BLACKGOLD NATURAL RESOURCES LIMITED

(Company Registration Number: 199704544C)

(Incorporated in the Republic of Singapore)

RESPONSES TO SGX QUERIES IN RELATION TO PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TENGRI COAL AND ENERGY PTE. LIMITED

Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings ascribed to them in the Previous Announcements (as defined herein).

The Board of Directors (the "**Board**" or the "**Directors**") of BlackGold Natural Resources Limited (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcements made by the Company in relation to the Term Sheet entered into between the Company and the Vendor in respect of the Proposed Acquisition, the Company's response to queries raised by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), as well as the signing of the Sale and Purchase Agreement in relation to the Proposed Acquisition on 9 April 2021, 14 April 2021 and 28 May 2021 respectively (collectively, the "**Previous Announcements**") and wishes to address the following queries raised by the SGX-ST on 28 May 2021:

The information set out in this announcement relating to the Target Group and/or Vendor is based on information provided by and/or representations made by the Vendor, and the Directors have not conducted an independent review or verification of the accuracy of such statements and information.

Query 1

The Target holds (i) mining licences to mine coal deposits in Bayan Soum, Tuv province, Mongolia which were issued by the Mineral Resource Authority of Mongolia; and (ii) holds licences for the construction of power plants and energy facilities in Mongolia.

a. Please provide more information of the coal mining and power plant businesses, such as whether the mines are already in operations and revenue generating, contracts being fulfilled.

b. Please provide the key financial information of the Target Group.

Company's Response to Query 1

a. As of the date of this announcement, the construction of the power plants and energy facilities in Mongolia has not been completed and the coal mines in Bayan Soum, Tuv province, Mongolia are in the exploration phase. In this regard, the Company notes that the aforementioned businesses of the Target Group have yet to commence operations and are not revenue generating as at the date of this announcement. Notwithstanding, the Company understands that the Target Group has entered into the following offtake agreements:

   (i) with the National Dispatching Center LLC for 300MW of generated power for 25 years at 7 cents/kWhr; and

   (ii) with Tengri Resources LLC for another 300MW of generated power for 25 years at 7 cents/kWhr.

   No offtake agreements have been entered into in respect of the coal mines.

b. The Company wishes to make reference to paragraph 5 of its announcement on 28 May 2021 with regard to the signing of the Sale and Purchase Agreement, wherein the key financial information of the Target Group for the financial years ended 31 December 2019 and 31 December 2020 have been disclosed.

Query 2

What are the Vendor's plans for the Company should the Proposed RTO proceed to completion? What is the rationale for the Vendor in entering into the agreement for the Proposed RTO? Has the Vendor considered a listing of the mines and power plants in other jurisdictions or via other means? If so, please provide details.

Company's Response to Query 2

Subject to the completion of the Proposed Acquisition, the Vendor intends to tap on the Group's capabilities and resource-related activities, which are synergistic to the Target Group's growth strategy, to accelerate its plans for the development of an Asia-centric value chain platform to capitalise on the growing energy demand in Asia.

In August 2018, the previous holding company of the Target Group had entered into a share purchase agreement with International Millennium Mining Corp. ("**IMMC**") with a view to complete a reverse takeover on the Toronto Stock Exchange. Subsequently, as announced by IMMC on 10 January 2020, the parties had mutually agreed to terminate the share purchase agreement. With regards to the foregoing, the owners and management of the Target Group were of the view then that a listing on a stock exchange (including by way of a reverse takeover) located in Asia will enable the Target Group better access to investors in Asia, which is where the Target Group's business and assets are based.

In August 2020, the previous holding company of the Target Group entered into a sale and purchase agreement with QT Vascular Ltd ("**QT Vascular**"), a company listed on the Catalist board of the SGX-ST, wherein QT Vascular will acquire the entire issued and paid-up share capital of the Target Group, which, if completed, would have resulted in a reverse takeover. The transaction was subsequently terminated in November 2020 as certain conditions precedent were not fulfilled or waived within the stipulated timeline set out in the aforesaid sale and purchase agreement with QT Vascular.

Query 3

The consideration for acquiring the Target is S$1 billion, being the indicative ascribed value of the Target Group. Has the Company identified the independent valuer for the Target?

Company's Response to Query 3

The Company is in the midst of shortlisting suitable candidates for the independent valuer and shall complete the selection process in due course.

Query 4

Will there be a qualified person's report prepared by an independent qualified person? Please provide the identity of the independent qualified person.

Company's Response to Query 4

Pursuant to the terms of the Sale and Purchase Agreement, the issuance of a qualified person's report ("**QPR**") is a condition to the completion of the Proposed Acquisition. An independent qualified person will be commissioned to prepare the QPR. The Company is in the midst of shortlisting suitable candidates for the independent qualified person and shall complete the selection process in due course.

Query 5

The Company will pay introducer fees to UOBKH as follows:

- a fixed introducer fee of S$500,000, payable after the completion of the Placement Exercise;
- a variable introducer fee of 10% of the total gross proceeds from the Placement Exercise; and
- such number of new ordinary shares in the issued capital of the Company to be allotted and issued to UOBKH representing 4.88% of the market capitalisation of the Company as at completion of the Proposed Acquisition.

a. How are the introducer fees being determined?
b. Why are there a fixed and variable component of the introducer fees for the Placement?
c. What is the industry norm (eg: in terms of quantum or rate) for introducer fees for such MOG deals?
d. Other than introducing the Vendor to the Company, what is UOBKH's role in the proposed RTO? What is UOBKH's role in the Proposed Placement?
e. In the event the Company is unable to raise S$5m from the Placement, does it still need to pay UOBKH for the fixed portion of S$500K? What is the rationale and why does the board consider this to be in the best interest of the Company and its shareholders?
f. In the event the Proposed RTO does not proceed to completion, would the Company still need to pay the introducer fees to UOBKH?

Company's Response to Query 5

a. The Introducer Fees were the result of commercial discussions held between the Company and UOBKH on a willing-buyer, willing-seller basis. In agreeing to the Introducer Fees, the Company had considered, amongst others, the role of UOBKH (more details of which are provided in paragraph (d) below)), the Placement Exercise and the rationale for the Proposed Acquisition.

b. The structure of the Introducer Fees, which consists of a fixed component, a variable component and the allotment and issuance of the Introducer Shares, was based on commercial negotiation between the parties. Pursuant to the terms of the Introducer Agreement, payment of the first two (2) components of the Introducer Fees, being the fixed and variable components, are contingent upon successful completion of the Placement Exercise. The 3rd component, being the Introducer Shares, need only be issued upon successful completion of the Proposed Acquisition.

c. The Company is not aware of the known industry norms for such mineral, oil and gas deals other than that which has been disclosed in the Company's response to question 4 of the queries raised by the SGX-ST on 9 April 2021 and announced by the Company on 14 April 2021. The Introducer Fees in this transaction are the result of mutually agreed commercial terms between the Company and UOBKH.

d. In addition to UOBKH's role of introducing the Vendor to the Company, UOBKH will, *inter alia*, in accordance with its terms of reference in the Introducer Agreement, also:

i. Act as liaison party between the Company and the Target to facilitate communication;
ii. Recommend market professionals to assist the Company in preparation of the Proposed Acquisition;
iii. Assist the Company in the negotiation(s) and/or clarification(s) of the terms and conditions of the Proposed Acquisition; and
iv. Assist the Company in evaluating the transaction by reviewing the legal and financial status of the Target Group, structure and terms of the Proposed Acquisition, material documents in connection with the Proposed Acquisition, and such other information concerning the Target Group and/or the Proposed Acquisition that UOBKH believes to be relevant to its analyses.

e. Based on the terms of the Introducer Agreement, the Company will need to pay the fixed Introducer Fee of S$500,000 to UOBKH upon completion of the Placement Exercise. It is the Company's intention to raise the full S$5.0 million from the Placement Exercise. However, in the event this cannot be achieved, the Board will consider the amount it can raise from potential placee(s), and evaluate whether the Placement Exercise should proceed, having regard to, amongst other things, the Introducer Fees that is payable and the rationale of the Proposed Acquisition. Given that the Company has control over the completion of the Placement Exercise, and no fixed Introducer Fee is payable to UOBKH unless the Placement Exercise is completed, the Board has considered the terms of the Introducer Agreement and assessed it to be in the best interest of the Company and its shareholders.

f. The Company will need to pay the fixed and variable components of the Introducer Fees once the Placement Exercise is completed. However, the Introducer Shares would not be allotted and issued to UOBKH in the event that the Proposed Acquisition is not completed.

If the Proposed Acquisition is aborted or terminated under the terms of the Introducer Agreement, the Company is required to pay UOBKH S$350,000 notwithstanding that the Placement Exercise does not occur. If the Placement Exercise is successfully completed but the Proposed Acquisition is aborted or terminated prior to completion, the Company is required to pay up to another S$150,000, depending on the amount of work done and/or the time spent for that stage of the Proposed Acquisition since completion of the Placement Exercise. In the event the Proposed Acquisition is aborted or terminated, the Company intends to discuss with UOBKH to reduce any fees payable.

<u>Query 6</u>

In view of the current COVID-19 situation, how does the Company intend to perform due diligence on the Target Group, including but not limited to inspecting the mines and power plants and determining the existence of resources and reserves?

<u>Company's Response to Query 6</u>

For the purpose of performing due diligence on the Target Group's assets, the Company intends to appoint an independent professional third-party which has a presence in Mongolia (where the Target Group's assets are situated) so that the due diligence work may proceed unhindered by border or travel restrictions.

Query 7

It is disclosed that the Consideration shall be satisfied by the Company by the allotment and issuance to the Vendor of such number of new Shares (the "Consideration Shares") to be computed as at the Completion Date based on:

Number of Consideration Shares = Consideration / Issue Price.

Issue price = Company Ascribed Value / Total Number of Shares

"Company Ascribed Value" of the Blackgold Group is indicated to be S$202.5 million (US$150 million), being the indicative ascribed value of the Group and assets held by the Group as at the date of the Sale and Purchase Agreement as agreed between the Parties.

We noted that the Group has net liabilities of approximately US$10.2 million as at 31 March 2021.

a. How is the Company's Ascribed Value determined?
b. What is the basis for using such formulas in determining the Group's current value?
c. Why are the Group's liabilities excluded from the Company's Ascribed Value?
d. Is such computation of the Company Ascribed Value in accordance with industry / valuation standards and practices?

Company's Response to Query 7

a. The Company's Ascribed Value is determined as an indicative and preliminary value for the purpose of negotiations on the Sale and Purchase Agreement. In arriving at the Company's Ascribed Value, a discounted value of the Group's future cash flows, adjusted for the current net liability position of the Group, was taken into account. Key assumptions in the estimation of future cash flows include, *inter alia*, projects in the pipeline to be undertaken in line with the Group's future strategic plans.

   As disclosed in the Company's announcement on 28 May 2021, the Company's Ascribed Value may be subject to adjustments based on the valuation report to be prepared by an independent valuer in relation to the valuation of the Group and assets held by the Group, which will be performed in accordance with the relevant valuation principles to be agreed between the parties, and the prevailing Catalist Rules. The final valuation of the Company could differ from the Company Ascribed Value, subject to the outcome of the Company Group Valuation to be performed.

b. A discounted value of the Group's future cash flow is a commonly used model for ascertaining the fair value of an asset.

c. In deriving the Company's Ascribed Value, the discounted value of the Group's future cash flows has taken into account the net liability position of the Group as at 31 March 2021.

d. Please refer to the Company's responses to Query 7b above.

By Order of the Board

Soh Sai Kiang
Independent Non-Executive Chairman
1 June 2021

This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.

This announcement has not been examined or approved by 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.

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