GOLDEN ENERGY AND RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 199508589E

RESPONSES TO QUESTIONS RAISED BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Board of Directors ("**Board**") of Golden Energy and Resources Limited (the "**Company**" or "**GEAR**" and together with its subsidiaries, the "**Group**") refers to the questions raised by the Securities Investors Association (Singapore) in respect of the Company's Annual Report for the financial year ended 31 December 2021 and wishes to provide its responses as follows:

Q1. As shown in the corporate profile, the company has interests in:

- **the exploration, mining, and marketing of metallurgical coal in Australia, through its 64%-owned subsidiary Stanmore Resources Limited ("Stanmore") (as at 31 March 2022)**
- **energy coal in Indonesia through its 62.5%-owned subsidiary PT Golden Energy Mines Tbk ("GEMS"); and**
- **gold via its 50-50 joint venture ("JV") with EMR Capital in Ravenswood Gold Group Pty Ltd ("Ravenswood Gold").**

One of the most significant milestones in FY2021 is the execution of a definitive agreement to acquire an 80% interest in BHP Mitsui Coal Pty Ltd which will add two additional high quality, long life, cash generating, operating and well capitalised metallurgical coal assets tothe group.

(i) It would appear that the company did not take up its full entitlement in Stanmore as 75% of A$694 million is approximately A$520 million or US$385 million. How did the company determine the subscription amount of US$300 million for its entitlement in the 7-for-3 renounceable entitlement offer by Stanmore? Did the company sell or transfer the balance of its entitlement?

On 3 March 2022, Stanmore launched a 7-for-3 pro rata renounceable accelerated entitlement offer to raise A$694 million or approximately US$506 million to partly fund the acquisition of 80% interest in BHP Mitsui Coal Pty Ltd ("**BMC**").

GEAR's subsidiary, Golden Investments (Australia) Pte Ltd ("**Golden Investments**"), subscribed for US$300 million or approximately 59.3% of its share of the entitlement offer of US$381 million (being US$506 million *multiplied by* 75.33%). Rights not subscribed by Golden Investments were renounced and sold through the institutional shortfall book build process by the third party underwriter Petra Capital Pty Ltd ("**Petra**").

GEAR's decision to subscribe for part of its share of the entitlement offer was based on the following reasons:

- **Liquidity position:** GEAR sought to ensure that it maintained sufficient liquidity to meet its future working capital requirements on completion of the entitlement offer.

- **Institutionalise shareholding and increase free float:** Prior to the entitlement offer, approximately 89% of Stanmore's shareholding was held by Stanmore's two largest shareholders (including Golden Investments' 75.33% shareholding).

  On completion of the entitlement offer, Stanmore's shareholding became diversified with its two largest shareholders holding only approximately 71% (including Golden Investments' 64.01% shareholding) and the balance being held by large Australian institutional shareholders (who participated in the institutional shortfall book build process) and retail shareholders.

It is worth noting that following the entitlement offer, Stanmore shares have experienced increased average daily traded volume and liquidity.

With the diversification and institutionalisation of Stanmore's shareholding, GEAR expects Stanmore's market capitalisation to appropriately reflect the true value of Stanmore, which would in turn assist in any future capital raises for growth, all of which are expected to result in higher value creation for GEAR and its shareholders.

- **Control of Stanmore and majority effective ownership in BMC:** In addition to the above reasons, GEAR sought to ensure that it would continue to maintain a majority of voting rights in Stanmore and a majority of the effective ownership in BMC. On completion of the entitlement offer, GEAR continued to own 64.01% in Stanmore and an effective ownership in BMC of 51.2% (once acquisition completes on 3 May 2022), resulting in BMC becoming an indirect subsidiary of Golden Investments and GEAR.

(ii) Can management confirm that the group's interest in Stanmore has been diluted from 75% to 64.01% as a result?

Yes, as explained in (i) above.

(iii) Did the board "leave money on the table" by subscribing to just US$300 million of the offer by Stanmore? Please help shareholders understand the board/ management's decision.

The Board does not view a subscription of only part of its allocated entitlement offer as "leaving value or money on the table". Please refer to the response in (i) above for GEAR's rationale of subscribing to US$300 million of Stanmore's entitlement offer.

The entitlement offer price was determined through an institutional book build process which was undertaken by a third-party underwriter, Petra. In addition, the terms of the entitlement offer was overseen by a committee of independent Stanmore directors. We understand that Stanmore had engaged Petra to speak to a large pool of institutional investors in Australia and overseas in order to obtain feedback and demand on the offer price. It is worth noting that the entitlement offer price of A$1.10 represented only a 3.9% discount to the theoretical ex-rights price of A$1.145. GEAR understands that the discount was determined after considering precedent entitlement offers of ASX-listed issuers and was generally in line with market precedents. As is the case in most entitlement offers, entitlement offer shares are typically offered at a discount over the market price to encourage existing and new shareholders to participate in such capital raisings.

The success of the entitlement offer is primarily attributable to GEAR not exercising its full entitlement and the value of the proposition offered by the BMC acquisition and the enlarged Stanmore business, together with the appropriately priced entitlement offer price. It should also be noted that without participation of new institutional shareholders in the entitlement offer, Stanmore's equity raise of A$694 million would not be successfully completed, which in turn would result in a failure to consummate the BMC Acquisition and a significant value loss for GEAR and its shareholders.

Q2. The group recorded a revenue of US$1.9 billion on the back of strong coal prices in 2021, after reaching lows in 2020.

On the production side, the average cash cost for the energy coal segment increased from US$21.0 per metric tonne to US$26.9 per metric tonne. This was outpaced by the increase in the average selling price (ASP) which went from US$31.0 per metric tonne to US$53.5 per metric tonne.

Energy coal accounted for 85% of the group's revenue in 2021 (FY2020: 92%). Revenue from energy coal grew 49% to record a revenue of US$1.6 billion in FY2021, underpinned by the 72% increase in ASP, and partially offset by a 14% decline in sales volume to 28.8Mt in FY2021.

(i) What are the reasons for a higher strip ratio?

Given the depressed coal price environment in FY2020, management made a conscious decision to mine at a lower strip ratio area to keep production cost low. With the rebound of coal prices in FY2021, the Company transitioned back to mining area with strip ratios aligned to the Life of Mine ("**LOM**") in order to maintain the mining sequence in check.

(ii) The group's sales volume declined by 14% to 28.8 million tonnes due to unfavourable weather conditions in South Kalimantan. What are the levers available to management, if any, to mitigate the negative impact of adverse weather?

The Group maintains adequate stockpiles at Run of Mine ("**ROM**") and Port, including continuous maintenance of the hauling road. Tide stations at port are also used to monitor tidal levels and we work closely with mining contractors and transhipment suppliers to optimise production and logistics. The Group has engaged world class consultants such as McKinsey and Company to help with the improvement of logistics management and supply chain enhancements.

(iii) In addition, what was the increase in contractor rates due to higher ICI4 index?

Contractor rates are determined based on a negotiated tiered-pricing structure linked to the Indonesian Coal Index 4 "ICI4" which works on the principle of "share the pain, share the gain". Under this mechanism, contractors are remunerated with higher rates when coal prices are high and vice versa. Given that ICI4 has increased from US$31.0/t in FY2020 to US$53.5/t in FY2021, contractor rates had increased as per the higher tiered-pricing structure.

The group, through PT Borneo Indobara, had fulfilled (and exceeded) the Domestic Market Obligations ("DMO") set by Indonesia's Ministry of Energy and Resources ("ESDM").

(iv) What is management's strategy to optimise the ASP and the group's profits in view of the market risks, policy risks, political uncertainty, shipping delays, weather etc?

PT Borneo Indobara ("**BIB**") is backed by a large reserve bank and long mine life, which provides management with the flexibility to modify the mine plan in accordance with the prevailing market conditions. The low LOM strip ratio enables the Company to maintain a low cost structure and provide operational resilience even in a low coal price environment.

GEAR is a strong believer in the sustainability of the Indonesian Energy Market and has been exceeding our DMO and continues to prioritise domestic market sales to comply with the Indonesian regulations.

Our energy coal sales is well-spread across multiple geographical markets, which helps to mitigate revenue concentration risk and over-reliance on a single market.

Management conducts weekly meetings and daily monitoring of operations and logistics to optimise production whilst balancing safety and environmental considerations.

Our diversification to Australia is intentional and is vital in increasing our resources product mix and diversifying our concentration risks with respect to resources and geography.

(v) Is there a substantial price differential between the domestic and the export price?

On an average for FY2021, the domestic price was approximately 70% of the export price.

Q3. The group is committed to improving sustainability practices across its operations in accordance with its Sustainability framework to generate sustainable value in the long run. In particular, the group takes a strong stand in preserving the environment it operates in and is committed to carrying out the operations in a responsible and sustainable way, often doing better than regulatory requirements.

An overview of the group's sustainability efforts can be found on pages 25 to 31 of the annual report.

(i) Can the board help shareholders better understand how the group will be addressing its Scope 1, Scope 2 and Scope 3 emissions?

The Group is committed to closely monitoring its greenhouse gas ("**GHG**") emissions. For Scope 1 and Scope 2, the Group is constantly looking out for opportunities to reduce the energy and emission-intensity of our mining operations. For example, the construction of the conveyor system at Bunati port helps to reduce the reliance on less efficient hauling trucks. We have also replaced a part of our fossil fuel consumption with biofuels. Moving forward, we are studying the feasibility of renewable energy projects to improve the emissions profile of our electricity supply. In the energy coal value chain, the emissions from the use and treatment of the coal at our customers' power stations constitute the majority of Scope 3 emissions. Accordingly, our efforts to help reduce the Scope 3 emissions is likely to come primarily from our commodity and resource diversification.

Sustainability remains a priority for GEAR. The recent appointment of Ms. Noormaya Muchlis, (a veteran in the sustainability field) as an Independent Non-executive Director to the GEAR Board is a continuation of our strengthened emphasis in this area. Ms. Muchlis's wealth of experience and guidance will help strengthen our sustainability governance and support our evolution into a sustainable energy and resources company.

In terms of tangible suitability efforts and achievements, we are honoured that PT Borneo Indobara ("**BIB**") was recognised at the 2021 Indonesia Sustainable Development Goals (SDG) Awards, held by the Corporate Forum for CSR Development, in multiple categories, including "The Top Leadership for SDGs" and "The Most Committed Corporate for SDGs on Social and Environment Pillar". The Top Business magazine in collaboration with the National Committee on Governance Policy (KNKG) and various Indonesian CSR associations, also awarded BIB with the "TOP CSR Awards 2021 #Star 5", and our President Director of GEMS & BIB, Bonifasius H, with the "Top Leader on CSR Commitment 2021" award. BIB also received the ADITAMA (Gold) award in 2021 from the Indonesian Ministry of Energy and Mineral Resources (MEMR), which is the highest standard of recognition for safety management.

(ii) As a group deeply involved in mining (of energy coal, metallurgical coal and gold), what is the board's view of decarbonisation and the pathways to net-zero?

The Board had adopted the policy of sustainable mining practices that aim to reduce impact on the environment wherever we operate. However, the Board also recognises that, particularly in energy and metallurgical coal, the majority of the emissions occurs in the use of the product rather than in the mining process. In today's economic and political realities brought forth by the geopolitical conflict, curtailing our coal production is unlikely to lead to an abatement in coal utilisation. Several countries in the EU have already restarted coal utilisation or have deferred the retirement of coal-fired power plants to ensure energy security. The Board therefore strives to maintain a balance between playing our part in decarbonisation, contributing to the stability of global energy markets and creating shareholder value.

Over the longer term, the Group has actively taken steps to diversify from energy coal into other commodities since 2017. For example, the Group recognises that steel production is an essential ingredient in the world's green energy transition, including in the manufacture of electric vehicles and wind turbine monopiles. As it stands, metallurgical coal is the only economically viable method of producing steel, and the Board believes that our investment in Stanmore, including its stake in BMC, stands to benefit from the energy transition. The Group had also made a divestment of 4.5% of its interest in GEMS in April 2021, reducing its interest in Energy Coal.

Since 2017, the Group had also diversified into precious metals to include investments in gold such as Westgold Resources Limited and Ravenswood Gold. In March 2020, the Group had also sought shareholders' approval for the diversification to include investments in base metals and minerals with a focus in resource rich geographies such as Australia, Canada and the United States of America, as well as Indonesia. The Group continues to explore opportunities to further diversify and secure its long-term future.

BY ORDER OF THE BOARD

Dwi Prasetyo Suseno
Executive Director & Group CEO
22 April 2022