

BLACKGOLD NATURAL RESOURCES LIMITED

(Company Registration Number: 199704544C)

(Incorporated in the Republic of Singapore)

RESPONSES TO SGX AND SPONSOR'S QUERIES

The Board of Directors (the “**Board**” or “**Directors**”) of BlackGold Natural Resources Limited (the “**Company**” or “**BlackGold**” and, together with its subsidiaries, the “**Group**”) refers to its announcements on 16 July 2018, 27 August 2018, 16 September 2018, 18 September 2018 and 21 November 2018 (the “**Earlier Announcements**”).

Further to the Company's Earlier Announcements, the Company has been requested to provide its responses on 13 September 2018, 16 September 2018, 2 October 2018, 25 October 2018 and 21 November 2018, to queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 23 August 2018, the Sponsor's query on 14 September 2018 and 16 September 2018, SGX-ST's queries on 4 October 2018 and 31 October 2018 respectively.

Query 1:

To what extent have the criminal investigations in Indonesia affected the financials and/or operations of the Company?

Company's Response to Query 1:

In accordance with standard operating procedures by the Komisi Pemberantasan Korupsi (“**KPK**”) in its investigations, five (5) bank accounts at the Group's subsidiary, PT Samantaka Batubara (“**PT SB**”), have been held for examination by the KPK on 2 August 2018 and 3 August 2018. Out of the five (5) bank accounts being held by the KPK, three (3) are dormant whereas only two (2) are actively used by PT SB.

The remaining bank accounts belonging to PT SB are currently still operational.

Nonetheless, the Group's financials and operations are not adversely affected by the investigations as operations are still ongoing through the use of its other bank accounts which are operating as per normal. Receipts of monies from its customer are being paid to the operating bank accounts in relation to its ongoing sales.

Further to consultations with two (2) Indonesian legal counsels, the legal counsels have informed the Group that this does not mean that the Group is involved in the allegations. Rather, this is a standard case handling procedure by the KPK on parties who are believed by KPK to have knowledge of the subject matter of the investigations, in this case, being the Riau-1 Project (the “**Riau-1 Project**”, “**Riau-1**”, the “**Project**”, or the “**Power Plant**”).

Query 2:

For the five (5) bank accounts that have been held for examination by the KPK of which three (3) are dormant and two (2) are actively used by PT SB, what is the total amount of funds in these five (5) bank accounts?

If the withholding of the bank accounts is a standard case handling procedure by the KPK on parties believed by KPK to have knowledge of the subject matter of the investigations, what is the legal counsels' basis that the release of this information to the public will be prejudicial the Group's applications to KPK for release of the aforementioned bank accounts?

Company's Response to Query 2:

The bank account balances in those accounts total approximately S\$800,000.

The "holding for examination" of the five (5) bank accounts was never formally notified by KPK to PT SB. The Indonesian legal counsels' advice was that since the action was never formally notified by KPK, there exists a likelihood that the bank accounts may be released once the KPK has completed its information gathering process i.e. before completion of the trial of the suspects.

However, by making public the matter pertaining to holding of PT SB's bank accounts, the accounts may continue being held until the trial for all the suspects are over.

Query 3:

We note that the entire/majority of the Board is of the view that the withholding of the bank accounts should not be made public. Please provide us the Board's view as to whether the withholding of the bank accounts constitute material information to be announced pursuant to Rule 703 and the basis for the Board's view.

Company's Response to Query 3:

The Company had first announced KPK's investigations by way of a clarification announcement ("**Clarification Announcement**") dated 16 July 2018. In response to queries raised by the SGX-ST on 16 July 2018, 17 July 2018 and 13 August 2018, further details of the investigation by KPK was released by way of an announcement on 27 August 2018 ("**Response to SGX Queries**").

The Board has been informed by the management that:-

- a. The withholding of PT SB's bank accounts (the "**Held Accounts**") does not impede the Group's financials and operations as PT SB's operations are still ongoing through the use of its other bank accounts which are operating as per normal.
- b. PT SB has been advised by its Indonesian legal counsel that, having considered the KPK statement, the available facts, statements and information gathered from the Group, as well as KPK's standard procedures for a case investigation, the counsel is of the opinion that freezing of the Held Accounts by KPK is consistent with the standard procedure carried out by KPK during an investigation and does not constitute any investigation and/or allegation against the Group and/or any of the employees.
- c. PT SB has been further advised by its Indonesian legal counsel that the Held Accounts constitutes an incomplete information which relates to an ongoing investigation on allegation which is extraneous to the Group. PT SB has not received any notifications relating to the holding for examination of the accounts from KPK and has since sent a letter to KPK requesting release of the accounts and is expecting to receive a response pending the outcome of KPK's investigation. Further to this, in view of the ongoing investigation, PT SB has been advised by two (2) Indonesian legal counsels that disclosing such premature information to the public may be prejudicial to PT SB's request to release the accounts.

In view of the ongoing status of PT SB's operation, advice from the Group's Indonesian legal counsel relating to the status of the Held Accounts and the risk of disclosure of the Held Accounts being prejudicial to PT SB, the management is of the view that the Held Accounts does not constitute a significant or material development of the matter that warrants an immediate update.

Having received the information relating to the Held Accounts and the opinion of the Group's Indonesian legal counsel, the Board agreed with the management and is of the view that all pertinent information concerning the investigation by KPK had been provided in the Clarification Announcement

(dated 16 July 2018), and further elaborated on in the Response to SGX Queries (dated 27 August 2018). In view of the advice from the Group's Indonesian legal counsel, the Directors agree with the management that the Held Accounts does not constitute a significant or material development of the matter that warrants an immediate update.

Query 4:

To what extent will the withholding of the bank accounts affect the operating cash flow of the Company? As there is no clarity on the timeline as to when the bank accounts will be released, what are the interim plans of the Company to improve the cash flow of the Company?

Company's Response to Query 4:

Until the release of the Held Accounts, the Group will not be able to avail itself to those funds. The Group had already made arrangements for receipts of monies from its customer to be paid to another bank account. As of now, its receipts and payments are made from the new account and it is operating in the normal course of business.

Query 5:

To provide us more details on the five (5) bank accounts, i.e. what is the purpose of each of these five (5) bank accounts? Were any of the accounts set up for the purpose of the Riau-1 Project or for the Consortium uses?

Company's Response to Query 5:

The Held Accounts were from two (2) separate banks:

- a. four (4) accounts from Bank Central Asia
- b. one (1) account from Bank Mandiri

They were the main accounts from which monies were received from customers and where majority of payments were made for the normal operating activities of PT SB. None of those accounts were set up specifically for either the Riau-1 Project or for the Consortium's usage.

Query 6:

When and what was communicated to the Company relating to and/or concerning the status of the Riau-1 Project by any of its Consortium members, in particular, PLN, after information concerning the bribery allegations was published in the public domain?

Company's Response to Query 6:

The Company has not received any communication from any of the Consortium members with regards to the status of the Riau-1 Project after information concerning the bribery allegations was published by KPK in the public domain.

Query 7:

When did the Company learn that the KPK had "held for examination" PT SB's bank accounts?

Company's Response to Query 7:

On 13 August 2018, in the course of processing payment transactions in the usual course of operations, the Finance Admin personnel was informed by Bank Central Asia and Bank Mandiri (the "**Banks**") that the intended financial transactions could not be processed as they were held for examinations by KPK. Upon returning to office, the Finance Admin personnel checked the letters which had arrived during the period of her annual leave and opened two letters dated 2 August 2018 and 3 August 2018 containing letters of notification from the Banks informing PT SB of the same.

Management was subsequently made aware of the bank accounts being held for examination by the KPK. PT SB sought the advice of its Indonesian legal counsel on the same day in relation to the Held Accounts.

Query 8:

When did the Company write to KPK to request for the "release of the (PT SB) bank accounts"?

Company's Response to Query 8:

PT SB sent a letter to KPK requesting the release of its Held Accounts on Tuesday 14 August 2018 after having been advised by its Indonesian legal counsel that taking into account the KPK statement, the available facts, statements and information gathered from the Group as well as KPK's standard operating procedures for a case investigation, the counsel is of the opinion that the holding of accounts for examination is consistent with the standard procedure carried out by KPK during an investigation and does not constitute any investigation and/or allegation against PT SB, the Group and/or its employee(s).

Query 9:

Why didn't the Company write to KPK immediately upon discovering that PT SB's bank accounts had been "held for examination" and/or despite not receiving a "formal notification" from the KPK; a deviation from "standard operating procedure(s)"?

Company's Response to Query 9:

Upon learning the status of the Held Accounts on Monday 13 August 2018 and having sought the advice of its Indonesian legal counsel, PT SB immediately wrote to KPK requesting the release of the Held Accounts on Tuesday 14 August 2018.

Query 10:

How material is the sum of S\$800,000, being the total bank account balance held for examination by the KPK, to the Group's operations, in light of the negative operating cash flows of the Group?

Company's Response to Query 10:

As at 19 October 2018, the Group has cash balances of approximately S\$1.5 million, inclusive of the S\$800,000 held for examination by the KPK.

Query 11:

On 18 September 2018, the Company had announced that the Group had spent approximately S\$1.6 million on the Riau-1 Project. Please explain the discrepancy between this approximate figure of S\$1.6 million and the figures at Page 36 of the Group's Annual Report 2017 that was published on 10 April

2018, wherein the Group had indicated that as of 29 March 2018, the Company had expended “S\$4,258,000” on the Riau-1 Project.

Company’s Response to Query 11:

Please refer to the Company’s clarification announcement on the use of placement proceeds dated 21 November 2018.

Query 12:

Further to Query 11, please state:

- a. How the sum of S\$1.6 million ties in with the Group’s expenditure of S\$4,258,000 in respect of the Riau-1 Project, and
- b. Whether the balance net proceeds of S\$200,000 allocated to the Riau-1 Project have since been utilized by the Group, and if so, how the proceeds have been utilized.

Company’s Response to Query 12:

- a. Please see the Company’s response to Query 11.
- b. The balance net proceeds of S\$200,000 have been utilized as of 15 May 2018. They were utilised as part of land clearing and mining-related works at the PT SB which can be allocated to the development of the Riau-1 Project.

Query 13:

Please provide a breakdown of the Group’s expenditure for the Riau-1 Project till to date.

Company’s Response to Query 13:

Description	S\$
Costs directly attributable to the Riau-1 Project	
Licences	102,000
Reports	202,000
Land acquisition	944,000
Site expenses	56,000
Professional fees	315,000
As reported on 13 September 2018	1,619,000
Less: Expenses attributable to Riau-1 Project but not paid out of placement proceeds (e.g. consultancy fees etc)	(87,000)
Sub-total:	1,532,000
Add: Allocations towards development of the Riau-1 Project	
Land acquisition and exploration data	786,000
Land clearing and mining-related costs	1,940,000
As previously disclosed in FY2017 Annual Report:	4,258,000
Land clearing and mining-related costs	200,000
As previously disclosed in announcement dated 15 May 2018	4,458,000

Further details have been provided with the Company's clarification announcement on the use of proceeds dated 21 November 2018.

Query 14:

Regarding the Company's response at Query 6 that it has "not received any communication from any of the Consortium members with regards to the Riau-1 Project" after the bribery allegations were published on 14 July 2018, we note that:

On 16 August 2018, in response to our queries on the status of the Riau-1 Project, the Company had stated that "it is currently pending finalization of the Power Purchase Agreement ("PPA")... Negotiations have been ongoing with the Consortium members for finalisation of the PPA and shareholders' agreement up to July 2018". Furthermore, the Company stated that it "has not received any notifications from either PLN or PJB concerning any suspension of the Riau-1 Project".

On 16 September 2018, the Company had announced the expiry of the HOA in relation to the Riau-1 Project on 14 September 2018.

- a. *What led to the lapsing/expiry of the HOA?*
- b. *Did the Company engage in further discussions with any of the Consortium members during the period between July 2018 and 26 October 2018?*

Company's Response to Query 14:

- a. Further to the Company's announcement on 18 September 2018, the terms of the HOA shall cease to remain valid if the shareholders agreement for the establishment of a joint venture company is not signed by a year from the date of the HOA. As the shareholders agreement was not signed by 14 September 2018, being the date of one year from the initial signing of the HOA, the lapse/expiry took effect on that date.
- b. The Company has not engaged in further discussions with any of its Consortium members during the said period.

Query 15:

On 17 September 2018, in response to our queries on the outcome of negotiations with the Consortium members, the Company had stated that "the Company is currently intending to allow the HOA to lapse... the Company remains keen on the Project and will await PLN's decision on whether to proceed with the Riau-1 Project."

- a. *Have any attempts been made by the Company to engage PLN and/or PJB?*
- b. *What are the Company's alternative plan(s) in the event PLN does not arrive at decision(s) that favour the Company? In this regard, we note that the Company has expended a fair amount of resources towards the Riau-1 Project.*

Company's Response to Query 15:

- a. No.
- b. If PLN does not arrive at decisions that favour the Company, the Company shall not be proceeding with further bids on the Riau-1 Project.

Query 16:

Regarding the Company's response to Query 8 that it had sent a letter to KPK requesting the release of its held bank accounts, has KPK responded? If not, has the Company contacted KPK to follow up on its previous request? Please provide details.

Company's Response to Query 16:

As of 2 November 2018, KPK has not yet responded to the initial request letter for release of the bank accounts.

On 18 October 2018, a follow-up letter was submitted to the KPK on the matter.

As of the date of this response, there has been no response from the KPK.

Query 17:

Regarding the Company's response in regard to the cash balances existing in PT SB's bank accounts, could the Company address the materiality of the sum held for examination by the KPK?

Company's Response to Query 17:

As regards the materiality of the sum held for examination by the KPK, the monies in the accounts are monies paid by customers for sales made. The monies have nothing to do with the action being taken by the KPK.

In relation to the amounts being held, it is not assessed to be material to the Group's operations as the Group is currently operating with other bank accounts which are currently unencumbered. The Group also has an existing shareholders loan which the Group will draw upon as and when necessary for the financing of its operations.

By Order of the Board

Philip Cecil Rickard
Executive Chairman and Chief Executive Officer
23 November 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**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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