



28 February 2017

**QUARTERLY ACTIVITIES REPORT FOR THE  
QUARTER ENDED 31 JANUARY 2017 (“1Q2017”)**

**Production:**

- Total mine production achieved for the quarter ended 31 January 2017 (“**1Q2017**”) is approximately 0.2 million tonnes (“**MT**”), which is approximately 11.0% lower compared to the quarter ended 31 January 2016 (“**1Q2016**”).

**Coal Trading:**

- Trading sales volume for 1Q2017 is approximately 0.9 MT, which is approximately 1.2% higher as compared to 4Q2016.

**COMPANY DIRECTORS & MANAGEMENT**

**Directors**

Managing Director & CEO	Yuguo Peng
Non-Executive Chairman	Dr Chi Ho (James) Tong
Executive Director	Jun Ou
Non-Executive Director	ZhongHan (John) Wu
Non-Executive Director	Wei-Her (Sophia) Huang
Non-Executive Director	Prof Guangfu Yang

**Management**

Deputy General Manager, Enterprise Management	Yijiang Peng
Chief Financial Officer	It Phong Tin
Chief Geologist	WenMing Yao

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## 1. Overview

Blackgold International Holdings Limited (“**Company** or **Blackgold**”) currently owns four existing underground thermal coal mines, the Caotang Mine and the Heiwan Mine in Fengjie County, Chongqing, the Baolong Mine in Wushan County, Chongqing, and the Changhong Mine in the area bordering Xishui County of Guizhou and Qijiang County of Chongqing, all in the People’s Republic of China (“**PRC**”).

Blackgold produced 245,421 tonnes of raw coal in 1Q2017 from the Caotang and Heiwan Mines. Total production in 1Q2017 was approximately 11.0% lower than the total production of 275,852 tonnes achieved in 1Q2016.

As announced on 20 January 2017, as of 31 July 2016, Blackgold’s four mines are estimated to have a combined JORC Code-compliant Proved and Probable Reserves of 99.0 million tonnes<sup>1</sup>. Whilst the coal quality on the Company Properties varies within each seam, the seams generally contain low sulphur (except Changhong Mine) and high heating value anthracite coal. The table below shows the average coal quality of the proved and probable reserves at each of Blackgold’s mines:

Average Undiluted Raw Coal Quality of the Reserves						
Mine	Moisture (%) ad <sup>1</sup>	Ash (%) ad	Volatile Matter (%) ad	Fixed Carbon (%) ad	Sulphur (%) ad	CV (kcal/kg) ar <sup>2</sup>
Caotang	0.7	34.7	7.2	57.9	0.7	4,910
Heiwan	0.8	26.3	6.9	65.8	0.7	5,660
Baolong	0.5	28.3	6.8	63.3	0.6	5,515
Changhong	0.5	18.6	9.0	68.5	2.6	6,863
<sup>1</sup> “ad” = air dried basis						
<sup>2</sup> “ar” = as received basis						

The data indicates that the majority of Blackgold’s coal is anthracite coal, with dry volatile matter contents ranging from 1% to 10%. The dry ash contents of certain raw coal quality indicates that beneficiation (coal washing) prior to utilization will be required in a number of instances.

A summary of each mines’ respective Reserves is detailed below. Reserves have been depleted through mining activities and as such, the tables below do not account for depletions after the effective date.

<sup>1</sup> Please refer to ASX Announcement dated 20 January 2017 for full details of the Reserves estimate as of 31 July 2016. This information was prepared in accordance with the JORC Code 2012 Edition. The Company is not aware of any new information or data that materially affects the information included above and, in the case of estimates of mineral resources and ore reserves, confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.



JORC CODE-COMPLIANT DATA FOR BLACKGOLD COAL PROPERTIES AS OF 31 JULY 2016 <sup>1</sup>									
Mine	Reserve Category			Average Undiluted Raw Coal Quality					
	Proved	Probable	Total	Moisture (%) ad	Ash (%) ad	Volatile Matter (%) ad	Fixed Carbon (%) ad	Sulphur (%) ad	CV (kcal/kg) ar
Caotang	18.6	3.1	21.7	0.7	34.7	7.2	57.9	0.7	4,910
Heiwan	3.1	0.4	3.5	0.8	26.3	6.9	65.8	0.7	5,660
Baolong	29.1	26.0	55.1	0.5	28.3	6.8	63.3	0.6	5,515
Changhong	11.9	6.8	18.7	0.5	18.6	9.0	68.5	2.6	6,863
<b>Total</b>	<b>62.7</b>	<b>36.3</b>	<b>99.0</b>						

*Note: These reserves are estimated in compliance with the JORC Code 2012 Edition. Since mining has occurred, the "Reserves and Resources Base" is being slowly depleted. The deliverable CV of these reserves is between 4,500-7,000kcal/kg*

The Company has also identified Inferred Coal Resources of 39 MT (29 MT at Baolong Mine and 10 MT at Changhong Mine) which it intends to upgrade by future drilling in order to replace reserves depleted by mining activities.

Total volume of coal sold is approximately 0.3 MT in 1Q2017, which is approximately 15.7% lower than the total volume of coal sold in 1Q2016.



## 2. Production Statistics

FY2016	Unit	Tonnes	Sales A\$ (Million)	Sales RMB (Million)
1st Quarter	Caotang	232,947	8.9	45.6
	Heiwan	12,474	1.4	7.3
	Changhong	-	-	-
	Group	245,421	10.3	52.9
2nd Quarter	Caotang			
	Heiwan			
	Changhong			
	Group			
3rd Quarter	Caotang			
	Heiwan			
	Changhong			
	Group			
4th Quarter	Caotang			
	Heiwan			
	Changhong			
	Group			
Total	Caotang	232,947	8.9	45.6
	Heiwan	12,474	1.4	7.3
	Changhong	-	-	-
	Group	245,421	10.3	52.9
FY2016	Unit	Tonnes	Sales A\$ (Million)	Sales RMB (Million)
1st Quarter	Caotang	230,849	9.1	42.1
	Heiwan	45,003	4.0	18.5
	Changhong	-	-	-
	Group	275,852	13.1	60.6
2nd Quarter	Caotang	123,953	4.6	22.2
	Heiwan	15,035	1.1	5.1
	Changhong	-	-	-
	Group	138,987	5.7	27.3
3rd Quarter	Caotang	208,982	7.1	34.8
	Heiwan	9,940	0.8	3.9
	Changhong	-	-	-
	Group	218,922	7.9	38.7
4th Quarter	Caotang	216,229	7.0	35.5
	Heiwan	11,065	0.9	4.8
	Changhong	-	-	-
	Group	227,363	7.9	40.3
Total	Caotang	780,081	27.8	134.6
	Heiwan	81,043	6.8	32.3
	Changhong	-	-	-
	Group	861,124	34.6	166.9

\* The above production statistics table does not include any contribution from coal trading.



### **Caotang Mine (Wholly owned by BGG)**

Caotang Mine's main portal is at an elevation of 435m in the foothills of a mountainous countryside. It is located 14km north-northeast of Fengjie County town, in the PRC, approximately 33km by road from the town center and approximately 25km from the port on the Yangtze River. The site administration falls under the jurisdiction of Baidi and Fenhe Towns (both are equivalent to district level administration).

The Caotang Mine is characterised by two minable coal seams namely K1 and K2 of which K1 is the primary producing coal seam. The K1 coal seam at the Caotang Mine is the major economic seam while the K2 seam is the secondary producer.

The total thickness of the K1 seam ranges from 0.0m to 2.4m with an average of 1.2m; within the mine workings it is 1.96m thick. The K2 coal seam is distributed throughout the permit area and is the secondary producer with the product commonly referred to as "fragrant coal." The coal seam thickness ranges from 0.0m to 1.5m, averaging 0.99m in the mine workings.

The Caotang Coal is classified as high ash, medium to high sulphur, medium to high phosphorous, and medium calorific value coal making it suitable for the thermal energy market.

Total production from the Caotang Mine is 232,947 tonnes in 1Q2017, which is approximately a 7.7% increase compared to the production achieved in 4Q2016.

In addition, as compared to the corresponding quarter 1Q2016, the Caotang Mine production increased by 0.9% in 1Q2017.

Please refer to Annexure A for details regarding the lateral development of this mine.

### **Heiwan Mine (Wholly owned by BGG)**

Heiwan Mine portal is at an elevation of 1,120m in a very mountainous countryside, located in the northeast portion of the Fengjie County and approximately 27km northeast of the Fengjie County, in the PRC. It is approximately 42km by road from the town center and approximately 35km from the port site on the Yangtze River.

The main coal seam mined at the Heiwan Mine is K3. The coal thickness ranges from 0.25m to 0.50m with an original quoted average of 0.40m, but recent underground exposures averaged 0.49m.

K1 seam, which is similar to K3 averaging 0.84m thickness, is also developed as a secondary production contributor.

This classifies the coal as high ash, low sulphur, and medium calorific value coal suitable for the thermal energy market.

Total production from the Heiwan Mine is 12,474 tonnes in 1Q2017, which is approximately a 12.7% increase compared to the production achieved in 4Q2016.

Compared to the corresponding quarter 1Q2016, the Heiwan Mine production decreased by approximately 72.3% in 1Q2017.

Please refer to Annexure A for details regarding the lateral development of this mine.



### **Changhong Mine (Wholly owned by BGG)**

Changhong Mine is located in the southern portion of the Chongqing Municipality and approximately 108km south of downtown Chongqing, in the PRC. The mine is located in the area bordering Xishui County of Guizhou and Qijiang District of Chongqing. It is approximately 62km southeast of Qijiang town center and 18km from the nearest railway station.

There are 6 main Upper Permian Longtan Formation coal seams in the district. The thicker M6 and M8 coal seams are originated from 3 small mines. Those mines were amalgamated in 2007. Production will continue in cleanup mode above the 1,093m level adit while the new 1,023m level adit is completed to access the deeper coal.

The coal is mainly used for power generation, domestic consumption, or steaming coal.

There is no production in this quarter.

Please refer to Annexure A for details regarding the lateral development of this mine.

### **Baolong Mine (Wholly owned by BGG)**

Baolong Mine is located in the southeast of Wushan County and 17km from Baolong Town, in the PRC. The trucking distance from the mine site to the local Baolong dock site at Putaoba is 25km.

Blackgold has upgraded the mine development plan to achieve a higher future production. It is currently awaiting approval of its applications for the required safety production permit.

Please refer to Annexure A for details regarding the lateral development of this mine.

## **3. Coal Trading**

Our trading arm sold approximately 0.9 MT in 1Q2017, which is approximately 1.2% higher as compared to 4Q2016.

## **4. Chongqing Guoping Shipping Transportation Co., Ltd (“GPST”)**

GPST continues to operate with the current fleets.



## **5. Corporate**

### **5.1 Recently announced**

- On 28 October 2016, it was announced that Blackgold had entered into a Scheme Implementation Agreement with Vibrant Group Limited (“Vibrant”) pursuant to which Vibrant will, if approved by Blackgold shareholders, acquire all of the shares in Blackgold by way of a Scheme of Arrangement (“Scheme”), in return for providing A\$0.045 (4.5 cents) per Scheme share to Blackgold shareholders (save for shares in Blackgold already held or controlled by Vibrant as at the date of this announcement). As at the date of this announcement, the Scheme Booklet has been given to ASIC for review.
- On 1 February 2017, it was announced that finalization of Blackgold’s full year financial accounts as at 31 October 2016 has been delayed. As at the date of this announcement, Blackgold is working closely with its auditor Crowe Horwath on this matter.
- On 10 February 2017, it was announced that LionHeart and Blackgold have agreed that LionHeart will extend the “Completion End Date” of the Convertible Bond Agreement (dated 8 December 2014) for at least three months from 18 May 2017 if Blackgold’s Scheme of Arrangement (as referred to in the Blackgold announcement released on 31 October 2016) is not completed on or before 18 May 2017. The rest of the provisions of the Convertible Bond Agreement remain unchanged and continue in full force and effect.
- Further details of the Company’s announcements can be found on the ASX website.

## **6. Occupational Health and Safety**

Blackgold is pleased to report that there were no incidents or accidents during 1Q2017.

Blackgold has maintained an excellent safety record over the past 16 years. Individual positioning devices had been adopted as standard equipment for all underground personnel.

Although both Caotang Mine and Heiwan Mine are classified as low gas mines, automatic gas detectors have been installed inside the mining areas and are remotely connected to the respective site offices with monitoring links to the Coal Safety Control Bureau of Fengjie County.

These gas detectors have also been installed at Changhong Mine and the Company intends to install them at Baolong Mine before production commences.

## **7. China Coal Industry**

China’s coal industry has traditionally been fragmented among large state-owned coal mines, local state-mines are regarded as inefficient, with minimal capital, outdated equipment and poor safety records. During the past several years, China has closed down numerous small coal mines in an effort to consolidate the industry, increase efficiency and promote acceptable safety standards.

Blackgold is the largest non-state owned coal mining company in the Chongqing region and is ideally positioned to benefit from this consolidation process.



## **8. Future Developments**

There is no exploration undertaken this quarter. However, Blackgold will continue to work with independent geologists to progress the exploration and evaluation activities and upgrade its existing reserves and resource base in the forthcoming quarters.

Blackgold enjoys excellent logistics infrastructure and its proximity to the Yangtze River allows it to transport coal to customers at low cost. Blackgold will continue to evaluate acquisition opportunities of mines with similar geographical advantages.

### **Contact:**

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### **Disclaimer**

Certain statements included in this announcement constitute forward-looking information. This information is based upon a number of estimates and assumptions made by the Company in light of its experience, current conditions and expectations of future developments, as well as other factors that the Company believes are appropriate in the circumstances. While these estimates and assumptions are considered reasonable, they are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, commodity prices, exploration, acquisition, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward-looking information is no guarantee of future performance and, accordingly, investors are cautioned not to put undue reliance on forward-looking information due to the inherent uncertainty therein. Forward-looking information is made as at the date of this announcement and the Company disclaims any intent or obligation to update publicly such forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by law.

### **About Blackgold**

Blackgold International Holdings Limited (ASX Code: BGG) is a Chongqing, China-based producer of high value thermal coal. Blackgold listed on ASX on 22 February 2011.

Blackgold currently operates four existing underground thermal coal mines, the Caotang Mine and the Heiwan Mine in Fengjie County, Chongqing in the PRC, the Baolong Mine in Wushan County, Chongqing in the PRC and the Changhong Mine in the area bordering Xishui County of Guizhou and Qijiang County of Chongqing in the PRC.



## ANNEXURE A – Lateral Development

Period	Mines	Caotang Mine	Heiwan Mine	Baolong Mine	ChangHong Mine
	Adit inside Pit	Metres			
1Q2017	Primary lateral driving (Development off seam)	-	-	-	-
	Primary lateral driving (Development on seam)	1,046	190	-	-
	Draw points construction	924	180	-	-
	Raise between levels (off seam)	134	-	-	-
	Decline on seam	-	-	-	-
	Raises on seam	-	-	-	-

Period	Mines	Caotang Mine	Heiwan Mine	Baolong Mine	ChangHong Mine
	Adit inside Pit	Metres			
1Q2016	Primary lateral driving (Development off seam)	347	-	-	-
	Primary lateral driving (Development on seam)	678	302	-	-
	Draw points construction	776	453	-	-
	Raise between levels (off seam)	-	-	-	-
	Decline on seam	-	175	-	-
	Raises on seam	-	-	-	-
2Q2016	Primary lateral driving (Development off seam)	212	-	-	-
	Primary lateral driving (Development on seam)	490	323	-	-
	Draw points construction	451	197	-	-
	Raise between levels (off seam)	-	-	-	-
	Decline on seam	-	60	-	-
	Raises on seam	-	-	-	-
3Q2016	Primary lateral driving (Development off seam)	-	-	-	-
	Primary lateral driving (Development on seam)	433	155	-	-
	Draw points construction	527	155	-	-
	Raise between levels (off seam)	-	-	-	-
	Decline on seam	-	-	-	-
	Raises on seam	-	-	-	-
4Q2016	Primary lateral driving (Development off seam)	-	-	-	-
	Primary lateral driving (Development on seam)	317	158	-	-
	Draw points construction	584	101	-	-
	Raise between levels (off seam)	-	-	-	-
	Decline on seam	-	-	-	-
	Raises on seam	-	-	-	-

Note: Lateral development of mines is planned according to the proposed production requirement, certain pits that are not further developed are indicated as such ("-").



## LOCATION OF BLACKGOLD'S MINES

