



RESPONSE TO SGX-ST'S QUERY IN RESPECT OF THE COMPANY'S ANNOUNCEMENT DATED 15 MAY 2019 AND TITLED TERMINATION OF COAL HAULING SERVICE CONTRACT

Unless otherwise defined herein, capitalised terms have the same meanings as defined in the Company's announcements dated, inter alia, 31 March 2019, 18 April 2019, 15 May 2019 and 16 May 2019 (collectively, the "Announcements").

The board of directors (the "**Board**" or "**Directors**") of Resources Prima Group Limited (the "**Company**", and together with its subsidiaries, collectively, the "**Group**") would like to provide the following responses to queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in respect of the Company's announcement dated 15 May 2019 titled Termination of Coal Hauling Service Contract.

Introduction

Dispute on coal hauling service agreement between PT Energy Indonesia Resources ("EIR") and PT Coalindo Adhi Nusantara ("CAN")

As disclosed in the aforementioned Announcements, EIR had sought for professional advice from its Indonesian legal counsel to take action to protect and enforce its rights under the coal hauling contract with CAN ("**Contract**") including but not limited to monthly shortfalls of coal hauled arising from CAN's failure to provide a minimum of 100,000 tonnes per month to EIR.

Upon obtaining the legal advice from the Indonesian legal counsel, EIR proceeded to, on 18 March 2019, invoice CAN for the shortfall in the coal hauled by EIR for the 15-month period commencing 1 November 2017 to 31 January 2019 due to CAN's failure to provide a minimum of 100,000 tonnes per month to EIR ("**Shortfall Claim**") amounting to about USD2 million. As required under Indonesian Laws prior to the commencement of any legal proceedings, EIR subsequently sent three Notification letters dated 26 April 2019, 10 May 2019 and 17 May 2019 to CAN for the Shortfall Claim of about USD2 million, the Rise & Fall (i.e. part of the pricing formula for the coal hauling services) for the period from September 2018 to February 2019 of USD35,089 and the Overpayment Claim of USD30,769.

On 10 April 2019, EIR received a formal letter from CAN stating that its invoice for the Shortfall Claim has been received and is currently being reviewed by the legal department of CAN and CAN will commit to pay the outstanding owing to EIR. The formal letter from CAN did not state what is the amount payable to EIR that CAN has committed nor when payment will be made. CAN had not been as cooperative and EIR faced tense situation since the Shortfall Claim invoice was sent to CAN. The coal haulage for the months in operation, March 2019 and April 2019 was low due to, *inter alia*, lesser coal being made available by CAN to EIR for hauling.

The above events, including *inter alia* various disruptions by CAN made in the Announcements are significant events leading to EIR receiving the letter of termination on 13 May 2019 from CAN.

Query from the SGX-ST:

1. When did the Company receive the letter of termination?

Company's Response to SGX-ST Query:

The fasting month in Indonesia commenced on 6 May 2019. During this period, most offices in Indonesia start work later and close earlier at 4pm, Indonesian time or 5pm Singapore time. The letter of termination dated 10 May 2019 from CAN ("**Termination Letter**"), which is in Bahasa Indonesia

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was delivered to EIR's Jakarta office on 13 May 2019. The Termination Letter was then received by the Group's Chairman and CEO, Agus Sugiono on 14 May 2019 at around 6pm Singapore time.

Upon receiving the letter, Agus Sugiono immediately called and instructed Chief Operating Officer, Nordiansyah Nasrie to ensure the trucks are properly secured at the mine site. He then called and had a preliminary discussion with the Indonesian legal counsel on the content and ramifications of the Termination Letter. Following these urgent calls and despite most offices were already closed, Agus Sugiono managed to arrange to have the Termination Letter translated into English for the purpose of transmission to the Independent Directors, Chief Financial Officer and Sponsors. Following the receipt of the translated version early on the morning of 15 May 2019, it was immediately circulated by Agus Sugiono at 7:46am to the Independent Directors for their review and comment. Prior to the circulation of the translated Termination Letter, the Independent Directors were unaware of the termination of the Contract by CAN. Upon receipt of the translated Termination Letter, the Independent Directors immediately instructed the management to make an announcement on the termination as well as seek immediate legal advice on the Termination Letter. On the same day, an announcement on Termination of the Coal Hauling Service Contract was made by the Company.

Query from the SGX-ST:**2. Any preliminary legal advice obtained?****Company's Response to SGX-ST Query:**

In the Termination Letter, CAN disputed our Shortfall Claims and further argued that our fleet of coal hauling trucks which is more than 5 years old on average does not meet the age requirement for operation. Based on the safety aspects, CAN terminated the Contract with EIR. This is the first time that CAN has ever raised such a complaint since EIR commenced the coal hauling contract with them in October 2017.

The Termination Letter was sent to our Indonesian legal counsel on 15 May 2019 for preliminary advice. On 17 May 2019, the Board was advised that CAN has breached the Contract by its refusal to meet EIR's demand to pay all its invoices by using the argument that EIR's fleet does not meet the requirement. Our Indonesian legal counsel has also confirmed that there is also no requirement stated in the Contract for the fleet to be of certain age.

EIR had on 24 May 2019, sent a response letter to CAN ("**Response Letter**"), rejecting the basis of the termination of the Contract as set out in the Termination Letter and claim breach of the Contract arising from CAN's failure to pay the outstanding invoices due to EIR. EIR also demands CAN to immediately pay the outstanding invoices to EIR in order to avoid further legal action in the Response Letter.

The Company will continue to update shareholders via SGXNET in respect of the above matters on any material development in the Company's monthly update.

Query from the SGX-ST:**3. What is the Company/Board's next course of action?****Company's Response to SGX-ST Query:**

As stated above, a Response Letter has been sent by EIR to CAN on 24 May 2019. Further, the Board is also seeking legal advice on the possible courses of actions and the costs involved in pursuing such actions. Upon receipt of the said information, the Board will deliberate on its next

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course of action. The Board is mindful of the current state of affairs of the Company but has not ruled out any course of action including without limitation commencing legal action against CAN.

In late 2018 as well as early 2019, upon the occurrence of the various disruptions of CAN's operations from month to month, the Board had already instructed management to start exploring alternative coal hauling contracts. EIR has been in discussions with certain parties in relation to the alternative coal hauling contracts. The Company will continue to update shareholders via SGXNET in respect of the above matters on any material development in the Company's monthly update.

Query from the SGX-ST:

4. PT Energy Indonesia Resources ("EIR") is at which stage of discussion for alternative coal hauling contracts?

Company's Response to SGX-ST Query:

Following the streamlining of operations back in 2017, the Company had kept 19 delivery trucks of EIR, all of which were, up to the time of receiving the Termination Letter, contracted solely for the Contract. Hence, exploratory discussions with any other potential parties for coal hauling was subject to the expansion of EIR's fleet of delivery vehicles and/or the termination of the Contract by either CAN or EIR. As stated above, EIR is in discussions with certain parties with respect to alternative coal hauling contracts, and will continue to update shareholders via SGXNET in respect of the above matters on any material development in the Company's monthly update.

Query from the SGX-ST:

Status of the PT Prima Dharma Karsa ("PT Prima") joint operation agreement ("JOA").

Company's Response to SGX-ST Query:

Based on the latest update obtained by the Company, there is currently around 50,000MT Nickel ores at the stockpile. The first shipment of Nickel ores has just commenced on 30 May 2019. The Company will continue to update the shareholders via SGXNET in respect of the above in its monthly update announcement.

BY ORDER OF THE BOARD

Agus Sugiono
Executive Chairman and Chief Executive Officer
30 May 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 Ms Tay Sim Yee, at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, telephone (65) 6232 3210.
