

BLACKGOLD NATURAL RESOURCES LIMITED

(Company Registration Number: 199704544C)

(Incorporated in the Republic of Singapore)

RESPONSES TO SGX-ST QUERIES

The Board of Directors (the “**Board**” or “**Directors**”) of BlackGold Natural Resources Limited (the “**Company**” or “**BlackGold**” and, together with its subsidiaries, the “**Group**”) refers to its announcements dated 5 November 2019 in relation to a disclaimer of opinion (“**Disclaimer of Opinion**”) issued by the Company’s Independent Auditor, PricewaterhouseCoopers LLP in its Independent Auditor’s Report in relation to the audited financial statements of the Group for the financial year ended 31 December 2018 (the “**Announcement**”).

Further to the Announcement, the Company wishes to announce the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), and the Company’s responses to the said queries. The queries from the SGX-ST and the Company’s responses are as follows:

SGX Query 1:

The announcement stated that “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” – what are the key assumptions upon which the 18-month cash flow forecast was premised upon? How different are these key assumptions from FY18’s actual performance?

Company’s response to Query 1:

The key assumption is primarily on the ramp-up trend of production and sales for the next 18-months period of PT Samantaka Batubara (“**PT SB**”), the Group’s Indonesian subsidiary. 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 (“**APP Group**”). There are also sales to the existing customer (“**Tenayan Powerplant**”) forecasted to be increased in the quantities delivered. For the period of 9M2019, the total coal sales are higher than FY2018, and in this regard the Company continues to ramp up production in order to meet the forecasted coal demand for the next 18-months from November 2019 onwards.

SGX Query 2

In the auditor's opinion, it was stated that *“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”* – please elaborate on the shareholders loan facility, and basis for the Company's view of the shareholders' ability to provide the financial support.

Company's response to Query 2:

The Group entered into shareholders' loan agreements with Twin Gold Ventures S.A. and Novel Creation Holdings Limited (together, the **“Lenders”**) on 20 December 2012 and 26 March 2013 for a facility of US\$40,000,000 in aggregate (**“Shareholder's Loan”**). These loans are unsecured, interest-free and repayable on demand.

The Company is not aware of any reason to doubt the shareholders' ability to provide the financial support required to ensure that the Group and Company are able to pay their debts as and when they fall due considering: -

- (i) the continual financial support from the Lenders who, as at 31 December 2018, have extended US\$4,184,847 from the Shareholder's Loan; and
- (ii) that the Lenders, on 20 March 2019, have signed a fifth supplemental deed to the shareholder's loan confirming that they are willing to provide continuing financial support to the Group which includes extending the Non-Repayment period to 31 March 2021.

SGX Query 3:

The auditors' disclaimer is also as a result of the impairment of deposits and prepayments, property, plant and equipment and mining properties of the Group and investment in subsidiary of the Company.

As at 31 December 2018, the Group has deposits and prepayments of US\$314,136, property, plant and equipment of US\$5,614,469 and mining properties of US\$7,307,069, relating to a coal concession to which the Group has a right. The carrying amount of investment in subsidiary of the Company was US\$13,316,575. Net assets of the Group is US\$8,247,670.

The auditor's opinion stated that *“We were unable to obtain sufficient appropriate audit evidence regarding forecasted demand for coal which was among the key inputs for determining the fair value of the coal concession. Consequently, we were unable to ascertain whether the carrying value of deposits and prepayments, property, plant and equipment and mining properties of the Group and investment in subsidiary of the Company were appropriate.”* – please elaborate on the forecasts for demand for coal and the basis for such forecasts.

Company's response to Query 3:

The forecasted demand for coal comprises existing, new, and potential customer of the Group. The basis for such forecast includes new contract which was signed between PT SB and APP Group on 27 April 2019 ending in December 2019 ("**Master Agreement**"), as well as ongoing negotiation between the Company and APP Group to further extend the duration and increase of quantity of the Master Agreement. Having increased the coal production in 9M2019, higher than FY2018, barring unforeseen circumstances, the Company continues to ramp up production in order to meet the forecasted demand for coal.

SGX Query 4:

The announcement stated that "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"

We noted that the GP margin fluctuates from 9M18 of 16% to 12M18 of 6% to 3M19 of 14% and down to 6M19 of 8% - please elaborate, explain and provide specifics as to how the Group is confident that the higher gross profit trend will continue.

Company's response to Query 4:

In line with the Company's plan to ramp up production and sales volume for the next 18-months, the Company is expected to benefit from a higher margin due to economy of scale and the recent contract which has a better pricing.

SGX Query 5:

How much are the interests or costs associated with the obtaining of short-term financing from third party in relation to PT SB's operating activities amounting to approximately US\$4,900,000? How much are the interests or costs associated with the potential supply chain financing facility ("SCF") from Bank Rakyat Indonesia in relation to support its operation and to pay off its short-term financing obligations?

Company's response to Query 5:

- (i) The total interests amounted to US\$ 422,000 for the 9M2019 in relation to financing from third party which amounted to approximately US\$4,900,000.
- (i) The supply chain financing facility is a tripartite arrangement between Bank Rakyat Indonesia ("**BRI**"), PT SB ("**Seller**") and APP Group ("**Buyer**") ("**SCF**"). The SCF is account receivable factoring arrangement, specifically for the receivables due from Buyer

to Seller. The discounted fee for the SCF is 9.50% per annum., for which 50% of it is borne by the Buyer and the remaining 50% borne by the Seller.

By Order of the Board

Philip Cecil Rickard
Executive Chairman and Chief Executive Officer
10 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 ("**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 (Telephone number: +65 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.
