

## BLACKGOLD NATURAL RESOURCES LIMITED

(Company Registration Number: 199704544C)

(Incorporated in the Republic of Singapore)

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### SIGNING OF HEADS OF AGREEMENT FOR THE FORMATION OF A NEW CONSORTIUM TO DEVELOP THE RIAU-1 PROJECT

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#### 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 its announcements on 28 December 2015 and 12 June 2017 (the “**Announcements**”).

Further to the Announcements, the Company wishes to announce that, on 15 September 2017, the Company entered into a Heads of Agreement (“**HOA**”) with various parties to form a new consortium (the “**Consortium**”) in relation to an ongoing cooperation project for the development, construction, operation and maintenance of a 2 x 300 MW coal-fired power plant in Riau province, Sumatra, Indonesia (the “**Riau-1 Project**”). The HOA sees, amongst others, the addition to the Consortium of certain subsidiaries of PT Perusahaan Listrik Negara (“**PLN**”). The HOA supersedes both the consortium agreement and conditional term sheet between PT Samantaka Batubara and China Huadian Engineering Co., Ltd. that were disclosed in the Announcements.

#### 2. INFORMATION ON THE CONSORTIUM

The parties to the Consortium are:

- (a) PT Pembangkitan Jawa-Bali (“**PJB**”)<sup>(1)</sup>;
- (b) China Huadian Engineering Co., Ltd. (“**CHEC**”)<sup>(2)</sup>;
- (c) the Company;
- (d) PT PLN Batubara (“**PLN BB**”); and
- (e) PT Samantaka Batubara (“**PT SB**”)<sup>(3)</sup>;

collectively, the “**Parties**”.

Notes:

- (1) PJB shall appoint its subsidiary, PT Pembangkitan Jawa Bali Investasi (“**PJBI**”) for the development of the Project.
- (2) CHEC is a state-owned power engineering company in China. CHEC’s core businesses encompass high tech product research and development, engineering design, general contracting, as well as energy technology research and services.
- (3) PT SB is a wholly-owned subsidiary of the Company and holds the rights to the PT SB mining concession in Riau province, Sumatra.

PJB, a wholly owned subsidiary of PLN, is, in principle, intended by PLN to be assigned the right to develop, build, finance, manage, engineer, operate and maintain the Riau-1 Project (the “**Assignment**”). PJB is a power generation company with the aim of promoting Indonesia’s economic development by providing high-quality, reliable and sustainable energy supply.

PLN BB, also a wholly-owned subsidiary of PLN, is, in principle, intended by PLN to be assigned the right to secure the coal supply to the Riau-1 Project by way of cooperation with a suitable coal mining company. PLN BB provides support to its parent company, PLN, for the obtainment of coal for the generation of electricity.

Upon PJB's receipt of the Assignment, the Consortium shall participate in a submission process for the provision of electrical supply to PLN (the "**Application**"), in accordance with the requirements of a procurement document (the "**TOR**") which shall be issued by PLN. Should the Application be successful, the Consortium will be awarded the Riau-1 Project by way of a Letter of Intent ("**LOI**") from PLN.

Subject to the receipt of the LOI, a joint venture company ("**NewCo**") shall be established by the Consortium. It is intended that NewCo will enter into the relevant power purchase agreement ("**PPA**") with PLN. Following signing of the PPA, NewCo shall construct and commission the Riau-1 Project to enable it to produce and supply electrical power to PLN.

Furthermore, the Parties have agreed that they will, in good faith, proceed expeditiously to do all acts necessary and to negotiate and agree on the terms of a consortium agreement for the best interest of NewCo.

### 3. HIGHLIGHTS OF THE HEADS OF AGREEMENT

Under the terms and conditions of the HOA, amongst others:

- (a) The Consortium is established for the purposes of:-
  - (i) Complying with the qualifying requirements of the TOR issued by PLN regarding the implementation of the Riau-1 Project;
  - (ii) Preparing and submitting the Application including all supporting documents to satisfy and comply with the requirements of the TOR; and
  - (iii) Negotiating the terms of the PPA to be entered into by NewCo and PLN, subject to the receipt of the LOI by the Consortium.
- (b) Subject to the award of the Riau-1 Project to the Consortium, and upon NewCo being successfully established, NewCo shall issue new shares which will be held by: i) the Company; ii) CHEC; and iii) PJB (or any other of PLN's subsidiaries to be designated by PLN). The terms relating to the percentage of equity interests in NewCo are commercially sensitive and, consequently, the Company is unable to disclose the information.
- (c) The common roles of the Company, CHEC and PJB (through its appointee, PJBI) include, but are not limited to, the following:-
  - (i) To act as managerial and financial sponsors to the Riau-1 Project;
  - (ii) To enter into a definitive consortium agreement amongst each other and/or their respective appointees;
  - (iii) To establish NewCo, subject to receipt by the Consortium of the LOI from PLN for the award of the Riau-1 Project;
  - (iv) To discuss and negotiate with other independent power producers in relation to ensuring the availability of power transmission lines for the Riau-1 Project;

- (v) To make commercial decisions in relation to the procurement of land for the power transmission lines of the Riau-1 Project; and
  - (vi) To be responsible for the operation and maintenance of the Riau-1 Project.
- (d) The common roles of PT SB and PLN BB include, but are not limited to, the following:-
- (i) To jointly ensure that the coal supply for the Riau-1 Project shall be wholly provided from PT SB's concession for the duration of the PPA;
  - (ii) To jointly ensure the sufficiency of active coal mining areas to be mined for obtaining the coal supply necessary for the Riau-1 Project;
  - (iii) To jointly ensure the quality and quantity of the coal supply to the Riau-1 Project;
  - (iv) To procure the land and permit applications in relation to the Riau-1 Project's coal supply; and
  - (v) To cause PT SB to enter into a definitive consortium agreement and to establish NewCo jointly with the Parties.
- (e) The role of CHEC includes, but is not limited to, the following:-
- (i) To fulfill the technical criteria set out in the TOR to be issued by PLN, and
  - (ii) To secure lenders, on a best efforts basis, for the provision of financing for the Riau-1 Project.
- (f) The Company shall lead the procurement of the land required for the Riau-1 Project.
- (g) PJB, through its appointee, PJBI, shall be appointed as the project leader. PJB's role includes, but is not limited to, the following:-
- (i) To lead the Riau-1 Project, and
  - (ii) To procure the Assignment of the Riau-1 Project from PLN.

#### **4. VALIDITY PERIOD**

The term of the HOA shall commence and continue in full force until the occurrence of one of the following events, inter alia:-

- (a) The Assignment is not awarded to PJB by way of an assignment letter within six (6) months from the date of the HOA, unless extended mutually by the Parties;
- (b) The Consortium does not obtain the LOI within one (1) year from the date of the HOA, unless extended mutually by the Parties;
- (c) The shareholders' agreement of NewCo is not executed within one (1) year after the date of the HOA;

- (d) The signing of the shareholders' agreement in relation to NewCo; and
- (e) The mutual termination of the HOA.

## **5. RATIONALE FOR THE HOA**

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

- (i) The HOA is part of a potential transaction which, barring unforeseen circumstances, 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 Riau-1 Project for the duration of the PPA; and
- (ii) Given the Group's current business and operational focus is in coal mining, the HOA represents a major opportunity for the Group to make an investment in the Indonesian electrical power generation industry which, barring unforeseen circumstances, will provide consistent and sustainable financial growth in the future.

## **6. FINANCIAL EFFECTS**

As at the date of this announcement, the Riau-1 Project has not been awarded by PLN. As a result, and on the grounds of commercial sensitivity, the Company is unable to disclose the anticipated economic parameters (including the capital cost) of the Riau-1 Project or its potential financial effects on the Group. Further announcements on the Riau-1 Project, 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 upon receipt by the Consortium of the LOI from PLN, or as and when appropriate.

## **7. 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 HOA, save for their respective shareholdings in the Company, if any.

## **8. CAUTIONARY STATEMENT**

Shareholders should note that the Riau-1 Project is subject to, amongst others, PJB being awarded the Assignment by PLN for the Riau-1 Project.

The Board would like to caution that, as at the date of this announcement, there is no certainty or assurance that any transaction will materialise from the HOA. 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 Riau-1 Project 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  
18 September 2017

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*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 ("**SGXST**"). 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.*

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