



## Resources Prima Group Limited

(Company Registration No: 198602949M)

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### RESPONSE TO SIAS QUERIES

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The board of directors (the "Board" or the "Directors") of Resources Prima Group Limited (the "Company", and together with its subsidiaries, the "Group") refers to the queries from the Securities Investors Association (Singapore) ("SIAS") on 21 June 2021. The Company sets out its responses to the queries raised by SIAS below:

**Q1. On 27 September 2019, the Company announced the proposed acquisition of Kitty Hawk Natural Resources Pte. Ltd. ("Kitty Hawk" or "Target") which will result in a "reverse takeover". Kitty Hawk owns 95% of the issued shares of PT Rizky Barito Timur ("PT Rizky" or "Target Subsidiary"), a company incorporated in Indonesia, principal business of which is coal mining and it operates a mining concession that covers an area of 1,179 hectares and the coal mine is located at Dusun Timur Sub-District, Barito Timur Regency, Central Kalimantan, Indonesia.**

In Note 3 to the financial statements, the Company expects that, barring any unforeseen circumstances, the commercial and financial due diligence, audit of the Kitty Hawk and its subsidiary, PT Rizky (collectively, the "Target Group") and the technical and legal due diligence to be completed by end July 2021 (page 64). Management has represented that in the event the Company did not meet the deadline to submit the trading resumption proposal by 16 August 2021, the Company will continue to appeal with Singapore Exchange Securities Trading Limited ("SGX-ST").

- i. **Who is leading the Company's reverse takeover? Specifically, who is overseeing the due diligence process?**

The management teams from both the Company and the Target are driving the reverse takeover ("RTO") process and are working closely with the professional parties, including but not limited to the financial adviser, legal counsels, reporting accountants, qualified person and internal auditors, that are running each workstream of the due diligence process.

- ii. **What is the scope of the financial and commercial due diligence of the Target Group?**

The scope of the financial due diligence includes, *inter alia*: (a) to audit and report on the consolidated financial statements of the Target Group for the last 3 financial years and the latest financial period; and (b) to report on the unaudited pro forma consolidated financial statements

of the Target Group and the Group (collectively, the “**Enlarged Group**”) for the last 3 financial years and the latest financial period as well as the review of the Enlarged Group’s profits and cashflow projections.

The scope of the commercial due diligence is to conduct independent verification and background checks on: (a) the Target Group’s history, structure, business reputation and related companies; and (b) the personal and business backgrounds and integrity of the Target Group’s directors, controlling shareholders and executive officers, as part of the RTO due diligence exercise.

**iii. Given the Company’s operational track record in the past, what assurance can Management give to shareholders that the RTO will lead to long-term, sustained value creation for shareholders?**

We refer to the Company’s announcement dated 27 September 2019 with regards to the proposed acquisition of the Target. The Target Subsidiary is holding the Izin Usaha Pertambangan Operasi Produksi (“**IUP License**”), SK Bupati Barito Timur for a coal mine in Indonesia. The IUP License covers an area of 1,179 hectares and the coal mine is located at Dusun Timur Sub District, Barito Timur Regency, Central Kalimantan, Indonesia (“**Mining Concession**”). The Target had appointed Mr Manish Garg of Salva Mining Pty Ltd (“**Salva**”) as the qualified person under the Catalist Rules on 18 September 2019 to refresh the qualified person’s report. Based on a refreshed qualified person’s report dated 20 January 2020 on the Sirau Block (which constitutes around 40% of the total area of the Mining Concession), Salva estimated 13.7 million tonnes of coal reserves and 31.3 million tonnes of coal resources. Using a discounted cash flow methodology over the life of the mine, in a draft independent mineral asset valuation report dated 20 January 2020, Salva validated a preferred valuation of US\$16.9 million on a 100% basis, as of 1 January 2020. Accordingly, as the Target holds 95% of the Target Subsidiary which in turn owns IUP License, a valuation of US\$16.055 million is attributed to the Target’s portion of the Mining Concession.

This will provide the Company with an operational and income generating business with long-term growth prospects that would in turn enhance shareholders’ value and meet the requirements for a new listing pursuant to Rule 1015(3) of the Listing Manual (Section B: Rules of Catalist) of the SGX-ST (“**Catalist Rules**”).

The independent qualified person’s report will be subjected to a review by the peer reviewer appointed by the financial adviser. The independent qualified person’s report and the independent mineral asset valuation report will be updated prior to the submission of the resumption of trading proposal and RTO circular to the SGX-ST, such that the reports are dated not more than 6 months before the date of lodgement of the RTO Circular pursuant to Rule 441(1) of the Catalist Rules.

Further, consistent with a transaction of this nature, a new management, together with a new board (including new independent directors), will be brought in to manage the Company upon the completion of such transaction. The new management and new board was scheduled to be identified in February 2021. However, due to *inter alia*, the delay as explained below, this process was also delayed. The Company has been informed by the Target that the Target is in the process of finalizing the new independent directors and executive officers and estimates to have this finalised in the coming 2-3 weeks.

**iv. Has the Company completed the independent valuation report on the value of Kitty Hawk?**  
Please refer to the response under Q1(iii) above.

**v. Can the Company help shareholders understand the current status of the coal mine which is located in Central Kalimantan?**

Based on representations from the Target, the mine commenced production in March 2014 and has produced 42 tonnes of coal in 2014 as test pit production to identify any potential problems and bottlenecks in the production process. However, the mine did not commence operation due to unattractive coal prices and high price expectation of the locals for the acquisition of land for the mine. The mine re-commenced operations in September 2019 due to resolution of price expectation of the acquisition of the land issue. Since mid-September 2019, the mine has produced estimated 8,000 metric tonnes of coal.

The management of the Target is currently preparing for full scale operations of the mine in tandem with the receipt of regulatory and other formal approvals from the relevant Government Ministries in Jakarta.

**vi. In addition, what is the scope of the internal audit? Please identify the internal auditors.**

BDO Advisory Pte Ltd has been appointed as the internal auditors of the Target and will review the internal controls of the Target Group covering the period May 2019 to April 2020. The scope of the internal audit includes:

- Corporate Governance/ Period Closing;
- Revenue and Receivables;
- Procurement and Payments;
- Cash and Bank Management;
- Fixed Asset Management;
- IT General Controls;
- Human Resource and Payroll Management; and
- Regulatory Compliance.

**Q2. Trading of the shares has been suspended since 29 June 2017 (trading was first halted on 23 June 2017).**

Prior to the suspension, the Group had been faced with operational and financial issues including a dispute with PT Coalindo Adhi Nusantara and the loss of control of PT Rinjani Kartanegara. The Company announced on 28 June 2017 that the then board was of the view that the Company was unable to demonstrate its ability to continue as a going concern or reasonably assess its financial position.

The Company has received further extensions to submit its resumption proposal on:

- 5 July 2018 (3 months)
- 12 November 2018 (6 months)
- 29 April 2019 (6 months)
- 18 October 2019 (6 months)
- 17 April 2020 (6 months)
- 31 December 2020 (till 16 August 2021)

While the SGX-ST had previously informed that it will not grant any further extension if the Company was unable to submit its resumption proposal by 28 September 2020, the Company

was granted a further extension till 16 August 2021 as a **final concession** (emphasis added) after appealing to SGX-ST to consider the unprecedented circumstances faced by the Company in the midst of the Covid-19 pandemic.

**i. Given that the 16 August final deadline is less than 2 months away, what are the outstanding matters to be resolved which are critical to the Company's resumption proposal?**

Please refer to the Company's announcement dated 28 June 2021 titled "Update Pursuant to Rule 704(22) of the Catalist Rules". The Target is still awaiting the public release of the updated and extended IUP License from the Ministry of Energy and Mineral Resources ("ESDM"). The letter from ESDM confirming the deferred local divestment obligations ("**Divestment Letter**") will be issued subsequent to public release of the IUP License. The Target has advised that with the issuance of the updated and extended IUP License, as well as the Divestment Letter, the legal due diligence process would largely be completed.

In respect of the financial due diligence process, progress has been made to clarify and rectify outstanding matters raised by the reporting accountants on both the Singapore and Indonesian entities of the Target. The Target is also in the midst of consolidating information requested by the reporting accountants which pre-dates 2014.

The Target has also advised that the internal audit process with the outsourced internal auditors has commenced on the week of 5 April 2021. The Target is in the midst of providing management comments to findings by the internal auditors.

In respect of the commercial due diligence, the Target is still in the midst of finalising its board of directors and key management team.

Above is a summary of the key matters to be resolved prior to the submission of the resumption proposal. As a result of unforeseen delays due to the Covid-19 situation and in respect of the public release of the updated and extended IUP License, the commercial and financial due diligence in respect of the RTO which was slated to be completed by end June 2021 is still underway. Barring any unforeseen circumstances, the Company expects the commercial and financial due diligence and audit of the Target Group to be completed as expediently as possible and the technical and legal due diligence to be completed by end July 2021.

**ii. Can the independent directors elaborate further on their roles and their level of involvement in the resumption proposal?**

The two current independent directors were appointed in December 2017. The independent directors (current and previous), together with the Board, have played a crucial role in providing guidance and directions to the Management on the following:

- a. Dealing with the aftermath from the loss of control of the Company's former subsidiary, PT Rinjani Kartenegro;
- b. Addressing the urgent and pressing needs of stabilising the Company and the Group by generating cashflow for the Group through its remaining assets, including the entry into the coal hauling agreement with PT Coalindo Adhi Nusantara, the entry into the joint venture agreement with PT Prima Dharma Karsa and the recent sale of the coal hauling trucks held by the Group's subsidiary PT Energy Indonesia Resources;
- c. Sourcing for alternative sources of funding for the Group, including the entry of the investment agreements with Mr Ang Liang Kim, Mr Perman Yadi and Mr Chaw Chong Foo;

- d. Assessing and evaluation potential deals which would provide a viable business for the Group, including the RTO of the Target; and
- e. Putting in place a competent team of professional parties for the RTO.

The independent directors of the Company actively seek updates on the progress on the RTO from Management and the Target and continue to provide valuable guidance on the RTO and in respect of the resumption proposal. The Management puts together the updates and information from the Target for the Board and independent directors of the Company to review and deliberate as well as provide guidance on.

**iii. What are the roles played by the three investors (Mr Ang Liang Kim, Mr Perman Yadi and Mr Chaw Chong Foo), if any, in the resumption proposal?**

Please refer to the extracts from the Company's announcements on 6 August 2018, 31 March 2019 and 27 September 2019 respectively and underlined are the roles played by the three investors in the resumption proposal:

- i. Mr Ang Liang Kim ("**Mr Ang**") a substantial shareholder of the Company has, pursuant to an investment agreement with the Company ("**Ang Investment Agreement**"), committed not less than S\$4 million of investment in the Company by way of a convertible loan (of up to S\$2 million) and a rights issue. These funds are for the purpose of general working capital and where necessary, capital expenditures (including but not limited to potential business opportunities). The entry of the Ang Investment Agreement addressed the immediate financial issues of the Company.
- ii. Mr Perman Yadi ("**Mr Yadi**") entered into an investment agreement ("**Yadi Investment Agreement**") with the Company on 31 March 2019. Pursuant to the Yadi Investment Agreement, Mr Yadi will grant the Company a convertible loan with a principal of US\$2 million. The purposes of the convertible loan are extended to the Company for, *inter alia*, business operations and projects undertaken by the Company with Mr Yadi's express approval.
- iii. Mr Chaw Chong Foo ("**Mr Chaw**") entered into an investment agreement ("**Chaw Investment Agreement**") as announced by the Company on 27 September 2019. Pursuant to the Chaw Investment Agreement, Mr Chaw will grant the Company a convertible loan with a principal amount of S\$1.35 million (the amount of which may be increased by mutual agreement between Mr Chaw and the Company). The convertible loan is extended to the Company for, *inter alia*, costs and expenses in relation to the proposed acquisition with the Target. Mr Chaw may also extend an additional loan amount in excess of S\$1.35 million to accommodate any working capital requirements set out in the Catalist Rules.

**Management has represented that it will continue to appeal with SGX-ST should the Company miss the deadline to submit its trading resumption proposal by 16 August 2021.**

**iv. How confident is Management in meeting the 16 August 2021 deadline?**

The Management works closely with the Target to ensure progress on the various work streams.

**v. What guidance has the Board given to Management and what is the oversight by the Board on the progress of the resumption proposal?**

Please refer to the response provided to Q2(ii).

**Q3. The Board comprises 3 directors, of which 2 are independent directors. The nominating committee (“NC”), the remuneration committee (“RC”) and the audit & risk management committee (“ARMC”) each comprises the 2 independent directors. The Company has stated that the committees fall short of the minimum number of 3 directors required under the Code of Corporate Governance 2018 (“Code”). This was due to the current cashflow constraints.**

**The Company has received an extension of time to 16 August 2021 to appoint a third member of the ARMC.**

**i. What is the progress made in the search for new director(s)?**

The number of independent directors in the Company decreased significantly in late 2017/early 2018, resulting in the current situation where the Company, being left with 2 independent directors, was unable to meet the minimum number of members under Catalist Rule 704(7) in respect of the audit and risk management committee. Further, as previously disclosed in the announcement dated 6 April 2018, as an interim measure to the Group’s financial position, the independent directors, the Executive Chairman cum Chief Executive Officer (“CEO”), and the Chief Operating Officer have all agreed not to take any fees or remuneration or to take only nominal salaries until there is more clarity on the Group’s cashflow situation. The 2 current independent directors had not been paid since their appointments in December 2017 and were only subsequently partially paid in the second half of FY2019, with the consent of one of the investors, for the outstanding independent directors’ fees from their appointment until 31 December 2018 which amounted to S\$199,689 and no further payments thereafter. In view of the above and the current state of affairs of the Company, the Company faces challenges in attracting suitable candidates to act as an additional independent director on the same basis and to fulfil the minimum number of 3 directors required under the Code for the ARMC, NC and RC. Nonetheless, the Board and/or the NC has been sourcing for suitable candidates who can strengthen the experience and expertise of the Board and Board Committees.

Further, as set out above, consistent with a transaction of this nature, a new board with the relevant experience and expertise will be constituted upon the completion of such transaction to lead the company going forward. The current Directors have expressed that they are willing to set aside to allow the reconstitution to take place. However, due to *inter alia*, the delay as explained above, this process was also delayed.

The Company was informed by the Target that it is in the process of finalizing the new independent directors and executive officers and estimates to have this finalised in the coming 2-3 weeks.

**The NC has stated that it taps on the resources of existing directors for personal contacts and other professionals’ recommendations of potential candidates for the shortlisting process.**

**ii. Can the NC elaborate further on how the use of personal contacts support the board diversity policy?**

The Board with the assistance of the NC is proactive in seeking to maintain an appropriate balance of expertise, skills, gender and attributes among the directors. Such competency includes accounting, finance, restructuring, relevant industry knowledge, entrepreneurial and management experience, familiarity with relevant regulatory requirements and risk management. This diversity and competency allow the management to tap on the broad range of views and perspective and the breadth of experience of the directors.

The NC taps on the resources of the existing Directors' personal contacts and other professionals' recommendations of potential candidates for the shortlisting process. The NC will accept nominations and review the resumes of candidates for shortlisting. It will arrange to conduct, meet and talk to the shortlisted candidates to assess their suitability and fit to the Board as well as to assess their interest to take up directorships in the Company. It will narrow its search to two or three most suitable candidates and submit their names to the Board. The Board will review the credentials of the candidates submitted to them and the recommendations of the NC and make a final decision on an appointee.

Given the current cashflow constraints experienced by the Group, the Directors and Management of the Company have been focusing their efforts on generating revenue and rebuilding the Group's business. Further, as stated above, it would be challenging for the Group to attract suitable candidates to act as an additional independent director on the same basis and to fulfil the minimum number of 3 Directors required under the Code for the ARMC, NC and RC. The Board is however in the process of sourcing for suitable candidates who can strengthen the experience and expertise of the Board and Board Committees.

For the avoidance of doubt, the NC and the Board is prepared to consider candidates for independent directors put forward by inter alia, the shareholders of the Company or any other reputable organisations such as SIAS.

**The profile of the two independent directors can be found on pages 4 and 5. Additional information on Mr Khoo Song Koon who is seeking his re-election at the AGM can be found on pages 19 to 20.**

**iii. Can the directors help shareholders understand their experience in M&A, specifically, in due diligence, deal structuring and valuation?**

The backgrounds of the two independent directors, Mr Khoo Song Koon and Mr Chow Wai San can be found in the Company's annual report for the financial year ended 31 December 2020 which was released by the Company on SGXNet on 12 June 2021.

**iv. In addition, what is the experience and level of familiarity of the independent directors of the coal mining industry, especially of coal mining in Indonesia?**

The current independent directors were appointed in December 2017 mainly due to the state of the Company then which requires the restructuring skillsets of these two independent directors. Prior to the resignations of the various independent directors as a group include *inter alia* legal, financial, technical and operational expertise in mining, oil and gas industries.

The Executive Chairman cum CEO, Mr Agus Sugiono is a veteran in the Indonesian resources industry especially coal mining. the experience and knowledge of Mr Agus Sugiono in the coal mining industry is critical in providing the leadership and guidance for the RTO.