

NOBLE GROUP LIMITED
(Incorporated in Bermuda with limited liability)

**RESPONSE TO SGX QUERIES REGARDING
FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017**

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

1. We refer to note 1(a)(i)(A)(#2)(*1) to Quarterly Financial Statements and Dividend Announcements in relation to the Exception Items of US\$1.2b recorded in the 2nd Qtr ended 30 June 2017.

1.1. Please elaborate on the key contributors to the exceptional items.

During the six months ended 30 June 2017, the Group recorded exceptional items in its operating income from supply chains as referenced in note 1(a)(i)(A)(#2)(*1) to the Quarterly Financial Statements and Dividend Announcement.

It is important to note that the reduction in carrying values of the net fair value gains balance during the six months ended 30 June 2017 has been driven by additional reserving. The underlying contracts have not been impacted by this additional reserving.

1.2. SGXNet Announcement, note 1(a)(i)(C), It was highlighted that “concluded that changes should be made to the Group’s balance sheet to reflect increased risks.” Please elaborate on the increased risks and how the changes have addressed these risks.

Much of the Group’s net fair value gains balance was recorded at a time when the operating environment, trading terms and access to funding were significantly more favourable. These are important elements of the Group’s risk profile that were highlighted during the strategic review (commenced in May 2017) and the increase in reserves appropriately reflects this change. The Group refers to “Noble Group Announces Update on Strategic Review, Profit Guidance and Update on Ongoing Discussions with Lenders” released on 26 July 2017 for further information on the strategic review.

1.3. In relation to valuation adjustment due to changes in coal anchor price assumption, please disclose the basis for the Group’s ‘anchor’ coal prices.

The Group’s anchor prices are determined based on fundamental supply/demand analysis backed by broker consensus. Broker consensus information is obtained from a leading independent data services provider, with the thermal coal consensus estimate based on contributions from several brokers.

As at 31 December 2016, the Group's thermal coal anchor price was US\$55/tonne, and was unchanged in 2016. The anchor price increase recorded during the three months ended 31 March 2017 brought the Group's thermal coal anchor price in line with average broker consensus levels of US\$64/tonne at the end of March 2017. This anchor price level was slightly below average broker consensus levels of US\$68/tonne at the end of June 2017.

1.4. In relation to Additional Hard Commodities mark-to-market reserves:

(a) Please disclose the breakdown of the reserves and/or adjustments by Level 3 and Level 2 Fair Values;

The US\$1.2 billion exceptional loss related to non-cash Hard Commodities mark-to-market reserves recorded during the three months ended 30 June 2017 included:

- Approximately US\$600 million of reserves and adjustments against certain Level 2 net fair value gain balances including applying additional reserves to certain contracts as a result of adverse back testing results and the impact of credit rating downgrades on discount rates.
- Approximately US\$600 million from reserving the entire Level 3 net fair value gains balance.

(b) It was disclosed that additional reserves have been made against Level 2 net fair value gains in relation to some contracts as a result of adverse back testing results during the first half of FY2017. In this regard, please disclose: the key factors which have contributed the realization being lower than the forecasted for the relevant contracts;

The amount of Level 2 net fair value gains reserves and adjustments included additional reserves to certain contracts as a result of adverse back testing results.

Realisation on the Group's portfolio of long-term physical contracts has historically been in line with expectations. The key factors considered in the adjustments, which have impacted back testing during the six months ended 30 June 2017, are as follows:

- Narrowing of spreads in certain key markets, particularly the Indonesian and Newcastle thermal coal benchmarks and the thermal coal to semi-soft coking coal spread.
- Constraints placed on the Group's access to trade finance lines has interrupted normal trading flows and resulted in increased demurrage costs.
- Rescheduling of immediate deliveries due to production issues and commercial renegotiations at producing suppliers increased the variance between forecast and actual cash flow.

- (c) **Please elaborate (i) the key valuation factors; (ii) how each of these factors have resulted in reserving of the entire 3 net fair value gain balance; and (iii) whether these factors are also backed by market data. Please provide the details of the market data if applicable.**

The change in reserving approach was a result of the strategic review (commenced May 2017), and was not driven by one factor. The review indicated, and the Board of Directors agreed, that reserves should be increased to take account of the increased uncertainty in the Group's operating environment including markets, the industry and the Group's access to adequate funding sources. Examples of this included:

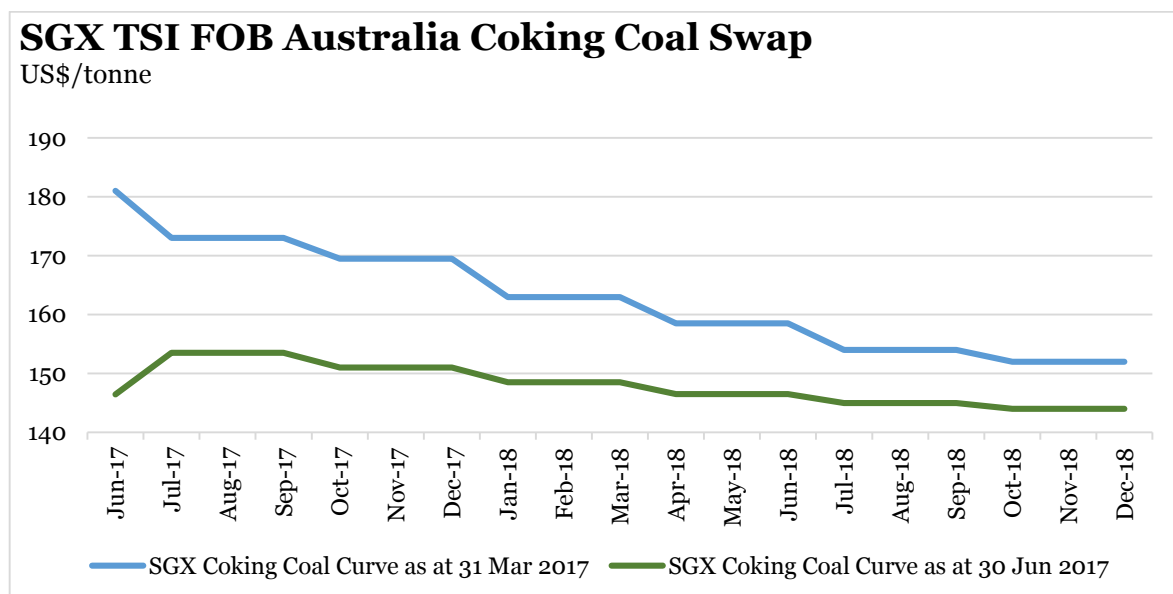
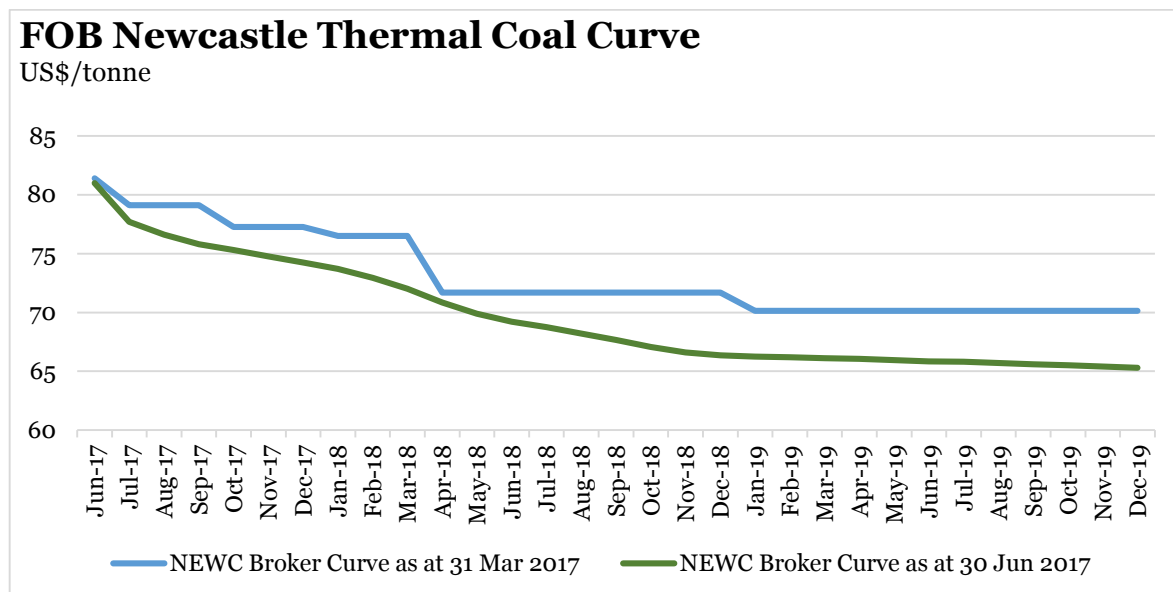
- The recent downgrades of the Group's credit rating.
- The exceptional movements and dislocation in coal markets. During the three months ended 31 March 2017, there were exceptional movements and dislocations in the coal markets with prices decoupling, liquidity dropping significantly and long term relative correlations being significantly interrupted. The Group refers to the "Energy Coal Markets 1Q 2017" presentation that accompanied the financial results for the three months 31 March 2017 for further analysis on the coal market. These changes in observable valuation inputs also informed the decision to increase reserving of the Level 3 net fair value gains balance, which primarily comprises unobservable valuation inputs.

This resulted in the reserving of the entire Level 3 net fair value gains balance.

- (d) **Please clarify as to whether the non-cash mark-to-market losses of US\$150m (as described on pg 15 of MD&A section for "Selected Cash Flow & Net Debt Reconciliation") in the Hard Commodities Businesses primarily related to unrealized observable physical positions as forward prices fell has been included in the Exception Item of US\$1.2b. Please disclose the forward prices used by Noble and whether these are backed by market data. Please provide the details of the market data if applicable.**

The Group recorded an approximately US\$(150) million non-cash mark-to-market loss in respect of its Hard Commodities businesses in the adjusted operating loss from supply chains of US\$(267) million for the three months ended 30 June 2017. This loss was related to unrealised observable physical positions as forward prices fell. This loss was not included in the exceptional items US\$1.2 billion of non-cash net fair value gains valuation adjustments recorded during the three months ended 30 June 2017.

Most of the losses were in the Group's Energy Coal and Metallurgical Coal (included within Carbon Steel Materials) businesses, where positions are marked against either curves provided by brokers and exchanges, or corroborated to those curves where there is a strong historical relationship. Please refer to the charts below.



Energy Coal curves are sourced daily from leading brokers. Metallurgical Coal curves are from the SGX forward curve listed as the “SGX TSI FOB Australia Premium Coking Coal Swap”.

2. **We refer to note 1(a)(i)(A)(#2)(*2) in relation to the impairment of non-current assets and assets held for sales amounting to about US\$91m for 1H2017.**
- 2.1. **Please provide details of the impairments provided in 2nd Qtr ended 30 June 2017. Do the impairments include the impairment loss of US\$60m against the Group’s palm oil assets held for sales (as disclosed on pg 4 of MD&A)?**

Non-cash impairment losses on non-current assets of approximately US\$91 million were recorded during the three months ended 30 June 2017. These losses included US\$60 million against the Group's Palm asset held for sale and US\$31 million against the Group's investment in ASX-listed Baralaba Coal as it entered voluntary administration.

- 2.2. Are the palm oil assets held for sales related to the palm business in exchange for which a promissory note of US\$64,449,000 was issued to COFCO Agri Limited as part of the disposal of CAL Group in 2014 (as disclosed in note 1(b)(i)(E) on pg 6)? If yes, what is the arrangement between Noble with CAL in relation to the ownership of the palm business. Please explain as to why Noble has to provide for impairments for the palm oil assets held for CAL?**

As described in the note, the Palm business was retained as an asset by the Group when the Noble Agri business was sold to CAL. CAL has no ownership interest in the Palm business. The Group has decided to sell the Palm business and has classified it as held for sale. In accordance with IFRS 5, the Group routinely assesses the recoverable amount on this asset in accordance with the applicable accounting standards. The existence of a promissory note with a contingent value right does not alter our obligations in this respect. Any amount paid to CAL is dependent upon net proceeds. Proceeds on a sale will be first reduced by transaction fees, any applicable taxes and settlement of intercompany indebtedness and then to the obligations under the promissory note held by CAL.

- 2.3. Please explain as to what are the factors which contributed to the impairments and whether Noble has sought professional advice in determining the impairments.**

In respect of the Palm asset, the Group is in active discussions regarding a sale with potential buyers. The impairment loss was determined and measured internally by the Group on the basis that the previously indicated carrying value is less likely to be realised on a sale than previously evaluated.

The impairment loss on ASX-listed Baralaba Coal was driven by Baralaba entering voluntary administration.

- 3. We refer to note 1(b)(i) in relation to the Statement of Financial Position (for the issuer and the group).**

- 3.1. Please provide an explanation in relation to the variances in the following balance sheet items:**

- (a) Investments in joint ventures;**

variance from 31 December 2016 to 30 June 2017 primarily relates to the Group's US\$90 million reinvestment in Harbour Energy, offset by a partial disposal of the Group's Watt Power investment.

(b) Investments in associates; and

variance from 31 December 2016 to 30 June 2017 primarily relates to the impairment of the Group's investment in ASX-listed Baralaba Coal along with the recognition of the Group's share of losses of other associates.

3.2. What is the nature of the “Prepayments, deposits and other receivables”?

Prepayments, deposits and other receivables includes prepayments to suppliers, trade prepayments and amounts due from joint ventures/associates. Prepayments to suppliers and trade prepayments represents advances to counterparties with whom the Group has off-take or other agreements under which the prepayments will be recovered from the production outputs of the counterparties.

4. We refer to the MD&A for Oil Liquids: Performance.

4.1. Please elaborate as to how Noble's performance in Oil Liquids business has been affected due to “unexpected market movements due to inventory builds in April in the Light Ends business as it was positioned to deliver on the added demand expected to come in the summer months. However, this reserved somewhat as demand to increase in May”.

In early April, the Group's Light Ends business, a leading franchise trading gasoline with significant operations in the US, was positioned to take advantage of gasoline demand outstripping supply ahead of the US summer driving season – in simple terms, a long position on gasoline prices. These positions generated losses as gasoline prices fell during April due to unexpected inventory builds in the US.

During early May, the April losses began to reverse and the Light Ends business benefited from increasing gasoline prices and positive gasoline blend margins. This positive early performance in May was offset by the broader negative change in sentiment around Noble Group following the announcement of a loss for the three months ended 31 March 2017 which impacted the Group's relationships with certain counterparties and its ability to trade.

4.2. Please elaborate the “challenging trading conditions in April” and how the scaling back of the risk positions has affected Noble's Oil Liquids Performance.

Refer to response 4.1 regarding challenging trading conditions in April. The scaling back of risk positions, as the business reduced positions due to the tighter financing framework, resulted in losses as certain positions were exited before their planned maturity and also prevented the Group from taking advantage of profitable trading opportunities.

4.3. We refer to the Investor Presentation Slides, Exceptional Items, Please provide a breakdown of the impairments for non-cash and non-current assets.

Non-cash impairment losses on non-current asset were approximately US\$91 million during the three months ended 30 June 2017. These losses included US\$60 million against the Group's Palm asset held for sale and US\$31 million against the Group's investment in ASX-listed Baralaba Coal as it entered voluntary administration.

Noble Group Limited
18 August 2017

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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. Noble 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 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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