

BLACKGOLD NATURAL RESOURCES LIMITED

(Company Registration Number: 199704544C)

(Incorporated in the Republic of Singapore)

DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Pursuant to Rule 704(4) of the Singapore Exchange Securities Trading Limited Listing Manual – Section B: Rules of Catalist, the Board of Directors (the “**Board**” or “**Directors**”) of BlackGold Natural Resources Limited (the “**Company**” or “**BlackGold**” and, together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s Independent Auditor, PKF-CAP LLP (the “**Auditor**”) has issued a disclaimer of opinion (“**Disclaimer of Opinion**”) in its independent auditor’s report dated 6 May 2021 (the “**Independent Auditors’ Report**”). The Independent Auditors’ Report is issued in relation to the Group’s audited financial statements for the financial year ended 31 December 2020 (“**FY2020**”) (the “**Financial Statements**”) with regards to the existence of material uncertainties which cast significant doubt about the ability of the Group and the Company to operate as going concerns.

The Independent Auditor’s Report and the Financial Statements will form part of the Company’s Annual Report for FY2020 (the “**2020 Annual Report**”). Shareholders are advised to read the Independent Auditor’s Report and the 2020 Annual Report in their entirety, which will be announced separately on SGXNet.

A copy of the Independent Auditors’ Report as well as an extract of Note 2.1 of the Financial Statements pertaining to the Group’s and Company’s going concern assumption are attached to this announcement for information.

Further to the management’s assessment of the going concern assumptions stated in Note 2.1 of the Financial Statements, the Board believes that the Group will have sufficient cash flows to continue its operations for the foreseeable future after taking into consideration the following:

- (i) 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 12-months period starting from 1 June 2021, to satisfy its working capital requirements and to meet its obligations as and when they fall due;
- (ii) On 30 January 2020, the Company has entered into three (3) convertible bond agreements with three (3) subscribers, pursuant to which the Company proposes to issue up to an aggregate of S\$25 million of convertible bonds to the subscribers in two (2) tranches. On 30 September 2020, the Company announced that the Convertible Bonds Subscription Agreement with one of the subscribers, Jinzhou Business Investment Logistics Co., Ltd, amounting to S\$15 million has lapsed. As at the date of this announcement, the Company has successfully issued an aggregate of S\$2 million convertible bonds to the remaining two (2) subscribers, Atrium Asia Capital Partners Pte Ltd and Kingpin Investment (Pte. Ltd.);
- (iii) On 5 February 2020, the Company had announced that it has signed an offtake agreement with a new customer (on 29 January 2020) to supply coal at a minimum quantity of not less than 4.8 million tonnes of coal per year. On 29 January 2021, the offtake agreement was extended to 29 January 2022. If successful, the profits from the sales are expected to improve the Group’s cash flow position;

- (iv) The Group is continually pursuing growth opportunities to strengthen its financial and operational capabilities through the sourcing of new customers and further co-operations with its strategic partners; and
- (v) On 20 December 2012 and 26 March 2013, the Group entered into shareholders loan agreements with Twin Gold Ventures S.A. and Novel Creation Holdings Limited (together the “**Lenders**”) for a facility of US\$40 million in aggregate. As at 31 December 2020, the Lenders have extended approximately US\$4.2 million and the Group currently has a remaining undrawn facility amount of approximately US\$35.8 million on the loans from shareholders.

In light of the foregoing, the Board is of the opinion that the Group and the Company is able to continue as going concerns and accordingly the Financial Statements have been prepared on that basis.

The Board of Directors has continuously monitored the Company’s operations and receives periodic reports from Management about the Company’s performance and financial status, and nothing material has come to the Board’s attention that warrants disclosure to shareholders. In this regard, the Board of Directors confirms that to its best knowledge, sufficient information has been disclosed for the trading of the Company’s shares to continue in an orderly manner.

Shareholders of the Company are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Soh Sai Kiang
Independent Non-Executive Chairman
6 May 2021

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 (“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.

INDEPENDENT AUDITOR'S

Report to the Members of Blackgold Natural Resources Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of BlackGold Natural Resources Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the financial statements of the Company and the Group comprising:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2020;
- the balance sheet of the Group as at 31 December 2020;
- the balance sheet of the Company as at 31 December 2020;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Disclaimer of Opinion

Going concern

As stated in Note 2.1 to the financial statements, the Group reported a loss after tax of US\$4,039,537 (2019: US\$1,541,866) for the financial year ended 31 December 2020. In addition, as at 31 December 2020, the Group's current liabilities exceeded the current assets by US\$5,839,259 (2019: US\$2,553,899) and the Company's current liabilities exceeded its current assets by US\$3,611,453 (2019: US\$1,943,481). These and the other matters described in Note 2.1 to the financial statements indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concerns.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2.1 to the financial statements. The validity of the going concern basis on which the financial statements are prepared is dependent on certain assumptions and the successful outcome of the Group's various efforts as disclosed in Note 2.1 to the financial statements. The assumptions are premised on future events, the outcome of which are inherently uncertain. Notwithstanding the availability of the shareholders' loan facility, based on the information available to us, we were unable to obtain sufficient appropriate audit evidence regarding the financial ability of the shareholders in providing the financial support required to ensure that the Group and the Company are able to pay their debts as and when they fall due. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate.

If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, several adjustments would have to be made to the accompanying financial statements to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The accompanying financial statements do not reflect these adjustments.

INDEPENDENT AUDITOR'S

Report to the Members of Blackgold Natural Resources Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act (the "Act"), Chapter 50 and Singapore Financial Reporting Standards (International), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Matter

The financial statements for the financial year ended 31 December 2019 were audited by another auditor whose report dated 29 June 2020 expressed a disclaimer opinion on those financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In view of the significance of the matters referred to in the "Basis for Disclaimer of Opinion" section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Eng Kian.

PKF-CAP LLP

Public Accountants and
Chartered Accountants

Singapore

6 May 2021

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

BlackGold Natural Resources Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 7 Temasek Boulevard, Suntec Tower One, #08-07, Singapore 038987.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

Going concern basis

The Group reported a loss after tax of US\$4,039,537 (2019: US\$1,541,866) for the financial year ended 31 December 2020. In addition, as at 31 December 2020, the Group's current liabilities exceeded the current assets by US\$5,839,259 (2019: US\$2,553,899). Furthermore, the Company's current liabilities exceeded its current assets by US\$3,611,453 (2019: US\$1,943,481) at that date. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concerns.

Management has assessed that it is appropriate to use the going concern assumption for the preparation of the accompanying financial statements based on:

- (a) its projection of profits and cash flows for the next 12 months from the reporting date;
- (b) the ability to draw-down from the shareholders' loans facility (Note 23); and
- (c) the ability to raise additional capital through issuance of convertible bonds (Note 20).

The projection was developed based on management's best estimate of revenue and costs and includes cash inflows from secured and unsecured contracts from existing and new customers. The Group has continually explored opportunities to expand into other resource segments such as thermal coal resource with the goal of diversifying its revenue base. While management is actively negotiating for contracts with new customers and there are some uncertainties relating to future contracts, management remains confident that sufficient profitable contracts will be secured. The profitability and cash flow projection for the next 12 months from the reporting date prepared by management resulted in net cash inflows. On 26 March 2020, the Company has successfully issued convertible bonds of S\$2,000,000. Also, as set out in Note 34 to the financial statements, management was successful in negotiating for an extension to the Non-Repayment Period of the loans from shareholders.

Management is of the view that the Group is able to continue operations and meet its liabilities as and when they fall due within the next 12 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Accordingly, the accompanying financial statements does not include any adjustment relating to the realisation and classification of assets and liabilities that may be necessary if the Group and Company were unable to continue as a going concern. Should the going concern assumptions be inappropriate, adjustments may have to be made to (i) reflect the situation that assets may need to be realised other than in the normal course of the business and at amounts which may differ significantly from the amounts at which they are currently recorded in the balance sheets; (ii) to provide for further liabilities that might arise; and (iii) reclassify non-current assets and non-current liabilities as current. No adjustments have been made in the accompanying financial statements.

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

Effective for annual periods beginning on or after 1 January 2020:

Amendments to:

- SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
- SFRS(I) 3 Business Combinations (Definition of a Business)
- SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement and SFRS(I) 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform)
- Conceptual Framework for Financial Reporting

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, rebates and discounts, and after eliminating revenue within the Group. A sale is recognised when control has been transferred. This is usually when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

(a) *Sale of goods – coal*

Revenue from the sale of coal is recognised when control of the coal has transferred to the customer. Revenue is recognised at the point in time when the coal has been delivered to a contractually agreed location by its customers and the customers have accepted the coal in accordance with the sales contract. Consequentially, a receivable is recognised by the Group as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.