



Sapex Group Limited
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NSX RELEASE

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PROPOSED TRANSACTIONS

Sapex Group Limited (NSX: SAA) (the "**Company**") today announces that it is currently negotiating potential transactions with respect to the proposed acquisition ("**Acquisition**") of the existing Dura-Base® mats business of PT SAS International ("**PT SAS**") in Indonesia and a further capital raising through the issue by SAA of unsecured and unquoted convertible redeemable notes ("**Notes**").

Acquisition and Term Sheet terms

The Company and PT SAS have entered into a conditional term sheet ("**Term Sheet**") for the Acquisition which is subject to legal, financial, technical and operational due diligence, third party approvals, further negotiations and SAA shareholder approvals. Accordingly, whilst the Company seeks to proceed with the Acquisition, there is a real risk that the Acquisition may not proceed or may proceed on terms materially different to those agreed in the Term Sheet.

The key terms of the Term Sheet are as follows:

- Proposed consideration
 - US\$6.425 million in cash; and
 - the issue of US\$2.0 million equivalent of SAA fully paid ordinary shares at an issue price which is the closing share price for SAA shares on the date of completion of the Acquisition. 80% of these shares will be subject to voluntary escrow for 12 months, with 20% subject to 6 months voluntary escrow.
- Other Acquisition terms.
 - purchase of 100% of the inventory of Dura-Base® composite mats owned by PT SAS, being approximately 4,525 Dura-Base® mats;
 - from completion of the Acquisition, pass through by PT SAS (or any of its subsidiaries or affiliates) to SAA (or SAA's designated nominees or representatives) of approximately A\$650,000 (***note: existing contract revenue to be confirmed during due diligence***) in revenue under existing Dura-Base® mats contracts. Any and all future revenue for the Dura-Base® mats from PT SAS (or any of its subsidiaries or affiliates) will be credited to SAA (or its designated nominees or representatives), with an agency fee payable back to PT SAS equivalent to 20% of operating profits; and
 - the Dura-Base® mats business will be acquired by a wholly owned subsidiary of SAA and will be immediately consolidated within SAA's financials.

The parties have agreed to undertake due diligence, proposed to be completed by 20th of March 2018 (or such other date as the parties may agree) and execution of a definitive agreement for the Acquisition within 10 days from completion of due diligence. Completion of the Acquisition is proposed to occur by 31st March 2018 (or such other date as the parties may agree).

Terms of the Notes

- The Company intends to raise A\$11 million by way of the Notes to finance the Acquisition and to meet other working capital expenditure, cost and expense requirements for the SAA group.
- The Company intends to use the proceeds of the subscription for the Notes as follows:
 - Acquisition from PT SAS: US\$8.4 million (US\$6.425 million cash and the issue of US\$2.0 million equivalent of SAA common (ordinary) shares)
 - Recycling of mats: A\$1.0 million
 - Capital raising fee: approximately A\$0.55 million
 - Refinancing of SAA group existing liabilities and working capital requirements: approximately A\$0.7 million
 - Other working capital for the SAA group: A\$0.55 million
- Other key terms of the Notes:
 - Face value and discount: A\$1.25 for each Note, discounted by 10% of their face value
 - The Notes are to be issued to less than 20 wholesale and institutional investors (who must be either "Sophisticated Investors" or "Professional Investors", as those terms are defined in the *Corporations Act 2001* (Cth)) ("**Noteholders**")
 - Tenure: 12 month term
 - Subject to shareholder approval, the Noteholders have the right to convert all of their Notes (not some only) after the end of the 12 month term at a conversion rate of 1 ordinary SAA share for every Note converted. If not converted, the Notes must be redeemed by SAA

The Company will call and convene a shareholder meeting in the coming weeks to seek approval of the convertibility of the Notes.

PT SAS

PT SAS is a diversified mining, oil and gas products and services provider headquartered in Jakarta, Indonesia. PT SAS has acted as the Indonesian agent for the Dura-Base[®] mats business since 2002 and owns a total inventory of approximately 4,525 Dura-Base[®] mats and has generated in excess of A\$20 million in revenues arising from the Dura-Base[®] mats business since 2015.

PT SAS will remain an integral business partner of SAA and the SAA group going forward, both remaining the SAA group's exclusive local agent within Indonesia for at least the next three years as well as a shareholder of SAA.

Board of Directors
Sapex Group Limited

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