

23 May 2018

SAPEX Group Limited
Level 28, 1 Market Street
SYDNEY NSW 2000

NSX release

Pro-Forma Historical Financial Information

Introduction

As per Sapex Group Limited (NSX: SAA) (the "Company", "Sapex")'s Announcement of April 12, 2018, Sapex Group Limited and PT SAS International ("PT SAS") in Indonesia entered into a conditional term sheet ("Term Sheet") for the ("Acquisition") of the existing PT SAS Dura-Base® mats business in Indonesia. The Company is currently in the process of finalising legal and financial due diligence, with a target to complete the acquisition before 18 June 2018.

In order to provide consolidated financial information on the transaction, and its impact on Sapex Group Limited, the Company has compiled the accompanying special purpose financial information which comprises the following:

- Consolidated pro-forma historical income statements for the years ended 31 December 2016 and 2017 ("**Historical Pro-Forma Income Statements**") (**Appendix 1**);
- a reconciliation between the actual reported historical income statements of Sapex and the Historical Pro-Forma Income Statement (**Appendix 2**);
- Consolidated pro-forma cash flow statements for the years ended 31 December 2016 and 2017 ("**Historical Pro-Forma Cash Flow Statements**") (**Appendix 3**);
- a reconciliation between the actual reported historical cash flow statements of Sapex and the Historical Pro-Forma Cash Flow Statements (**Appendix 4**); and

together, the "**Pro-Forma Historical Financial Information**".

Basis of Preparation

The Pro-Forma Historical Income Statements and the Pro-Forma Historical Cash Flow Statements were compiled based on the following financial information:

- the audited financial statements of Sapex for the year ended 31 December 2017;
- the audited financial statements of PT Sapex Servis Indonesia ("SSI") for the years ended 31 December 2016 and 2017;
- the audited income statement of the SAS Dura-Base Business for the years ended 31 December 2016 and 2017; and
- the pro-forma adjustments as outlined in **Appendix 2** and **Appendix 4**.

The Pro-Forma Historical Income Statements and the Pro-Forma Historical Cash Flow Statements were prepared based on the following pro-forma adjustments to present the historical financial performance of the consolidated Sapex as if it had existed as a consolidated entity from 1 January 2016:

- to reflect the pro-forma acquisition of **SSI** by Sapex on 1 January 2016;
- to reflect the pro-forma acquisition of the Dura-Base Mat Division of PT SAS International ("**Dura-Base Business**") by Sapex on 1 January 2016; and
- the assumption that the operating cash flows of the Dura-Base Business were equal to its reported income and expenditures for the years.

The following preliminary accounting treatment has been adopted by the Directors in relation to the following matters:

- **the acquisition of the Dura-Base Business:** it has been assumed that the purchase price relates entirely to the fair value of the Dura-Base mats without any further consideration for other tangible or intangible assets which may be acquired by Sapex. To the extent that there are any tangible or intangible assets that have a limited life they will be subject to depreciation in future accounting periods.

Appendix 1 – Pro-Forma Historical Income Statements

The following table sets out the Pro-Forma Historical Income Statements of Sapex Group Limited:

AUD	Year Ended 31 December	
	2016	2017
	Consolidated	Consolidated
Revenue	5,323,116	6,269,408
Cost of Sales	(218,433)	(1,193,954)
Gross Profit	5,104,683	5,075,454
Other Income	(20,964)	133,744
Operating Expenses	(2,419,648)	(1,718,634)
Pro-Forma EBITDA	2,664,072	3,490,564

Appendix 2 – Reconciliation of Pro-Forma Historical Income Statements

The following table provides a reconciliation between the actual reported historical income statements of Sapex, SSI and the Dura-Base Business and the Historical Pro-Forma Income Statement presented above:

AUD	Year Ended 31 December	
	2016	2017
	Pro-Forma	Pro-Forma
Audited Profit / (Loss) for the Year After Income Tax	2,209,771	(6,270,032)
EBITDA Adjustments:		
Finance Costs	95,861	95,510
Depreciation	638,272	752,213
Income Tax	759,294	839,071
Total EBITDA Adjustments:	1,493,427	1,686,794
Pro-Forma Adjustments:		
Provision for Doubtful Receivable	-	631,631
Corporate Transaction Accounting Expense	-	7,521,698
Costs Associated with Initial Listing	-	600,000
Loss on Receivable from APAC and Makati Capital Written Off	-	97,807
Loss on Receivable from Makati Capital Written Off	-	324,671
Gain on Loan from Indo Mines Limited	-	(324,671)
Normalised Corporate Costs	(1,039,126)	(777,334)
Total Pro-Forma Adjustments	(1,039,126)	8,073,802
Pro-Forma EBITDA	2,664,072	3,490,564

Appendix 3 – Pro-Forma Historical Cash Flow Statements

The following table sets out the Pro-Forma Historical Cash Flow Statements (operating cash flows only, excluding finance costs and income tax) of Sapex Group:

AUD	Year Ended 31 December	
	2016	2017
	Pro-Forma	Pro-Forma
Cash Flows from Operating Activities:		
Receipts from Customers	5,319,452	6,092,257
Payments to Suppliers & Employees	(2,635,076)	(2,841,004)
Net Cash Provided By / (Used In) Operating Activities (Excluding Finance Costs & Income Tax)	2,684,375	3,251,253

Appendix 4 – Reconciliation of Pro-Forma Historical Cash Flow Statements

The following table provides a reconciliation between the actual reported historical operating cash flows of Sapex Group, SSI and the Dura-Base Business and the Historical Pro-Forma Cash Flow Statements presented above:

AUD	Year Ended 31 December	
	2016	2017
	Consolidated	Consolidated
Audited Net Cash Flows from Operating Activities	2,942,353	2,923,498
Pro-Forma Adjustments:		
Finance Costs	21,854	158,745
Income Tax	759,294	839,071
Costs Associated with Initial Listing	-	200,000
Normalised Corporate Costs	(1,039,126)	(870,061)
Total Pro-Forma Adjustments	(257,978)	327,755
Net Cash Provided By / (Used In) Operating Activities (Excluding Finance Costs & Income Tax)	2,684,375	3,251,253

Note 1: Impact of Acquisitions

The following table provides a breakdown of the pro-forma adjustments relation to SAPEX's acquisition of SSI and the Dura-Base Business.

AUD	Impact of Acquisitions				
	Acquisition of SSI	Acquisition of Dura-Base Business	Reinstatement of Sapex Doubtful Debt	Consolidation Adjustments	Impact of Acquisitions
Current Assets					
Cash & Cash Equivalents	3,527	(8,237,179)			(8,233,652)
Trade & Other Receivables	309,247	-	631,631	(631,631)	309,247
Other Assets	69,223	-			69,223
Total Current Assets	381,997	(8,237,179)	631,631	(631,631)	(7,855,182)
Non-Current Assets					
Plant & Equipment	-	10,782,680			10,782,680
Intangible Assets	392,023	-			392,023
Other Non-Current Assets	284	-			284
Total Non-Current Assets	392,307	10,782,680	-	-	11,174,987
TOTAL ASSETS	774,304	2,545,501	631,631	(631,631)	3,319,805
Current Liabilities					
Trade & Other Payables	766,600	-		(630,013)	136,587
Taxes Payable	7,704	-			7,704
Total Current Liabilities	774,304	-	-	(630,013)	144,291
Total Non-Current Liabilities	-	-	-	-	-
TOTAL LIABILITIES	774,304	-	-	(630,013)	144,291
NET ASSETS	(0)	2,545,501	631,631	(1,617)	3,175,514
Equity					
Issued Capital	-	2,545,501		-	2,545,501
Accumulated Profits / (Losses)	-	-	631,631	(1,617)	630,013
TOTAL EQUITY	-	2,545,501	631,631	(1,617)	3,175,514