

GOLDEN ENERGY AND RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 199508589E

UPDATE ON ENTRY INTO JOINT VENTURE WITH EMR IN CONNECTION WITH THE ACQUISITION OF THE RAVENSWOOD GOLD MINE

CONSULTATION WITH THE SGX-ST

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**”) of Golden Energy and Resources Limited (“**GEAR**”) and together with its subsidiaries, the “**GEAR Group**”) refers to its announcement dated 15 January 2020 in relation to the entry by Golden Investments (Australia) II Pte. Ltd. (“**GEAR SPV**”), a wholly-owned subsidiary of GEAR, on 14 January 2020 into a joint venture (the “**Joint Venture**”) with Raven Gold Nominee Pty Ltd (as trustee on behalf of investors managed or advised by EMR Capital) (together with its affiliates, “**EMR**”) to establish a joint venture company, Mining Gold Group Pty Ltd (“**Topco**”), to acquire the Ravenswood gold mine from Carpentaria Gold Pty Ltd (“**Carpentaria Gold**”) and its parent company, Resolute Mining Limited (the “**Ravenswood Acquisition**”) (the “**Joint Venture Announcement**”).

All capitalized terms used and not defined herein shall have the same meanings given in the Joint Venture Announcement.

2. CONSULTATION WITH THE SGX-ST

- 2.1 As set out in paragraph 9.1 of the Joint Venture Announcement, the relative figure under Rule 1006(b) of the Listing Manual in respect of the GEAR JV Investment is a negative figure. Further to consultations with the SGX-ST, the SGX-ST had in a letter dated 23 March 2020 informed GEAR that the approval of the shareholders of GEAR (“**Shareholders**”) will not be required for the GEAR JV Investment of up to A\$70 million and the Ravenswood Acquisition, pursuant to Rule 1007(1) read with Practice Note 10.1 of the Listing Manual, subject to GEAR issuing an announcement via SGXNet on the following:
- 2.1.1 the Board’s confirmation that the GEAR JV Investment and the Ravenswood Acquisition do not materially change the risk profile of GEAR, and that these transactions are in the interest of GEAR and its Shareholders. Please explain the basis for the Board’s views (“**Condition 1**”); and
- 2.1.2 in the absence of an independent professional valuation on the Ravenswood gold mine, explain how the Board has satisfied itself on the reasonableness of the purchase consideration (including the contingent instruments of up to A\$200 million payable by Mining Gold Investment Pty Ltd (“**Bidco**”) (the “**Contingent Instruments**”) for the Ravenswood Acquisition (“**Condition 2**”).

Please refer to paragraphs 3 and 4 below, respectively, for the Board's confirmation and explanation on Condition 1 and Condition 2.

- 2.2 The SGX-ST's letter dated 23 March 2020 also provides that the SGX-ST may aggregate any increase in investment (including any form of financial assistance and corporate guarantee) by the GEAR Group in Topco or its subsidiaries (including Bidco) with GEAR's initial committed contribution of A\$70 million. GEAR is required to consult the SGX-ST on whether prior Shareholders' approval is required before committing to any increase in its investment in the Topco group and/or the Ravenswood gold mine.

3. BOARD'S CONFIRMATION AND EXPLANATION ON CONDITION 1

- 3.1 The Board confirms that the GEAR JV Investment and the Ravenswood Acquisition do not materially change the risk profile of GEAR, and that these transactions are in the interest of GEAR and its Shareholders. The basis for the Board's views is explained below:

3.1.1 The GEAR JV Investment will not result in an expansion of the GEAR Group into a new resource or a new jurisdiction, as GEAR has an existing investment in Westgold Resources Limited ("**Westgold**"), a gold producer in Australia. GEAR's investment into the Ravenswood gold mine is therefore complementary to, and enhances, GEAR's existing precious metals portfolio.

3.1.2 GEAR has experience in evaluating and making investments in gold projects, based on their experience acquired through their investment in Westgold, a top 10 gold producer in Australia, as well as the capabilities of GEAR's in-house technical team which has had working experience in gold mines.

3.1.3 The risks of the investment in the Ravenswood gold mine are mitigated by GEAR's entry into the Joint Venture with EMR, who will be the operating partner of the Joint Venture. EMR is a specialist mining private equity fund which invests in global resource projects and companies, primarily focusing on copper, gold, coking coal and potash, and is currently the owner and operator of eight major mines and projects globally.

3.1.4 Although GEAR will use its existing cash reserves to fund Topco with the GEAR JV Investment, GEAR has sufficient cash reserves for its working capital requirements after the GEAR JV Investment. As of 31 December 2019, the GEAR Group has a cash balance in excess of US\$177 million. GEAR also does not expect the GEAR JV Investment to have a significant adverse impact on the GEAR Group's consolidated earnings and gearing.

3.1.5 GEAR is not under any ongoing commitments to fund Topco beyond the amount of the GEAR JV Investment (being A\$70 million). As stated in paragraph 4.1 of the Joint Venture Announcement, any additional funding to be provided by GEAR SPV beyond the amount of the GEAR JV Investment (the "**Further Capital Commitment**") for the development of the Ravenswood gold mine will be subject to GEAR SPV's approval of the Development Plan, which will be finalized by GEAR SPV and EMR only after further feasibility studies in respect of the Ravenswood gold mine have been commissioned post-acquisition.

- 3.1.6 The net losses attributable to the Assets to be acquired in respect of the GEAR JV Investment of US\$2.03 million for the financial year ended 31 December 2019 were due to the Ravenswood gold mine's operation of the underground mine Mt Wright coming to the end of its production life, thereby resulting in decreased production and a higher cost of production for that year. As Mt Wright is only one of the concessions which Ravenswood owns, the abovementioned net loss is not a meaningful indication of the overall significance of the GEAR JV Investment.

Further, the Ravenswood Acquisition is structured as an acquisition of assets (and not an acquisition of all of the interests of Carpentaria Gold) for tax efficiency reasons and so that GEAR and EMR would not have to assume all of the existing liabilities of Carpentaria Gold (other than such liabilities that is in the ordinary course associated with the ownership of the Ravenswood gold mine).

- 3.1.7 As the Ravenswood gold mine has been in operations for over 25 years since 1993, the main risk factors, such as geotechnical, geometallurgical and processing recoveries, would have been fully comprehended and addressed in its mine plan and operations.

4. BOARD'S EXPLANATION ON CONDITION 2

- 4.1 In the absence of an independent professional valuation on the Ravenswood gold mine, the Board has satisfied itself on the reasonableness of the purchase consideration (including the Contingent Instruments) for the Ravenswood Acquisition, for the following reasons as explained below:

- 4.1.1 The Board considers that the purchase consideration (including the Contingent Instruments) payable for the Ravenswood Acquisition is reasonable, compared with the valuation of the Assets conducted by GEAR's technical mining experts.

- 4.1.2 GEAR's management team had conducted a comprehensive internal evaluation and valuation of the Assets, which involved the application of various methodologies such as discounted cash flows ("DCF"), comparable trading multiples and comparable transaction multiples to estimate the market value of the Assets.

- 4.1.3 Based on the DCF method, GEAR's valuation of the Assets ranged between A\$200 million to A\$300 million, which was the lowest amongst the valuations obtained from the above methodologies. The DCF method was based on the Assets' life of mine ("LOM") projections, which were in turn prepared based on the technical inputs and review of GEAR's technical mining experts and independent technical advisors appointed by the Joint Venture for the Ravenswood Acquisition.

- 4.1.4 The consideration of A\$100 million (which comprises the A\$50 million upfront cash payment and a A\$50 million vendor financing promissory note) for the acquisition of 100% of the Ravenswood gold mine – and even after including the Contingent Instruments payable by Bidco upon the occurrence of certain events – is well within the range of valuations conducted, including GEAR's internal valuation based on the DCF method above (being the lowest valuation obtained from the above methodologies).

- 4.1.5 The Board also considered the book value of the tangible assets (that were part of the Assets) acquired and the net tangible assets of the Assets as at 31 December 2019, which were A\$90.76 million and A\$61.03 million, respectively.
- 4.1.6 Further, as part of the Joint Venture's valuation of the Assets, the technical teams from GEAR and EMR evaluated the following: (i) the operating and production history of the Ravenswood gold mine of more than 25 years, (ii) the remaining LOM plan for the Ravenswood gold mine of 15 years, (iii) the geological and technical information pertaining to the resources and reserves of the Assets, and (iv) conducted site visits to verify and inspect the pits, process plants and associated infrastructure of the Assets.

By Order of the Board

GOLDEN ENERGY AND RESOURCES LIMITED

Pauline Lee
Group Company Secretary
26 March 2020