

# **INFORMATION MEMORANDUM**

**SAPEX GROUP LIMITED ACN 619 195 283**

**This information memorandum is dated 27 June 2017.**



This Information Memorandum has been prepared in connection with SAPEX Group Limited's application for admission to the Official List of the National Stock Exchange.

No offer of securities is being made pursuant to this Information Memorandum and this document is not a prospectus, investment statement, product disclosure statement or offer information statement as defined under the *Corporations Act 2001* (Cth).

The information contained in this document is of general nature for future investors of SAPEX Group Limited. Any potential investor must take into account their own particular set of circumstances, financial position, and situation prior to making a decision to invest. Where appropriate it is strongly recommended that an investor seeks professional legal, financial and taxation advice.

## CORPORATE DIRECTORY

### **DIRECTORS**

Mr Peter Chambers (Non – Executive Chairman)  
Mr Arran Marshall (Non – Executive Director)  
Mr Peter Van Ratingen (Non-Executive Director)  
Mr Kyle Roy Kenneth Larson (Executive Director)  
Mr Ronald Kenneth Larson (Executive Director)

### **REGISTERED OFFICE**

Level 28  
1 Market Street  
Sydney NSW 2000  
Ph: (02) 9265 3000  
Fax: (02) 9261 5918

### **NOMINATED ADVISOR**

Eakin McCaffery Cox  
Level 28,1 Market Street  
Sydney NSW 2000  
Ph: (02) 9265 3000  
Fax: (02) 9261 5918  
[www.eakin.com.au](http://www.eakin.com.au)

### **INVESTIGATING ACCOUNTANT**

PKF Corporate Finance (NSW) Pty Ltd  
Level 8  
1 O'Connell Street  
Sydney NSW 2000  
Ph: +61 02 8346 6000  
Fax: +61 02 8346 6099  
[www.pkf.com.au](http://www.pkf.com.au)

### **SOLICITORS TO THE OFFER**

Eakin McCaffery Cox  
Level 28, 1 Market Street  
Sydney NSW 2000  
Ph: (02) 9265 3000  
Fax: (02) 9261 5918  
[www.eakin.com.au](http://www.eakin.com.au)

### **COMPANY SECRETARY**

Ms Marika Jane White

### **SHARE REGISTRY**

Automic Pty Limited ACN 152 260 814  
Level 12, 575 Bourke Street  
Melbourne VIC 32000  
Ph: (03) 9628 4140

[www.automic.com.au](http://www.automic.com.au)

## TABLE OF CONTENTS

INFORMATION MEMORANDUM .....	1
1.0 Important Information.....	6
1.1 General Information .....	6
1.2 Purpose - NSX Listing .....	6
1.3 Nominated Advisor .....	6
1.4 Investment decisions.....	7
1.5 Photographs and Diagrams.....	7
1.6 Restriction on distribution.....	7
1.7 Forward looking statements .....	7
1.8 Restriction on distribution.....	7
2. Investment Overview .....	8
2.1 Business Introduction .....	8
2.2 Key Strengths.....	9
2.3 Key Risks .....	10
2.4 Interests, benefits and related party transactions .....	11
2.5 Restricted Securities .....	11
3. Letter from the Chairman .....	12
4. Business Description .....	14
4.1 History of SAPEX Group Associated Companies.....	14
4.2 Business Model And The Dura-Base® Composite Mat System.....	15
4.3 What is the growth opportunities and strategy for the Company .....	19
4.4 Revenue Model .....	21
4.5 Operational strategy .....	21
4.6 Market Analysis .....	22
5. Board & Governance .....	24
5.1 Directors & Senior Management .....	24
5.2 Corporate Governance.....	26
5.3 The Board .....	27
5.4 Board Committees .....	28
5.5 Corporate Governance Policies .....	28
ASX Corporate Governance.....	29

5.6	Arrangements with Directors and Management .....	30
5.7	Directors and Officers Remuneration .....	31
5.8	Directors, Related Party and Substantial Shareholder Interests in Shares .....	31
5.9	Other information .....	32
6.	Risk Factors .....	33
6.1	Introduction .....	33
6.2	Reliance on Personnel .....	33
6.3	General Risks.....	33
6.4	General Economic Risks and Business Climate .....	34
6.5	Development of Oil and Gas Sector in South East Asia.....	34
6.6	Concentrated Client Risk .....	35
6.7	Limited Operating History.....	35
6.8	Risks Specific to the Company.....	35
6.9	Future Requirements for Capital .....	37
6.10	Stock Market Risk.....	37
6.11	Tax Issues .....	37
6.12	Summary .....	38
7.	Financial Information.....	39
7.1	Introduction .....	39
7.2	Basis of Preparation & Presentation of Financial Information .....	39
7.3	Pro-Forma Statement of Financial Position.....	41
7.4	Costs of the Listing.....	42
7.5	Working Capital Statement.....	42
7.6	Going Concern .....	42
7.7	Significant Accounting Policies.....	43
7.8	Capital Structure .....	45
8.	Investigating Accountants Report .....	46
9.	Additional information .....	51
9.1	Top 5 Shareholders.....	51
9.2	Rights attaching to shares.....	51
9.3	Material contracts.....	53
9.4	Selling shares on the NSX and CHESS .....	59
9.5	Litigation.....	59
9.6	Limitation on Foreign Ownership.....	59

9.7	Dividend Policy.....	60
9.8	Financial Year .....	60
9.9	Expenses of the Listing .....	60
9.10	Subsequent Events.....	60
9.11	Governing Law .....	61
10.	Glossary.....	62

## 1.0 Important Information

### 1.1 General Information

This Information Memorandum is prepared as at 27 June 2017.

In relation to the information contained in this Information Memorandum:

- is current as at this date; and
- has been fundamentally prepared for the purpose of the compliance listing of **SAPEX Group Limited ACN 619 195 283 (SAA or Company)** for its Shares to be admitted to the Official List of the financial market operated by the on the National Stock Exchange of Australia Limited (**NSX**).

**Important Note:** The Company will not raise any capital as part of the NSX listing process and this Information Memorandum has been prepared **solely** for the purpose of a compliance listing on the NSX.

### 1.2 Purpose - NSX Listing

This Information Memorandum is presented for informational purposes only.

The purpose of this document is solely for the purpose of listing the Company's Shares on the NSX. This document may assist prospective investors in the Company in the provision of information about the Company and its operations. This Information Memorandum document is not intended to be a prospectus, investment statement, product disclosure statement or offer information statement and does not constitute an offer of securities or an invitation to apply for the issue of securities, either expressly or by implication, in any jurisdiction.

An application has been made for listing of the Company's securities listed in this Information Memorandum on the official list of the NSX.

If the Company's application is successful, its NSX ticker code will be **SAA**.

On admission to the Official List of the NSX, the Company will be subject to the Listing Rules and subject to any waivers or rulings given from time to time by the NSX.

#### Disclaimer

***The fact that the NSX may list the securities of the Company is not taken to be in any way as an indication of the merits of the Company or the listed Shares.***

***The NSX takes no responsibility for the contents of this Information Memorandum and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Information Memorandum.***

***A copy of this Information Memorandum has not been lodged with ASIC as this Information Memorandum is not a disclosure document for the purposes of the Corporations Act.***

***Neither ASIC or the NSX take any responsibility for the contents of this Information Memorandum.***

### 1.3 Nominated Advisor

The Nominated Adviser of this Listing assumes and takes no responsibility for the accuracy or completeness of any of the information contained in this Information Memorandum. In making an investment decision, investors must rely on their own enquires about the Company and seek where appropriate professional legal, financial and taxation advice with respect to determining the merits of risks associated with the Company.

Note that the contents of this Information Memorandum are not to be construed as legal, business or tax advice.

## **1.4 Investment decisions**

No offer of securities is being made under this Information Memorandum.

Any investment decision about the Company should take into account the particular investor's investment objectives, financial situation or circumstances. It is strongly recommended that any potential investor seek independent legal, financial and taxation advice prior to making an investment in the Company and no representations are made as to the future financial performance of the Company.

This Information Memorandum does not constitute financial product advice and should not be relied upon as the sole basis for any investment decision in relation to the securities of the Company.

## **1.5 Photographs and Diagrams**

Items and undertakings depicted in photographs and diagrams in this Information Memorandum are not assets of the Company, unless otherwise stated. Diagrams appearing in this Information Memorandum are illustrative only and may not drawn to scale.

## **1.6 Restriction on distribution**

No person may offer, sell, or deliver Shares or distribute any documents (including this Information Memorandum) to any person outside Australia, except in accordance with the legal requirements of the relevant jurisdiction.

## **1.7 Forward looking statements**

This Information Memorandum **does not** contain any forward looking statements with respect to either the Company's:

- Business operations; and
- financial performance and condition, as well as the Company's plans, objectives and expectations for its business operations, financial performance and condition. Any statements contained in this Information Memorandum that are not of historical facts may be deemed to be forward-looking statements.

## **1.8 Restriction on distribution**

Throughout this Information Memorandum abbreviations and defined terms are used. Those terms are contained in the Glossary in Section 10 of this Information Memorandum. Defined Terms are generally identified by the upper case first letter.

## 2. Investment Overview

### 2.1 Business Introduction

The information contained in the table below is a selective overview only. Any prospective future investor should read the Information Memorandum in its entirety prior to making a decision to invest.

TOPIC	SUMMARY	REFERENCE
Who is issuing the Information Memorandum?	SAPEX Group Limited ACN 619 195 283 (the <b>Company</b> or <b>SAA</b> ).	Not Applicable
What is the business of SAPEX Group Limited (SAA)?	<p>The Company has entered into a Share Purchase Agreement to acquire the entire shareholding of SAPEX Oilfield Services Ltd (and Purchase company duly incorporated in the British Virgin Islands) (<b>SOS</b>) which holds the exclusive licence and is the sole distributor for the DURA- BASE® COMPOSITE MAT SYSTEM (Dura-Base) in the following South East Asian countries:</p> <ul style="list-style-type: none"> <li>• Indonesia;</li> <li>• Myanmar; and</li> <li>• The Philippines.</li> </ul> <p>Dura-Base is a product, patented in the United States of America, and which has been extensively used in the establishment of working platforms and road infrastructure for the military, Oil and Gas, mining and civil construction industries. It is a durable, all-weather, interlocking composite product, which permits flexible implementation to suit the particular needs of the user.</p> <ul style="list-style-type: none"> <li>• SAA's core business activity, through its wholly owned subsidiary company (SOS), will be primarily focused on the expansion and management of the Dura Base Product market penetration within South East Asia:Marketing &amp; Sales of Dura-Base;</li> </ul>	Section 4
What is the company's business model?	<p>The Company, as its primary focus, is the management and distribution, under licence, of the Dura-Base product in the South East Asia region.</p> <p>To date, the Company, through SOS, generates cashflow via the management of Dura-Base product being deployed to third parties servicing Oil and Gas, Mining and construction clients across Indonesia.</p> <p>The Company will implement the following strategies to further penetrate the market with the Dura Base product:</p> <p>(a) <b>(New Contracts/Extension of existing Contracts):</b> Consolidate and extend existing contract supplies of the Product and embark on a business development program to promote and enter into new client agreements for the supply of the Dura-Base product;</p> <p>(b) <b>(Expansion to other sectors):</b> Business development will expand into other industries and sectors, including but not limited to:</p> <ol style="list-style-type: none"> <li>Infrastructure development, such as roads in underdeveloped regions of South East Asia;</li> <li>Construction;</li> <li>Electricity and power transmission infrastructure;</li> <li>Mining;</li> <li>Military;</li> <li>Disaster relief; and</li> <li>Timber Plantation &amp; Forestry – provision of road and work platforms.</li> </ol> <p>(c) <b>(New Geographical Markets):</b> Expansion into new South East Asian countries, namely:</p> <ol style="list-style-type: none"> <li>Myanmar; and</li> <li>the Philippines.</li> </ol> <p>The Company intends to implement its business expansion plan over the short – medium term with its key business strategy in the initial phase is to concentrate on shifting from being a third party agency management model to that of a direct provider of the Dura-Base product.</p>	Section 4



TOPIC	SUMMARY	REFERENCE
How and where does SAA intend to generate returns for investors?	<p>SAA's current operating strategy is 3rd party management of Dura-Base in Indonesia servicing predominantly Oil and Gas clients. SAA receives a share of contract revenues in exchange for licensing and management. The company plans to continue this operating model, however, with a broader focus towards expansion in to:</p> <ol style="list-style-type: none"> <li>Alternative sectors: <ol style="list-style-type: none"> <li>Infrastructure development</li> <li>Construction</li> <li>Power transmission</li> <li>Telecommunication infrastructure</li> <li>Mining</li> <li>Military</li> <li>Disaster relief</li> <li>Plantations &amp; forestry</li> </ol> </li> <li>Alternative markets <ol style="list-style-type: none"> <li>Myanmar</li> <li>Philippines</li> </ol> </li> </ol> <p>In addition to the expansion strategy, the Company plans on developing an inventory of wholly owned mats with view towards replacing the 3rd party management model.</p>	Section 4
What is the company's investment strategy?	<p>The company's investment strategy is to re-invest free cashflow generated from 3rd party management contracts towards building an inventory of wholly owned Dura-Base mats.</p> <p>Management will consider the use of loan facilities to leverage the growth of inventory on a contract-by-contract basis with a key focus towards passing through inherent loan risk to end user.</p>	Section 4
What is the financial position of SAA?	<p>As the date of this Information Memorandum, the Company's balance sheet comprises of \$192,864 in receivables (representing the paid up capital of the Company held by APAC Partners Pty Ltd).</p> <p>In addition, the Company has access to a \$1.5m working capital facility (undrawn).</p>	Section 7
What are the Company's Objectives	<p>On listing, the Company's main objectives are:</p> <ul style="list-style-type: none"> <li>Implement its business development strategy (as outlined in the section 4.2 titled "Business Model and the Dura Base Composite Mat System?");</li> <li>Implement and establish policies and committees to enhance its Corporate Governance;</li> <li>Diversify its board of directors and key management personnel in order to increase its capabilities to achieve its corporate objectives and enhance shareholder value in the Company.</li> </ul>	Section 4

## 2.2 Key Strengths

TOPIC	SUMMARY	REFERENCE
Strong market position	SOS currently holds approximately 85.0%+ of the composite matting market in Indonesia.	Section 4
Simple business model	Business model solely focuses on sales, marketing and management of composite mats.	Section 4
Experienced management team	Current management team has 60+ years of combined experience in logistics and project management across number and were the pioneers of composite matting in Southeast Asia.	Section 5

Established clientele	The Company has been servicing an established portfolio of multinational clients since 2001 in the Oil and Gas, mining, engineering, procurement and construction industries.	Section 4
TOPIC	SUMMARY	REFERENCE
Significant growth opportunities via sector and market expansion	On implementation of the Company's growth strategy it is envisaged that it will benefit from its shift from a single sector/ industry offering to that of a multi sector with expansion into other South East Asian jurisdictions.	Section 4

## 2.3 Key Risks

There are a number of key risks to the business which may affect the overall returns for the Company. These key risks are outlined as follows:

TOPIC	SUMMARY	REFERENCE
Placement risk	If SAA is unable to maintain benchmark utilisation rates for the rental of the Dura-Base Product then it will be difficult to achieve forecast growth.	Section 6
Pricing risk	If management is unable to negotiate assumed Average Daily Rates (ADR) for Dura-Base then forecast profits will be impacted.	Section 6
Country risk	Company activities will primarily be conducted in foreign jurisdictions and will consequently be subject to operational risks associated with foreign legal and regulatory framework, including but not limited to; factors such as political, social and economic circumstances unique to South East Asian countries.	Section 6
Competition risk	Alternative composite matting products may be used instead of Dura-Base. Alternate materials such as concrete or timber products may also provide competition.	Section 6
Contract risk	Completion of the Share Sale Agreement is subject to the Company receiving conditional approval for the Company's Shares gaining admission to the Official List of the NSX.	Section 6
Investment risk	The value of a Shareholder's investment in SAA may fall for a number of reasons, which has the potential to translate in to a loss of capital if and when the Shares are sold.	Section 6
Liquidity risk	The ability of a Shareholder in the Company to sell their Shares on the NSX will depend on turnover or liquidity of the Shares at the time of sale. Therefore, Shareholders may not be able to sell their Shares at the time, or in the volumes or at the price they desire. It is probable that the Company's Shares will trade at prices that differ from the Company's stated Net Asset Value per Share.	Section 6
Additional requirements for capital or debt	There is a risk that in the future the Company may require additional capital or debt in order to implement and fully exploit its business development strategies.	Section 6
Currency risk	<p>The Company will be subject to IDR/AUD/USD currency fluctuations as the material contracts are expressed in various currencies. Any potential investor will need to note that a number of factors may affect the currency including but not limited to the economic conditions of the countries in which the contracts are located. Note that:</p> <ul style="list-style-type: none"> <li>the IDR currency is pegged to USD which may change on a regular basis, affecting the value of the material contracts;</li> <li>should the Company commence operations in Myanmar and the Philippines, it will be subject to the currency of those jurisdictions.</li> </ul>	Section 6

## 2.4 Interests, benefits and related party transactions

TOPIC	SUMMARY	REFERENCE
What significant benefits and interests are payable to directors and other persons connected with the listing	<ul style="list-style-type: none"> <li>• All directors are on a salary only basis with no options attached</li> <li>• Legal, accounting and corporate secretarial work is outsourced to 3rd party consultants and advisors</li> </ul>	Section 5

## 2.5 Restricted Securities

TOPIC	SUMMARY	REFERENCE
Will any Shares be subject to restrictions on disposal following Listing?	The NSX may require certain existing Shares to be treated as Restricted Securities for a period of up to 24 months from quotation under NSX Listing Rule Section IIA Chapter 6.	Section 5

### 3. Letter from the Chairman

Dear Investor

SAPEX Group Limited (**SAA**) is an unlisted Australian public company which is in the process of listing on the National Stock Exchange of Australia (**NSX**). The Company is not seeking to raise capital at this stage and the purpose of the listing is to facilitate liquidity for its shareholders and establish a platform for good corporate governance.

On 18 May 2017, the Company was incorporated with the intention of acquiring the entire share holding of SAPEX Oilfield Services Limited (British Virgin Islands incorporated company in 2001) (SOS) which holds the exclusive DURA-BASE® COMPOSITE MAT SYSTEM (Dura-Base) license and distribution agreement for Indonesia, which it has held since 2002.

SAPEX Oilfield Services Ltd has historically operated through a local Indonesian Agent which is the owner & operator of a Dura-Base mat inventory. In January 2016 the management of SOS had embarked on a corporate restructuring program in order to achieve the following objectives:

- Transition from an exclusive license model towards a full-service owner & operator of Dura-Base; and
- Attract strategic investors to assist and facilitate the expansion of the product into alternative markets and sectors.

At the cornerstone of meeting the Company's objectives the Board proposes to gain admission to the Official List of the NSX as a catalyst for the implementation of the Company's growth strategy. The Board of Directors is of the view that numerous benefits will derive from the NSX listing, including but not limited to:

- Strengthen SAA's corporate governance and transparency;
- Transfer of ownership from SOS (BVI company) to a Public listed Australian company which will significantly enhance SAPEX's ability to finance;
- Provide a market for liquidity of the Shares in the Company;
- Increase transparency to facilitate a more efficient business vehicle in order to participate in the government and corporate tender process.

Subsequent to the Company's restructuring the focus on the shift to the following key business activities:

- (i) The Indonesian agent will be directed to expand the client base and contract terms.
- (ii) Tender with for contracts with Talisman Indonesia.
- (iii) Further develop the Dura-Base product market exposure in Myanmar and The Philippines.
- (iv) Enter into Joint Venture Agreement with a Myanmar based logistics company with the objective of promoting Dura-Base sales and rentals in Myanmar.
- (v) Negotiate with potential joint venture parties in the Philippines.

In relation to the Company's business plan it intends to capitalise the management team's extensive project management experience in order to realise the potential of the Dura-Base product and its expansion into other sectors and markets such as:

- (a) Infrastructure development (roads, rails, ports, etc...)
- (b) Power transmission
- (c) Telecommunications infrastructure
- (d) Mining

- (e) Military
- (f) Plantations
- (g) Construction
- (h) Disaster relief

The focus of this Information Memorandum is to give effect to the corporate re-structure of SOS in order to provide the platform for the Company's future business development program.

The Board is looking forward to sharing this exciting growth opportunity with shareholders.

Sincerely,



**Peter Chambers**  
**Chairman**

## 4. Business Description

### 4.1 History of SAPEX Group Associated Companies

Chronology of the development of the SAPEX Group:

**2001**

- SAPEX Oilfield Services (SOS) Founded
- Indonesian Agency Agreement formed
- Dura-Base first enters Indonesia



**2007**

- SOS enters exclusive Indonesian Dura-Base licensing and distribution agreement with Newpark



**2010**

- SOS extends Indonesian Agency agreement



**2014**

- SOS extends Dura-Base licensing agreement with Newpark



**2016**

- SOS extends Indonesian Agency agreement
- Makati Capital Partners engaged as strategic & financial partner
- Shareholders of SOS begin restructuring & expansion strategy



**2017**

**Proposed Compliance Listing on the NSX**

**General Information:**

On 11 December 2001, SAPEX Oilfield Services (**SOS**), a British Virgin Islands company, was incorporated with its initial directors being:

- Mr Ronald Kenneth Larson,
- Mrs Nurahayati Larson; and
- and Mr Kyle Roy Kenneth Larson.

Subsequent to the company's incorporation, SAPEX's key activities have been primarily focused on the licensing and distribution of the Dura-Base composite mat product throughout Indonesia via the exclusive licence agreement with Newpark Mats and Integrated Services LLC. The initial agreement was entered into on 18 October 2007 and has been renewed and extended until the 31st of December 2018, before which management intend to extend the license agreement by an additional 5-year term. This material contract creates an exclusive distribution arrangement with the manufacturer where there is limited alternative products in the South East Asian market.

In recent times, SOS had commenced its strategy to extend its reach into other South East Asian countries for the supply of the Dura-Base into Myanmar and the Philippines. During the time that SOS has operated within the Indonesian jurisdiction it has established and maintained key networks and contacts in the oil and mining sectors and has subsequently extended this to other industries including but not limited to military use via an agency agreement that was entered into in October 2016.

The distribution of the Dura-Base Product is through either the joint venture / consortium arrangement between the Indonesian incorporated companies PT. SAPEX Servis Indonesia and PT. SAS International (the **Consortium**) or solely with PT. SAPEX Servis Indonesia; depending on the commercial and regulatory requirements within Indonesia. This arrangement is driven by the Indonesian regulatory authorities whereby the Consortium must be used where entering into arrangements involving Oil and Gas projects. These companies have been established in order to facilitate the ability to enter into such contract arrangements within the jurisdiction of Indonesia.

As at the date of listing, the Company will be sole beneficiary of the contractual arrangements entered into by the Consortium via a Licence Agreement (refer to Section 9.3 Material Contracts) which will be the primary source of revenue stream for the Company.

**Incorporation of the Company:**

The Company was incorporated on 18 May 2017 to facilitate the acquisition of 100% of the issued capital of SOS for the purpose of providing a corporate structure for:

- implementing the Company's South East Asian business development strategies.
- establishing a platform for more efficient capital management and expansion.
- the enhancement of its corporate governance and increase transparency to be better positioned in the public sector tendering process.

## **4.2 Business Model and The Dura-Base® Composite Mat System**

### **❖ Business Model:**

The Company has identified an opportunity to further develop the primary focus of its wholly owned subsidiary company (**SOS**) being the management and distribution entity, under licence of the Dura-Base product, throughout the South East Asian region. In addition, the Company has identified an opportunity to further enhance and increase the market penetration of the product by expanding the product offering to other jurisdictions and industries.

The Company, through SOS, will generate its cash flow, via the management of the Dura-Base product being deployed to third parties, under the local agent arrangements via the licence agreement (refer to Material Contracts Section 9).

The Company will implement its business model to enhance its future revenue streams by implementing the following strategies to further penetrate the market with the Dura-Base product:

- (a) **(New Contracts/Extension of existing Contracts):** Consolidate and extend existing contract supplies of the Product and embark on a business development program to promote and enter into new client agreements for the supply of the Dura-Base product;
- (b) **(Expansion to other sectors):** Business development will expand into other industries and sectors, including but not limited to:
  - (i) Infrastructure development, such as roads in underdeveloped regions of South East Asia;
  - (ii) Construction;
  - (iii) Electricity and power transmission infrastructure;
  - (iv) Mining;
  - (v) Military;
  - (vi) Disaster relief; and
  - (vii) Timber Plantation & Forestry – provision of road and work platforms.
- (c) **(New Geographical Markets):** Expansion into new South East Asian countries, namely:
  - (i) Myanmar; and
  - (ii) the Philippines.

This expanded business direction to be undertaken by the Company intends to be implemented over the short – medium term with its key business strategy in the initial phase concentrating on shifting, from being a third party agency management model, to that of a direct provider of the Dura-Base product. The success of the business model is dependent upon the continuance of expertise of SOS' management team which has been secured by the Company.

#### ❖ **Description of the Dura-Base Composite Mat System:**

The Dura-Base® Composite Mat System (the **Product** or **Dura-Base**) was developed during the mid-1990's for the purpose of providing military logistics and infrastructure support for the United States Army. The use of the Product has subsequently been expanded into non-military fields and has been commercialized for use primarily in the construction and Oil and Gas fields. The Company is of the view that the Product's use may be extended across numerous other fields, with a particular emphasis in providing developing nations with a cost effective solution in relation to infrastructure support, to road stability and platforms for housing in rural regions. The use of the product has also been extensively used in the US for non-military purposes including but not limited to:

- establishing soft ground protection for use in stadia, power line transmission;
- providing all weather work platforms for use in disaster relief;
- provision of platforms for the movement of heavy materials in or on unstable terrains; and
- the provision of temporary roads, and for heavy hauling purposes.

The Product is a stable, uniform surface with a built in tread pattern to provide consistent traction for personnel and equipment. It is made from High Density Polyethylene (HDPE) along with a blend of proprietary



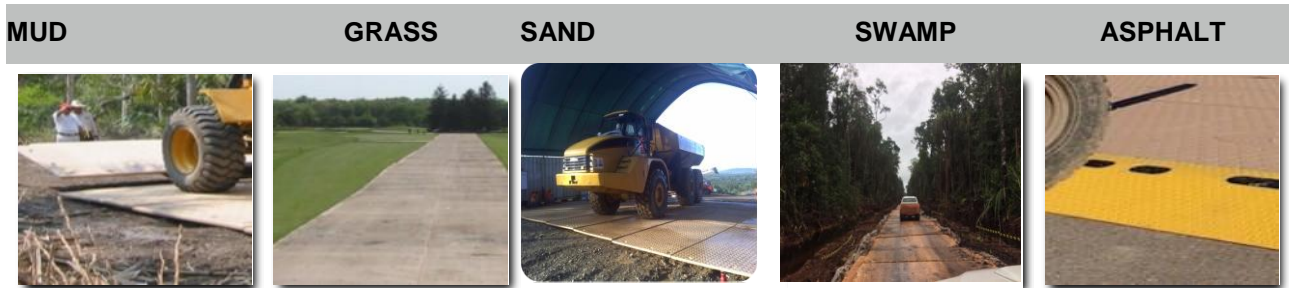
mix of UV stabilisers and static dissipaters. Dura-Base provides for a solid, continuous surface to work from as it provides ample spreading of heavy loads to ensure minimal ground impact and displacement.



[Description: Dura-Base used on loose unconsolidated soils, Mexico]

**Description of Picture Above:** Heavy machinery vehicle being used to haul the Dura-Base Product and create a road surface.

**Dura-Base has effectively used on the following conditions and surfaces:**



**Key Product Specifications:**

Key Product information is outlined as follows:

- **General Facts**

- Operational life of the Product is 15 years and ability to last up to 20 years with good maintenance.
- Suitable for all weather and terrain conditions.
- Engineered to give safe access over sensitive terrain whilst protecting landscape.
- Recommended for temporary use to protect paved roads during heavy usage.

- **Dimensions**

The dimensions and weight of the Product are as follows:

- Large – 8' X 14' (2.4m x 4.2m) (10 sqm)
- Weight (L) – 1,050 lbs (477kg)
- Thickness – 4-1/4" (11cm)
- Proven to support - 70.31 kg/cm<sup>2</sup>

[Source Information: Newpark Mats & Integrated Services LLC Information Brochure undated, and; Experimental Research and Development Center (ERDIC): *Expedient Road Construction Over Soft Soils*, and; EBA Engineering Consultants: *Mackenzie Delta Drilling Pad Design*]



**SAPEX Dura-Base Projects**



[Top Left Picture Description: Levee Road Chalmette LA Energy Project – Heavy vehicle on grass surface]

[Top Right Picture Description: Dura-Base product used on sand base on Chrevron Louisiana project]

[Bottom Left Picture Description: Dura-Base used on grass – truck road in Louisiana USA]

[Bottom Right Description: Dura-Base used on asphalt in Louisiana USA]

### **4.3 What is the growth opportunities and strategy for the Company**

Historically, SOS has been exclusively focused on the Indonesian Oil and Gas industry and sector. This has been a function of SOS's historical connection with this industry which to has comprised of between 60% - 70% of the global Dura-Base application. Expansion into alternative sectors and jurisdictions provides the Company with significant growth potential to its existing revenue and client base.

The current three key markets identified which are covered by the Company's are:

- Indonesia,
- Myanmar, and,
- the Philippines.

(the **Geographic Market**)

All of these geographic markets are experiencing increased demand for the rapid and sustained growth in the investment and development of physical infrastructure which is forecast to continue in the medium - long term. Numerous industries require the use and development of physical infrastructure and have a historic target markets for the use of the Product throughout the world. The Company's business development program and plan will pursue an aggressive marketing strategic plan in order to attract new business by increasing its presence in the Company's Geographic Market and by expanding into other sectors outside of the Oil and Gas industry.

The Company desires to take advantage of the significant infrastructure growth within the South East Asian region due to obsolete, dated, and decaying infrastructure. Such is the demand for such infrastructure support that it has been identified that there is minimal technological and infrastructure support, low stockpile and inventory to meet the demand for the Product. The demand of the Product is extensive to facilitate such infrastructure growth and is exemplified in the growth rate of the use of the mats in Indonesia from zero mats used in 2005 to 9200 which are in use as at the date of this Information Memorandum. The growth demand for the Product is based on the following reasons:

- Durability;
- Speed of deployment;
- Low cost;
- Multi-purpose use; and
- Re-usability.

In addition, the ease of mobilisation and the de-mobilisation of the Product use makes it extremely attractive to the infrastructure participants in these jurisdictions due to traditional barriers to infrastructure improvement such as cost and limitations due to the physical terrain.

The second element of the Company's growth strategy is to expand the Product into other sectors such a:

- Construction;
- Electricity and power transmission infrastructure;
- Mining;
- Military;
- Disaster relief; and
- Timber Plantation & Forestry – provision of road and work platforms

Accordingly, the Company is now pursuing a compliance listing on the NSX in order to achieve its key objectives of:

- (a) increase its corporate exposure;
- (b) increase its transparency and corporate governance so as to assist in meeting its corporate growth objectives;

- (c) and to have an appropriate Board structure for both reasons of capital management and that of the marketing of the Company in order to enhance shareholder value.

## 4.4 Revenue Model

The Company's revenue stream will be generated from the Licence Agreement whereby cash flow will be driven by the term-based contracts entered into by the Company's Indonesian agents which generate cash flow directly to the Company via:

- **(Licence Fee):** USD\$100,000.00 per month licence fee;
- **(Revenue Share):** 10%percentage share of contract value; and
- **(Sales Commissions):** sales commissions payable on the sale the Dura-Base Product to end users.

(For further details refer to Section 9.3 Material Contracts).

Accordingly, the fundamental contract drivers in maximizing revenue streams via the Company's agents will be determined by:

- Term of the contract (in days);
- Day rate per mat deployed (USD);
- Quantities of mats deployed;
- The mobilisation & demobilization costs (borne by end user).

Note that end users will be liable for any repairs and damages (excluding fair wear and tear) sustained to the Product and may be liable for up to 100% of the replacement costs.

## 4.5 Operational strategy

The Company will substantially hold the same management team as SOS and will be responsible for the day-to-day operations and management. The key personnel of the SOS, being Mr Ron Larson and Mr Kyle Larson will continue with the management of both the Company and SOS as they will hold directorships in both companies. The responsibilities of the key personnel will continue and be responsible for:

- Contract negotiations and management;
- Design services and soil testing analyses;
- Implementation of the Company's growth strategies;
- Business development; and
- Deployment/installation and demobilisation of the Dura-Base products.

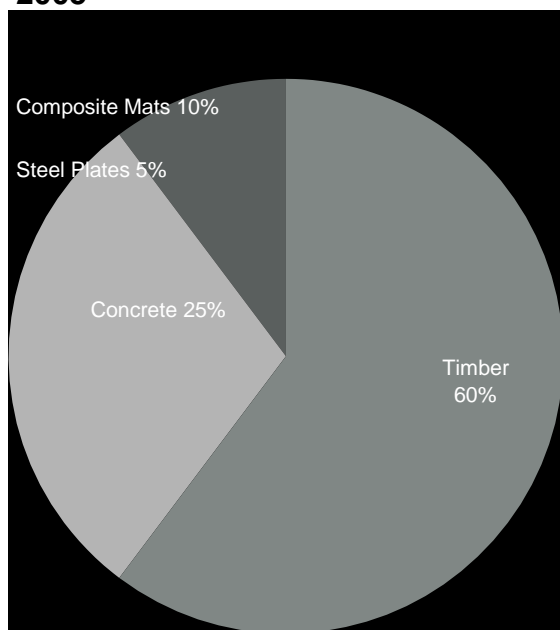
## 4.6 Market Analysis

### General Information

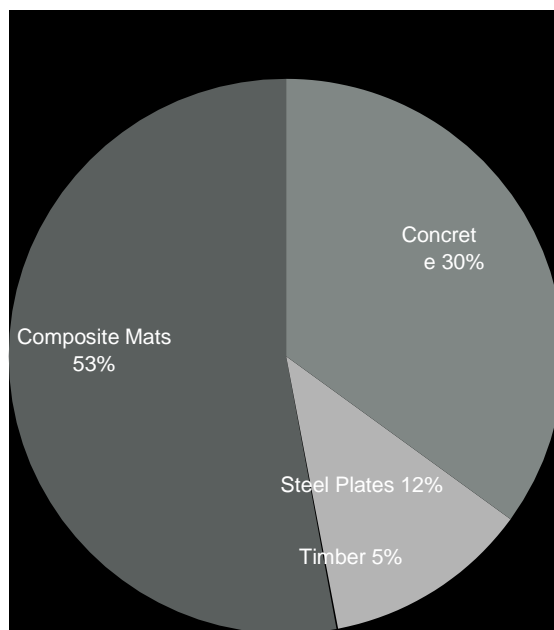
The management of SOS have over the years collated information and demand data relating to the use of the Product and substitute products within Indonesia. **At as the date of this Information Memorandum the figures reflected below are based on internal management figures and have not been independently verified.**

### Pie Graphs of Ground coverage by product in Indonesia:

**2005**



**2016**

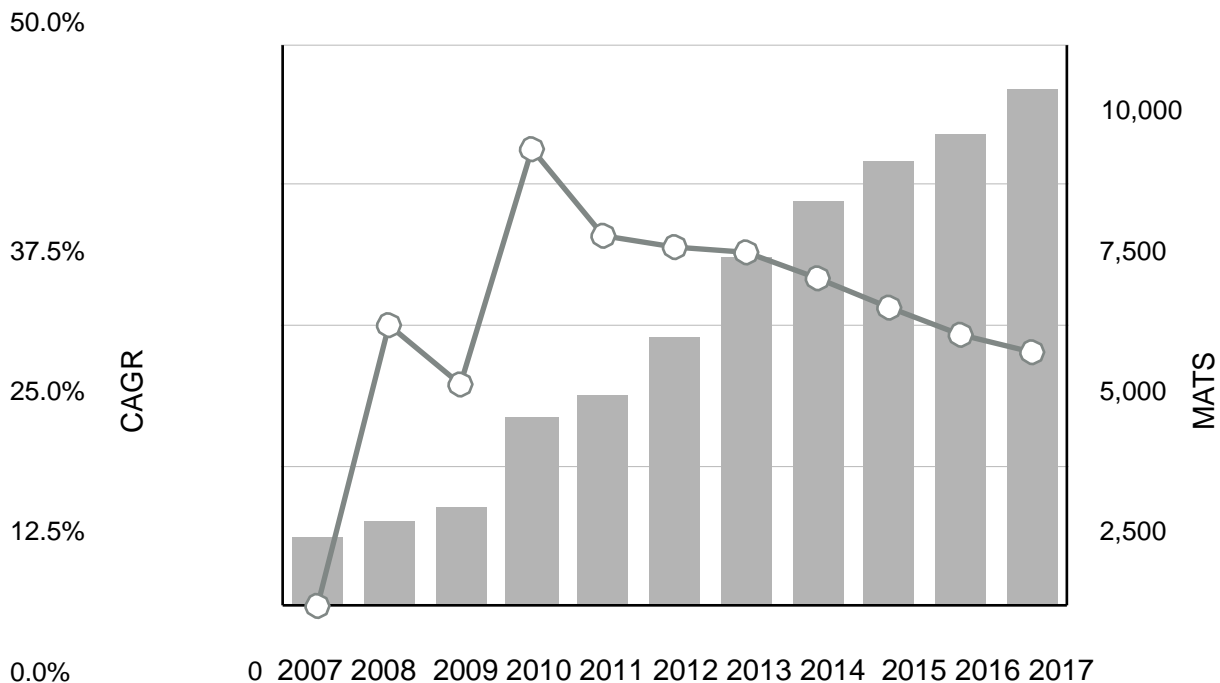


The main alternative materials used in the establishment of work platforms and road infrastructure in Indonesia are either concrete or timber. Since the introduction of the Product and that of similar composite mat products such products have since 2005 increased their market share.

The Company's business development strategy focuses on the increased use and market penetration of the Product based on its flexible use and ease of deployment in all types of environmental conditions.

**Bar chart of Dura-Base mats inventory growth:**

The following bar graph depicts the number of Dura-Base mats deployed by SOS since 2007.



**Note:** The figures depicted in the above bar graph have been prepared by SOS management and have not been independently verified.



## 5. Board & Governance

### 5.1 Directors & Senior Management

The Company's Board of Directors and Senior Management have extensive experience in the commercialization and deployment of the Dura-Base mat system servicing the Oil and Gas and Mining industries for over 10 years in Indonesia and is well placed to implement the Company's business development strategies and achieve the Company's financial objectives.

It is the Company's view that the Directors and Senior Management have the networks in South East Asia and corporate management expertise to further exploit the opportunities presented to them with respect to the implementation of its business development plan.

Details of the qualifications and experience of the Board and Senior Management are set out in this section:

Name	Title	Experience
<b>Peter Chambers (BBus)</b>	Non-executive Chairman	<p>Peter has over than 20 years' experience in the mining, finance and telecommunications industries. He currently holds the position of Director of Indo Mines Limited (ASX code: IDO) (an ASX listed company) which is an Indonesian-focused mining and metals company. He has held this position since 23 November 2012.</p> <p>Peter's has extensive experience in the development of mining and resource assets in Indonesia and has corporate experience in Asia as his previous positions include:</p> <ul style="list-style-type: none"> <li>• Head of the South East Asia Communication Practice of Coopers and Lybrand (Hong Kong).</li> <li>• Managing Director - Strategy and Governance with the Rajawali Group (Indonesian based conglomerate company).</li> </ul> <p>He is a current member of the Board of Commissioners and member of the Remuneration Committee of Indonesia's PT Excelcomindo Pratama (XL) which is a significant mobile phone operator and was key person in the establishment of the company whilst holding the position of managing director at Rajawali Group.</p> <p>Peter is a graduate of the Royal Melbourne Institute of Technology (Melbourne, Australia) and holds a Bachelor of Business degree majoring in finance and accounting.</p>



<b>Ronald Kenneth Larson</b>	Executive Director Chief Operating Officer	<p>Ronald has over 30 years experience in engineering and in Oil &amp; Gas industries throughout South East Asia. He is one of the founders of SAPEX Oilfield Services Limited and held the position of General Manager for the company.</p> <p>He also has extensive board and management experience in South East Asia with a number of companies and had served as Deputy Director for Masco Industries (NYSE:MAS).</p> <p>Ronald has an extensive professional network in Indonesia over the past thirty six (36) years and was instrumental in facilitating the distribution of the Dura-Base Mat system in Indonesia through the Indonesian agency company over the last twelve (12) years.</p>
<b>Kyle Roy Kenneth Larson</b>	Executive Director Chief Executive Officer	<p>Kyle is the co-founder of SAPEX Oilfield Services Limited and was also responsible for the implementation of the company's business development strategy to increase the introduction to, and market penetration of the Dura-Base product.</p> <p>Kyle has over 20 years management and business development experience in South East Asia and has held the following positions during that time:</p> <ul style="list-style-type: none"><li>• General Manager - Marsol International Limited (Far East Division)</li><li>• Business Development Manager – Zicom Equipment pte Ltd</li><li>• Business Development Manager - PT SAS International</li></ul> <p>Additionally, his specialized skills, knowledge and expertise in the field of business development will be instrumental and invaluable in the Company's expansion into other industry sectors and geographic markets such as Myanmar and the Philippines.</p> <p>His educational qualifications include Bachelor of Arts, University of Alberta.</p>

<b>Peter Van Ratingen</b> <b>BSc (Murdoch)</b>	Non-Executive Director	<p>Peter's extensive career over a 20 year period has focused on business management has involved holding numerous global positions in the consulting, insurance and financial services industries. His unique Asian managerial experience in a number of Fortune 500 companies also provides the Company's board with the expertise to enhance the Dura-Base product with the networks to expand its reach within South East Asia.</p> <p>He has been responsible for the provision of financial modeling, deal execution and the development of product distribution. His roles included the Regional head of banassurance (Asia Pacific – Singapore); Country President for Chubb Insurance, Indonesia (Jakarta) and Regional General Manager for PPG International Ltd.</p>
<b>Arran Marshall</b> <b>BA MBA (Auckland University of Technology)</b>	Non-Executive Director	<p>Arran has over 10 years experience in senior management and is currently the CEO of Indo Mines Ltd. Before this he held the role of Country Head for AWR Lloyd in Indonesia which specializes in advising the mining and energy sectors in South East Asia. He has experience in the fields of business development, project management, financial modeling, investor relations and capital markets.</p> <p>Arran holds a Bachelor of Arts and MBA from Auckland University of Technology.</p>
<b>Marika White</b>	Company Secretary	<p>Marika is the company secretary for a number of listed companies and has over 5 years experience in various corporate secretariat positions in Australia for both ASX and NSX listed companies. Secretary.</p>

## 5.2 Corporate Governance

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted what it considers to be appropriate corporate governance policies and practices having regard to its size and nature of activities.

The primary responsibility of the Board is to represent and advance Shareholder' interests and to protect the interests of all stakeholders. To fulfil this role, the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management, and monitoring the achievement of these goals.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

In light of the Company's size and nature, the Board considers that the current Board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed on a regular basis.

The Company's main corporate governance policies and practices as at the date of this Information Memorandum are outlined below.

## **5.3 The Board**

### **Board of Directors**

The Board is responsible for the corporate governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest on an ongoing basis.

The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase Shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (iii) ensure compliance with the Company's legal and regulatory objectives. Consistent with these goals, the

Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board's discussions on a fully-informed basis.

### **Board charter**

The Board has adopted a board charter, which prescribes certain principles for the operation and structure of the Board. The charter also establishes certain principles and procedures in accordance with which the Board is required to act and allocates the functions of the Company between the Board and management of the Company. Shareholders in general meetings are responsible for the appointment of the external auditors of the Company, and the Board, from time to time, will review the scope, performance and fees of those external auditors following a recommendation from the Audit & Risk Committee.

### **Composition of the Board**

Election of Board members is substantially the province of the Shareholders in a general meeting. However, subject thereto, the Company is committed to the following principles:

- (i) the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (ii) the principal criterion for the appointment of a new director is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board's membership but an informal assessment and induction process, facilitated in consultation with the Company's professional advisors, has been committed to by the Board.

#### **Identification and management of risk**

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

## **5.4 Board Committees**

#### **Audit and Risk Committee**

The Company has established an Audit & Risk Committee, which operates under an Audit & Risk Committee Charter. The Audit & Risk Committee is currently comprised of the full Board of Directors. An independent Chair will be appointed at the Company's next Annual General Meeting (AGM).

#### **Remuneration and Nomination Committee**

The Company has not established a Remuneration and Nomination Committee due to the size of the Company and the Board has assumed the responsibilities of this Committee. The Board will decide the remuneration of an executive Director, when one is appointed, without the affected executive Director participating in the decision making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the Listing Rules, as applicable. The determination of non-executive Director's remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

In addition, a Director may be paid fees or other amounts (e.g. subject to any necessary Shareholder approval, non-cash performance incentives such as options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred by them, respectively, in the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having regard to the amount considered appropriate for a company of its size and level of activity as well as the relevant Director's time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed.

## **5.5 Corporate Governance Policies**

The Company has also adopted the following policies, each of which has been prepared having regard to the best practice Corporate Governance Principles and Recommendations. These policies have been summarized as follows.

#### **Code of conduct**

The Board has adopted a code of conduct, which sets basic principles of business conduct to which the Directors, officers and employees of the Company must adhere.

The Board is committed to the establishment and maintenance of appropriate ethical standards.

**Continuous disclosure policy**

The Board has adopted a continuous disclosure policy to ensure the Company will be in a position to comply with its disclosure obligations following admission to the Official List.

Under the policy, the Company Secretary has primary responsibility for ensuring the Company complies with its continuous disclosure obligations.

**Security trading policy**

The Board has adopted a security trading policy that provides guidelines on the sale and purchase of Securities by Directors, officers, and other key management personnel and employees of the Company and their associates. The security trading policy prohibits trading during the designated "blackout periods" and recommends trading only during certain "trading windows". The policy generally provides that the written acknowledgement of the Chairman must be obtained prior to trading.

**Audit & Risk Committee**

The Company has established an Audit & Risk Committee, which operates under an Audit & Risk Committee Charter that includes, but is not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system, the Company's risk management systems, the identification and management of business, economic, environmental and social sustainability risk and the external audit function. The Audit & Risk Committee is currently comprised of the full Board. An independent Chair will be appointed at the Company's next Annual General Meeting (AGM).

**Diversity policy**

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has put in place a diversity policy. The diversity policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

**Communication policy**

The Board values effective communication between the Company and its Shareholders. The Board is committed to the objective that Company and Shareholder communication is maintained, and ready, equal and timely access to clear and balanced information about the Company (including its financial performance, strategic plans, material developments, governance and risk profile) is available to the Shareholders to enable them to exercise their rights in an informed manner.

**Privacy policy**

SAA respects and upholds an individual's rights to privacy protection under the Australian Privacy Principles contained in the Privacy Act 1988 (Cth) and any similar state or territory legislation applicable to SAA's operations.

**ASX Corporate Governance**

To further enhance listed entities' disclosure of corporate governance issues, the ASX Corporate Governance Council ("CGC") was established for the purpose of setting an agreed set of corporate governance standards of best practice of Australian listed entities. The CGC has released its Principles of Good Corporate Governance and Best Practice Recommendations 2<sup>nd</sup> Edition (**ASX Guidelines**) in August 2007 which will apply to the Company's financial statements upon listing on the NSX. The ASX Guidelines articulate eight (8) core principles that CGC believes underlie good corporate governance.

The information below outlines the main corporate governance policies of the Company which the Board has adopted as well as addressing in some detail the ASX Guidelines.

Before referring to the specific principles set out in the ASX Guidelines and the steps being taken by the Company to comply with those, the following factors should be noted:

- Each of the Directors dedicates considerable time and effort to the affairs of the Company. The Directors manage to do so within busy schedules for other work and business commitments and as a consequence, the principal focus of their endeavours (while operating within a sound base for corporate governance) must necessarily be promotion of the Company's activities and improving Shareholder value; and
- The Company is committed to adopting corporate governance policies commensurate with its business activities and as mentioned earlier has adopted a formal Corporate Governance Charter, setting out the roles and responsibilities of the independent committees described above.

It is within the above context that the Directors are establishing the appropriate processes to ensure that they are compliant with the ASX Guidelines on being admitted to the Official List, should that occur. In the context those Guidelines, the Directors make the following observations in relation to the Company's corporate governance status.

#### Summary of Company's Position on ASX Guidelines

ASX Guidelines	Summary of the Company's position
<b>Principle One</b> <i>Lay solid foundations for management and oversight</i>	The Company's Directors are subject to contracts regulating their roles with the Company and management.
<b>Principle Two</b> <i>Structure Board to Add Value</i>	The Company's Directors have different skills and experience to enable the Company to carry out its business effectively and are conscious of ensuring there is diversity amongst Board members to promote efficiency.
<b>Principle Three</b> <i>Promote Ethical and Responsible Decision Making</i>	The Company has adopted: <ul style="list-style-type: none"> <li>• Directors and Executive Officers Code of Conduct;</li> <li>• Share Trading Policy; and</li> <li>• Disclosure Policy.</li> </ul>
<b>Principle Four</b> <i>Safeguard Integrity in Financial Reporting</i>	The Company's Directors will be responsible for management of the audit and financial reporting processes of the Company.
<b>Principle Five</b> <i>Make Timely and Balanced Disclosure</i>	The Company has defined, under its Share Trading Policy and Disclosure Policy, an internal protocol for the reporting of material information to Shareholders and the ASX.
<b>Principle Six</b> <i>Respect the Right of Shareholders</i>	The Company is committed to all Shareholders and stakeholders having equal and timely access to material information regarding the operations and results of the Company. The Company makes, and will continue to make, regular ASX announcements and make these available on its website.
<b>Principle Seven</b> <i>Recognise and Manage Risk</i>	The Board of Directors has under its role reviewing and ratifying systems of risk management and internal compliance and control.
<b>Principle Eight</b> <i>Remunerate Fairly and Responsibly</i>	The Board of Directors has under its role reviewing and ratifying remuneration agreements and conditions for employees.

## 5.6 Arrangements with Directors and Management

The Directors are paid Directors' fees and the Company intends to reimburse for expenses; and may be paid a bonus subject to the Company meeting certain milestones.

The Company Secretary provides professional accounting, administration and company secretarial services.

## 5.7 Directors and Officers Remuneration

### Non-executive Director Remuneration

Under the Constitution, the Board decides the total amount paid to each Director as remuneration for their services as a Director of the Company. However, under the Listing Rules, the total amount paid to all Non-executive Directors for their services must not exceed, in aggregate in any financial year, the amount fixed at the Company's general meeting.

The proposed amount to be paid to Non-executive Directors of the Company in the next financial year is in aggregate \$72,000.

Each Non-executive Director of the Company has signed a Board an agreement with the Company, which sets out the key terms of their appointment.

The Company Secretarial role has been outsourced to Boardworx Australia Pty Limited and appointed Marika White as the Company Secretary terms of which are set out in the letter of engagement which in the next financial year will be in the amount of \$30,360 (inc GST).

The proposed remuneration (including superannuation) of existing Directors, officers and related parties for the next financial year is as follows:

Name	Title	Cash & Salary Fees (2017)
Mr. Ron Larson	Executive Director Chief Operating Officer	\$120,000
Mr. Kyle Larson	Executive Director Chief Executive Officer	\$120,000
Mr. Peter Van Ratingen	Non-Executive Director	\$24,000
Mr. Peter Chambers	Non- Executive Director Chairman	\$24,000
Mr. Arran Marshall	Non-Executive Director	\$24,000
Ms. Marika White	Company Secretary	\$27,600
<b>Total</b>		<b>\$339,600</b>

*NB: The NSX may impose escrow restrictions on certain Shares, as a condition of Listing. The Company does expect the NSX to classify any Shares held by Directors and related parties as Restricted Securities.*

## 5.8 Directors, Related Party and Substantial Shareholder Interests in Shares

Name	Shares	%	Options
Ron Larson	2,892,961	15.00%	—
Kyle Larson	2,892,961	15.00%	—
Peter van Ratingen	250,000	1.30%	—
Peter Chambers	50,000	0.26%	—
Arran Marshall	50,000	0.26%	—



**Note:** The NSX may impose escrow restrictions on certain Shares, as a condition of Listing.

## Related Parties

Name	Shares	%	Options
APAC Partners Pty Ltd	923,000	4.79%	—
Conrad Warren	913,324	4.74%	—
Mayee Warren	825,922	4.28%	
Chris Warren	547,000	2.84%	

**Note:** APAC Partners Pty Ltd and Mr Conrad Warren are related parties/entities as defined under the Corporations Act 2001 (Cth) by reason that Mr Conrad Warren is the sole director and 100% shareholder of APAC Partners Pty Ltd. Mayee Warren and Chris Warren are related parties and/or associates of Conrad Warren as defined under the Corporations Act 2001 (Cth).

## Substantial Shareholders

The Substantial Shareholders of the Company being those who hold fully paid issued capital of the Company holding of greater than 5% are as follows:

Name	Shares	%	Options
Indo Mines Ltd	5,785,922	30.00%	—
Ron Larson	2,892,961	15.00%	—
Kyle Larson	2,892,961	15.00%	—

## 5.9 Other information

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Directors may be paid such additional or special remuneration if they, at the request of the Board, and for the purposes of the Company, perform any extra services or undertake additional tasks from time to time.



## **6. Risk Factors**

### **6.1 Introduction**

The operating and financial performance of the Company may be affected by a range of risk factors. While certain risks to which a company is normally subject can be mitigated by the company's plans and actions, many are beyond the control of any company.

Whilst the Directors commend the Listing, potential investors should consider the risk factors described in this Section, together with the information contained elsewhere in this Information Memorandum before deciding whether to make an investment having regard to their own personal investment objectives and financial circumstances.

This list is not exhaustive and potential investors should read this Information Memorandum in its entirety and if in doubt consult their professional advisor before deciding whether to participate in the Offer.

### **6.2 Reliance on Personnel**

The Company is dependent on the continued services of each of the Directors. The Board is aware of the need to have sufficient management to properly manage the business development strategy of the Company and will continually monitor the management roles in the Company.

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on the Board which is substantially the same as SOS. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these Directors cease their employment.

### **6.3 General Risks**

- Changes in legislation and government policy (including taxation and monetary policies and corporation laws) could materially affect the operating results of the Company.
- Changes in short term and long term interest rates, exchange rates, demand for the product, the strength of the equity markets or the general economic climate (both in Australia, South East Asia and internationally) could materially affect the operating results of the Company.
- The value of the contracts acquired or negotiated by the Company can fall as well as rise, due to any number of circumstances that may be beyond the control of the Company, including market conditions/currency fluctuations, and as such may not generate the returns or capital growth expected.
- The markets for small cap companies are historically more volatile with greater or lesser degrees of liquidity depending on the nature of the investment and the period of the investment cycle in which the investment is acquired or sold.
- The success of the Company may be affected by the ability of the Company to raise adequate, debt or equity capital to meet its commitments in respect of its activities.
- There is no guarantee that an active market will develop in the Shares of the Company.
- The ability of the Company to pay dividends to its shareholders will in part depend upon the ability of the Directors to make profits through the acquisition and realisation of investments. It is not possible to predict at what point profits will be generated or at what point in time the Company will generate sufficient earnings to cover its operating expenses.
- Once the existing contracts held by the Company are developed and/or renewed the success and profitability of the Company will depend on the ability of the Directors to identify other opportunities to acquire and further develop the business in order to generate profits for the Company.

## **6.4 General Economic Risks and Business Climate**

Share market conditions may affect the Shares regardless of operating performance. Share market conditions are affected by many factors such as:

- General economic outlook;
- Movements in international stock markets;
- Movements in or outlook on interest rates and inflation rates;
- Currency fluctuations;
- Global Demand for Infrastructure/Oil and Gas/Energy;
- Commodity prices;
- Trends in the oil and industries industry;
- Changes in investor sentiment towards particular market sectors; and
- The demand and supply for capital.

## **6.5 Development of Oil and Gas Sector in South East Asia**

The business of Oil and Gas exploration, which is the current source of contract revenue streams for the Company, project development and the processing of such resources, poses, by its very nature, inherent risk. Potential investors should understand that Oil and Gas exploration and development are high-risk undertakings. There can be no assurance that exploration and development will continue in the future which will therefore affect the demand for Dura-Base Product.

Ultimate and continuous success of the demand for the Dura-Base product is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable Oil and Gas reserves;
- increased use of the Dura-Base product in alternative sectors including but not limited to:
  - Infrastructure Development
  - Power transmission
  - Telecommunications
  - Military
  - Timber Plantation and Forestry industry
  - Construction
  - Disaster Relief
- successful negotiations with end users
  - competition from alternative products such as concrete and timber
  - access to adequate capital for business development;
  - securing and extending contract;
  - master exclusive licence agreement risk to maintain exclusivity in the jurisdictions of Indonesia, Myanmar and the Philippines;
  - regulators granting consents and approvals for the use of the product; and

- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants aside from the current management team.

Adverse political and economic conditions over a prolonged period can adversely affect the demand for the Dura-Base Product which will affect the revenues of the Company.

Logistics and infrastructure support demand throughout South East Asia is increasing due to the improvement in the general economic conditions of Indonesia, Myanmar and the Philippines. The deployment and demobilisation of the Dura-Base Product also makes the product attractive, however, the use of product it may be adversely impact the Company where legislative or tendering process restrictions hinder the Company to enter into contractual arrangements with end users.

## **6.6 Concentrated Client Risk**

The Company is subject to specific contract and client concentration risk as its revenue streams are generated by a limited number of clients and contracts. Should these contracts not be renewed it will significantly decrease the cash flow of the Company which in turn affect the sustainability of its operations.

## **6.7 Limited Operating History**

The Company was incorporated in 18 May 2017 and its operational and financial performance is limited. The Company's future prospects must be considered in light of the difficulties commonly encountered in the early stages of a company's development, particularly those companies involved primarily in logistics and infrastructure support to Oil and Gas and resource industries.

It is noted that SOS is to be acquired by the Company pursuant to the Share Purchase Agreement. SOS has been operating in Indonesia and entered into various agreements via an agency arrangement with PT SAPEX Servis Indonesia (**PT SAPEX**). PT SAPEX is the exclusive sales and service entity for the Dura-Base product in Indonesia.

SOS was incorporated in 2002 and has been trading since its incorporation in Indonesia holding the exclusive licence for the distribution of the Dura-Base product. The management team of the Company and SOS will substantially be the same and have common directors whom will also be responsible for the day to day operations of the Company.

## **6.8 Risks Specific to the Company**

The Company's distribution of the Dura-Base product represents the main business activity and focus of the Company. Risks specific to this activity includes the following:

### **(a) Operating Risks**

The current and future operations of the Company, including its business development strategies may be affected by a range of factors, including:

- economic conditions;
- legislative/jurisdictional changes or impacts;
- limitations on activities due to seasonal weather patterns and cyclone activity;
- alterations to tendering programs and budgets;
- unanticipated operational and contractual difficulties encountered when operating in multi-jurisdictions;
- adverse weather conditions, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;
- occupational health and safety in a potentially dangerous workplace;

- industrial action, dispute or disruptions;
- unavailability of manpower or appropriately skilled manpower;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment needed in the management of the Dura-Base Product; and
- prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals.

**(b) Development of Natural Resources**

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include world-wide and regional supply and demand for the specific commodity, commodity trading on the future markets, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's deployment of the Dura-Base where it may be used in such industries, together with the ability to fund those activities.

**(c) Currency**

The IDR/USD/AUD exchange rate is affected by numerous factors beyond the control of the Company. These factors include economic conditions of Indonesia's, Australia's and the USA's and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's business development plans and activities, together with the ability to fund those plans and activities.

**(d) Environment**

The Company's deployment are subject to the laws and regulations of Indonesia. As with all natural resource projects, these projects would be expected to have a variety of environmental impacts and audits prior to the deployment of the product.

The Company intends to comply with the environmental standards in a responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the applicable laws and regulations of the relevant jurisdiction.

**(e) Protection of Exclusive Distribution Licence**

The exclusive licence agreement between the Company and NewPark for the distribution of the Dura-Base product in Indonesia, Myanmar and the Philippines may not be extended in the future.

If the exclusive distribution agreement is not extended, the Company may suffer significant damage through loss of the opportunity to further distribute and/or generate income in the absence of a distribution agreement.

In addition, the Company cannot guarantee that the future renewal of the license agreement.

**(f) Insurance Risks**

The Company intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance of all risks associated with its activities is not always available and where available the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where the Company considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. The Company will insure the risks it considers appropriate for the Company's need and for its circumstances.

**(g) Change in Government Policy and Legislation**

The Company's business may be affected by new and changing Government policies, including taxation, royalties, environmental regulation, land access and economic regulation relating to its activities in Indonesia.

**(h) Contractual Risk**

Directors are unable to predict the risk of financial failure or default by a participant in any agency arrangement or joint venture to which the Company may be, or may become, a party; or insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or insolvency or other managerial failure by any of the other service providers used by the Company for any activity. Any such failure could adversely affect the operations and performance of the Company.

The Company's interests are governed by virtue of the Company having contractual rights. As in any contractual relationship, the ability of the Company to ultimately benefit is dependent upon the Company's ability to comply with its obligations, and the relevant counterparty complying with its contractual obligations to deliver. Accordingly, a key risk to the Company in this instance is the completion of the Share Sale Agreement and the agency agreements in which SOS has entered into.

**(i) Country/Sovereign Risk**

The operations of the Company will be subject to the particular geo-political and legislative framework of Indonesia and to the countries . This risk imposes unique challenges to the Company as it needs to engage local experts to advise and ensure compliance for the operations of the Company. Accordingly, this may result in additional costs and compliance obligations on the Company.

**6.9 Future Requirements for Capital**

The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash will be adequate to fund its business development activities and other objectives in the short term as stated in this Information Memorandum.

Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

**6.10 Stock Market Risk**

There are risks associated with any investment in a company listed on the NSX. The value of the company's shares may rise above or below the current price depending on the financial and operating performance of the company and external factors over which the Company's Directors have no control. These external factors include:

- Economic conditions in Australia and overseas, which may have a negative impact on equity capital markets.
- Changing investor sentiment in the local and international stock markets.
- Changes in domestic or international fiscal, monetary, regulatory and other government policies.
- Developments and general conditions in the markets in which the company proposes to operate and which may impact on the future value and pricing of shares.

**6.11 Tax Issues**

There may be tax implications arising from the listing and/or acquisition of Shares, any possible receipt of dividends (both franked and un-franked) and the disposal of Shares. All prospective investors should carefully consider these tax implications and if uncertain as to the relevant taxation issues, obtain further advice from a qualified professional adviser. Tax liabilities are the responsibility of each individual investor and the Company

will not be responsible for any tax or related penalties incurred by investors.

## **6.12 Summary**

Any combination of the above factors may materially affect the operations or financial performance of the Company and value of its securities. To that extent the Shares are subject to significant risk and uncertainty with respect to return or preservation of capital, the price (if any) at which the Shares may trade and the payment of dividends at any future time.

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to invest in the Company.

## 7. Financial Information

### 7.1 Introduction

The Company was incorporated on the 18th of May 2017 and has not undertaken any activities to date except for the entering into the Material Contracts as set out in Section 9.3 of this Information Memorandum. As at the date of this Information Memorandum, the Company has 19,286,406 shares on issue.

This Section contains a summary of financial information of the Company which includes:

- the unaudited pro-forma statement of financial position of the Company assuming completion of the Listing and acquisition of SOS (the, “**Pro-Forma Statement of Financial Position**”) (see Section 7.3); and
- significant accounting policies of the Company. (see Section 7.4).

### 7.2 Basis of Preparation & Presentation of Financial Information

The Financial Information (including the Pro-Forma Statement of Financial Position) has, except where otherwise noted, been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act. All amounts disclosed in this Section are presented in Australian dollars.

The Financial Information has been reviewed by PKF Corporate Finance (NSW) Pty Ltd (“PKFCF”), which has provided an Investigating Accountant’s Report on the Pro-Forma Financial Information as set out in Section 8 of this Information Memorandum.

The information in this Section should be read in conjunction with Risk Factors discussed in Section 6 of this Information Memorandum and other information as contained in the Information Memorandum.

#### 7.2.1 Basis of Preparation of the Pro-Forma Statement of Financial Position

The Pro-Forma Statement of Financial Position set out in Section 7.3 below has been prepared to illustrate the financial position of the Company upon completion of the Listing and the acquisition of SOS (the “Acquisition”).

The Pro-Forma Statement of Financial Position is intended to be illustrative only and will not reflect the actual financial position and balances as at the date of this Information Memorandum or at the completion of the Listing.

On 19 May 2017, Sapex entered into an agreement (the “Agreement”) to acquire 100% of the issued shares of SOS for a purchase price of AU\$3.00. In addition, the Agreement requires that Sapex issue a total of 11,571,844 ordinary shares to the vendor SOS shareholders. Upon completion of the Listing and Acquisition, the vendor shareholders of SOS will hold 60% of the issued shares of Sapex.

Australian Accounting Standards require that where two or more entities combine through the exchange of equity, one of the entities must be deemed to be the “acquirer” for accounting purposes. This may be different to the legal acquirer.

Whilst the Directors have determined that the Acquisition does not constitute a “business combination” under Australian Accounting Standard AASB 3 Business Combinations, they have nevertheless considered guidance set out in AASB 3, other pronouncements and guidance, and have determined that whilst Sapex will be the legal acquirer of SOS, the Acquisition has been treated as a “reverse acquisition” and SOS has been treated as the “acquirer” for accounting purposes.

As the Acquisition has been determined not to be a “business combination”, the Directors have deemed it

appropriate for the Acquisition to be accounted for under Australian Accounting Standard AASB 2 Share Based Payments, whereby SOS has been deemed to have issued shares to shareholders of Sapex in exchange for the net assets held by Sapex.

In this instance, the value of the consideration paid by SOS has been determined as the number of shares in Sapex that the vendors of SOS will not hold upon completion of the Acquisition, multiplied by AUD\$1.00, being the price at which the Company's Shares will be listed on the NSX.

The assets and liabilities of Sapex deemed to be acquired by SOS reflect their fair value at the assumed acquisition date (being 31 May 2017). The assets and liabilities of SOS are maintained at their historical book values.

Any difference between the fair value of the consideration paid and the fair value of the net assets of Sapex deemed to be acquired by SOS, has been recognised as a share-based payment and expensed.



### 7.3 Pro-Forma Statement of Financial Position

Set out below is the Pro-Forma Statement of Financial Position of Sapex assuming completion of the Listing and the Acquisition:

	Note	Initial Issue of Capital	Impact of SOS Acquisition	Impact of Lead Arranger Fee	Impact of Underwriting Fee	Pro-Forma
		Note 1	Note 2	Note 3	Note 4	
<b>ASSETS</b>						
<b>Current Assets</b>						
Receivables		192,864	-	( 192,864)	-	-
<b>Total Current Assets</b>		<b>192,864</b>	<b>-</b>	<b>( 192,864)</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>						
-		-	-	-	-	-
<b>Total Non-Current Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>192,864</b>	<b>-</b>	<b>( 192,864)</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Trade & Other Creditors		-	-	7,136	440,000	447,136
<b>Total Current Liabilities</b>		<b>-</b>	<b>-</b>	<b>7,136</b>	<b>440,000</b>	<b>447,136</b>
<b>Non-Current Liabilities</b>						
-		-	-	-	-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>7,136</b>	<b>440,000</b>	<b>447,136</b>
<b>NET ASSETS</b>		<b>192,864</b>	<b>-</b>	<b>( 200,000)</b>	<b>( 440,000)</b>	<b>( 447,136)</b>
<b>EQUITY</b>						
Issued Capital	Note 5	192,864	7,521,698	-	-	7,714,562
Retained Earnings	Note 6	-	( 7,521,698)	( 200,000)	( 440,000)	( 8,161,698)
<b>TOTAL EQUITY</b>		<b>192,864</b>	<b>-</b>	<b>( 200,000)</b>	<b>( 440,000)</b>	<b>( 447,136)</b>

#### **Note 1: Initial Issue of Capital**

The starting point for the preparation of the Pro-Forma Statement of Financial Position is the initial issue of capital by Sapex. That is, the issue of 19,286,406 shares at an issue price of \$0.01 per share.

The proceeds from the issue of shares was collected by Makati Capital Partners Limited, to be used to offset the Lead Arranger Fee (refer to Note 3 below for further information).

#### **Note 2: Impact of SOS Acquisition**

The Acquisition of SOS by Sapex has been treated as a “reverse acquisition” for accounting purposes.

The pro-forma adjustments taking up the acquisition of SOS include the following:

- the assets and liabilities of SOS at their historical book values. In this regard, book values of all assets and liabilities of SOS as at the assumed acquisition date was nil;
- the deemed consideration being the shares in Sapex which the vendors of SOS shares will not hold upon completion of the Acquisition;
- the deemed share-based payment being the difference between the fair value of the consideration paid and the fair value of the net assets of Sapex deemed to be acquired by SOS; and
- the elimination of historical equity balances of Sapex.

**Note 3: Impact of Lead Arranger Fee**

Under the Lead Arranger Agreement, Sapex is required to pay a service fee to Makati Capital Partners Limited in the amount of AU\$200,000.

100% of this fee has been treated as an expense for accounting purposes (as opposed to being taken to equity) on the basis that no new capital is being raised by Sapex as part of the Listing. No deferred tax asset has been taken up in relation to this expense on the basis that there is uncertainty regarding the Company's ability to generate sufficient taxable income in Australia to offset these expenses.

**Note 4: Impact of Underwriting Fee**

Under the Underwriting Services Agreement, Sapex is required to pay a service fee to APAC in the amount of AU\$440,000.

100% of this fee has been treated as an expense for accounting purposes (as opposed to being taken to equity) on the basis that no new capital is being raised by Sapex as part of the Listing. No deferred tax asset has been taken up in relation to this expense on the basis that there is uncertainty regarding the Company's ability to generate sufficient taxable income in Australia to offset these expenses.

**Note 5: Reconciliation of Issued Capital**

Set out below is a reconciliation of pro-forma issued capital:

	Issued Capital	
	#	\$
Starting Balance	-	-
Issue of Shares by Sapex Subsequent to Incorporation	19,286,406	192,864
Deemed Value of Shares Issued on Acquisition of SOS	-	7,714,562
Elimination of Sapex Share Capital	-	( 192,864)
<b>Pro-Forma Issued Capital</b>	<b>19,286,406</b>	<b>7,714,562</b>

**Note 6: Reconciliation of Retained Earnings**

Set out below is a reconciliation of pro-forma retained earnings:

	\$
Starting Balance	-
Deemed Share Based Payment on Acquisition of SOS	( 7,521,698)
Lead Arranger Fee	( 200,000)
Underwriting Fee	( 440,000)
<b>Pro-Forma Retained Earnings</b>	<b>( 8,161,698)</b>

## 7.4 Costs of the Listing

Please refer to Section 9.9 of the Information Memorandum for further details regarding expenses of the Listing.

## 7.5 Working Capital Statement

The Board believes that it has sufficient working capital to achieve the Company's objectives as detailed in Section 4.3. The Company has no intention of raising additional funds for at least 3 months after its listing on the NSX in compliance with NSX Listing application requirements pursuant to NSW Listing Rule 4.4(2)(i)(a).

## 7.6 Going Concern

The Pro-Forma Financial Information has been prepared on the going concern basis.

## 7.7 Significant Accounting Policies

The summary of significant accounting policies set out below represents the significant accounting policies that have been adopted in the preparation of the Pro-Forma Statement of Financial Position set out in Section 7.3, and which will be adopted prospectively by the Company:

### a. Basis of preparation

The Financial Information (including the Pro-Forma Statement of Financial Position) has, except where otherwise noted, been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (“AASBs”), although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements and comparative information required by AASBs applicable to annual financial reports prepared in accordance with the Corporations Act.

The Company is a for-profit entity for the purposes of preparing the financial statements.

The Pro-Forma Financial Information has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

All amounts disclosed in this Section are presented in Australian dollars.

### b. Basis of Consolidation & Business Combinations

#### *Basis of Consolidation*

The Pro-Forma Financial Information comprises the financial information of the Company and its subsidiary (assuming completion of the acquisition of SOS). Subsidiaries are determined to be entities which the Company is exposed to, or has rights to, variable returns from its involvements with the entity and has the ability to affect those returns through its power over the investee. Subsidiaries are consolidated from the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with that of the Company. All intra-group balances and transactions, including income, expenses and dividends, are eliminated in full upon consolidation.

#### *Business Combinations*

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as an expense as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is recorded as the excess of the total consideration transferred, the carrying amount of any non-controlling interest in the acquire and the acquisition date fair value of any previous equity interest in the acquire over the net identifiable assets acquired.

#### *Reverse Acquisition*

As the acquisition of SOS by Sapex has been treated as a “reverse acquisition” for accounting purposes. Please refer to Section 7.2.1 and Note 2 of Section 7.3 above for further information.

### c. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change, and bank overdrafts. Bank overdrafts are shown as a liability on the balance sheet.

**d. Revenue/income recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Interest revenue is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the term of the rental contract.

All revenue is stated net of the amount of GST (if any).

**e. Expenses**

All expenses are recognised through profit or loss on an accrual basis.

Interest expense is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

**f. Income tax**

Income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustments recognised for prior periods, where applicable.

The Company may incur withholding tax imposed by certain countries on certain classes of income. Such income will be recorded net of withholding tax through profit or loss.

Deferred tax assets are recognised for deductible temporary differences and at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

**g. Dividends**

Dividends are recognised as a liability in the period in which they are declared.

**h. Goods and services tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australia Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of the amount of GST receivables or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in

the Statement of Financial Position.

**i. Share capital**

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of tax effects.

## 7.8 Capital Structure

The fully paid issued capital of the Company as at the date of this Information Memorandum is set out in the table below:

Name	Ordinary Shares	%	Nominal Value/Share
On Company Incorporation	19,286,406	100.0%	\$0.01
As at Listing	19,286,406	100.0%	\$1.00
Total	19,286,406		

Note: The Company's market capitalization as at the opening of the Company's NSX compliance listing will be \$19,286.406.

The Company's top 20 shareholders as at the date of this Information Memorandum:

Holder	Name	Wgt	Shares
1.0	Indomines Limited	30.00%	5,785,922
2.0	Ron Larson	15.00%	2,892,961
3.0	Kyle Larson	15.00%	2,892,961
4.0	APAC Partners Pty Ltd	4.79%	923,000
5.0	Conrad Warren	4.74%	913,324
6.0	Mayee Warren	4.28%	825,922
7.0	Adam Leonardi	3.98%	767,775
8.0	Bellambi Enterprises Limited Investments Trust	3.11%	600,000
9.0	Chris Warren	2.84%	547,000
10.0	Neil Watmough	2.79%	538,000
11.0	Bastian Sagid	2.59%	500,000
12.0	Chris Atkinson	2.59%	500,000
13.0	The Stockmans Investment Trust	2.07%	400,000
14.0	Peter Van Ratingen	1.30%	250,000
15.0	Eileen Van Ratingen	1.04%	200,000
16.0	AT Leonardi Super Fund	0.57%	110,000
17.0	Nigel Landon	0.52%	100,000
18.0	Simon Field	0.52%	100,000
19.0	Daniel Edward Powell & Joanne Mary Powell ATF D & J Powell Superannuation Fund	0.41%	80,000
20.0	Dilip Aswani	0.38%	72,000

## **8. Investigating Accountants Report**

**[This page has been intentionally left blank]**



27 June 2017

The Directors  
Sapex Group Limited  
Level 28, 1 Market Street  
Sydney NSW 2000

Dear Directors,

## **INDEPENDENT ACCOUNTANT'S REPORT**

### **INDEPENDENT LIMITED ASSURANCE REPORT ON SAPEX GROUP LIMITED HISTORICAL FINANCIAL INFORMATION**

#### **1. Introduction**

PKF Corporate Finance (NSW) Pty Limited ("**PKFCF**", "**We**", "**Us**") have been engaged by Sapex Group Limited ("**Sapex**" or the "**Company**") to prepare this report for inclusion in the Information Memorandum (the "**Information Memorandum**") to be dated on or about 27 June 2017 in relation to the compliance listing of the Company to the National Stock Exchange ("**NSX**") ("**Listing**").

Expressions defined in the Information Memorandum have the same meaning in this report, unless otherwise specified.

#### **2. Scope**

You have requested PKFCF to perform a limited assurance engagement in relation to the financial information described below and disclosed in the Information Memorandum.

##### **2.1. Pro Forma Statement of Financial Position**

The Pro-Forma Statement of Financial Position reflects the impact of the Pro-Forma Adjustments (as described in the Information Memorandum) on the financial position of the Company.

The Pro-Forma Statement of Financial Position is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial report prepared in accordance with the Corporations Act 2001.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the event(s) or transaction(s) to which the Pro-Forma Adjustments relate, as described in Sections 7.2 and 7.3 of the Information Memorandum. Due to its nature, the Pro-Forma Statement of Financial Position does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro-Forma Statement of Financial Position has been compiled by the Company to illustrate the impact of the Listing and associated transactions on the Company's financial position as at 31 May 2017.

**PKF Corporate Finance (NSW) Pty Limited**  
ABN 65 097 893 957  
AFSL 295 872

**Sydney**  
Level 8, 1 O'Connell Street  
Sydney NSW 2000 Australia  
GPO Box 5446 Sydney NSW 2001  
p +61 2 8346 6000  
f +61 2 8346 6099

**Newcastle**  
755 Hunter Street  
Newcastle West NSW 2302 Australia  
PO Box 2368 Dangar NSW 2309  
p +61 2 4962 2688  
f +61 2 4962 3245

PKF Corporate Finance (NSW) Pty Limited is member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member of correspondent firm or firms.

For our office locations visit [www.pkf.com.au](http://www.pkf.com.au)





For the purposes of preparing this report we have performed limited assurance procedures in relation to the Pro Forma Statement of Financial Position in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that Pro Forma Statement of Financial Position is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation.

### **3. Directors' Responsibilities**

The directors of the Company are responsible for the preparation of the Pro-Forma Statement of Financial Position, including the selection and determination of the pro forma transactions and/or adjustments.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

### **4. Our Responsibilities**

Our responsibility is to express limited assurance conclusion on the Pro Forma Statement of Financial Position, based on the review procedures performed and the evidence obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and / or Prospective Financial Information*.

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures to the accounting records in support of the Pro Forma Statement of Financial Position.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Statement of Financial Position is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

### **5. Conclusions**

#### **5.1. Review statement on the Pro-Forma Statement of Financial Position**

Based on our independent review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Statement of Financial Position, as set out in Section 7.3 of the Information Memorandum is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Sections 7.2 and 7.3 of the Information Memorandum, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Information Memorandum. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 6 of the Information Memorandum.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

**6. General Advice Warning**

This report has been prepared, and included in the Information Memorandum, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

**7. Independence**

PKFCF does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. PKFCF will receive a professional fee for the preparation of this Independent Limited Assurance Report.

**8. Restriction on Use**

Without modifying our conclusions, we draw attention to Section 7.2.1 of the Information Memorandum, which describes the purpose of the Pro Forma Statement of Financial Position, being for inclusion in the Information Memorandum. As a result, the Pro Forma Statement of Financial Position may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the Pro Forma Statement of Financial Position to which it relates, for any purpose other than that for which it was prepared.

**9. Consent**

PKFCF has consented to the inclusion of this Independent Limited Assurance Report in the Information Memorandum in the form and context in which it is so included, but has not authorised the issue of the Information Memorandum. Accordingly, PKFCF makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Information Memorandum.

Yours faithfully

**PKF Corporate Finance (NSW) Pty Limited**



**Andrew Jones**  
Director



**Nick Navarra**  
Principal

[This page has been intentionally left blank]

## 9. Additional information

### 9.1 Top 5 Shareholders

The following table outlines the top 5 Shareholders and those which have a holding of 5% or greater of the issued capital of the Company.

Holder #	Name	Shares	Wgt
1.	Indo Mines Limited	5,785,922	30.00%
2.	Ronald Kenneth Larson	2,892,961	15.00%
3.	Kyle Roy Larson	2,892,961	15.00%
4.	APAC Partners Pty Ltd	923,000	4.79%
5.	Conrad Warren	913,324	4.74%
Total		13,408,168	69.53%

### 9.2 Rights attaching to shares

The following is a summary of the significant rights and liabilities attached to Shares in SAA. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attached to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. The Company will seek shareholder approval (and if approved) amend its Constitution, to ensure compliance with the NSX Listing Rules, at the next General Meeting of the Company. For the avoidance of doubt, in this section a reference to Listing Rules means the NSX Listing Rules.

#### Voting

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting of members, every member present in person or by proxy, attorney or body corporate representative has one vote on a show of hands, and one vote per share on a poll. In the case of a vote on a poll, persons who hold a share, which is not fully paid shall be entitled to a fraction of a vote equal to the proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share.

#### Dividends

The Directors may from time to time resolve to pay dividends to Shareholders and fix the amount, the timing and method of payment of that dividend in accordance with the Corporations Act.

#### Future Issues

Subject to the Company's Constitution, the Corporations Act and Listing Rules, Directors may, on behalf of the Company, issue or grant options over, or otherwise dispose of, Shares on terms determined by the Directors. The Directors may issue Shares in the Company with any preferential, deferred or special rights, privileges or conditions, or with any restrictions (whether in regard to dividend, voting, return of share capital or otherwise) as they determine.

#### Transfer of Shares

A Shareholder may transfer Shares by a proper NSX Settlement registered transfer or an instrument in writing in any usual form, or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares only if that refusal would not contravene the Listing Rules or the NSX Settlement Operating Rules. The Directors must not register a transfer if the Corporations Act, Listing Rules or NSX Settlement Operating Rules forbid registration. The Company must not refuse to register, give effect to, delay or in any way interfere with a proper ASX Settlement transfer of other securities.

### **Meetings and Notices**

Each Shareholder is entitled to receive notice of, and to attend, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act or Listing Rules.

Shareholders may requisition meetings in accordance with the Corporations Act and the Constitution.

### **Winding Up**

Subject to the Constitution and the rights and liabilities attached to Shares, Shareholders will be entitled in a winding up to any surplus assets of the Company in proportion to the number of Shares held by them, less any amounts, which remain unpaid on the Shares at the time of distribution. However, if this deduction results in the distribution to the Shareholder being a negative amount, the Shareholder must contribute that amount to the Company.

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Shareholders:

- divide among the Shareholders the whole or any part of the assets of the Company; and
- determine how the division is to be carried out as between the Shareholders or different classes of Shareholders, with the approval of separate general meetings of the members of each of the several classes (if applicable).

Any such division may not be otherwise than in accordance with the legal rights of the Shareholder and, in particular, any class may be given preferential or special rights or excluded altogether or in part. Where a division is otherwise than in accordance with the legal rights of the Shareholders, a Shareholder is entitled to dissent and to exercise the same rights as if the special resolution sanctioning that division were a special resolution passed under Section 507 of the Corporations Act.

### **Shareholder Liability**

No Shares are being issued pursuant to this Information Memorandum and all Shares on issue to be quoted on the NSX will be fully paid Shares, and not subject to any calls for money and will therefore not become liable for forfeiture.

### **Alteration to the Constitution**

The Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

### **Listing Rules**

If the Company is ever admitted to the Official List of the NSX (for the avoidance of doubt, shareholder approval will be sought to also ensure compliance with the NSX Listing Rules), then despite anything in the Constitution, if the NSX Listing Rules prohibit an act being done, that act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules requires to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If any

provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

### 9.3 Material contracts

It is considered that each of the documents described below are arrangements to which the Company is a party and which is either material to the operations or affairs of the Company or are such that a prospective investor (or their respective advisers) would reasonably expect that such information ought to be disclosed in this Information Memorandum in order for them to make an informed decision regarding the Company.

- **Share Sale and Purchase Agreement**

The Company has entered into a Share Sale and Purchase Agreement dated 19 May 2017 with Ronald Kenneth Larson, Kyle Roy Kenneth Larson and Indo Mines Limited ACN 009 245 210 (**Share Sale Agreement**) for the acquisition of the entire share holding of SAPEX Oilfield Services Limited (a company registered in the British Virgin Islands) (**SOS**).

Pursuant to the Share Sale and Purchase Agreement the consideration for the purchase of the shareholding held by Ronald Kenneth Larson, Kyle Roy Kenneth Larson and Indo Mines Limited is as follows:

- Cash in the amount of \$AUD3.00;
- On listing on the NSX the Company will issue 11,571,844 fully paid ordinary shares in the Company at the issue price of \$0.01 (Australian Dollars) in the following manner:
  - (i) 5,785,922 fully paid ordinary shares to Indo Mines Limited ACN 009 245 210 ;
  - (ii) 2,892,961 fully paid ordinary shares to Ronald Kenneth Larson; and
  - (iii) 2,892,961 fully paid ordinary shares to Kyle Roy Kenneth Larson.

The transfer of shares in SOS in the Share Sale Agreement is subject to the Company gaining approval for Official Quotation on the NSX and the sunset date for this transaction has been extended by the parties to occur by 31 July 2017 via a deed of variation.

- **Business Licence Agreement**

The Company and PT SAPEX Servis Indonesia have entered into a Business Licence Agreement dated 26 June 2017 whereby the parties have agreed in consideration for the use of the Company's intellectual property and assets PT SAPEX Servis Indonesia has agreed to pay a Licensee Fee (payable from the date of the Company's Listing on the NSX) comprising of:

- Sum of USD\$100,000.00 (One hundred thousand US dollars) per month; and
- 10% (ten per cent of the contract value any contract PT SAPEX Servis Indonesia has entered into in connection with the Dura-Base Product.

- **Talisman Energy Contracts**

The Company subsequent to entering into its new its agency arrangement with PT SAPEX Servis Indonesia – PT SAS International (Indonesian joint venture) has tendered and been awarded the latest contract with Talisman Energy for the supply and service of the Dura-Base Product in relation to :

- Tender No. EJB10064 (term of contract being from 10 May 2017 to 9 November 2017).

The gross value of the being IDR 28,170,953,248 (Indonesian Rupiah) being approximately AUD \$2,808,742.79 (as the exchange rate on 13.6.17).

Refer to copy Talisman Energy Letter of Award dated 21 April 2017 below:





**TALISMAN EAST JABUNG B.V.**  
The Indonesia Stock Exchange Building  
Tower 1, 11th Floor  
Jl. Jend. Sudirman Kav. 52-53  
Jakarta 12190 • Indonesia  
Tel: 62 21 515-1601 • Fax: 62 21 515-1602

Ref.No. : 052L/SCM-EJB/III/2017

Jakarta, 21 April 2017

Consortium PT. Sapex Servis Indonesia – PT. SAS Internasional  
Sampoerna Strategic Square, South Tower Level 30  
Jl. Jend. Sudirman Kv. 45-46, Kecamatan Setiabudi  
Jakarta Selatan 12930  
Telp: (021) 29930927  
Email address: [admin@sapexservices.com](mailto:admin@sapexservices.com)  
Attn: Ian Scott Atkinson

**LETTER OF AWARD (LOA) - TENDER NO. EJB10064  
FOR THE PROVISION OF MATTING BOARD RENTAL SERVICES (LIKE-NEW CONDITION)**

Talisman East Jabung B.V. has pleasure in advising that **CONSORTIUM PT. SAPEX SERVIS INDONESIA – PT. SAS INTERNASIONAL** is awarded for the **PROVISION OF MATTING BOARD RENTAL SERVICES (LIKE-NEW CONDITION)** Tender No. EJB10064 ("Tender") pursuant to the terms and conditions of Talisman East Jabung B.V.'s Instruction to Bidders relating to the Tender, including any clarifications, exceptions provided in the relevant bid bulletin, clarification and negotiation, that have been accepted and agreed by the parties during the Tender process ("Contract"). The attached table sets out the equipment & services to be provided as per the Tender Commercial, Technical, HSE and Administrative bid quotations dated 10 March 2017 with Total Maximum Agreement Value after negotiation of **IDR 8,575,806,400 (Indonesian Rupiah: Eight Billion Five Hundred Seventy Five Million Eight Hundred Six Thousand Four Hundred )**, as the Valid Bidder of tender.

The Contract Agreement No. **PEJB10040** is in preparation for execution within 1 (one) week period, please consider this **LETTER OF AWARD (LOA)** as a firm commitment and for the supply/services Delivery times will be subject to Talisman's Call Out Notice or Instructions which is based on the Contract and the Contract shall commence upon issuance of Delivery Instruction Letter/Call-Out Order Notification/Mobilization Instruction Letter.

Subject to the Contract, based on Article 23, Point 23.4: the Company shall if claimed by the Contractor within thirty (30) days of the Termination Date and as the Company's sole and exclusive liability, pay the Contractor as set out in Section 4 – Remuneration for the part of the Work carried out in accordance with the provisions of the Contract together with such other payments and fees as may be set out in that Section.

As referenced to the SKKMIGAS PTK 007/SKKO0000/2015/S0 Chapter IX, Article 3, prior to the execution of Contract worth higher than Rp 1,000,000,000.00 (one billion rupiah) or higher than US\$ 100,000.00 (one hundred thousand dollars of United States), CONTRACTOR shall submit a Performance Bond.

Performance Bond shall be issued by a Commercial Bank (excluding *Bank Perkreditan Rakyat (BPR)*) holding State/Regional Owned status or issued by Indonesian Exim bank or National Private Commercial Bank operated within the territory of the Republic of Indonesia and not categorized as a non-performing bank in the forfeiture of bond in KKKS.

Performance bond Value is **5% of IDR 8,575,806,400**, and the amount shall be **IDR 425,290,320. (Indonesian Rupiah: Four Hundred Twenty Five Million Two Hundred Ninety Thousand Three Hundred Twenty)**. Contract Effective Date is 10 May 2017 to 9 November 2017. Performance Bond validity shall refer to the Contract's effective date and expiration date, plus three (3) months **10 May 2017 until 9 February 2018**, The Performance bond reference: Contract "**Provision of Matting Board Rental Services (Like-New Condition)**" No. **PEJB10040**.

To implement this award, prior to the signing of Contract, Contractor shall submit:

- (i) Statement Letter that assures the validity and authenticity of the Performance Bond, signed by the company's authorized official on a duty stamp.
- (ii) Statement Letter that assures the validity and authenticity of the Advance Payment Bond, signed by the company's authorized official on a duty stamp.





**TALISMAN EAST JABUNG B.V.**  
The Indonesia Stock Exchange Building,  
Tower 1, 11th Floor  
Jl. Jend. Sudirman Kav. 52-53  
Jakarta 12190 • Indonesia  
Tel: 62 21 515-1601 • Fax: 62 21 515-1602

- (iii) HSE Plan which shall be approved by Talisman at the latest 1 month after receiving this LOA.
- (iv) Copy of the Insurance Certificate based on Article 16, Point 16.7. The period of the insurance shall be during the Contract Terms as per Article 16.2 of the Section 2 – Conditions of Contract.
- (v) Contractor shall be responsible if they fail to meet the requirements in point (iv) above.

Talisman East Jabung B.V. looks forward to a mutually beneficial relationship and would take this opportunity to wish you every success on the services to be undertaken.

Yours faithfully,  
**TALISMAN EAST JABUNG B.V.**

Accepted and Agreed  
**CONSORTIUM LEADER PT. SAPEX SERVIS INDONESIA**

  
**FRANCISCO GEA PASCUAL DEL RIQUELME**  
Vice President/General Manager 

  
Name: IAN SCOTT ATKINSON  
Title: Director  
Date: 8/5/2017

Accepted and Agreed  
**CONSORTIUM MEMBER PT. SAS INTERNASIONAL**

  
Name: Herman Katmaga   
Title: President Director  
Date: 10/5/17

- **Loan Agreement**

The Company has agreed and entered into a Loan Agreement dated 19 May 2017 with APAC Partners Pty Ltd to provide working capital in the amount \$1,500,000 at the interest rate of 12% per annum to fund the compliance listing to be repaid by 18 December 2018 or within sixty days receiving written notice from the lender.

- **Consultancy Agreement**

The Company has agreed and entered into a Consultancy Agreement dated 19 May 2017 with Makati Capital Partners to provide corporate advisory services to the Company for the period from admission to the official list of the NSW until 18 December 2018 payable at a rate \$10,000 per month plus GST (if applicable).

- **Underwriting Services Agreement**

The Company has agreed and entered into a Underwriting Services Agreement dated 19 May 2017 with APAC Partners Pty Ltd ACN 619 195 283 to provide underwriting services (as defined pursuant to the agreement) to the Company for the amount of \$400,000.00 plus GST (if applicable).

Services to be provided pursuant to the Underwriting Services Agreement include but not limited to the following:

- Arrangement of initial equity capital contribution.
- Arrangement of working capital facility.

- **Lead Manager Agreement**

The Company has agreed and entered into a Lead Manager Agreement dated 19 May 2017 with Makati Capital Partners Limited (**Lead Manager Agreement**) for the provision of services relating to the compliance listing.

The fixed fee of for the provision of the services is AUD\$200,000.00 and will terminate on the success of the Agreement.

- **Share Registry Agreement**

Automic Pty Limited has agreed to provide share registry services to the Company on an ongoing basis in accordance with the schedule of fees and services provided to the Company dated 21 April 2017. The services to be provided are similar to those provided to listed companies elsewhere in Australia and the fees relating to the provision of such services will vary depending on the monthly service (at the time of listing), time spent, services provided and the requirements of the Company from time to time.

- **Nominated Adviser (NSX) Agreement**

This Agreement between the Company and Eakin McCaffery Cox is dated 23 June 2017 (NOMAD Agreement) records the terms and conditions upon which the parties have agreed to provide services with respect to acting as the Company's Nominated Adviser or NOMAD. Pursuant to the NOMAD Agreement the key responsibility of the NOMAD is to advise and guide the Directors and the Company in relation to their respective responsibilities and obligations in complying with the Listing Rules and related matters.

Key features of the NOMAD agreement are:

- Commences upon Listing and for a term of one (1) year.
- The agreement may be extended for periods of one (1) year unless a party does not wish this to occur.
- Where Listing does not occur this agreement automatically terminates without penalty.

- This Agreement may also be terminated if a party is in default and does not remedy such default within 10 Business days of being notified on the default or a party becomes subject to external management including but not limited to the appointment of an administrator, liquidator or receiver.

In consideration for performing these services, Eakin McCaffery is entitled to a retainer of \$1,000 per month plus GST payable monthly, with the first payment due at Listing.

- **Non-Executive & Executive Director Agreements**

The following Directors have signed a Non-Executive Director Service Agreement with the Company (**Service Agreement**) and is continuing his appointment to the Board following listing:

- Peter Chambers (Chairman)
- Arran Marshall (Non-executive Director)
- Peter Van Ratingen (Non-executive Director)

In summary, each Non-Executive Director Service Agreement contains the following key terms:

- The Director is appointed subject to the Company's Corporate Governance Principles, Corporations Act and NSX Listing Rules;
- The Director's appointment was effective from 19 May 2017 ;
- In the case of each Non-Executive Director may receive remuneration:
  - (a) An annual fee of \$24,000 (exclusive of GST and superannuation entitlements) for Non-Executive Directors and \$96,000 for the Non-Executive Chairman as from the date of Listing as set out below plus expenses in accordance with the Constitution; or
  - (b) The issue of 50,000 fully paid Ordinary Shares at the price of \$1.00 (Australian Dollars) to be issued on Listing;
- If the Company terminates the Service Agreement with the Director, it must provide two weeks months written notice or payment in lieu of the notice period;
- The Director is subject to a 12 month non-competition covenant from the date of the termination of their Service Agreement; and
- The Service Agreement is subject to the laws of New South Wales.

The remaining two Directors (Ronald Kenneth Larson and Kyle Roy Kenneth Larson) have Executive Director Service Agreements with the Company, on substantially the same terms as the other directors save for the annual fee being \$5,000 per annum and no shares in the Company shall be issued with respect to their directorship.

As each Director is considered to be a Related Party of the Company, the following statements are made for the purposes of ASIC Regulatory Guides 76.148 and 228.134:

**(a) the value of the financial benefit;**

Mr Peter Chambers (Non-Executive Chairman) shall receive \$24,000 per annum (excluding superannuation and GST) ; Mr Arran Marshall (Non-Executive Director), Mr Peter Van Ratingen (Non-Executive Director ) each receive \$24,000 remuneration per annum (excluding superannuation and GST); Mr Ronald Kenneth Larson (Executive Director and Chief Operating Officer) and Kyle Roy Kenneth Larson (Executive Director and Chief Executive Officer) each shall receive \$5,000 remuneration per annum (excluding superannuation and GST if applicable) plus superannuation and expenses as so approved.

**(b) the nature of the relationship;**

Section 228(2)(a) of the Corporations Act states that a director of a public company is a Related Party of that company which applies to the current Directors

**(c) whether the arrangement is on arm's length terms, is reasonable remuneration, some other Ch 2E exception applies or we have granted relief;**

The Board considers that each Service Agreement is on arm's length and constitutes reasonable remuneration. The Board is sufficiently knowledgeable and experienced to have formed a sound judgment in respect of the terms of each Service Agreement, which was prepared by the Company's lawyers who have experience in such matters.

**(d) whether member approval for the transaction has been sought and, if so, when;**

Shareholder approval is not required for the Service Agreements given that they are, in the view of the Board, on arm's length and constitute reasonable remuneration and as such constitute exemption for such approval under Sections 210 and 211 of the Corporations Act, respectively.

**(e) the risks associated with the Related Party arrangement;**

Risks in such arrangements include the power or opportunity of a Related Party to influence the decision making of non-interested directors to the detriment of the interests of members of the entity as a whole.

**(f) the existence of any policies and procedures in place for entering into Related Party transactions;**

The Board has adopted a Related Party Policy which in part includes a prohibition of an interested Director who has a material personal interest to participate in voting whether at meeting or circular resolution where such interest is involved. Such policy extends to Board committee meetings (if applicable). The Company has also adopted a Corporate Governance Charter which includes a duty to avoid conflicts. Non interested directors are required to exercise special vigilance and to make an independent assessment and seek advice from management, if and where applicable, in respect of the subject proposal. The Board maintains it has complied with such policy when executing the Service Agreements as such applies to the Directors

• **Chief Executive Officer Service Agreement**

The Company has entered into a Chief Executive Officer Agreement with Kyle Roy Kenneth Larson for services to be provided to Company subsequent to Listing. The key features of the contract are as follows:

- **Term:** From Listing and to terminate on 30 June 2019.
- **Services:** Chief Executive Officer responsible for the general operation of the Company
- **Remuneration:** AUD\$115,000.00
- **Termination:** Three (3) months notice
- **Non-Compete:** Twelve (12) months

• **Chief Operating Officer Service Agreement**

The Company has entered into a Chief Operating Officer Agreement with Ronald Kenneth Larson for services to be provided to Company subsequent to Listing. The key features of the contract are as follows:

- **Term:** From Listing and to terminate on 30 June 2019.
- **Services:** Chief Operating Officer responsible for the general operation of the Company
- **Remuneration:** AUD\$115,000.00

- **Termination:** Three (3) months notice
- **Non-Compete:** Twelve (12) months
- **NSX Restricted Services Agreement**

The Company has entered into NSX Restricted Securities Agreements with the following parties:

- Peter Chambers
- Arran Marshall
- Peter Van Ratingen
- Ronald Kenneth Larson
- Kyle Roy Kenneth Larson
- Indo Mines Limited
- APAC Pty Ltd
- Conrad Warren
- Mayee Warren
- Chris Warren

As the Company wishes to list and in compliance with the NSX Listing Rules, the Restricted Securities Agreements have been entered into where each party have agreed not to dispose of, create and interest in or omit to do anything that would have an effect on the security interest over or to so omit to do any act that would effect of transferring ownership or control of their Shares or Options to any other party. The escrow arrangement will be supported by a holding lock on their Shares, the subject of the agreements. The escrow lasts for a period up to 24 months after the Shares in the Company are quoted on the NSX. The agreements otherwise contain provisions standard for agreements of their nature.

## 9.4 Selling shares on the NSX and CHESS

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System (CHESS) in accordance with the ASX Settlement Operating Rules. CHESS is an automated electronic transfer and settlement system for transactions in securities quoted on the NSX. NSX has established a transfer service agreement between NSX and ASX CHESS. This agreement recognises the NSX as an Australian market operator pursuant to the ASX Settlement and Operating Rules and allows NSX to be a recipient of the transfer service provided by ASX.

Shareholdings will be registered on one of two sub-registers, the electronic CHESS sub-register or an issuer sponsored sub-register. The Shares of a Shareholder who is a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Any Shareholder who has elected to have their Shares registered in CHESS will be sent an initial holding statement setting out the number of Shares held. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or Shareholder Reference Number (SRN) for issuer sponsored holders. Shareholders will subsequently receive statements showing any changes in their Shareholdings in the Company.

## 9.5 Litigation

The Company is not the subject to any, or threatened, legal action.

## 9.6 Limitation on Foreign Ownership

The Foreign Acquisitions and Takeovers Act, 1975 (FATA) at the time of listing of the Company (however the

Company as at the date of the Information Memorandum) is not subject to FATA) regulates acquisitions giving rise to ownership of substantial holdings of an Australian company's shares.

FATA prohibits:

- any natural person not ordinarily resident in Australia; or
- any corporation in which either a natural person not ordinarily resident in Australia or a foreign corporation (as defined in the FATA); or
- two (2) or more such persons or corporations, from entering into an agreement to acquire shares if after the acquisition such person or corporation would hold a substantial interest in a corporation, or where two (2) or more persons or corporations would hold an aggregate substantial interest (defined below), without first applying in the prescribed form for approval or receiving no response in the forty (40) days after such application was made.

A holder of shares will be deemed to hold a substantial interest in a corporation if the holder alone or together with any associates (as defined in the FATA) is in a position to control not less than fifteen percent (15%) of the Voting Power in the corporation or holds interests in not less than fifteen (15%) of the issued shares in the corporation. Two (2) or more holders hold an aggregate substantial interest in a corporation if they, together with any associates (as so defined), are in a position to control not less than forty percent (40%) of the voting power in that corporation or hold not less than forty percent (40%) of the issued shares in that corporation. These restrictions apply to share acquisitions in Australian businesses or corporation exceeds a monetary threshold of \$248M.

## 9.7 Dividend Policy

Subject always to the Corporations Act, any future determination as to the payment of dividends by the Company will be at the discretion of the Directors at that point in time and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.

## 9.8 Financial Year

The financial year of the Company will end on 30 June annually.

## 9.9 Expenses of the Listing

The total expenses of the Listing are estimated to be Fixed at \$200,000, excluding GST and are expected to be applied towards the items set out in the table below:

	Note	Costs
Costs of Listing	1	200,000
Total Costs of the Listing		200,000

As at the date of this Information Memorandum, the Makati Capital Partners Pte Ltd has entered into arrangements with the initial subscribers to the Shares in the Company to reduce its Underwriting Fee in the amount of \$192,864.00 in consideration for the initial issue of the Fully Paid Ordinary Shares in the Company.

**Note 1:** Costs of the Offer set out in the table above represent 100% of costs paid and payable by the Company. As at the date of this Information Memorandum, the Company will pay the balance of costs payable by the Company, to be funded from the working capital facility pursuant to the Loan Agreement (as outlined in Section 8.3 of the Information Memorandum).

## 9.10 Subsequent Events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

- (i) the operations of the Company;

- (ii) the results of those operations; or
- (ii) the state of affairs of the Company.

## **9.11 Governing Law**

This Information Memorandum is governed by the laws applicable in New South Wales, Australia.



## 10. Glossary

**ABN** means Australian Business Number.

**AGM** means the Annual General Meeting of the Company.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the same meaning as given to this term as in the Corporations Act.

**ASX** means ASX Limited ACN 008 624 691.

**ATO** means the Australian Taxation Office.

**AUD** means the legal tender and currency of the Commonwealth of Australia.

**Board** means the board of directors of the Company.

**Company** or **SAA** means SAPEX Group Limited ACN 619 195 283.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Dura-Base Product** means the composite mat system manufactured and produced by Newpark Mats & Integrated Services LLC.

**Escrowed Shareholders** means each holder of Restricted Securities.

**GST** means Goods and Services Tax under the New Tax System (Goods and Services Tax) Act 1999 (Cth).

**IDR** means the legal tender and currency of Indonesia.

**Listing** means this listing of the Company's Shares on the Official List of the NSX.

**Listing Rules** means the listing rules of NSX.

**Net Asset Value** means the value of the Company's assets less the value of the Company's liabilities.

**Net Present Asset Value** means the difference between the present value of the future cash flows from an investment and the amount of the investment.

**NSX** means National Stock Exchange of Australia Limited ACN 330 894 691.

**Official List** means the Official List of the NSX.

**Information Memorandum** means this Information Memorandum dated 27 June 2017, which has been prepared in connection with SAPEX Group Limited application for admission to the Official List of the NSX.

**Related Party** has the meaning given to this term in Section 228 of the Corporations Act and the Listing Rules

**Restricted Securities** has the meaning given to that term in the Listing Rules.

**Section** means a section of this Information Memorandum.

**Share** means a fully paid ordinary share in the Company.

**Shareholder** means a registered holder of Share in the Company.

**Share Registry** means Automic Pty Limited ACN 152 260 814.

**Special Resolution** means a resolution requiring 75% of the Shareholders to approve such resolution.

**USD** means the legal tender and currency of the United States of America.