

Noble Group Issues Open Letter to Mr. Michael Dee

Noble Group (“Noble” or “Company”) announces that Mr. Yusuf Aireza, CEO of Noble Group, has issued the following letter in response to Mr. Michael Dee’s statements about the Company. In summary, the letter highlights:

- Noble Group has responded to all questions raised, contrary to Mr Dee’s published statements. These responses have been given in a variety of forms, including directly to stakeholders such as banks and core shareholders, who have been satisfied with the answers.
- Noble Group does not overvalue Yancoal on our balance sheet as Mr. Dee has repeatedly alleged. Noble values its associate stake using a cash flow model rather than a market price because an 8% free float, AU\$15,000 average daily trading volume, and 5x share price rise in two months, are not the characteristics of a liquid and transparent stock price. Noble’s valuation approach is reasonable and consistent with practice in the mining industry and accounting policies.
- Noble Group does not have off-balance sheet repos as Mr Dee has falsely claimed. Noble does execute, on a limited basis to manage our inventory levels, optional inventory sales. These are not considered repos by IFRS and are categorised as true sales. While this is the case according to current accounting rules, if for any reason those rules changed, Noble would have no problem taking those deals onto its balance sheet. It uses inventory sales to a limited extent only and the inventories are readily marketable inventories which can easily be turned into cash.

An Open Letter to Mr. Michael Dee

Dear Mr. Dee,

I write in response to your continued statements and website postings. Up to now I have chosen to ignore your ill-informed opinions. However, your recent call for the resignation of our Founder and Chairman is a step too far.

Richard Elman built Noble Group from three people and US\$100,000 of capital to a company that now employs 15,000 people (between Noble Group and Noble Agri), has revenue of approximately US\$100b, is the largest Asian-based Physical Merchant and has, along the way, created significant wealth for tens of thousands of investors and employees. I think you should consider that achievement before you choose to attack a man of great integrity.

Questions

You have falsely claimed that Noble Group has not answered all questions raised. As a public company we have an undeniable responsibility to answer anything asked by our stakeholders. I assure you that we have done this, in a variety of forms, and we will continue to do this. 35 banks would not lend US\$2.3b, at the lowest spread in our history, without demanding answers to all questions raised and being satisfied with the answers. Our core shareholders would not have added to their positions without demanding answers to all questions and being satisfied with the answers.

Iceberg

You seem to have taken the inaccurate and misleading accusations of an anonymous blogger at face value without researching those accusations yourself. Do you know anything about the anonymous blog group Iceberg, or the individual who started it, Mr. Vagner? Have you ever spoken to him and challenged him about those accusations to check if his answers are credible? I assume you are aware, but have chosen to ignore the fact that, Mr. Vagner made various allegations about Noble's bunker business being closed down by the Singapore Maritime and Port Authority (MPA) as a result of information provided by him about our business practices. The MPA released a public statement putting the record straight and confirming it had investigated the matter, did not find any malpractices by Noble, and saying that Iceberg's allegations were "untrue".

As previously stated, Mr. Vagner was a credit analyst in our Freight Department who, in our annual HR review process, was ranked as a bottom 10% performer. In accordance with our normal process, as part of his HR review, he was given an opportunity to improve. He failed to do this and therefore his employment was terminated.

At no point during his time at Noble Group did Mr. Vagner raise his accounting concerns. If he had, they would have been thoroughly investigated. Indeed, it was only after being unemployed for one and a half years that he found time to raise his concerns. We have since discovered that he was fired

from his previous job at a bank in remarkably similar circumstances, for disruptive behavior and being unable to work with his colleagues. His behaviour was in fact so bad that a former colleague threatened to report him to the police. He went on to make a raft of unsubstantiated accusations about the bank and his colleagues while working for Noble Group.

Given the above information, I find myself asking why you have decided to take the accusations of Mr. Vagner at face value over those of the management of Noble Group, when you have never once contacted us to discuss your concerns. There is an on-going legal action against Mr. Vagner, Iceberg, and their associates, for conspiracy to injure Noble Group, and we look forward to discussing their accusations in a public court of law.

Noble's AGM

In one of your many factually incorrect statements you wrote, "With their curt and dismissive performance at the AGM, Noble's leadership has raised the ante for everyone involved." I do not believe you attended our AGM, nor read the full transcript of it on our web site. SIAS, an organization that represents minority shareholders and is interested in the truth and not self-promotion, took the time to read the full transcript of our AGM and listen to the recording. SIAS concluded in a statement that, "Shareholders voted in favor of all resolutions. The meeting was generally orderly and the shareholders got their answers."

Performance of our stock

Again, in your factually incorrect statements, you criticize the performance of our stock over the last five years by comparing it against the SGX Index and the Dow. You look at the performance of the stock after its recent slide, rather than before, and you compare it to general market indices rather than to the commodity sector. You should know very well that commodities have been in a five year bear market, making these comparisons at best disingenuous. For an ex-banker like you they are unforgivable. A more accurate comparison would be a commodities related company like Wilmar, down 40% in 5 years, or a miner like Fortescue Metals Group, down 47% in 5 years, or a diversified commodities provider like Glencore, also down 47%.

The two core points you have raised which you claim we have not answered, Yancoal and, "Repos", we have in fact addressed fully with our stakeholders.

Yancoal

You have repeated accusations that we over-value this asset on our balance sheet, questioning why we do not use the market price of the stock. What you fail to mention are the simple facts around how this specific stock trades, meaning that its market value is not a true reflection of its actual value. Yancoal has an 8% free float and the average daily volume has been just AU\$15,000. Not \$50m like Noble Group shares, or even \$5m, or even \$500k or \$50k, but just \$15k! The stock has also rallied 5x in the last two months. Any reasonable market professional would recognize that these are not the characteristics of a liquid and fair market value.

As an associate company, we must rely on a cash flow model to value our stake, which is consistent with market practice in the mining industry. As per public information, Yancoal is a company with over 3 billion tonnes of indicated and inferred coal reserves under independent JORC measurements, that sells over 17m tonnes a year, of which 40% is high value metallurgical coal. It is ramping up its highly competitive Moolarben stage 2 mine.

Yancoal currently loses money, but this does not mean it will always lose money. Commodities are highly cyclical, and it is fair to assume that over the medium term they have to reflect the industry cost of production. If coal prices recover by only \$20 per tonne, which would still be far lower than historic highs, Yancoal would see over \$400m go straight to the bottom line and would be worth significantly more than our balance sheet valuation.

Our valuation approach to Yancoal is reasonable and consistent with market practice and accounting policies. Any suggestion otherwise is ill-informed and factually incorrect.

Repos

You have falsely claimed that we aggressively manage our inter-quarter balance sheet using repos (repurchase agreements) and that this means we are not fully recognizing our debt position. Again, we have answered this question very simply and clearly - we do not have off-balance sheet repos and we do not hide any debt.

What we do execute, on a limited basis to manage our inventory levels, is optional inventory sales. These are not considered repos by IFRS and are categorized as “true sales.” This structure is common with many, if not all, of our competitors. We have also been transparent with our auditors and the rating agencies about these structures. Indeed, we are told by our banks that we execute these deals to a more limited extent than our competitors.

These deals are considered true sales and get off-balance sheet treatment for a number of reasons. First, we have the option to take the securities back or not. While more often than not we exercise the option to take them back, because it's in our economic interest to do so, that does not change the fact that in an extreme liquidity event we would have the option not to.

Second, we only use highly liquid commodity inventories that can be turned into cash easily by delivery to an exchange or by selling. This is an important point as they would not be considered true sales if they were illiquid commodities, as the banks would not be able to sell them on if we decided not to exercise our option.

Whilst these deals are considered true sales according to current accounting rules, if for any reason those rules changed, we would have no problem taking these deals onto our balance sheet. We use inventory sales to a limited extent only, and the inventories we use are readily marketable inventories which can easily be turned into cash.

I trust that you now understand our position and that you will not feel the need to voice any more inaccurate opinions through the media.

Such is our confidence in the future of Noble Group, that we recently began a prudent buyback of our stock.

Sincerely,

Yusuf Alireza

CEO, Noble Group

NOBLE GROUP LIMITED

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About Noble Group

Noble Group (SGX: N21) manages a portfolio of global supply chains covering a range of industrial and energy products, as well as having a 49% interest in Noble Agri, its agricultural partnership with COFCO. Operating from over 60 locations and employing more than 40 nationalities, Noble facilitates the marketing, processing, financing and transportation of essential raw materials. Sourcing bulk commodities from low cost regions such as South America, South Africa, Australia and Indonesia, the Group supplies high growth demand markets, particularly in Asia and the Middle East. We are ranked number 76 in the 2014 Fortune Global 500. For more information please visit www.thisisnoble.com.

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