is within the estimated range of the fair value as appraised by an independent valuer.

Notes:

[(1)] *The NBV of the rig includes inventories*
[(2)] *Please refer to section 2.5 below*

2.3 Information on the Buyer

PT Indonesia Drilling Energy ("**Buyer**"), a company incorporated in Indonesia on 10 July 2025, is engaged in import and export trade. As at LPD, the Buyer has an issued share capital of Rp10.100 million.

As at LPD, the sole director of the Buyer is Tabratas Tharom and the Buyer is 80% owned by Mohammed I H Anshour and 20% by Sheril Shelsabila. For the purchase of the Rig, the Buyer is funded by Texcal Energy Incorporated.

2.4 Mode of Settlement for the Disposal Consideration

The Disposal Consideration will be satisfied entirely in cash with 10% Deposit paid upon signing of the SPA and the Balance Sale Price of 90% payable on the Closing Date.

2.5 Expected gain from the Proposed Disposal.

The Proposed Disposal is expected to result in a pro forma gain on disposal as set out below:

	(RM'000)
Disposal Consideration	258,363
Less: NBV of the Rig as at FYE 31 December 2024	(233,885)
Less: Estimated expenses for the Proposed Disposal	(4,101)
Less: Estimated contingency for liquidated damages	(2,502)
Gain on disposal before tax expenses	17,875
Less: Estimated tax expenses	(734)
Pro forma gain on disposal	**17,141**

2.6 Assumption of liabilities

Save as expressly provided in the SPA, there are no liabilities, including contingent liabilities and guarantees, to be assumed by Velesto and its subsidiaries ("**Velesto Group**" or "**Group**") pursuant to the Proposed Disposal.

2.7 Utilisation of proceeds

The Company intends to use the Disposal Considerations in the following manner:

Proposed utilisation of proceeds		Estimated utilisation timeframe from the receipt of proceeds	Amount (RM'mil)
(i)	Distribution to shareholders, general corporate and working capital requirement of the Group [(1)]	December 2026	251.1
(ii)	Estimated expenses in relation to the Proposed Disposal [(2)]	June 2026	7.3
Total			**258.4**

Notes:

(1) *The Company proposes to distribute part of the Disposal Consideration to its shareholders, which is subject to the necessary compliance and regulatory requirements and for its business operations. This includes financing the Company's daily operations and operating expenses.*

The actual amount to be utilised for general corporate and working capital will vary based on the actual utilisation of the Disposal Consideration and estimated expenses for the Proposed Disposal. Any surplus or deficit in the allocation for each of the categories as stated above will be adjusted accordingly between each of the categories as the management deems appropriate.

(2) *The estimated expenses in relation to the Proposed Disposal consist of professional fees, tax expenses, transaction costs and other expenses for the Proposed Disposal. Any variation to the actual amount of the expenses will be adjusted accordingly against the allocation for the working capital of the Velesto Group.*

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal of VELESTO NAGA 3, which was built in 2010, reflects its shift towards a fleet of technically competitive premium rigs that meets current market demand and drive operational efficiencies.

Velesto will continue to explore other asset-lighter opportunities such as operating chartered rigs and exploring new revenue streams, which includes upstream wells and field end-of-life solutions.

4. RISKS FACTORS

4.1 Non-completion or delay of the Proposed Disposal

The completion of the Proposed Disposal is subject to compliance with, among others, the warranties and covenants under the terms of the SPA. The Seller will endeavour to take necessary steps to ensure that the warranties and covenants by the Seller are fulfilled in a timely manner to facilitate the completion of the Proposed Disposal. In the event that the Proposed Disposal does not materialise for any reason, the Seller will still own the Rig and continue with the existing business.

In the event of delay in delivery of the Rig caused by the Seller, a late delivery payment shall be applicable, provided that the Buyer does not request for an extension period of ninety (90) days to settle the Balance Sale Price under the SPA ("**Extension Period**").

4.2 Impact to income arising from the Proposed Disposal

Upon completion of the Proposed Disposal, the Rig will cease to be an asset of the Velesto Group.

Nevertheless, the Proposed Disposal is in line with our strategy to focus on its technically competitive premium rigs and asset-lighter strategies. Leveraging on its operating and core capabilities, the Group will continue to explore expansion into asset-lighter business opportunities.

4.3 Foreign currency risk

The Disposal Consideration will be settled in USD, and therefore the Disposal Consideration if and when converted into RM may be impacted by the fluctuation of USD against RM, which may be addressed through the Group's strategies for managing foreign currency fluctuation.

5. EFFECTS OF THE PROPOSED DISPOSAL

5.1 Issued share capital

The Proposed Disposal will not have any effect on the issued share capital of Velesto as the Proposed Disposal does not involve any issuance of new ordinary shares of Velesto.

5.2 Net assets ("NA") and gearing

Based on the latest audited consolidated financial statements of Velesto Group as at 31 December 2024, the pro forma effects of the Proposed Disposal on the consolidated NA and gearing level of Velesto Group are as follows:

	Audited as at 31 December 2024	**After the Proposed Disposal**
	(RM'000)	**(RM'000)**
Share capital	1,844,826	1,844,826
Currency translation reserve	773,517	773,517
Share based payment reserve	8,619	8,619
Other reserves	78,843	78,843
Accumulated losses	(134,602)	(117,461)
Shareholders' equity/NA	**2,571,203**	**2,588,344**
Non-controlling interests	-	-
Total equity	**2,571,203**	**2,588,344**
Borrowings [(2)]	177,964	177,964
No. of ordinary shares	8,215,622	8,215,622
NA per share (RM)	0.31	0.32
Gearing (times) [(3)]	0.07	0.07

Notes:

(1) *After taking into consideration pro forma gain as set out in Section 2.5 of this announcement*
(2) *The total borrowings as at 31 December 2024*
(3) *Calculated based on total borrowings divided by Shareholders' equity/NA*

5.3 Substantial shareholders' shareholding

The Proposed Disposal will not have any effect on the substantial shareholders' shareholdings in Velesto as the Proposed Disposal does not involve any issuance of new ordinary shares in Velesto.

5.4 Earnings and earnings per share ("EPS")

The Proposed Disposal is expected to result in a pro forma gain on disposal of RM17.1 million, as illustrated in Section 2.5 above. The utilisation of proceeds raised from the Proposed Disposal is expected to contribute positively to the earnings of the Velesto Group in the future.

Based on the latest audited consolidated financial statements of Velesto Group as at 31 December 2024, the pro forma effects of the Proposed Disposal on the earnings of Velesto Group are as set out below:

	Audited as at 31 December 2024	**After the Proposed Disposal**
Earnings attributable to equity holders of the Company (RM'000)	207,706	224,847
Weighted average number of ordinary shares in issue ('000)	8,215,622	8,215,622
Basic EPS (sen)	2.53	2.74

6. APPROVALS REQUIRED

The Proposed Disposal is not subject to approval of shareholders.

The Proposed Disposal is subject to the approval of the financiers.

The Proposal is not conditional upon any other proposals undertaken or to be undertaken by the Company.

7. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is 10.05%, calculated based on the Disposal Consideration amounting to RM258.4 million against the NA of Velesto as at 31 December 2024.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

None of the directors and/or major shareholders of Velesto and/or persons connected to them have any interest, either direct or indirect, in the Proposed Disposal.

9. STATEMENT BY THE BOARD OF DIRECTORS

The Board is of the opinion that the Proposed Disposal is in the best interest of the Company, having considered the rationale, financial effects and risks.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to approvals being obtained, the Proposed Disposal is expected to be completed by the end of first half of 2026.

11. DOCUMENTS FOR INSPECTION

A copy of the SPA will be made available for inspection by the registered shareholders of Velesto at the registered office of Velesto at Level 18, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, KL Sentral, 50470 Kuala Lumpur, Federal Territory of Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 16 December 2025.

SALIENT TERMS OF THE SPA

1. SALE AND PURCHASE

Velesto Drilling 3 (L) Ltd ("**Seller**") agrees to sell the jack-up drilling rig 'Velesto Naga 3' ("Unit") to PT Indonesia Drilling Energy of Gedung 18 Office Park, 25th Floor, Suite A2, Jl TB Simatupang Kav.18, RT 002 RW 001, Kel. Kebagusan, Kec. Pasar Minggu, South Jakarta 12520, Indonesia ("**Buyer**"), free from any encumbrances, in accordance with the terms and conditions in the SPA.

2. CONSIDERATION

(i) Disposal Consideration

The aggregate purchase price to be paid by the Buyer to the Seller for the Unit is USD63,000,000 ("**Sale Price**"), of which the major equipment are on "Ready to Drill" condition as set out in Schedule 4 and for IADC Equipment List in "as is" condition as set out in Schedule 1, and inventory list in "as is" condition at Closing.

(ii) Deposit

The Buyer shall remit a deposit equal to ten (10%) of the Sale Price, amounting to USD6,300,000 immediately forthwith upon signing of the SPA between the parties and exchanged in original or by e-mail.

(iii) Closing Payment

Upon the Seller's issuance of the Notice of Readiness and valid invoice, the Buyer shall within five (5) Business Days remit the remaining ninety (90%) of the Sale Price ("**Balance Sale Price**") on Delivery, subject to all other terms of the SPA.

However, in the event that the Buyer is unable to pay the Balance Sale Price within five (5) Business Days from the Notice of Readiness, the Buyer may submit a written request to the Seller immediately after issuance of the Seller's Notice of Readiness for an extension of time to settle the Balance Sale Price and the Buyer shall be granted an extension of a period not exceeding ninety (90) days from the Seller's Notice of Readiness.

Upon confirmation in writing by the Seller that the Buyer has remitted the Balance Sale Price under the SPA in full into the Seller's Account, the Seller shall notify the Buyer within one (1) Business Day of the date of intended Delivery and Closing Date.

3. DELIVERY AND CLOSING

Subject to the other terms of the SPA, the Unit shall be delivered to the Buyer free from all encumbrances in Singapore / Johor anchorage on a date which shall be no later than 31st May 2026 ("Cancelling Date") or the expiry of the Extension Period (whichever is later).

The Closing shall be held in the Seller's office, or at any other location or virtually, as may be mutually agreed upon by the parties in writing.

All risks and title to, and the legal and beneficial interest in the Unit shall pass with the delivery of physical possession of the Unit to the Buyer at Closing.

4. TERMINATION

(i) The SPA may be terminated upon the occurrence of any one or more of the following:

(a) By the mutual written agreement of the parties;

(b) By either the Seller or the Buyer, if there is Total Loss of the Unit under Clause 10 of the SPA, in which event the Seller shall refund the Deposit (if paid) towards the Sale Price, to the Buyer, whereupon the SPA shall terminate with no further claims by either party.

(ii) Termination Due to Buyer's Default:

(a) Failure to Pay the Deposit: Seller may terminate immediately and thereafter, no party shall have any further claims whatsoever against the other pursuant to the Buyer's default in failure to pay the Deposit.

(b) Failure to Pay the Balance Sale Price: Seller may terminate after seven (7) days' written notice, forfeit the Deposit (as genuine and reasonable pre-estimate of loss suffered by the Seller) and no party shall have any further claims whatsoever against the other pursuant to the Buyer' default in failure to pay the Balance Sale Price.

(iii) Termination Due to Seller's Default: If the Seller fails to deliver the Unit in accordance with the SPA, the Buyer may terminate after three (3) days' written notice. The Deposit and any monies paid will be refunded to the Buyer, and the Seller shall be liable for Liquidated Ascertained Damages as stated in the SPA, and no party shall have any further claims whatsoever against the other pursuant to the Seller's default in failing to deliver the Unit in accordance with the SPA.

5. POST-CLOSING MATTERS

Immediately and not later than thirty (30) days after the Closing Date, the Buyer shall at its own cost, change the name of the Unit in the flag state records for the Unit such that the Unit's name does not include any of the Seller's Trade Names (as defined under the SPA) over the same and shall promptly cease the usage of the Seller's Trade Names and remove from the Unit and all its related assets of the Seller's Trade Names.