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

UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

The board of directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated financial results of the Group for the third quarter ("**3Q2019**") and nine months ("**9M2019**") ended 30 September 2019. The corresponding unaudited consolidated financial results for the third quarter ("**3Q2018**") and nine months ("**9M2018**") ended 30 September 2018 are presented for comparison.

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

Consolidated Statement of Comprehensive Income

	GROUP					
	Unaudited 3Q2019 US$	**Unaudited 3Q2018 US$**	**Change +/- %**	**Unaudited 9M2019 US$**	**Unaudited 9M2018 US$**	**Change +/- %**
Sales	3,534,238	879,548	302	6,434,605	4,366,162	47
Cost of Sales	(2,895,379)	(838,349)	245	(5,566,073)	(3,677,633)	51
Gross Profit	638,859	41,199	1,451	868,532	688,529	26
Other income	4,321	3,846	12	11,291	8,369	35
Currency translation differences	(38,155)	(208,486)	(82)	99,789	(376,389)	(127)
Expenses						
- Administrative	(890,252)	(846,034)	5	(2,446,394)	(3,099,102)	(21)
- Finance	(361,073)	(54,117)	567	(537,450)	(79,061)	580
- Others	-	(358)	n.m	-	(358)	n.m
Loss before tax	(646,300)	(1,063,950)	(39)	(2,004,732)	(2,858,012)	(30)
Income tax expense	(17)	(56)	(70)	(103)	(56)	84
Loss net of tax	(646,317)	(1,064,006)	(39)	(2,004,835)	(2,858,068)	(30)

n.m. denotes not meaningful

	GROUP					
	Unaudited 3Q2019 US$	Unaudited 3Q2018 US$	Change +/- %	Unaudited 9M2019 US$	Unaudited 9M2018 US$	Change +/- %
<u>Other Comprehensive Income/Loss:</u>						
Items that may be reclassified subsequently to profit or loss						
Currency translation differences arising from consolidation	(3,713)	(484,504)	n.m.	176,770	(1,118,666)	n.m.
Other comprehensive losses, net of tax	(3,713)	(484,504)	n.m.	176,770	(1,118,666)	n.m.
Total comprehensive loss, net of tax	(650,030)	(1,548,510)	(58)	(1,828,065)	(3,976,734)	(54)
Net loss attributable to:						
- Equity holders of the Company	(645,783)	(1,057,717)	(39)	(1,998,060)	(2,845,338)	(30)
- Non-controlling interests	(534)	(6,289)	(92)	(6,775)	(12,730)	(10)
	(646,317)	(1,064,006)	(39)	(2,004,835)	(2,858,068)	(30)
Total comprehensive loss attributable to:						
- Equity holders of the Company	(653,439)	(1,538,229)	(58)	(1,825,410)	(3,957,828)	(54)
- Non-controlling interests	3,409	(10,281)	n.m	(2,655)	(18,906)	(54)
	(650,030)	(1,548,510)	(58)	(1,828,065)	(3,976,734)	(54)

n.m. denotes not meaningful

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

	GROUP					
	Unaudited 3Q2019 US$	Unaudited 3Q2018 US$	Change +/- %	Unaudited 9M2019 US$	Unaudited 9M2018 US$	Change +/- %
Interest income	2,957	2,613	13	8,553	7,167	19
Employee compensation & directors' fees	(295,184)	(340,661)	(13)	(934,173)	(1,232,654)	(24)
Professional fees, travelling and corporate social responsibility expenses	(158,585)	(166,125)	(5)	(395,870)	(638,240)	(38)
Legal and licensing expenses	(89,238)	(81,037)	10	(269,951)	(300,407)	(10)
Rental expenses	(19,792)	(70,842)	(72)	(62,757)	(247,680)	(75)
Depreciation of property, plant and equipment	(78,479)	(65,452)	20	(270,000)	(210,282)	28
Amortisation of mining properties	(34,019)	-	n.m.	(67,274)	(18,038)	273
Loss on disposal of property, plant and equipment	-	(358)	n.m.	-	(358)	n.m.

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 30/9/2019 US$	Unaudited As at 31/12/2018 US$	Unaudited As at 30/9/2019 US$	Unaudited As at 31/12/2018 US$
ASSETS				
Current assets				
Cash and cash equivalents	51,354	547,816	13,939	26,649
Restricted cash	3,001	24,497	-	-
Trade and other receivables	2,447,448	1,448,078	13,819	14,866
Inventories	796,068	1,882,602	-	-
Deposits and prepayments	381,377	210,372	10,198	5,958
	3,679,248	4,113,365	37,956	47,473
Non-current assets				
Property, plant and equipment	5,437,048	5,614,469	2,315	2,789
Right-of-use assets	173,757	-	-	-
Mining properties	7,330,353	7,307,069	-	-
Deposits and prepayments	105,763	103,764	-	-
Investment in subsidiaries	-	-	13,316,575	13,316,575
Restricted cash	181,208	177,781	-	-
	13,228,129	13,203,083	13,318,890	13,319,364
Total assets	**16,907,377**	**17,316,448**	**13,356,846**	**13,366,837**
LIABILITIES				
Current liabilities				
Trade and other payables	1,304,149	2,342,872	1,006,594	1,065,248
Accrued operating expenses	4,037,250	2,507,976	662,243	310,325
Finance lease liabilities	87,384	-	-	-
Borrowings	853,379	1,141,421	-	-
Current income tax liabilities	134,838	241	313	214
	6,417,000	5,992,483	1,669,150	1,375,787
Non-current liabilities				
Lease liabilities	85,696	-	-	-
Provision for employee benefit	107,113	83,279	-	-
Loans from shareholders	3,845,187	3,900,221	-	-
Other provisions	137,918	110,972	-	-
	4,175,914	4,094,472	-	-
Total liabilities	**10,592,914**	**10,086,955**	**1,669,150**	**1,375,787**
NET ASSETS	**6,314,463**	**7,229,493**	**11,687,696**	**11,991,050**
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	56,360,424	55,619,594	171,457,619	170,716,789
Currency translation reserve	(1,874,104)	(2,076,535)	497,144	781,153
Other reserve	1,577,157	1,360,720	245,872	245,872
Accumulated losses	(49,644,186)	(47,558,844)	(160,512,939)	(159,752,764)
	6,419,291	7,344,935	11,687,696	11,991,050
Non-controlling interests	(104,828)	(115,442)	-	-
Total equity	**6,314,463**	**7,229,493**	**11,687,696**	**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 30/9/2019		As at 31/12/2018	
	Secured	Unsecured	Secured	Unsecured
	US$	US$	US$	US$
Borrowings	-	853,379	-	1,141,421

The above relates 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 30/9/2019		As at 31/12/2018	
	Secured	Unsecured	Secured	Unsecured
	US$	US$	US$	US$
Shareholders' loans	-	3,845,187	-	3,900,221

The above relates to shareholders' loans 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 shareholders.

The Group currently has a remaining undrawn and unsecured facility amounting to US$35,815,153 on the abovementioned shareholders' loan facilities.

(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 3Q2019 US$	Unaudited 3Q2018 US$
Cash flows from operating activities		
Loss after tax	(646,317)	(1,064,006)
Adjustments for:		
- Depreciation of property, plant and equipment	101,109	65,452
- Amortisation of mining properties	34,019	-
- Share-based compensation expense	-	32,699
- Loss on disposal of property, plant and equipment	-	358
- Interest income from fixed deposits and current account	(2,957)	(2,613)
- Interest expense	361,073	54,117
- Income tax expense	17	56
- Unrealised currency translation differences	161,239	190,721
	8,183	(723,216)
Change in working capital:		
Inventories	453,688	(109,956)
Deposit and prepayments	(40,155)	31,189
Right of use assets	(35)	-
Restricted cash	1,079	-
Trade and other receivables	(866,753)	891,820
Trade and other payables	161,369	524,742
Provision for employee benefits	(612)	11,180
Lease liabilities	(1,410)	-
Other provisions	9,396	14,320
Cash (used in) /provided by operating activities	(275,250)	640,079
Tax paid	(3,685)	(8,447)
Net cash (used in)/ provided by operating activities	(278,935)	631,632
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(7,885)
Additions to mining properties	-	-
Acquisition of land use rights	-	-
Interest received	2,957	2,613
Net cash used in investing activities	2,957	(5,272)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	693,228	-
Proceeds from borrowings	2,192,579	39,507
Repayment of borrowings	(2,569,428)	(262,441)
Repayment of lease liability	(21,694)	(460)
Interest paid	(148)	(4)
Net cash provided by / (used in) financing activities	294,537	(223,398)
Net increase in cash and cash equivalents	18,559	402,962
Cash and cash equivalents at the beginning of the period	33,071	208,641
Effects of currency translation on cash and cash equivalents	(276)	(1,022)
Cash and cash equivalents at the end of the period	51,354	610,581

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	Other Reserve	Currency Translation reserve	Accumulated losses	Non-controlling interests	Total equity
	US$	US$	US$	US$	US$	US$
Balance at 30 June 2019	55,667,196	1,360,720	(1,866,448)	(48,998,403)	(108,237)	6,054,828
New shares issued	693,228	-	-	-	-	693,228
Total comprehensive loss for the period	-	-	(7,656)	(645,783)	3,409	(650,037)
Fair value of interest free loan	-	216,437	-	-	-	216,437
Balance at 30 September 2019	56,360,424	1,577,157	(1,874,104)	(49,644,186)	(104,828)	6,314,463

GROUP - Prior period

	Share Capital	Other Reserve	Currency Translation reserve	Accumulated losses	Non-controlling interests	Total equity
	US$	US$	US$	US$	US$	US$
Balance at 30 June 2018	55,797,181	10,324	(1,936,538)	(42,593,924)	(80,820)	11,196,223
Employee share awards - Value of employee services	-	32,699	-	-	-	32,699
Total comprehensive loss for the period	-	-	(480,512)	(1,057,717)	(10,281)	(1,548,510)
Balance at 30 September 2018	55,797,181	43,023	(2,417,050)	(43,651,641)	(91,101)	9,680,412

COMPANY - Current period

	Share Capital	Other Reserve	Currency Translation reserve	Accumulated losses	Total equity
	US$	US$	US$	US$	US$
Balance at 30 June 2019	170,764,391	245,872	944,426	(58,413,381)	113,541,308
New shares issued	693,228	-	-	-	693,228
Total comprehensive loss for the period	-	-	(447,282)	(102,099,558)	(102,546,840)
Balance at 30 September 2019	171,457,619	245,872	497,144	(160,512,939)	11,687,696

COMPANY - Prior period

	Share Capital	Other Reserve	Currency Translation reserve	Accumulated losses	Total equity
	US$	US$	US$	US$	US$
Balance at 30 June 2018	170,894,376	10,324	793,497	(57,015,553)	114,682,644
Employee share awards - Value of employee services	-	32,699	-	-	32,699
Total comprehensive loss for the period	-	-	(61,124)	(407,793)	(468,917)
Balance at 30 September 2018	170,894,376	43,023	732,373	(57,423,346)	114,246,426

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.

Changes in the Company's share capital

	No. of Shares	Share capital (US$)
As at 30 June 2019	940,410,437	171,010,263
New shares issued 31 July 2019	63,333,333	693,228
As at 30 September 2019	1,003,743,773	171,703,491

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 30 September 2019 and 30 September 2018.

There were no treasury shares or subsidiary holdings held or issued as at 30 September 2019 and 30 September 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 30 September 2019	As at 31 December 2018
Number of issued shares excluding treasury shares	1,003,743,773	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, as 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.

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 period ended 30 September 2019 are consistent with those applied in the 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 Group have adopted the new/revised Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and interpretations of SFRS(I) that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I).

The following are the new or amended SFRS(I) that are relevant to the Group:

- SFRS(I) 16 Leases

Except for SFRS(I) 16, the adoption of these new or revised accounting standards and interpretations do not have any material effect on the financial statements of the Group.

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.

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.

	9M2019 US$	9M2018 US$
Loss for the financial period	(1,998,060)	(2,858,068)
Weighted average number of shares for the purpose of computing basic loss per share	952,413,612	933,008,789
Basic loss per share (cents)	(0.21)	(0.30)
Weighted average number of shares for the purpose of computing fully diluted loss per share	952,413,612	933,447,313
Fully diluted loss per share (cents)	(0.21)	(0.30)

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.

	30 Sep 2019 US$	31 Dec 2018 US$
Net assets of the Group	6,314,463	7,229,493
No. of ordinary shares in issue	1,003,743,773	936,610,437
Net asset value of the Group per ordinary share (cents)	0.6	0.7
Net assets of the Company	11,687,696	11,991,050
No. of ordinary shares in issue	1,003,743,773	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

<u>Revenue</u>

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

Revenue has increased to approximately US$3.5M in 3Q2019 and US$6.4M in 9M2019, as compared to US$879K in 3Q2018 and US$4.4M in 9M2018. The sales increment is mainly derived from the new customer such as PT Indah Kiat Pulp & Paper Tbk., a subsidiary of the Asia Pulp and Paper Group. There are also sales to the existing customer, PLN Tenayan power plant..

Cost of Goods Sold

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 increased to approximately US$2.9M in 3Q2019 and US$5.6M in 9M2019, as compared to US$838K in 3Q2018 and US$3.7M in 9M2019. The increase in COS is in line with the increased sales volume, which is higher than those recorded in the comparable periods in 2018.

Gross Profit

The Group recorded a gross profit of US$638K in 3Q2019 and a gross profit of US$868K in 9M2019, as compared to US$41K in 3Q2018 and US$689K in 9M2019. The increase in gross profit is in line with the increase in revenue. There is also an increase in gross profit margin 3Q2019 as compared to 3Q2018 from 4.7% to 18.1%; it is mainly due to the ramp up of the Group's production and sales especially in 3Q2019. While for 9M2019, the decrease to 13.5% from 15.8% in 9M2018 is mainly due to the very low of sales in the first semester of 2019.

Currency translation gain

The Group recorded a currency translation loss of US$38K in 3Q2019, as compared to currency translation loss of US$208K in 3Q2018, and currency translation gain of US$99K in 9M2019, as compared to currency translation loss of US$376K in 9M2018.

The currency translation loss in 3Q2019 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 strengthened against Singapore Dollar (being the recording currency for these liabilities), thereby accounting for the currency translation loss. On the contrary, in the nine-month period of 9M2019, the United States Dollar had weakened against Singapore Dollar.

Administrative Expenses

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

Administrative expenses increased approximately by US$44K or 5% from US$846K in 3Q2018 to US$890K in 3Q2019. This increase was mainly attributable to an increase of depreciation expenses, amortisation of mining properties, general and administrative expenses and insurance coverage for a larger volume of coal sold during the quarter, which was offset against a decrease in employee compensation expenses and rental expenses.

Administrative expenses decreased approximately by US$652K or 21% from US$3.1M in 9M2018 to US$2.4M in 9M2019. The decrease was mainly attributable to a decrease in employee compensation expenses, professional fee, directors' fees and rental expenses, which was offset against an increase of depreciation expenses and increase of insurance coverage for a larger volume of coal sold.

Finance costs increased by US$310K and US$458K to US$361K in 3Q2019 and US$537K in 9M2019 mainly due to interest expense of the revolving loan facility from PT GEL.

Loss after tax

As a result of the abovementioned factors, the Group recorded net losses of US$0.6M in 3Q2019 and US$2.0M in 9M2019, against net losses of US$1.1M in 3Q2018 and US$2.8M in 9M2018.

Review of Statement of Financial Position

Current assets

The Group's current assets comprise of cash and cash equivalents, restricted cash, inventories, trade and other receivables, as well as deposits and prepayments.

The Group's current assets decreased by approximately US$434K from US$4.1M as at 31 December 2018 to US$3.7M as at 30 September 2019 mainly due to reasons set out below.

The Group's inventories decreased by approximately US$1.1M due to increasing sales of coal to the Group's customers.

Cash and cash equivalents of the Group decreased by approximately US$496K, due mainly to payments of production activities and working capital purposes. Please refer to Note 1(c) Cash Flow Statement for more details.

These decrease in the Group's current assets were partially offset by an increase in deposits and insurance prepayments of approximately US$171K and a US$999K increase in trade and other receivables.

Non-current assets

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

The Group's non-current assets decreased by approximately US$25K from US$13.2M as at 31 December 2018 to US$13.2M as at 30 September 2019, mainly due to (i) depreciation of property, plant and equipment of US$101K[1] and (ii) amortisation of mining properties of US$34K[1] (iii) offset by recognition of right-of-use assets amounting to US$173K,

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.

Current liabilities increased by approximately US$424K, from US$6.0M as at 31 December 2018 to US$6.4M as at 30 September 2019. The increase was mainly due to (i) the recognition of lease liabilities of US$87K following the Group's adoption of SFRS(I) 16, (ii) an increase in accrued operating expenses of US$1.5M incurred for the Group's operations which were partially offset by (i) a decrease in trade and other payables of US$1.0M mainly from payments to its mining and transportation contractors for the Group's production activities and (ii) repayment of borrowings of US$288K.

Non-current liabilities

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

Non-current liabilities increased by approximately US$81K from US$4.1M as at 31 December 2018 to US$4.2M as at 30 September 2019. The increase was mainly due to (i) the recognition of lease liabilities following the Group's adoption of SFRS(I) 16, and (ii) increases in provision for employee benefits and other provisions.

Working capital

The Group recorded negative working capital of US$2.7M as at 30 September 2019, against working capital of US$1.9M as at 31 December 2018. In view of this, the Board is of the opinion that the Group should be able to meet its short-term payment obligations for the next 12 months, taking into consideration of the following, which was similarly announced on 30 October 2019:

(i) The management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources, including from estimated earnings for the next 18-months period starting from 1 November 2019, to satisfy its working capital requirements and to meet its obligations as and when they fall due;

(ii) The Group has enlarged its portfolio of customers in the nine months period in 2019, increasing its sales volume by approximately 48% as compared to 9M2018;

(iii) The Group has recorded a higher gross profit in 9M2019 as compared to US$340K for the management is confident that the trend will continue as the Group obtain new customers, ramp up production, and implement cost efficiency initiatives in every aspect of production activities;

(iv) During financial year ended 31 December 2018 and as at 30 September 2019, the Group received short-term financing from third party in relation to PT SB's operating activities amounting to approximately US$4,900,000. The management is currently exploring financing arrangement with the aforesaid third party and is confident of securing additional funding (when and if required) to support the Group's plan to ramp up production;

(v) The Group is exploring certain financing option to pay off its short-term financial obligations, and PT Samantaka Batubara ("PT SB"), the Company's Indonesian subsidiary, 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; and

(vi) The Group is actively exploring potential corporate fund-raising exercises and have spoken to several parties who have expressed interest into entering convertible loan arrangement with the Company upon the completion of the FY2018 annual general meeting. Any updates to the fund-raising exercise will be announced in due course when there are any significant developments.

Review of Statement of Cash Flows

3Q2019

The Group recorded net cash used in operating activities of US$279K for 3Q2019 which was a result of operating losses before changes in working capital of approximately US$8K adjusted for net working capital outflows of approximately US$283K.

Net cash from financing activities of US$294K was mainly due to cash proceeds of US$2.2M from borrowings and issuance of new shares of US$693K and partially offset by repayment of borrowings of US$2.6M, and repayment of lease liability of US$22K.

As a result of the abovementioned, the Group recorded a net increase in cash and cash equivalents of approximately US$19K in 3Q2019.

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.

As reported by thejakartapost.com the government of Indonesia has set the country's coal reference price (HBA) for August at US$72.67 per ton, a slight increase from $71.92 per ton the previous month. Quoted in the news, Energy and Mineral Resources Ministry spokesman Agung Pribadi said little change was expected in coal prices on the world market this month. "The market is relatively the same as the previous month, no changes yet," he said. Separately, Indonesian Coal Mining Association (APBI) spokesman Hendra Sinadia said the slight increase in August's HBA was due to higher demand from China for Indonesia's low and high calorie coal. "China needs additional supply from Indonesia to cover the decline in supply from Australia," he said. Agung further explained that the country's HBA was based on a number of coal price indices in the international market, such as the Indonesia Coal Index (ICI), Newcastle Global Coal (GC), Newcastle Export Index (NEX) and Platts 59.

Reported on 2 August 2019, State electricity firm, PLN, has estimated that the coal use for electricity generation in Indonesia will increase by around 12 percent this year due to additional demand from new power plants (www.thejakartapost.com). PLN system planning manager Arief Sugiyanto said in Jakarta on Thursday that two new coal-fired power plants (PLTUs), namely the Jawa 7 and Jawa 8 power plants, which have a combined capacity of 2 gigawatts, would start their commercial operation in September, this year. PLN has estimated that the power sector's coal use, including power plants operated by the private sector, would increase by 12.37 percent to 109 million tons in 2020. "Overall, demand for gas will drop next year but demand for coal will increase due to additional demand from new PLTUs," he said at a gas exhibition event in Jakarta.

Barring unforeseen circumstances, the Group is poised to benefit from the local and international demand for low calorie coal.

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.

(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.

No dividend has been declared or recommended during 3Q2019. 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 3Q2019 or 9M2019.

Below is the table detailing the amount of shareholders' loan that was drawn down during 3Q2019 and 9M2019:

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$100,000) S$	
	3Q2019	9M2019	3Q2019	9M2019
N.A.	-	-	-	-

ADDITIONAL DISCLOSURE REQUIRED FOR MINERAL, OIL AND GAS COMPANIES

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$)	After re-allocation of Net Proceeds (S$)	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(1)	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 utilised net proceeds for working capital are as follows:

Employee compensation and director fees	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

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

i. Use of funds/cash for the quarter:

In 3Q2019, funds were mainly used for the following activities:

Purpose	Forecasted usage of funds (US$)	Actual usage of funds (US$)
Production activities	493,000	855,000
General working capital	94,000	428,000
Total	587,000	1,283,000

Actual cash used for production activities and general working capital was higher than forecasted by US$696K because payment to contractor due in preceding quarter was postponed and subsequently made in the current quarter.

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 October 2019 to 31 December 2019 ("**4Q2019**")), the Group's use of funds for production activities are expected to be as follows:-

Purpose	Amount
	(US$)
Production activities	1,476,000
General working capital	382,000
Total	1,858,000

Principal Assumptions

Projected use of funds for certain items including, but not limited to, expenses incurred for the Group's mine development activities, 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.

15 (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.

15 (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 3Q2019, no exploration or development activities were conducted. In relation to production activities, a total of approximately 100,873 metric tonnes of coal was produced during 3Q2019.

During 3Q2019, cash expenditure paid for production activities amounted to US$855K.

16. Negative confirmation pursuant to Rule 705(5) of the Catalist Rules

To the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results of Group and the Company for 3Q2019 to be false or misleading in any aspect.

17. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Listing Manual

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 Cecil Rickard
Executive Chairman and CEO

14 November 2019

*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.*

The contact person for the Sponsor is Mr. David Yeong (Telephone number: +65 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.