BlackGold Natural Resources Limited
(Company Registration No. 199704544C)

UNAUDITED FINANCIAL STATEMENTS FOR THE FULL YEAR ENDED 31 DECEMBER 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY, HALF-YEAR AND FULL YEAR RESULTS

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated financial results of the Group for the financial year ended 31 December 2019 ("**FY2019**") and the corresponding financial year ended 31 December 2018 ("**FY2018**").

1(a)(i) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Comprehensive Income

	GROUP		
	Unaudited FY2019 US$	**Audited FY2018 US$**	**Variance %**
Sales	11,033,991	5,647,854	95
Cost of sales	(9,162,233)	(5,307,918)	73
Gross profit	1,871,758	339,936	451
Other income – net	26,516	10,775	146
Other gains / (losses)	238,194	(314,589)	n.m.
Expenses			
- Administrative	(3,333,573)	(4,552,305)	(27)
- Finance	(728,185)	(370,426)	97
- Others	(3,831,666)	(1,291,296)	197
Loss before income tax	(5,756,956)	(6,177,905)	(7)
Income tax expense	(103)	(1,030)	(90)
Loss for the financial year	(5,757,059)	(6,178,935)	(7)

n.m. denotes not meaningful

	GROUP		
	Unaudited FY2019	**Audited FY2018**	**Variance**
	US$	**US$**	**%**
<u>Other Comprehensive Income/Loss:</u>			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	309,309	(771,975)	n.m.
Items that may not be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	61	(3,377)	n.m.
Other comprehensive loss, net of tax	309,370	(775,352)	n.m.
Total comprehensive loss, net of tax	(5,447,689)	(6,954,287)	(22)
Loss attributable to:			
- Equity holders of the Company	(5,716,154)	(6,139,065)	(7)
- Non-controlling interests	(40,905)	(39,870)	3
	(5,757,059)	(6,178,935)	(7)
Total comprehensive loss attributable to:			
- Equity holders of the Company	(5,406,845)	(6,911,040)	(22)
- Non-controlling interests	(40,844)	(43,247)	(6)
	(5,447,689)	(6,954,287)	(22)

1(a)(ii) The total comprehensive income/(loss) attributable to equity holders of the Company include the following credits/(charges):-

	GROUP		
	Unaudited FY2019	**Audited FY2018**	**Variance**
	US$	**US$**	**%**
Interest income	11,143	10,754	4
Staff Remuneration	(1,102,428)	(1,603,401)	(31)
Professional fees, travelling and corporate social responsibility expenses	(571,421)	(770,266)	(26)
Legal and licensing expenses	(351,816)	(394,882)	(11)
Rental expenses	(101,665)	(250,561)	(59)
Mining, geology and survey expenses	(29,439)	(633,731)	(95)
Depreciation of property, plant and equipment	(269,775)	(211,918)	27
Amortisation of mining properties	(193,369)	(48,904)	295
Impairment of assets	(3,831,666)	(1,291,261)	196
Loss on disposal of fixed assets	(885)	(14,271)	(94)

n.m. denotes not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	GROUP		COMPANY	
	Unaudited As at 31/12/2019 US$	**Audited As at 31/12/2018 US$**	**Unaudited As at 31/12/2019 US$**	**Audited As at 31/12/2018 US$**
ASSETS				
Current assets				
Cash and cash equivalents	89,132	547,816	1,528	26,649
Restricted cash	171	24,497	-	-
Trade and other receivables	5,153,080	1,448,078	810,018	14,866
Inventories	423,731	1,882,602	-	-
Deposits and prepayments	477,892	210,372	3,761	5,958
	6,144,006	4,113,365	815,307	47,473
Non-current assets				
Property, plant and equipment	1,622,510	5,614,469	1,456	2,789
Right-of-use assets	75,513	-	-	-
Mining properties	7,554,053	7,307,069	-	-
Deposits and prepayments	-	103,764	-	-
Investment in subsidiaries	-	-	13,316,575	13,316,575
Restricted cash	185,363	177,781	-	-
	9,437,439	13,203,083	13,318,031	13,319,364
Total assets	**15,581,445**	**17,316,448**	**14,133,338**	**13,366,837**
LIABILITIES				
Current liabilities				
Trade and other payables	1,648,454	2,342,872	1,332,404	1,065,248
Accrued operating expenses	3,841,285	2,507,976	501,947	310,325
Lease liabilities	37,005	-	-	-
Borrowings	3,012,526	1,141,421	-	-
Current income tax liability	393	214	320	214
	8,539,663	5,992,483	1,834,671	1,375,787
Non-current liabilities				
Lease liabilities	38,642	-		
Other non-current liabilities	153,542	83,279	-	-
Loans from shareholders	3,900,221	3,900,221	-	-
Provisions	221,467	110,972	-	-
	4,313,872	4,094,472	-	-
Total liabilities	**12,853,535**	**10,086,955**	**1,834,671**	**1,375,787**
NET ASSETS	**2,727,910**	**7,229,493**	**12,298,667**	**11,991,050**
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	56,312,822	55,619,594	171,410,017	170,716,789
Currency translation reserve	(1,767,226)	(2,076,535)	662,355	781,153
Other reserve	1,613,598	1,360,720	293,474	245,872
Accumulated losses	(53,274,998)	(47,558,844)	(160,067,179)	(159,752,764)
	2,884,196	7,344,935	12,298,667	11,991,050
Non-controlling interests	(156,286)	(115,442)	-	-
Total equity	**2,727,910**	**7,229,493**	**12,298,667**	**11,991,050**

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

(a) the amount repayable in one year or less, or on demand;

	As at 31/12/2019		As at 31/12/2018	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	US$	**US$**	**US$**	**US$**
Borrowings	2,984,526	28,000	-	1,141,421

Secured borrowings are financing facilities provided from third party banks and are secured by the account receivables of the Group.

Unsecured borrowings relate to an unsecured revolving loan facility denominated in IDR of up to approximately US$3,450,000 from PT Global Energi Lestari ("**PT GEL**") that is used to fund working capital requirements. The interest on the loan is determined on a per shipment basis and is calculated based on 50% of net profit received from each shipment.

(b) the amount repayable after one year;

	As at 31/12/2019		As at 31/12/2018	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	US$	**US$**	**US$**	**US$**
Shareholders' loans	-	3,900,221	-	3,900,221

Borrowings from third parties are interest-bearing, unsecured and repayable upon demand.

The shareholders' loans are from Twin Gold Ventures S.A. ("**TGV**") and Novel Creation Holdings Limited ("**Novel Creation**") (together, the "**Lenders**"). These loans are non-interest bearing, unsecured and repayable upon demand.

On 29 March 2019, the Group entered into a fifth supplemental deed with the Lenders to extend until 31 March 2021 the period during which the Lenders have agreed not to demand repayment. There has been no request for repayment to date, which can be further extended by the shareholder.

The Group currently has a remaining undrawn facility amounting to US$35,815,153 on the abovementioned shareholders' loan facilities. The Group has not drawn down on its shareholder loan facilities in FY2019.

(c) Details of any collateral

Not applicable.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Unaudited FY2019 US$	Audited FY2018 US$
Cash flows from operating activities		
Loss after tax	(5,757,059)	(6,178,935)
Adjustments for:		
- Depreciation of property, plant and equipment	166,933	226,746
- Amortisation of mining properties	193,369	48,904
- Impairment of exploration and evaluation expenditure	-	1,291,261
- Share-based compensation expense	47,602	245,872
- Loss on disposal of property, plant and equipment	885	14,271
- Interest income from fixed deposits and current account	(11,143)	(10,754)
- Interest expense	728,185	370,426
- Impairment of plant and equipment	3,831,666	-
- Income tax expense	103	1,030
- Unrealised currency translation differences	(11,180)	275,244
	(810,639)	(3,715,935)
Change in working capital:		
- Inventories	1,497,409	547,111
- Deposits and prepayments	(151,931)	230,980
- Trade and other receivables	(3,644,045)	(446,546)
- Trade and other payables	522,136	1,642,447
- Other non-current liabilities	58,462	6,044
- Other provisions	105,761	15,932
Cash provided used in operating activities	(2,422,847)	(1,719,967)
Tax paid	(4,488)	(1,229)
Net cash provided used in operating activities	(2,427,335)	(1,721,196)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,243)	(26,456)
Interest received	11,143	10,754
Net cash provided by/(used in) investing activities	2,900	(15,702)
Cash flows from financing activities		
Proceeds from issuance of placement shares	693,228	-
Proceeds from borrowings	8,073,883	1,599,848
Repayment of borrowings	(6,245,378)	(464,860)
Interest paid	(514,660)	-
Repayment of lease liabilities	(64,196)	(1,861)
Changes in restricted cash	19,488	(24,497)
Net cash provided by financing activities	1,962,365	1,108,630
Net decrease in cash and cash equivalents	(462,070)	(628,268)
Cash and cash equivalents at the beginning of the period	547,816	1,203,825
Effects of currency translation on cash and cash equivalents	3,386	(27,741)
Cash and cash equivalents at the end of the period	**89,132**	**547,816**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP - current period

	Share capital US$	Other reserve US$	Currency translation reserve US$	Accumulated losses US$	Non-controlling interests US$	Total equity US$
Balance at 31 December 2018	**55,619,594**	**1,360,720**	**(2,076,535)**	**(47,558,844)**	**(115,442)**	**7,229,493**
Loss for the year	-	-	-	(5,716,154)	(40,905)	(5,757,059)
Other comprehensive loss for the year	-	-	309,309	-	61	309,370
Total comprehensive loss for the year	**-**	**-**	**309,309**	**(5,716,154)**	**(40,844)**	**(5,447,689)**
Fair value of interest free loan	-	213,525	-	-	-	213,525
Employee share awards -Value of employee services	-	47,602	-	-	-	47,602
Issuance of placement shares	693,228	-	-	-	-	693,228
Employee benefit plans	-	(8,249)				(8,249)
Total transactions with owners, recognised directly in equity	**693,228**	**(252,878)**	**-**	**-**	**-**	**946,106**
Balance at 31 December 2019	**56,312,822**	**1,613,598**	**(1,767,226)**	**(53,274,998)**	**(156,286)**	**2,727,910**

GROUP - prior period

	Share capital US$	Other reserve US$	Currency translation reserve US$	Accumulated losses US$	Non-controlling interests US$	Total equity US$
Beginning of financial year 2018 (as previously reported)	55,619,594	-	(1,304,560)	(40,806,303)	(72,195)	13,436,536
Prior year adjustment	-	897,499	-	(613,476)	-	284,023
Balance at 31 December 2017 (as restated)	**55,619,594**	**897,499**	**(1,304,560)**	**(41,419,779)**	**(72,195)**	**13,720,559**
Loss for the year	-	-	-	(6,139,065)	(39,870)	(6,178,935)
Other comprehensive loss for the year	-	-	(771,975)	-	(3,377)	(775,352)
Total comprehensive loss for the year	**-**	**-**	**(771,975)**	**(6,139,065)**	**(43,247)**	**(6,954,287)**
Fair value of interest free loan	-	217,349	-	-	-	217,349
Employee share awards -Value of employee services	-	245,872	-	-	-	245,872
Total transactions with owners, recognised directly in equity	-	463,221	-	-	-	463,221
Balance at 31 December 2018	**55,619,594**	**1,360,720**	**(2,076,535)**	**(47,558,844)**	**(115,442)**	**7,229,493**

COMPANY - current period

	Share capital	Other reserve	Currency translation reserve	Accumulated losses	Total equity
	US$	US$	US$	US$	US$
Balance at 31 December 2018	170,716,789	245,872	781,153	(159,752,764)	11,991,050
Issuance of placement shares	693,228	-	-	-	693,228
Employee share awards - Value of employee services	-	47,602	-	-	47,602
Total comprehensive loss for the period	-	-	(118,798)	(314,415)	(433,213)
Balance at 31 December 2019	**171,410,017**	**293,474**	**662,355**	**(160,067,179)**	**12,298,667**

COMPANY - prior period

	Share capital	Other reserve	Currency translation reserve	Accumulated losses	Total equity
	US$	US$	US$	US$	US$
Beginning of financial year 2018	170,716,789	-	1,213,380	(55,925,647)	116,004,522
Employee share awards - Value of employee services	-	245,872	-	-	245,872
Total comprehensive loss for the period	-	-	(432,227)	(103,827,117)	(104,259,344)
Balance at 31 December 2018	**170,716,789**	**245,872**	**781,153**	**(159,752,764)**	**11,991,050**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

<u>Changes in the Company's share capital</u>

	No. of shares issued	Amount of share capital (US$)
2019		
Beginning of financial year	936,610,437	170,716,789
Share issued	3,800,000	-
Issuance of placement share	63,333,333	693,228
End of financial year	1,003,743,770	171,410,017
2018		
Beginning of financial year	930,860,437	170,716,789
Share issued	5,750,000	-
End of financial year	936,610,437	170,716,789

During FY2019, the Company issued 67,133,333 ordinary shares as share awards under the Blackgold Share Awards Scheme and placement shares.

On 21 June 2019, a total of 3,800,000 share awards vested in the following manner: total 1,500,000 shares to Philip Cecil Rickard (former Executive Chairman and Chief Executive Officer), 1,500,000 shares to James Rijanto (former Executive Director and Chief Investment Officer) and 800,000 shares vested in employees.

The Company had, on 31 July 2019, completed a placement of 63,333,333 new ordinary shares in the capital of the Company, at S$0.015 per share to Mr. Luhendri.

There were no outstanding convertibles or share options granted as at 31 December 2019 and 31 December 2018.

There were no treasury shares or subsidiary holdings held or issued as at 31 December 2019 and 31 December 2018.

1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 December 2019	**As at 31 December 2018**
Number of issued shares excluding treasury shares	1,003,743,770	936,610,437

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company does not have any treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company does not have any subsidiary holdings.

2. Please state whether the figures have been audited or reviewed, and if so which auditing standard or practice has been followed.

The figures have not been audited or reviewed by the Company's auditors.

3. If the figures have been audited or reviewed, please provide a statement on whether there are any qualifications or emphasis of matter.

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

a) Updates on the efforts taken to resolve each outstanding audit issue.
This is not required for any audit issue that is a material uncertainty relating to going concern.

In the Company's latest audited financial statements for FY2018, PricewaterhouseCoopers LLP, the Group's auditors, has issued a disclaimer of opinion in respect of the (i) Going concern ("**Going**

Concern Assumption"); and (ii) Impairment of deposits and prepayments, property, plant and equipment and mining properties of the Group and investment in subsidiary of the Company ("**Impairments**").

Details relating to the Group's comments on the Going Concern Assumption and its efforts taken to resolve the matter may be found in paragraph 8 of this announcement.

In relation to Impairments, the Group is in the process of finalising its reserves estimates and is working with the Qualified Person to complete its assessment for any impairment.

b) Confirmation from the Board that the impact of all outstanding audit issues on the consolidated financial statements have been adequately disclosed.

The Board confirms that all impact of outstanding audit issues on the financial statements in relation to FY2018 have been adequately disclosed.

4. Please state whether the same accounting policies and method of computation as in the issuer's most recently audited financial statements have been followed.

Accounting policies and methods of computations used in the consolidated financial statements for the year ended 31 December 2019 are consistent with those applied in the consolidated financial statements for the year ended 31 December 2018, except for the adoption of accounting standards (including its subsequent amendments) and interpretations applicable for the financial period beginning on or after 1 January 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Company and Group have adopted SFRS(I) 16 *Leases* that is effective from 1 January 2019.

SFSR(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short term and low-value leases.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implied by the lease. If the rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lease.

The Group applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The adoption of the new standard has no significant impact to the Group.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	FY2019 US$	FY2018 US$
Loss for the financial period	(5,716,154)	(6,139,065)
Weighted average number of shares for the purpose of computing basic loss per share	965,351,624	933,916,601
Basic loss per share (cents)	(0.59)	(0.66)
Weighted average number of shares for the purpose of computing fully diluted loss per share	965,351,624	934,990,101
Fully diluted loss per share (cents)	(0.59)	(0.66)

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) Current financial period reported on; and
(b) Immediately preceding financial year.

	31 Dec 2019 US$	31 Dec 2018 US$
Net assets of the Group	2,727,910	7,229,493
No. of ordinary shares in issue	1,003,743,770	936,610,437
Net asset value of the Group per ordinary share (cents)	0.3	0.8
Net assets of the Company	12,298,667	11,991,050
No. of ordinary shares in issue	1,003,743,770	936,610,437
Net asset value of the Company per ordinary share (cents)	1.2	1.3

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Profit & Loss

Revenue

Revenue is generated through the sale of coal from its coal mining activities to its customers.

Revenue has increased by approximately US$5.4M from US$5.6M in FY2018 to US$11.0M in FY2019. The sales increment is mainly derived from new customers during FY2019.

Cost of sales

Cost of Sales ("**COS**") comprises mainly of costs incurred in relation to mining contractors, coal processing, royalties payable to the government, depreciation and amortisation of mining properties.

COS amounted to US$9.1M in FY2019, as compared to US$5.3M in FY2018. The increase in COS is in line with the increased sales volume, which is higher than those recorded in FY2018.

Gross Profit

The Group recorded a gross profit of US$1.9M in FY2019 compared to gross profit of US$340K in FY2018. The increase in gross profit is in line with the increase in revenue. There is also an increase in gross margin FY2019 as compared FY2018 from 6.0% to 17.0%, mainly due to economies of scale setting in from increases in the Group's sales and production volumes.

Other gains / losses

Other gains/losses mainly consists of currency translation differences. The Group recorded a currency translation gain of US$238K in FY2019, as compared to the currency translation loss of US$315K in FY2018.

The currency translation gain in FY2019 was mainly due to translation differences in shareholders' loans at its Singapore subsidiary. The United States Dollar (being the currency in which these loans are denominated) had weakened against the Singapore Dollar (being the recording currency for these liabilities), thereby accounting for the currency translation gain.

Administrative Expenses

The Group's administrative expenses mainly consist of staff remuneration and expenses relating to licensing and compliance, geologist and survey, rental and recurring professional fees.

Administrative expenses decreased by approximately US$1.2M or 27% to US$3.3M in FY2019 from US$4.6 in FY2018. This decrease was mainly attributable to a decrease in mining, geology and survey expenses, professional fees, travelling and corporate social responsibility expenses, staff costs and directors' fee.

The above decrease was offset against an increase in depreciation of property, plant and equipment and amortisation of mining properties, being the result of increased production activities.

Finance Costs

Finance costs increased by US$356K from approximately US$370K in FY2018 to US$727K in FY2019 mainly due to interest expense from the revolving loan facility from PT GEL.

Other Expenses

Other expenses increased by US$2.54M from US$1.3M in FY2018 to US$3.8M in FY2019. The increase was due to an impairment charge of US$ 3.8M over equipment at the Group's jetty. It was assessed that usage of the jetty equipment will be significantly reduced as the Group relies on alternative channels of coal transportation such as trucking or delivery from other jetty ports.

Loss after tax

As a result of the above factors, the Group recorded net losses of US$5.7M in FY2019 compared to US$6.2M in FY2018.

Review of Statement of Financial Position

Current assets

Currents assets comprise cash and cash equivalents, restricted cash, inventories, trade and other receivables, as well as deposits and prepayments.

The Group's current assets increased by approximately US$2.0M from US$4.1M as at 31 December 2018 to US$6.1M as at 31 December 2019, mainly due to reasons set out below.

An increase in trade and other receivables of approximately US$3.7M from increased sales during FY2019.

Increase in deposits and prepayments of approximately US$267K from increased prepayments made to vendors as production activities increased during FY2019.

The increase in the Group's current assets were partially offset by the following:

The Group's inventories decreased by approximately US$1.4M from US$1.9M in FY2018 to US$424 in FY2019 due to increasing sales of coal to the Group's customers.

Cash and cash equivalents of the Group had decreased by US$459K, due mainly to payments of production activities and working capital purposes. Please refer to Note 1(c) Cash Flow Statement for more details.

Non-current assets

Non-current assets of the Group comprise of property, plant and equipment, right-of-use assets, mining properties, restricted cash, as well as deposits and prepayments.

The Group's non-current assets decreased by approximately US$3.7M, from US$13.2M as at 31 December 2018 to US$9.4M as at 31 December 2019, mainly due to:

Property, plant and equipment had decreased by US$3.9M. This comprises of an impairment charge of US$3.8M over jetty equipment, depreciation of property, plant and equipment of US$270K[1] and amortisation of mining properties of US$193K[1]

Mining properties had increased by US$247K due to translation differences.

Note 1: Depreciation and amortisation expenses are recorded initially under "inventories" and subsequently transferred to profit and loss when the coal inventory is sold. As at end of the period, a portion of depreciation and amortisation expenses remain recorded as inventories.

Current liabilities

The Group's current liabilities comprise of trade and other payables, current tax liability, accrued operating expenses and lease liabilities (current portion) and borrowings.

The Group's current liabilities increased by approximately US$2.5M, from US$6.0M as at 31 December 2018 to US$8.5M as at 31 December 2019.

The increase was mainly due to:

Increase of US$1.3M in accrued operating expenses for increased professional fees, land taxes, as well as lesser payments for the liabilities.

Increase in borrowings of US$ 1.9M from financing facilities secured by its account receivables.

This was offset by a decrease in trade and other payables of US$694K mainly from payments to its mining and transportation contractors for the Group's production activities.

Non-current liabilities

The Group's non-current liabilities comprise lease liabilities, loans from shareholders, other non-current liabilities and provisions.

Non-current liabilities increased by approximately US$152K from US$4.1M as at 31 December 2018 to US$4.3M as at 31 December 2019. The increase was mainly due to an increase in other non-current liabilities and provisions.

Going Concern and Working Capital

The Board is of the view that the Group is able to continue improving its working capital position and operate as a going concern for the following reasons:

Following the going-concern assumptions provided in FY2018 Annual Report, the Group has recorded paragraphs (iii), (v) and (vi), further updates and efforts undertaken by the Group in paragraphs (ii) and (iv) below:

(i) On 30 January 2020 the Group has entered into 3 (three) convertible bond agreements to raise an aggregate of S$ 5 million from the Series A Bonds and up to S$20 million from a subsequent tranche of Series B Bonds. Please refer to the Company's announcement dated 5 February 2020 for details;

(ii) The management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources, including funds from Series A Bond and estimated earnings for the 18 months starting from 1 January 2020, to satisfy its working capital requirements and to meet its obligations as and when they fall due;

(iii) The Group has enlarged its portfolio of customers in FY2019, increasing its sales volume by 114% as compared to FY2018;

(iv) The Group has achieved better gross profits of US$1.9M in FY2019 as compared to FY2018. The Group believes that the trend will continue as the Group gains new customers and continues increasing production, moving towards a stronger working capital position over the course of the next 12 months;

(v) The Group has an available loan facility from its shareholders amounting to US$35,815,153 from which it can draw upon when required; and

(vi) The Group is exploring financing options to pay off its short-term financial obligations, and the Group has since received an offer letter dated 28 October 2019 from Bank Rakyat Indonesia in relation to supply chain financing facility ("**SCF**") to support its operation.

Review of Statement of Cash Flows

<u>FY2019</u>

The Group recorded net cash flow used in operating activities of US$2.4M for FY2019 which was a result of operating losses before changes in working capital of approximately US$5.7M, adjusted for net working capital outflows of approximately US$1.6M.

Net cash provided by investing activities of US$2.9K in FY2019 was mainly due to purchase of property, plant and equipment of US$8.2K, partially offset by receipt of interest income of US$11.1K.

Net cash provided by financing activities of US$1.9M was mainly due to repayment of borrowings of US$6.2M and payment of interest expense of US$515K. These were offset by proceeds from borrowings of US$8.0M and proceeds from issuance of placement shares amounting to US$693K.

As a result of the above, the Group recorded a net decrease in cash and cash equivalents of US$462K in FY2019.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable as the Company has not disclosed any forecast or prospect statement to its shareholders previously.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Jakarta Globe reported 9 January 2020 that the Energy and Mineral Resources Ministry projects that domestic coal consumption will rise by 12 percent this year, thanks to additional demand from up to eight new mineral smelters. Indonesia is expected to use up 155 million tons of coal this year to fire up its power plants, smelters and steel factories, up from 138 million tons last year, as mentioned by Arifin Tasrif, the Energy and Mineral Minister of Indonesia.

Arifin also said additional demand from the smelters would account for some of the increase in coal consumption this year. The minister said the government expected eight new mineral smelters to start operation this year. Last year, 17 new mineral smelters were opened. "We will continue to build new smelters, creating a multiplier effect to improve people's lives," Arifin said at a press conference in his office in Jakarta on Thursday.[1]

An article by Coal Trans on 2 December 2019 highlighted that Indonesia has been the stand-out performer in terms of coal exports. Shipments increased by around 25MT in 2018 and, following the government's decision to increase export quotas at the beginning of the year to increase royalty revenues, have exports continued to rise, increasing by 30.6MT for the January to September 2019 period at 342MT. This surge has been supported by Indonesia's proximity to the growth markets of South East Asia and the fact that many of the new plants built there have been designed to use lower CV Indonesian coal. Perret Associates estimate that some 220MT of the 342MT of Indonesian coal exported in the January to September period was sub-bituminous 4200 kcal/kg GAR material.[2]

The Group is closely monitoring the development of Covid-19 outbreak and will adjust business strategies to better mitigate against challenges posed by this outbreak. While Covid-19 outbreak may have a short-term impact on international market, underlying low calorie coal demand for local market remain healthy and the Group's production activities at the mine remains unaffected.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b)(i) Amount per share

Not applicable.

(b)(ii) Previous corresponding period

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

News Articles:
[1] *Indonesia to Use Up 12% More Coal This Year as New Mineral Smelters Start Operation*
https://jakartaglobe.id/business/indonesia-to-use-up-12-more-coal-this-year-as-new-mineral-smelters-start-operation
[2] *Potential Bottoming of Coal Prices in 2020*
https://www.coaltrans.com/insights/article/bottoming-of-coal-prices-in-2020

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended during FY2019. The Group will be retaining its cash to fund its operating activities.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for interested person transactions ("**IPTs**") pursuant to Rule 920(1)(a)(ii) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**").

There were no interested person transactions that were individually more than S$100,000 entered into by the Group during FY2019.

Below is the table detailing the amount of shareholders' loan that was drawn down during FY2019:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transaction conducted under the shareholders' mandate pursuant to Rule 920) S$	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transaction less than S$100,000) S$
	FY2019	**FY2019**
N.A.	-	-

14. Use of Placement Proceeds

Pursuant to Rule 1204(5)(f) of the Catalist Rules, the Board wishes to provide an update on the use of the proceeds arising from the following placement exercises:

Description	Number of new ordinary shares alloted and issued	Issue price per ordinary share (S$)	Placement Proceeds (S$)
Share Placement Agreement dated 26 June 2019	63,333,333	0.015	950,000
Total			950,000

The net proceeds of approximately S$950K as at date of this announcement have been utilised as follows:

Intended use of Net Proceeds	Allocation of Net Proceeds as disclosed in the announcements dated 27 June 2019 (S$)	After re-allocation of Net Proceeds as announced in the 3Q2019 results announcement (S$)	Net Proceeds utilised as at date of this announcement (S$)	Balance of the Net Proceeds as at the date of this announcement (S$)
Repayment of borrowings	260,000	207,624	207,624	-
General working capital	690,000	742,376	742,376	-
Total	**950,000**	**950,000**	**950,000**	**-**

After a review of the Group's cash flow and expansion plans, it was decided that S$52,376 of the net proceeds originally intended to be used for the repayment of borrowings to be used for working capital requirements of the Group instead.

Note:
(1) The breakdown of the utilized net proceeds for working capital are as follows:

Staff expenses	S$315,300
Professional fees	S$199,565
Rental expenses	S$46,984
Travelling and corporate social responsibility expenses	S$ 18,421
Other operational expenses	S$162,106

ADDITIONAL DISCLOSURE REQUIRED FOR MINERAL, OIL AND GAS COMPANIES

14 (a). Rule 705(6)(a) of the Catalist Rules

i. Use of funds/cash for the quarter:-

In 4Q2019, funds were mainly used for the following activities:-

Purpose	Forecasted usage of funds (US$)	Actual usage of funds (US$)
Production activities	1,476,000	1,004,000
General working capital	382,000	295,868
Total	1,858,000	1,299,868

Actual cash used for production activities and general working capital was lower than forecasted by US$558K as the Group intends to make the relevant payment in subsequent quarters.

ii. Projection on the use of funds/cash for the next immediate quarter, including principal assumptions:-

For the next immediate quarter (financial period from 1 January 2020 to 31 March 2020 ("**1Q2020**")), the Group's use of funds for production activities are expected to be as follows:-

Purpose	**Amount**
	(US$)
Production activities	1,419,000
General working Capital	1,114,000
Total	2,533,000

Principal Assumptions

Projected use of funds for certain items includes, but not limited to, expenses incurred for the Group's mine development activities, which will vary according to the Group's rate of coal mining and production. Accordingly, if the Group's rate of coal mining and production changes, the Group's use of funds for mine development activities will change as well.

14 (b). Rule 705(6)(b) of the Catalist Rules

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the above information provided to be false or misleading in any material aspect.

14 (c). Rule 705(7) of the Catalist Rules

Details of exploration (including geophysical surveys), development and/or production activities undertaken by the Company and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.

During FY2019, no exploration or development activities were conducted. In relation to production activities, a total of approximately 346,050 metric tonnes of coal were produced during FY2019.

During FY2019, cash expenditure paid for production activities amounted to US$1.0M.

ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15 (a). Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

The Group's operations constitute a single segment which is the exploration and mining of coal in Indonesia.

15 (b). In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by business or geographical segments.

The Group's operations constitute a single segment which is the exploration and mining of coal in Indonesia.

15 (c). A breakdown of sales

	Latest Financial Year	Previous Financial Year	Change +/-
	US$	US$	%
(a) Sales reported for first half year	2,900,367	3,486,614	(17)
(b) Operating profit/loss after tax before deducting minority interest reported for first half year	(1,358,518)	(1,794,062)	(24)
(c) Sales reported for second half year	8,133,624	2,161,240	275
(d) Operating profit/loss after tax before deducting minority interest reported for second half year	(4,398,541)	(4,384,873)	(1)

15 (d). A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-

Not applicable as the Company has neither declared nor recommended any dividend as at 31 December 2019 and 31 December 2018.

15 (e). Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (10).

There is no person occupying managerial position who is related to a director or Chief Executive Officer or substantial shareholder.

16. Confirmation by the Company to Rule 720(1) of the Catalist Rules

The Company confirms that it has procured all the required undertakings from all directors and executive officers of the Company under Rule 720(1) of the Catalist Rules

BY ORDER OF THE BOARD

Philip Soh Sai Kiang
Independent Non-Executive Chairman

Andreas Rinaldi
Executive Director and CEO

29 February 2020

*This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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