

NOBLE GROUP LIMITED
(Incorporated in Bermuda with limited liability)

**RESPONSE TO SGX QUERIES REGARDING
FINANCIAL RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2018**

Noble Group Limited (“the Group”) is responding to questions, set out below, received from the SGX:

- 1. With reference to page 1 of the MD&A, it is noted that loss on supply chain assets (net) amounted to US\$57.3 million for the three months ended 31 March 2018. Please provide the breakdown and the nature of the loss on supply chain assets.**

The Group recorded a loss on supply chain assets (net) from continuing operations of US\$57.3 million in 1Q 2018. A breakdown of the components of the loss are as follows:

	(unaudited) 1Q 2018 1 Jan to 31 Mar 2018 US\$'000
Impairment of non-current assets	(22,051)
Net gain on disposal of non-current assets	907
Impairment of prepayments and other receivables	(36,204)
Expenses	71
Loss on supply chain assets	(57,277)

Impairment of non-current assets – primarily relates to the impairment of certain investments classified as equity instruments at fair value through other comprehensive income. The Group performs impairment tests on these investments on an annual basis or when an indicator of impairment exists.

Impairment of prepayments and other receivables – primarily relates to the impairment of certain amounts due from trading counterparties included in prepayments, deposits and other receivables. These impairment losses were determined based upon changes in the assessment of recoverability as directed by the Group’s Credit Risk function in accordance with the risk management governance set out in Note B7.1 of the Group’s Full Year 2017 Financial Statements.

Net gain on disposal of non-current assets – relates to the Group’s disposal of Territory Resources Limited (“Territory Resources”) which completed in 1Q 2018. Territory Resources was classified as “held for sale” as at 31 December 2017.

2. **With reference to page 3 of the MD&A, the Company has disclosed that its share of profits and losses of joint venture and associates increased to US\$134 million as a result of the increase in fair value of the Group's investment in Harbour Energy which has benefited from an increase in value of their asset portfolio. Please elaborate on (i) how the increase in fair value of the Group's investment is determined; (ii) the relevant accounting standard and policy; and (iii) whether the Board has sought appropriate independent professional advice.**

The Group's share of profits and losses of joint ventures and associates increased to US\$134 million in 1Q 2018 as a result of the increase in value of the Group's investment in Harbour Energy LP – which has benefitted from an increase in the fair value of their asset portfolio.

- (i) The increase in the Group's investment in Harbour Energy LP is driven by the share of profits on investment based on Harbour Energy LP's 2017 full year audited financial statements through equity accounting. The income recorded by Harbour Energy LP is in respect of a valuation of its asset portfolio, comprising certain oil and gas producing assets in the U.K. North Sea, acquired during 4Q 2017 through its subsidiary, Harbour Energy Ltd.
- (ii) The Group accounts for its investment in Harbour Energy LP using the equity method of accounting, less any impairment losses. The relevant accounting standard is IAS 28 (Investments in Associates and Joint Ventures), and the Group's policy is outlined in detail in Note C4 of the Group's Full Year 2017 Financial Statements. As disclosed in Note C4.3 of the Full Year 2017 Financial Statements, for the purposes of equity accounting for its investment in Harbour Energy, the Group utilises the accounting results reported to it by Harbour Energy LP. At the time of finalising the Full Year 2017 Financial Statements, Harbour Energy had not reported its full year 2017 audited financial results, and so the Group equity accounted for the latest information it had, being for the nine months ended 30 September 2017. For the Group's 1Q 2018 reporting, as the Group had received Harbour Energy LP's full year 2017 audited financial results, it equity accounted for the true-up adjustment based on the audited financial statements provided by Harbour Energy LP.

During 4Q 2017, Harbour Energy LP indirectly completed an acquisition of oil and gas producing assets in the U.K. North Sea through Harbour Energy Ltd and as Harbour Energy LP meets the definition of an Investment Entity under IFRS 10 (Consolidated Financial Statements), it measures its investments at fair value through profit or loss in accordance with IFRS 9 (Financial Instruments). In accordance with IAS 28 (Investments in Associates and Joint Ventures), the Group records the profit and loss impact of the Group's share of the fair value movement recognised by Harbour Energy LP through quarterly equity pick-up.

(iii) Harbour Energy LP's results, including the fair value gain, were recorded in Harbour Energy LP's full year 2017 audited financial statements. The Group obtained a copy of the financial statements and the audit report and noted that the audit opinion was unqualified. The Group used the information in the audited financial statements for the purposes of its equity accounting for its investment in Harbour Energy LP in 1Q 2018. The Board did not deem it necessary to obtain independent professional advice in this respect.

3. With reference to page 3 of the MD&A as well as page 1 (paragraph 1a(i)) of the financial results, please provide an explanation for the decrease in share of loss from associates from US\$3.7 million to US\$0.2 million.

The decrease in share of loss from associates from US\$3.7 million in 1Q 2017 to US\$0.2 million in 1Q 2018 is due to reduced losses from PT Atlas Resources and Baralaba Coal. The 1Q 2017 share of losses from associates included the share of losses from the Group's investments in PT Atlas Resources and Baralaba Coal. In FY 2017, the investment in PT Atlas Resources was reclassified from an investment in associate to "Long Term Equity Investments" and the investment in Baralaba Coal was impaired to \$nil, and therefore neither investment contributed to share of losses of associates in 1Q 2018. Details of the Group's FY 2017 accounting for PT Atlas Resources and Baralaba Coal are included in Note C4.6 of the Group's Full Year 2017 Financial Statements.

4. With reference to page 4 of the MD&A, please clarify whether the price of API2 has increased or decreased by 7% quarter on quarter.

The average price of API2 thermal coal increased 7% from 1Q 2017 compared to 1Q 2018; however, decreased 7% from 4Q 2017 compared to 1Q 2018.

5. With reference to pages 5 and 7 of the MD&A in respect of the following statements:-

- a. On page 5 on the performance of energy coal, it was stated that operating income from supply chains were adversely impacted by non-cash mark-to-market losses due to the impact of contract-specific performance reserves against certain net fair value gains on commodity contracts and derivative financial instruments; and
- b. On page 7 on the performance of carbon steel materials, it was stated that performance was impacted by constrained liquidity and access to trade finance lines along with non-cash mark-to-market losses due to the impact of contract-specific performance reserves against certain net fair value gains on commodity contracts and derivative financial instruments.

Please (i) quantify the amount of non-cash mark-to-market losses and (ii) elaborate on the nature and the basis of the contract-specific performance reserves.

The Group's net fair value gains on commodity contracts and other derivative financial instruments decreased by US\$80.5 million in 1Q 2018 including an approximately US\$65 million non-cash net decrease in respect of certain of the Group's long-term physical commodity contracts. The approximately US\$65 million non-cash net decrease included the impact of contract-specific performance reserves against certain contracts in the Energy Coal and Carbon Steel Materials businesses, offset by an improvement in outlook and operating environment in the Metals business.

The contract specific reserves were determined based upon changes in the assessment of recoverability, including continued non-performance, commercial renegotiation, and increased legal risk as a result of commercial disputes as directed by the Group's Credit Risk function in accordance with the risk management governance set out in Note B7 of the Group's Full Year 2017 Financial Statements.

6. **With reference to page 1 (paragraph 1a(i)) of the financial results, it is noted that other income net of other expenses increased amounted to US\$18.6 million. Please provide the breakdown and nature of the other income.**

Other income net of other expenses from continuing operations was US\$19.6 million in 1Q 2018, an increase of US\$18.6 million compared to 1Q 2017. The increase was primarily driven by performance fee distributions accrued in respect of the Group's investment in Harbour Energy. The performance fee was determined in accordance with the Group's joint venture agreement in Harbour Energy.

7. **With reference to page 1 (paragraph 1a(i)) of the financial results, it is noted that finance costs increased by approximately US\$16.7 million or 34%. Please provide an explanation for the increase.**

Finance costs from continuing operations were US\$65.1 million in 1Q 2018, an increase of US\$16.7 million compared to 1Q 2017. The increase in finance costs was due to:

- Finance costs accrued on the Group's 8.75% senior notes due in 2022. These senior notes were issued in March 2017, therefore only a partial quarter of finance costs were accrued in 1Q 2017 on these senior notes; and
- The non-cash impact of accelerating the senior note discount amortisation on the Group's senior notes due 2020 and 2022 as these senior notes were reclassified as current liabilities per Note 1(b)(i)(K).

8. **With reference to page 3 (paragraph 1b(i)) of the financial results, it is noted that equity instruments at FVOCI amounting to US\$69.0 million was recorded as at 31 March 2018. Please provide the nature of this equity instruments.**

The 1Q 2018 financial results Note 5 and Full Year 2017 Financial Statements Note F3 make reference to the adoption of IFRS 9 (Financial Instruments). "Equity instruments at

FVOCI” were previously designated “Long Term Equity Investments” on the Group’s balance sheet, prior to the adoption of IFRS 9 on 1 January 2018. Equity instruments held as “available for sale” are measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future.

9. **With reference to page 3 (paragraph 1b(i)) of the financial results, it is noted that fair value gains on commodity and other derivative financial instruments decreased from US\$513.3 million to US\$385.7 million. Please provide an explanation for the decrease.**

Fair value gains on commodity contracts and other derivative financial instruments decreased from US\$513.3 million at 31 December 2017 to US\$385.7 million at 31 March 2018. In addition, fair value losses on commodity contracts and other derivative financial instruments decreased from US\$160.4 million at 31 December 2017 to US\$113.3 million at 31 March 2018, resulting in a net decrease in fair value gains on commodity contracts and other derivative financial instruments of US\$80.5 million in 1Q 2018.

The net decrease was primarily driven by certain of the Group’s long-term physical commodity contracts as noted above in response 5. The remaining decrease in both fair value gains and losses on commodity contracts and other derivative financial instruments was driven by normal course mark-to-market changes due to changes in various valuation inputs.

10. **With reference to page 3 (Note B – discontinued operations) of the financial results, it is noted that there is a profit on supply chain assets, net amounting to US\$50.1 million. Please provide the nature of the profit on supply chain assets.**

The US\$50.1 million profit on supply chain assets from discontinued operations recorded in 1Q 2018 primarily related to the disposal of Noble Americas Corp (“NAC”) which completed on 12 January 2018 as disclosed in Note 1(b)(i)(I). The profit on supply chain assets reflects a provisional gain recorded on disposal. A final determination of total consideration from the disposal will be made in accordance with the terms and conditions of the NAC sales and purchase agreement with a corresponding final true-up to the provisional gain recorded on disposal.

Noble Group Limited
24 May 2018

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About Noble Group

Noble Group (SGX: CGP) manages a portfolio of global supply chains covering a range of industrial and energy products. The Company 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 Company and broader Group supplies high growth demand markets, particularly in Asia and the Middle East. For more information please visit www.thisisnoble.com.

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