

BLACKGOLD NATURAL RESOURCES LIMITED

(Company Registration Number: 199704544C)

(Incorporated in the Republic of Singapore)

SIGNING OF A CONDITIONAL TERM SHEET RELATING TO THE PROPOSED JOINT VENTURE BETWEEN BLACKGOLD AND CHINA HUADIAN ENGINEERING

1. INTRODUCTION

The board of directors (the “**Board**” or “**Directors**”) of BlackGold Natural Resources Limited (the “**Company**”, and together with its subsidiaries, collectively, the “**Group**”) refers to the Company’s announcement on 28 December 2015 in relation to a consortium agreement (the “**Consortium**”) between PT Samantaka Batubara (“**PT SB**”), a subsidiary of the Group, and China Huadian Engineering Co., Ltd. (“**China Huadian**”), for an ongoing cooperation project for the development, construction, operation and maintenance of a 2 x 300 MW coal-fired power plant in Riau province, Indonesia (the “**Project**” or “**Riau-1 Project**”). The Board wishes to announce that, on 8 June 2017, through its subsidiary PT SB, the Group entered into a conditional term sheet (the “**Term Sheet**”) with China Huadian (together PT SB and China Huadian are referred to as the “**Parties**”) in relation to a proposed joint venture via which the Project is to be effected (the “**Proposed Joint Venture**”).

The Term Sheet sets out the main principles of the definitive legal documentation (the “**Definitive Agreement**”) to be entered into by the Parties in respect of the Proposed Joint Venture. The Proposed Joint Venture will be subject to the parties executing the Definitive Agreement and further details will be announced in the event that the Definitive Agreement is entered into by the Group.

2. INFORMATION ON THE PROPOSED JOINT VENTURE

The Term Sheet relates to the Proposed Joint Venture between the Group and China Huadian via the establishment of a company (the “**NewCo**”) for the construction, development, ownership, operation and maintenance of a 2 x 300 MW coal-fired steam power plant in Riau province, Sumatera, Indonesia.

The Consortium has participated in a bidding process (the “**Bid**”) to provide electrical power to the Indonesia state-owned company, PT Perusahaan Listrik Negara (“**PT PLN**”). Subject to the awarding of the Bid to the Consortium and entry into the relevant power purchase agreement with PT PLN, the NewCo shall construct and commission the Project to enable it to produce and supply electrical power to PT PLN.

3. HIGHLIGHTS OF THE TERM SHEET

Under the terms and conditions of the Term Sheet, amongst others:

- (a) PT SB’s responsibilities include, but are not limited to, the following:-
 - (i) Obtaining all approvals, permits and licences from the Government of Indonesia required for the Project;
 - (ii) Acquiring all the land required by the NewCo for the Project;
 - (iii) Arranging and guaranteeing the exclusive coal supply to the Project for 30 (thirty) years; and

- (iv) Negotiating and finalising the Power Purchase Agreement (“PPA”) with PT PLN.
- (b) China Huadian shall be appointed as a contractor and its responsibilities include, but are not limited to, the following:-
 - (i) The engineering aspects of the Project including, but not limited to, the development, construction, operation and maintenance of the power plant;
 - (ii) Securing lenders, on a best efforts basis, for the provision of credit, finance and other financial accomodation or facilities to the NewCo in connection with the financing of the development and completion of the Project; and
 - (iii) Providing the necessary funds for the Project development cost account as well as providing the necessary guarantee that would be required by PT PLN from the time of the signing of the PPA to the time of the commercial operation date of the Project.
- (c) The NewCo shall issue new shares which will be held by: i) the Group; ii) its potential third party affiliate(s) and/or working partner(s), if any; and iii) China Huadian, (together, the “**NewCo Shareholders**”) in the proportion of 44%, 5% and 51% respectively.
- (d) The NewCo Shareholders shall make capital contributions to the NewCo in proportion to their respective shareholdings in the NewCo, amounting to a total capital contribution that is equivalent to a maximum of 25% of the total cost of the Project.
- (e) The NewCo Shareholders shall have the right to nominate representatives to the Board of Directors⁽²⁾ and Board of Commissioners⁽³⁾ of the NewCo in proportion to their respective equity interests.
- (f) Each of the Parties shall bear its own legal and professional fees incurred in connection with the Proposed Joint Venture.

Notes:

- (1) In the Company’s announcement dated 28 December 2015, it was stated that, pursuant to the consortium agreement entered into by the Parties, PT SB and China Huadian will invest equity interests of 40% and 60% respectively. Following further negotiations between the Parties the revised equity interests of the Shareholders were agreed in accordance with point (c) above.
- (2) Under Indonesian Company Law, the Board of Directors is responsible for the management of the company.
- (3) Under Indonesian Company Law, the Board of Commissioners advises the Board of Directors and is not involved in the daily operations of the company.

4. CONDITIONS PRECEDENT

The Proposed Joint Venture is subject to the fulfilment of, *inter alia*, the following:

- a) that the Consortium set up by and between the Parties is successfully awarded the Project by PT PLN;
- b) that PT SB is appointed as the long-term exclusive supplier of coal to the Project for the term of the PPA (i.e. 30 (thirty) years).
- c) that China Huadian, or its affiliate, is appointed as the engineering, procurement and construction contractor (the “**EPC Contractor**”) in respect of the Project;
- d) that China Huadian, or its affiliate, is appointed as operations and maintenance contractor (the “**O&M Contractor**”) in respect of the Project;

- e) that all terms and conditions are finalised through the execution of the Definitive Agreement between the Parties; and
- f) all requisite regulatory and shareholder approvals, consents, waivers, registrations or statements of no objection (as the case may be) required by the Company by law or any competent authorities (including the relevant rules and/or requirements of the Singapore Exchange Securities Trading Limited) having jurisdiction over the Company and the matters contemplated in the Term Sheet (“**Required Approvals**”) are obtained, and if such Required Approvals are subject to conditions, such conditions being reasonably acceptable to the Parties.

5. RATIONALE FOR THE PROPOSED JOINT VENTURE

The Board believes that the Proposed Joint Venture is in the best interests of the Group and its shareholders for the following reasons:-

- (i) The Proposed Joint Venture represents an opportunity for the Group to broaden its asset and earnings bases, as well as to provide a long-term recurring source of revenue and profit from its long-term exclusive right to sell coal to the NewCo for 30 years.
- (ii) Given the Group’s current business and operations focus is in coal mining, the Proposed Joint Venture represents a major opportunity for the Group to make an entrance into the Indonesian energy industry, which will provide more consistent and sustainable financial growth in the future.

6. FINANCIAL EFFECTS

The Project has not yet been awarded by PT PLN at this point in time. As a result, the Company is unable to disclose the cost of the Project or its economic parameters on grounds of commercial sensitivity and, consequently, it is unable to disclose the financial effects expected to arise from the Proposed Joint Venture. Further announcements on the Proposed Joint Venture, including its terms, financial effects and other information as may be required under the Catalist Rules of the SGX-ST will be made in due course when the Definitive Agreement is signed, or as and when appropriate.

7. INFORMATION ON CHINA HUADIAN

China Huadian is a state-owned power engineering company in China. China Huadian’s core businesses encompass high tech product research and development, engineering design, general contracting, as well as energy technology research and services.

China Huadian is currently involved in project construction, investment, operation and maintenance of various power projects located in Indonesia.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors, controlling shareholders or substantial shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Joint Venture, save for their respective shareholdings in the Company, if any.

9. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Joint Venture is subject to, amongst others, the Consortium being successful in its bid to PT PLN for the Project.

The Board would like to caution that, as at the date of this announcement, there is no certainty or assurance that the Parties will be able to enter into the Definitive Agreement, or that any transaction will materialise from the Term Sheet. Accordingly, shareholders of the Company are advised to exercise caution when trading in the shares of the Company.

The Company will make further announcements when there are material updates to the Proposed Joint Venture and related matters contained in this announcement.

Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board

Philip Cecil Rickard
Executive Director and Chief Executive Officer
12 June 2017

*This announcement has been prepared by BlackGold Natural Resources Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Advisors Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

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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SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.
