SAPEX

# Consolidated Financial Statements

**For the Year Ended 31 December 2018**

## SAPEX Group Limited

**ACN 619 195 283**

# Contents

## For the Year Ended 31 December 2018

## SAPEX Group Limited

**ACN 619 195 283**

# Letter from Chairman

## 31 December 2018

Dear Investor,

With 2018 being a year of significant progress for the Company, I am pleased to provide you with my annual Chairman's letter detailing this progress, as well as our plans for the coming year.

Upon listing on the NSX, the focus was to establish SAPEX as a business with the scale required to enable material growth within the Indonesian market, and across the South East Asian Region.

With a plan to position SAPEX as the predominant supplier of Dura-based mat services to the oil and gas, infrastructure and construction sectors in Indonesia, the Board set the following target areas as a pathway for achieving this;

- Identify and complete an acquisition providing the Company with access to mat inventory and revenue growth.
- Secure a foundation contract.
- Inject key skills to support the planned growth strategy.

The Board is pleased with the progress towards these milestones, and would like to highlight some key achievements the Company has made;

1. Awarded the significant contract for SAKA, confirming managements operational and revenue forecasts for the Oil and Gas market in Indonesia, and providing the Company with a strong base revenue.
2. Successful completion of the acquisition of PT. SAPEX Servis Indonesia and the business and assets from PT. SAS Indonesia which delivers significant value and scale to the Company, increasing its mat inventory and earnings capacity.
3. Established the financing required to complete the acquisitions and deliver on the SAKA contract.
4. Generated over $1.1m in consolidated revenues.
5. Successfully appointment of key personnel to strengthen the team including Dan Powell as a Non-Executive Director, and the newly created role of Operations Manager, Indonesia. Whilst SAPEX has achieved significant progress towards key milestones through these achievements, the Board would like to acknowledge that there was a delay in timing that also impacted our planned transition from the NSX to the ASX.

Considering the delays, the Board made the decision to delay the move to the ASX, with a new target completion of the end of June 2019. This delay was agreed to allow the appropriate actions to meet the regulatory requirements, allow management to effectively integrate the SAS business and provide a solid first half 2019 performance.

Despite the delays, the Board is pleased with the progress made in late 2018 and is confident that the Company is in a sound position to deliver on its objectives for 2019, including in a successful ASX listing.

We, on the Board, would like to thank the management team, led by our CEO Kyle Larson, for their ongoing dedication and key achievements to date. We would also like to recognize and thank the financiers who have supported the delivery of these key milestones.

The Board would like to thank our Shareholders for their continued support, as well as welcoming our new investors that participated in our funding activities this year. Investors that would like to subscribe to be updated and receive our announcements via email can do so via the SAPEX Group Investor Centre here - https://sapexgroup.investorcentre.online/

We have a vision for SAPEX to be a successful ASX listed corporation, with significant operations in Indonesia and other countries in the South East Asian Region.

The Board remain committed to delivering increased Shareholder value and look forward to providing you with further updates in due course.

Sincerely,

Peter Chambers
Chairman
SAPEX Group Limited

# Directors' Report

## 31 December 2018

The directors present their report, together with the consolidated financial statements of the Group, being SAPEX Group Limited (the Company) and its controlled entities, for the financial year ended 31 December 2018.

### 1. General information

#### Information on directors

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

| | |
|---|---|
| Peter Chambers | Non Executive Chairman |
| Qualifications | Mr Chambers holds a Bachelor of Business, majoring in finance and accounting from the Royal Melbourne Institute of Technology (Melbourne, Australia) |
| Experience | Mr Chambers has over than 20 years' experience in the mining, finance and telecommunications industries. He has extensive experience in the development of mining and resource assets in Indonesia and has corporate experience in Asia as previous positions as Head of the South East Asia Communication Practice of Coopers and Lybrand (Hong Kong) and Managing Director - Strategy and Governance with the Rajawali Group (Indonesian based conglomerate company). 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. |
| Other current directorships in listed entities | Director of Indo Mines Limited (listed on ASX) |
| | |
| Ronald Kenneth Larson | Executive Director (Resigned 22 October 2018) |
| Experience | Mr Larson has over 30 years experience in engineering and in Oil & 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. Mr Larson 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). He 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. |
| Other current directorships in listed entities | None |

## 1. General information (continued)

### Information on directors (continued)

| | |
|---|---|
| Kyle Roy Kenneth Larson | Executive Director and CEO |
| Qualifications | Mr Larson holds a Bachelor of Arts from University of Alberta |
| Experience | Mr Larson 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. He has over 20 years management and business development experience in South East Asia and has held the following positions during that time: General Manager at Marsol International Limited (Far East Division), Business Development Manager at Zicom Equipment Pte Ltd, Business Development Manager at PT SAS International. 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. |
| Other current directorships in listed entities | None |

| | |
|---|---|
| Peter van Ratingen | Non Executive Director |
| Qualifications | Mr van Ratingen holds a Bachelor of Science from Murdoch University and Post Graduate Computer Science from Curtin University |
| Experience | Mr van Ratingens extensive career over a 25 year period has focused on business management and has involved holding numerous regional and 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.<br>His roles included the Asia Pacific Regional head of Bancassurance; European COO for CIGNA Insurance; Country President for Chubb Insurance, Indonesia & Philippines; and Regional General Manager for PPG International Ltd. |
| Other current directorships in listed entities | None |

| | |
|---|---|
| Arran Marshall | Non Executive Director (Resigned 16 January 2018) |
| Qualifications | Mr Marshall holds a Master of Business Administration from Auckland University of Technology |
| Experience | 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 seectors in South East Asia. He has experience in the fields of business development, project management, financial modelling, investor relations and capital markets. |
| Other current directorships in listed entities | None |

## 1. General information (continued)

### Information on directors (continued)

| | |
|---|---|
| Guy Markham | Non Executive Director (Appointed 8 February 2018) (Resigned 29 March 2018) |
| Qualifications | Mr Markham holds a Bachelor of Law |
| Experience | Mr Markham is an Australian qualified lawyer with extensive experience in the oil, gas and energy industry throughout the Asia Pacific and Middle East regions. He has held several key positions in a number of regional and listed companies, mostly recently, the General Counsel, Corporate Secretary and Chief Compliance Officer of a regional independent power producer. Mr Markham has extensive experience in the areas of oil & gas operations both from a service and E&P standpoint as well as in the power sector, in particular, project development and execution amongst others. He further has extensive experience in corporate governance and compliance, in particular, the implementation, management and reporting with respect to compliance and corporate governance matters. |
| Other current directorships in listed entities | None |
| Dan Powell | Executive Director (Appointed 22 October 2018) |
| Qualifications | Mr Powell holds a Bachelor of Business from Curtin University, Western Australia |
| Experience | Mr Powell has 30 years of extensive management experience in the banking and finance industry, from retail to institutional markets, covering distribution, sales, marketing, strategy, product development. He was a director of ASCALON Capital Managers, a member of the board with Oasis Asset Management (ING Australia Limited) and a member of the executive board at ING Australia Limited and SEALCORP Holdings Limited. At Onevue Group, Mr Powell was the Head of Platform Sales and Relationship Management. Prior to Onevue Group, Mr Powell was Head of SFG Alliance Service, Director of Corporate & IFA Distribution at AMP, Executive Director of Sales & Marketing at ING Australia, Director of Distribution & Sales at St George Bank (SEALCORP Holdings Ltd) and Senior Vice President of BT Portfolio Services at BT Financial Group. Mr Powell is currently the Head of Distribution at Nanuk Asset Management. |
| Other current directorships in listed entities | None |
| James Midgley | Non Executive Director (Appointed 29 March 2018) |
| Experience | Mr Midgley's significant background and experience will bring value to the Board and in shaping the future of the Company. Mr Midgley is a qualified and experienced business manager specialising in shipping, facilities, project logistics and supply chains. This is proven through a strong track record in dealing with multifaceted businesses and large work forces in both developed and undeveloped countries. His 14 years' experience across South East Asia, Australia and the South Pacific in the Mining, Oil and Gas, Government and Defence, Infrastructure and Industrial sectors has developed a unique skill set which makes him a valuable member within complex, project management teams. |
| Other current directorships in listed entities | None |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## 1. General information (continued)

### Principal activities and significant changes in nature of activities

The principal activities of the Group during the financial year  was the management and distribution, under licence, of the Dura Base product in the South East Asia region. 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.

There were no significant changes in the nature of the Group's principal activities during the financial year.

## 2. Operating results and review of operations for the year

### Operating results

The consolidated loss of the Group amounted to $ (2,079,241) (2017: $8,462,781), after providing for income tax.

### Review of operations

A review of the operations of the Group during the financial year and the results of those operations show that the Group incurred a net loss for the year of $2,079,241 (2017: $8,462,781) and was in a net liabilty position as at 31 December 2018 of $2,165,090 (2017: $748,219). The following summarises the Group's activities during the year:

- The Group is an Indonesian-based construction services firm operating exclusively with blue chip and top tier mining, oil & gas, plantation and civil construction firms. The Group specializes in providing heavy lift and all terrain access for clients operating in remote, inhospitable and often un-accessible locations for their heavy equipment & personnel using the world's leader in Composite Mats: Dura-Base. The Group focus on specialized location access solutions unavailable from any other service provider;

- The Group is a full service, integrated, entity enabling hassle-free solutions for their clients from top-to-bottom: from initial FEED and design stages, through to execution and finally environmental clean-up and remediation. Mitigating impact is a secondary benefit to the Group's clients but is often the most advertised. The Group has, since incorporation, managed and organized thousands of location access solutions for its clients across Indonesia and their clients include Chevron, Exxon-Mobil. Conoco-Philips, Pertamina, Repsol, Newcrest, Ophir Energy and others. The Group holds the exclusive rights for Indonesia, Myanmar and the Philippines for the Dura-Base Composite Mat System (manufactured by US listed firm NEWPARK Resources) and has been so since 2006;

- The Group has employed and developed capable senior managers and engineer with extensive experience in this highly specialized industry to ensure best-in-class services are provided consistently and with the highest degree of satisfaction.

## 3. Financial review

### Financial position

The net liabilities of the Group exceeded its net assets by $2,165,090 (2017: $748,219 net liability) . This is largely due to the following factors:

- Trade receivables was impaired by an amount of $827,814;

- Finance costs of $635,600 were expenses during the year in respect of the Groups borrowings.

## 4. Other items

### Significant changes in state of affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

## 4. Other items (continued)

### Significant changes in state of affairs (continued)

Borrowings increased by $14,422,644 (from $257,475 to $14,680,119) as a result of financing activities for the acquisitions during the year. This included an issue of 6,084,844 convertible notes for an aggregated value of $6,693,271 which are convertible into ordinary shares at the option of the holder during a specific period, unless the Group lists on the ASX, in which case the notes will automatically convert. The Group also obtained a loan for an amount of USD$3,000,000 from Athos Asia Event Driven Master Fund (Athos) during the year, to assist with the Indonesian acquisitions.

Changes in the controlled entities and divisions:

- Acquisition of PT. SAPEX Servis Indonesia:

  On 26 September 2018, the Company completed a Share Purchase Agreement to acquire the 99% of the equity instruments of PT. SAPEX Servis Indonesia, an Indonesian based business, thereby obtaining control.

- Acquisition of the Business and Assets from PT SAS International:

  On 31 December 2018, the Company completed an Asset Purchase agreement to acquire all DURA BASE® COMPOSITE MAT SYSTEM (Dura Base) assets and the business from PT SAS International. Consideration for the acquisition was $6.425 million USD in cash and $2.275 million USD equivalent of fully paid ordinary shares.

The acquisitions were made to facilitate the Group's transition to a full-service owner operator of the Dura-Base® Composite Mat System across Australia, Indonesia, Philippines, and Myanmar.

### Dividends paid or recommended

No dividends have been paid or recommended during the financial period.

### Events after the reporting date

On 30 January 2019 the shareholders resolved to issue 2,954,545 fully paid ordinary shares (Transferred Shares) to PT SAS International. To complete the acquisition of the business and assets from PT. SAS International, at 31 December 2018, a company shareholder (Shareholder Group), had transferred 2,954,545 fully paid ordinary shares to PT SAS International by way of an off-market share transfer for a fair value of $3.427,272. Upon approval of the issue of the shares at the Shareholders meeting on 30 January 2019, PT. SAS International transferred 2,954,545 fully paid ordinary shares back to the Shareholder Group by way of off market transfer.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### Future developments and results

With numerous new clients intending to explore frontier regions in the market, it is expected that revenue will dramatically increase. Combined with the recent acquisition of local operating partner PT. SAS International's rental fleet of Dura-Base, the net revenue to SAPEX has improved from 20% to 80% of invoiced revenue immediately on completion of the acquisition on 31 December 2018.

### Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

### Company secretary

The following person held the position of Company secretary at the end of the financial year:

### Company secretary (continued)

Ms Laura Newell (LLB Hons, LLM, AGIA) resigned as company secretary on 29 June 2018 and Mr Lee Tamplin has been appointed and has acted as company secretary since.

### Meetings of directors

During the financial year, 14 meeting of directors was held. Attendances by each director during the year were as follows:

| | Directors' Meetings | |
|---|---|---|
| | Number eligible to attend | Number attended |
| Peter Chambers | 14 | 12 |
| Ronald Kenneth Larson | 12 | 10 |
| Kyle Roy Kenneth Larson | 14 | 14 |
| Peter van Ratingen | 14 | 13 |
| Arran Marshall | - | - |
| Guy Markham | 3 | 3 |
| Dan Powell | 2 | 2 |
| James Midgley | 12 | 8 |

### Indemnification and insurance of officers and auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of SAPEX Group Limited.

### Options

At the date of this report, there are no unissued ordinary shares of SAPEX Group Limited under option.

### Proceedings on behalf of company

No person has to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibilitiy on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

**Non-audit services (continued)**

The following fees were paid or payable to the external auditors for non-audit services provided during the year ended 31 December 2018:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Preparation of Investigating Accountant's Report | - | 18,597 |
| Tax and corporate finance services | **111,125** | - |
| **Total** | **111,125** | 18,597 |

**Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 31 December 2018 has been received and can be found on page 23 of the consolidated financial report.

**5. Remuneration report (audited)**

**Remuneration policy**

The remuneration policy of SAPEX Group Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of SAPEX Group Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- Consultants are engaged as required pursuant to service agreements.
- The Group ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Group.
- The Group has a policy to remunerate its directors and officers based on fixed and incentive component salary packages to reflect the short and long term objectives of the Group.
- The salary component of non-executive and executive directors is made up of:
- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and performance incentives.
- The Board reviews key management personnel packages annually by reference to the Group’s performance, executive performance and comparable information from industry sectors.

All remuneration paid to key management personnel is valued at the cost to the Group and expensed.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (AGM), the current maximum is $ 300,000. The Board determined $300,000 to be allocated as available for the period which was subsequently approved at the AGM held on 28 December 2018.

## 5. Remuneration report (audited) (continued)

### Performance conditions linked to remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure support. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greatest potential for the Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

The satisfaction of the financial performance conditions are based on a review of the audited consolidated financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

### Employment details of members of key management personnel

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group.

The table also illustrates the proportion of remuneration that was performance based and the proportion of remuneration received in the form of options.

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group. The table also illustrates the proportion of remuneration that was performance based and the proportion of remuneration received in the form of options.

| | | Performance based remuneration | | |
|---|---|---|---|---|
| | | Bonus | Shares | Options / rights |
| | | % | % | % |
| **Directors** | **Position** | | | |
| Peter Chambers | Non-executive Director and Chairman | - | - | - |
| Ronald Kenneth Larson | Executive Director (until 22 Oct 2018) | - | - | - |
| Kyle Roy Kenneth Larson | Executive Director and CEO | - | - | - |
| Peter van Ratingen | Non-executive Director | - | - | - |
| Arran Marshall | Non-executive Director (until 16 Jan 2018) | - | - | - |
| Guy Markham | Non-executive Director (from 8 Feb 2018 to 29 Mar 2018) | - | - | - |
| Dan Powell | Executive Director (from 22 Oct 2018) | - | - | - |
| James Midgley | Non-executive Director (from 29 Mar 2018) | - | - | - |
| **KMP** | | | | |
| David Anderson | Chief Financial Officer (CFO) (from 6 Apr 2018) | - | - | - |
| Conrad Warren | Chief Operating Officer (COO) (from 8 Jun 2018 to 24 Sep 2018) | - | - | - |
| Simon Ford | Country Head for Indonesia | - | - | - |

## 5. Remuneration report (audited) (continued)

### Employment details of members of key management personnel (continued)

Mr David Anderson was appointed CFO on 6 April 2018. My Anderson's remuneration and shareholding have been included in this report from this date. Previously, Mr David Anderson acted as a external consultant, and remuneration earned (and expensed) prior to this date was not in his capacity as KMP and is not required to be disclosed. Mr Anderson is the sole director and 100% shareholder of FG Agri Pty Ltd and a director of First Guardian Holdings Pty Ltd, therefore as they are his associates, are included in this report.

Mr Conrad Warren was appointed Chief Operating Officer on 8 June 2018 and resigned 24 September 2018. Prior to his appointment and post appointment, Mr Warren acted as an external consultant. 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. These parties are substantial shareholders of the Company. Shareholdings and remuneration for Mr Warren and his associates are included in this report for the period he was a KMP.

### Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of 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;
- In the case of each Non-Executive Director may receive remuneration as annual fees of up to $24,000 (exclusive of GST and superannuation entitlements);
- If the Company terminates the Service Agreement with the Director, it must provide two weeks 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 remuneration and other terms of employment for the CEO and COO are set out in formal service agreements as summarised below:

- Term: from listing on the NSX and to terminate on 30 June 2019;
- Remuneration: AUD$115,000
- Termination notice: 3 months
- Non-compete term: 12 months

## 5. Remuneration report (audited) (continued)

### Remuneration details for the year ended 31 December 2018

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group.

### Table of benefits and payments

| | short term | | | post employment | share based payments | | |
|---|---|---|---|---|---|---|---|
| | cash salary fees | non monetary | other | pension and superannuation | options and rights | shares and units | |
| **2018** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Directors** | | | | | | | |
| Peter Chambers | **28,000** | **16,000** | **-** | **-** | **-** | **-** | **44,000** |
| Ronald Kenneth Larson | **80,622** | **42,991** | **-** | **-** | **-** | **-** | **123,613** |
| Kyle Roy Kenneth Larson # | **92,246** | **42,378** | **-** | **-** | **-** | **-** | **134,624** |
| Peter van Ratingen | **24,000** | **16,000** | **-** | **-** | **-** | **-** | **40,000** |
| Arran Marshall | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Guy Markham | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Dan Powell | **-** | **8,000** | **-** | **-** | **-** | **-** | **8,000** |
| James Midgley | **1,749** | **23,000** | **-** | **-** | **-** | **-** | **24,749** |
| **KMP** | | | | | | | |
| David Anderson | **15,255** | **74,200** | **-** | **-** | **-** | **-** | **89,455** |
| Conrad Warren | **7,644** | **86,356** | **-** | **-** | **-** | **-** | **94,000** |
| Simon Ford | **82,464** | **-** | **-** | **-** | **-** | **-** | **82,464** |
| | **331,980** | **308,925** | **-** | **-** | **-** | **-** | **640,905** |

# Kyle Roy Kenneth Larson (CEO) received additional remuneration of $19,624 above the contracted amount of $115,000 during the year which represented payments for outstanding amounts and travel allowances owing from the previous year.

| | short term | | | post employment | share based payments | | |
|---|---|---|---|---|---|---|---|
| | cash salary fees | non monetary | other | pension and superannuation | options and rights | shares and units | |
| **2017** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Directors** | | | | | | | |
| Peter Chambers | - | - | 12,000 | - | - | - | 12,000 |
| Ronald Kenneth Larson | 57,817 | - | 2,500 | - | - | - | 60,317 |
| Kyle Roy Kenneth Larson | 66,816 | - | 2,500 | - | - | - | 69,316 |
| Peter van Ratingen | - | - | 12,000 | - | - | - | 12,000 |
| Arran Marshall | - | - | 12,000 | - | - | - | 12,000 |
| | 124,633 | - | 41,000 | - | - | - | 165,633 |

### Securities received that are not performance related

No members of key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

5. **Remuneration report (audited) (continued)**

**Key management personnel shareholdings**

The number of ordinary shares in SAPEX Group Limited held by each key management person of the Group during the financial year is as follows:

| **31 December 2018** | **Balance at beginning of year No** | **Acquired during the year * No.** | **Other changes during the year ** No.** | **Balance at end of year** |
|---|---|---|---|---|
| **Directors** | | | | |
| Kyle Roy Kenneth Larson | **2,892,961** | **-** | **-** | **2,892,961** |
| Ronald Kenneth Larson | **2,892,961** | **-** | **(2,892,961)** | **-** |
| Peter van Ratingen | **450,000** | **-** | **-** | **450,000** |
| Peter Chambers | **50,000** | **-** | **-** | **50,000** |
| Arran Marshall | **50,000** | **-** | **(50,000)** | **-** |
| Dan Powell | **-** | **80,000** | **-** | **80,000** |
| Guy Markham | **-** | **-** | **-** | **-** |
| James Midgley | **400,000** | **-** | **-** | **400,000** |
| David Anderson | **-** | **902,876** | **-** | **902,876** |
| Conrad Warren | **-** | **2,759,246** | **(2,759,246)** | **-** |
| Simon Ford | **-** | **-** | **-** | **-** |
| | **6,735,922** | **3,742,122** | **(5,702,207)** | **4,775,837** |

| **31 December 2017** | **Balance at beginning of year No.** | **Acquired during the year No.** | **Other changes during the year** | **Balance at end of year** |
|---|---|---|---|---|
| **Directors** | | | | |
| Kyle Roy Kenneth Larson | - | 2,892,961 | - | 2,892,961 |
| Ronald Kenneth Larson | - | 2,892,961 | - | 2,892,961 |
| Peter van Ratingen | - | 450,000 | - | 450,000 |
| Peter Chambers | - | 50,000 | - | 50,000 |
| Arran Marshall | - | 50,000 | - | 50,000 |
| | - | 6,335,922 | - | 6,335,922 |

* Includes balance adjustments for persons joining as a KMP.

** Includes balance adjustments for persons leaving as a KMP.

Restricted Securities

The Directors have entered into NSX Restricted Securities Agreements whereby each party has agreed not to dispose of, create an 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 have the effect of transferring ownership or control of their Shares 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.

**KMP related party transactions**

The Group undertook the following transactions with:

- Key management personnel (KMP)

## 5. Remuneration report (audited) (continued)

**KMP related party transactions (continued)**

- A close member of the family of that person, or
- An entity over which the key management person or family member has, directly or indirectly, control, joint control or significant influence,

during the reporting period.

Information regarding share-based payment transactions with these persons or entities are included elsewhere in the remuneration report.

**Transactions (excluding loans)**

There were no transactions with KMP except as disclosed elsewhere in the remuneration report and Note 29 Related party transactions.

**Loans made to KMP**

The following information relates to KMP loans made, guaranteed or secured during the reporting period on an aggregate basis.

| | | | Provision for bad debts | |
|---|---|---|---|---|
| | Balance at beginning of the year | Balance at the end of the year | Expense | Balance at the end of the year |
| | $ | $ | $ | $ |
| Peter Chambers | - | 22,500 | - | - |

The loan to Peter Chambers was provided on 26 September 2018. The loan is repayable on demand, unsecured, with no terms of interest attached.

If the interest was at market interest rate in an arms length transaction, then difference in the interest charge would have been $ 355.

**End of Audited Remuneration Report**

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: ........................................................................ Director: ........................................................................
Peter Chambers Kyle Roy Kenneth Larson

Dated 4 April 2019

# Corporate Governance Statement
## 31 December 2018

The Board of Directors of the Company 'the Board' is committed to developing a logistic services business in Indonesia, Myanmar and the Philippines, specialising in the sale and rental of the Dura-Base® Composite Mat System. It will seek to achieve this through strong relationships with our project partners, employees, customers, shareholders, local communities and other stakeholders. The relationships are based on honesty, transparency and mutual value creation. These principles underpin our corporate governance policies and procedures.

The Board of Directors supports the National Stock Exchange of Australia (NSX) Corporate Governance Practice note that outlines expectations by the NSX https://www.nsx.com.au/documents/practice notes/PN14-CorporateGovernance.pdf.

Whilst the Group's practices are largely consistent with the NSX guidelines, the Board considers that the implementation of some Recommendations are not appropriate having regard to the nature and scale of the Group's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the NSX guidelines do not have a negative impact on the Company and its controlled entities ('the Group') and the best interests of shareholders as a whole. When the Group is not able to implement one of the NSX Recommendations, the Group applies the 'if not, why not' explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion utilises the Australian Stock Exchange (ASX) Corporate Governance Council's eight principles and associated recommendations and the extent to which the Group complies with those recommendations.

Details of all of the Council's Recommendations can be found on the ASX website at www.asx.com.au.

1. **Principle 1 - Lay solid foundations for management and oversight Board role and responsibilities**

The Board is responsible to shareholders for developing and operating a successful business and maximising shareholder value.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

Without intending to limit the role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Group;
- the prudential control of the Group's finances and operations, monitoring the financial performance and approving budgets and major expenditures of the Group;
- the resourcing, review and monitoring of performance of senior management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;
- the establishment and maintenance of appropriate ethical standards;
- overseeing the integrity of the accounting and corporate reporting systems and the external audit process;
- approving the Group's remuneration framework, and;
- monitoring the effectiveness of corporate governance practices.

The Board delegates management of the Group's resources to the Group's executive management team under the leadership of the Chief Executive Officer, to deliver the strategic direction and goals approved by the Board.

Responsibilities delegated by the Board to Management:
- the conduct and operation of the Group's business;
- implementing corporate strategies; and
- operating under approved budgets and an approved authority matrix.

The Group has followed Recommendation 1.1 by establishing the functions reserved to the Board and those delegated to senior executives as disclosed above.

*Board appointments*
The Company will follow Recommendation 1.2 by ensuring that the appointment of directors will come before shareholders for re-election at the Company's Annual General Meeting, and that these directors are suitable for the Group and equipped with the knowledge and information to discharge their roles adequately. In addition, the Company will ensure that all relevant information that it possess is disclosed in the notice of meeting to enable shareholders to make a decision on whether or not to elect or re-elect a director.

The Group has followed Recommendation 1.3 by having a written agreement with each director and senior executive setting out the terms of their appointment.

*Company Secretary*
The Company has followed Recommendation 1.4 by ensuring that the Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

*Diversity*
Recommendation 1.5 sets outs that a company should establish a policy concerning diversity and disclose that policy or a summary of it. Such a policy is to include requirements for the board to establish measurable objectives to achieve gender diversity and to assess annually in respect of both the objectives and progress in achieving them.

The Board is committed to engaging directors, management and employees with the highest qualifications, skills and experience to develop a cohesive team that is best placed to achieve business success regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Board has not yet adopted a formal diversity policy as it believes its current processes and policies for recruitment and appointment are appropriate and adequately take into account diversity amongst a number of factors considered by the Company in ensuring its Directors and workforce have an appropriate mix of qualifications, experience and expertise. The Board does, however, recognise that diversity makes an important contribution to corporate success and the Company considers diversity as one of a number of factors when seeking to appoint Directors, filling senior management roles and positions and reviewing recruitment, retention and management practices, notwithstanding the absence of a formal diversity policy.

As the Board has not yet adopted a diversity policy, it has not set measurable objectives under such a policy. While the Company considers diversity is important, the priority for the Company when recruiting is ensuring an appropriate mix of qualifications, experience and expertise regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company does, however, make it clear when seeking to appoint additional Directors, senior management and employees that women are encouraged to apply for roles and that the Company is an equal opportunity employer.

*Board and management evaluation*

Although the Group is not of a size to warrant the development of formal processes for evaluating the performance of its Board and individual directors as per Recommendation 1.6 there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to directors individually regarding their role as a director. During 2018 the Company introduced a Remuneration Committee. One of the purposes of the Committee is to establish processes for the review of the performance of individual Directors, Board Committees and the Board as a whole and the implementation of such processes. The Committee will aim to introduce these processes during 2019.

Arrangements put in place by the Board to monitor the performance of the Group's executives, in line with recommendation 1.7, include:
- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.
- The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Chief Executive Officer. Performance evaluation of senior executives was conducted during the period in accordance with this process.
- Whilst not responsible for establishing the performance review process for executives, the newly established Remuneration Committee will be responsible for reviewing and recommending to the Board on the Company's remuneration framework, remuneration packages and policies applicable to the members of the executive management of the Company and will work with the board in ensuring that the appropriate remuneration packages are in line with the Company's executive performance reviews.

**2. Principle 2 - Structure the Board to add value**
**Board of Directors - Composition, Structure and Process**

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the Group's current size, scale and nature of its activities.

*Nomination Committee*
The Company does not have a Nomination Committee however it did introduce a Remuneration Committee during 2018 and part of the responsibility of the Remuneration Committee in 2019 will be to consider the appropriate size, composition and skills of the Board.

*Skills of the Board*
The Board consists of a blend of personal experience at director-level and relevant corporate experience required by the Group for effective decision-making. Directors are appointed based on the specific operational, corporate and governance skills required by the Group and the Company follows Recommendation 2.2 by disclosing the Directors' qualifications, experience, date of appointment and independence status, which satisfy the Board skill matrix below, in the Directors' Report section of the Annual Report.

# Corporate Governance Statement
**31 December 2018**

| Area | Competence |
|---|---|
| Business Finance | Business strategy, financial literacy, executive management |
| Investment | Corporate mergers and acquisitions, corporate "financing, portfolio management |
| Technical | Geology, project development in the coal industry, coal marketing |
| Leadership | Experience in public listed companies having the ability but not limited to setting Board directives and representing the Group appropriately |

*Independent Directors*
The Board has five directors, of which a majority of three (Peter Van Ralingen, James Midgley and Dan Powell) are assessed as being independent. Mr Chambers is a representative of the Company's largest shareholder, IndoMines. Mr K Larson is one of the original Founders of the business.

The names of the directors of the Company in office at the date of this report and their length of services are as follows:

Mr Peter Chambers (non-exec Chairman) - appointed May 2017
Mr Kyle Larson - appointed May 2017
Mr Peter Van Ratingen (independent) - appointed May 2017
Mr James Midgley (independent) – appointed March 2018
Mr Dan Powell (independent) – appointed August 2018

*Regular assessment of independence*
An independent director, in the view of the Group, is a director who:
- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

*Chairman and CEO*
The roles of chairman and CEO are held by different people as follows:
- Peter Chambers is a Non-Executive Chairman
- Kyle Larson is an Executive Director

Mr Chambers is not considered to be an independent non-executive chairman, in line with Recommendation 2.5, due to the fact that he is a representative of a major shareholder in the Company. The Board is of the view that this association does not affect the Chairman's capacity to bring an independent judgement to bear on issues before the Board and he is able to act in the best interests of the company and its shareholders.

*Directors' induction and education*
In accordance with Recommendation2.6, the Company encourages Directors to continue their professional development to assist them in performing their role effectively and has a policy to provide each new Director or officer with a copy of the following documents:
- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Shareholders Communication Policy.

**3. Principle 3 - Act ethically and responsibly**
**Code of Conduct Policy and ethical standards**

All directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, endeavouring at all times to enhance the reputation and performance of the Group. Every employee has direct access to a director to whom they may refer any ethical issues that may arise from their employment.

*Access to Group information and confidentiality*
All directors have the right of access to all relevant Group books and to the Group's executive management. In accordance with legal requirements and agreed ethical standards, directors and executives of the Group have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

*Share dealings and disclosures*
The Group adopted a Securities Trading policy during 2018 which restricts directors, executives and employees from acting on material information until it has been released to the market. Directors should consult with the Chairman prior to dealing in securities in the Company or other companies with which the Company has a relationship.

Share trading by directors, executives or employees is not permitted at any lime whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing Rules of the NSX, the Company on behalf of the Directors must advise the NSX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

These restrictions have been developed having regard to the current nature of the Company's activities, being rental and sale of composite mat systems to exploration and production companies.

*Conflicts of interest*
To ensure that directors are at all times acting in the best interests of the Group, directors must:
- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director and the interests of any other parties in carrying out the activities of the Group; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a director cannot, or is unwilling to remove a conflict of interest then the director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

*Related party transactions*
Related party transactions include any financial transaction between a director and the Group as defined in the Corporations Act or the NSX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Group also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

## 4. Principle 4 - Safeguard integrity in financial reporting

*Audit Committee*
During 2018 the Company introduced an Audit Committee to assist the Board in fulfilling its corporate governance and oversight responsibilities in relating to:
- The integrity of the Company's financial reporting;
- The effectiveness of the Company's systems of financial risk management and internal control; and
- The external audit functions.

The Audit Committee is comprised of the following members:
- Mr Dan Powell (Chair of Committee)
- Mr Peter Chambers
- Mr James Midgley

All members are non-executive directors and Mr Dan Powell and Mr James Midgley are also independent.

A copy of the Audit Committee Charter is available on the Company's website at: http://sapexgroup.com/corporate_policies.php

*CEO and CFO declarations*
The Board has, in line with Recommendation 4.2, before approving financial statements for a financial period, received the CEO's declaration as required under section 295A of the Corporations Act. Further the CEO has declared their opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

*Auditor attendance at Annual General Meeting*
The Group will follow Recommendation 4.3 and ensure that a representative of its external auditor PKF will attend the Company's Annual General Meeting and is available to answer questions from security holders relevant to the audit.

## 5. Principle 5 - Make timely and balanced disclosure

*Continuous Disclosure to the NSX*
The Board has designated the Chairman and Company Secretary as being responsible for overseeing and co-ordinating disclosure of information to the NSX as well as communicating with the NSX. Accordingly, the Company will notify the NSX promptly of information:
- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.

**6. Principle 6 - Respect the rights of security holder**

The Company has followed Recommendation 6.1 by keeping investors informed through the Company's website www.sapexservices.com, and on the NSX website, www.nsx.com.au, under NSX code 'SAA' regarding information about the Group, the Board, policies, reports and NSX announcements.

The Company has followed Recommendations 6.2 and 6.3 by designing a communications program to promote effective communication with shareholders and to encourage their participation at general meetings.

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual
- General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly financial statements; and
- other announcements released to the NSX as required under the continuous disclosure requirements of the NSX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company has followed Recommendation 6.4 by actively promoting communication with shareholders through a variety of measures, including the use of the Company's website and email.

The Company via its share registry, AUTOMIC, gives shareholders the option to receive communications electronically.

**7. Principle 7 - Recognise and manage risk**

*Risk Committee*
Whilst the Company does not have a Risk Committee it did introduce an Audit Committee during 2018 whose responsibilities going forward will include assisting the Board in fulfilling its corporate governance and oversight responsibilities relating to the effectiveness of the Company's systems of financial risk management and internal controls.

*Risk management*
The Company has followed Recommendation 7.2, whereby the full Board regularly throughout the year reviews and monitors systems of external and internal controls and areas of significant operational, financial and property risk, and ensures arrangements are in place to contain such risks to acceptable levels.

*Internal audit function*
Having regard to the size of the Group and the nature of its activities, an internal audit function has not been established, however, in compliance with Recommendation 7.3, it is disclosed that the full Board carries out the risk management and internal audit functions.

*Risks and risk management*
In compliance with Recommendation 7.4, the material manageable risks which the Group is exposed to include operational risks, capital risks and human resources risks as follows:

- obtaining government approvals;

- ecological and environmental issues;
- oil and gas industry standard safety procedures;
- land access and community disputes;
- the ability to raise additional capital; and
- recruiting and retaining qualified personnel.

The full Board is responsible for overseeing the risk management function and the Chief Executive Officer is in charge of implementing an appropriate level of control to mitigate these risks within the Group. The full Board reviews all major Group strategies and decisions and takes appropriate actions on a continuous basis.

**8. Principle 8 - Remunerate fairly and responsibly**

*Remuneration Committee*
During 2018 the Company introduced a Remuneration Committee who, going forward will be responsible for reviewing and recommending to the Board the Company's remuneration framework, remuneration packages and policies applicable to the members of the executive management of the Company and Directors.

The Remuneration Committee is comprised of the following members:
Mr Peter Van Ratingen (Chair of Committee)
Mr Dan Powell
Mr James Midgley

All of whom are non-executive and independent directors.

A copy of the Remuneration Committee Charter is available on the Company's website at: http://sapexgroup.com/corporate_policies.php.

*Remuneration responsibilities*
The role and responsibility of the Board is to review and make recommendations in respect of:
- executive remuneration policy;
- executive director and senior management remuneration;
- executive incentive plan;
- superannuation arrangements for Directors, senior executives and other employees;
- non-executive directors' remuneration;
- performance measurement policies and procedures;
- termination policies and procedures;
- equity based plans; and
- required remuneration and remuneration benefits public disclosure.

The group has the following remuneration policy to ensure that remuneration arrangements are equitable, appropriate, and not excessive.

*Remuneration policy*
The directors' remuneration policy is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. Consultants are engaged as required pursuant to service agreements. The Group ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Group. All salaries of directors and officers are disclosed in the Annual Report.

The Group has a policy to remunerate its directors and officers based on fixed and incentive component salary packages to reflect the short and long term objectives of the Group.

The salary component of non-executive and executive directors is made up of:
- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company.

*Securities Trading policy*
In accordance with recommendation 8.3 the Company introduced a Securities Trading Policy during 2018 that prohibits directors, officers and employees from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under any equity-based remuneration scheme.

A copy of the Company's Securities Trading Policy is available on the Company's website at: http://sapexgroup.com/corporate_policies.php.

## Auditors' Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of SAPEX Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

P. Pearman

PAUL PEARMAN
PARTNER

4 APRIL 2019
SYDNEY

PKF(NS) Audit & Assurance Limited Partnership
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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the Year Ended 31 December 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| Revenue | 5 | **1,195,460** | 769,094 |
| Other income | 5 | **353,485** | 127 |
| Employee benefits expense | 6 | **(692,053)** | (165,633) |
| Depreciation and amortisation expense | 6 | **(760)** | - |
| Corporate transaction accounting expense | | **-** | (7,521,698) |
| Fair value loss on derivative liabilities | | **(222,000)** | - |
| Other expenses | | **(2,083,274)** | (1,514,132) |
| Finance costs | 6 | **(635,600)** | (30,539) |
| **Loss before income tax** | | **(2,084,742)** | (8,462,781) |
| Income tax expense | 7 | **(67)** | - |
| **Loss for the year** | | **(2,084,809)** | (8,462,781) |
| **Items that will be reclassified to profit or loss when specific conditions are met** | | | |
| Exchange differences on translating foreign controlled entities | | **295,657** | - |
| **Other comprehensive loss for the year, net of tax** | | **295,657** | - |
| **Total comprehensive loss for the year** | | **(1,789,152)** | (8,462,781) |
| Loss attributable to: | | | |
| Members of the parent entity | | **(2,079,241)** | (8,462,781) |
| Non-controlling interest | | **(5,568)** | - |
| | | **(2,084,809)** | (8,462,781) |
| Total comprehensive loss attributable to: | | | |
| Members of the parent entity | | **(1,783,584)** | (8,462,781) |
| Non-controlling interest | | **(5,568)** | - |
| | | **(1,789,152)** | (8,462,781) |

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Earnings per share** | | | |
| From continuing and discontinued operations: | | | |
| Basic earnings per share | 21 | **(0.11)** | (0.59) |
| Diluted earnings per share | 21 | **(0.11)** | (0.59) |
| From continuing operations: | | | |
| Basic earnings per share | 21 | **(0.11)** | (0.59) |
| Diluted earnings per share | 21 | **(0.11)** | (0.59) |

The accompanying notes form part of these financial statements.

**SAPEX Group Limited**

**ACN 619 195 283**

# Consolidated Statement of Financial Position

## As At 31 December 2018

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10 | **87,048** | 13,142 |
| Trade and other receivables | 11 | **902,371** | 4,473 |
| Loans and advances | 12 | **22,522** | - |
| Other assets | 13 | **18,166** | 368 |
| TOTAL CURRENT ASSETS | | **1,030,107** | 17,983 |
| Property, plant and equipment | 14 | **6,177,394** | - |
| Intangible assets | 15 | **6,114,811** | - |
| TOTAL NON-CURRENT ASSETS | | **12,292,205** | - |
| TOTAL ASSETS | | **13,322,312** | 17,983 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 16 | **585,283** | 508,727 |
| Borrowings | 17 | **14,680,119** | 257,475 |
| Derivative financial instruments | 18 | **222,000** | - |
| TOTAL CURRENT LIABILITIES | | **15,487,402** | 766,202 |
| NON-CURRENT LIABILITIES | | | |
| TOTAL NON-CURRENT LIABILITIES | | **-** | - |
| TOTAL LIABILITIES | | **15,487,402** | 766,202 |
| NET LIABILITIES | | **(2,165,090)** | (748,219) |
| **EQUITY** | | | |
| Issued capital | 19 | **7,811,990** | 7,811,990 |
| Reserves | 20 | **641,861** | - |
| Accumulated losses | | **(10,639,450)** | (8,560,209) |
| Total equity attributable to equity holders of the Company | | **(2,185,599)** | (748,219) |
| Non-controlling interest | | **20,509** | - |
| TOTAL EQUITY | | **(2,165,090)** | (748,219) |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

## For the Year Ended 31 December 2018

**2018**

| | Note | Ordinary Shares | Accumulated losses | Foreign Currency Translation Reserve | Convertible Instruments Reserve | Total attributable to members of the Company | Non-controlling Interests | Total |
|---|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 1 January 2018** | | **7,811,990** | **(8,560,209)** | **-** | **-** | **(748,219)** | **-** | **(748,219)** |
| Loss attributable to members of the parent entity | | **-** | **(2,079,241)** | **-** | **-** | **(2,079,241)** | **-** | **(2,079,241)** |
| Loss attributable to non-controlling interests | 8 | **-** | **-** | **-** | **-** | **-** | **(5,568)** | **(5,568)** |
| Total other comprehensive income for the year | | **-** | **-** | **295,657** | **-** | **295,657** | **-** | **295,657** |
| **Total comprehensive loss for the year** | | **-** | **(2,079,241)** | **295,657** | **-** | **(1,783,584)** | **(5,568)** | **(1,789,152)** |
| Recognition of non-controlling interest | 8 | **-** | **-** | **-** | **-** | **-** | **26,077** | **26,077** |
| Value of conversion rights - convertible notes | 20 | **-** | **-** | **-** | **346,204** | **346,204** | **-** | **346,204** |
| **Balance at 31 December 2018** | | **7,811,990** | **(10,639,450)** | **295,657** | **346,204** | **(2,185,599)** | **20,509** | **(2,165,090)** |

**2017**

| | Note | Ordinary Shares | Accumulated losses | Foreign Currency Translation Reserve | Convertible Instruments Reserve | Total attributable to members of the Company | Non-controlling Interests | Total |
|---|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 1 January 2017** | | 97,428 | (97,428) | - | - | - | - | - |
| Loss attributable to members of the parent entity | | - | (8,462,781) | - | - | (8,462,781) | - | (8,462,781) |
| Total other comprehensive income for the year | | - | - | - | - | - | - | - |
| **Total comprehensive loss for the year** | | - | (8,462,781) | - | - | (8,462,781) | - | (8,462,781) |
| **Transactions with owners in their capacity as owners** | | | | | | | | |
| Fair value of deemed reverse acquisition on SAA by SOS | | 7,714,562 | - | - | - | 7,714,562 | - | 7,714,562 |
| **Balance at 31 December 2017** | | 7,811,990 | (8,560,209) | - | - | (748,219) | - | (748,219) |

# Consolidated Statement of Cash Flows

## For the Year Ended 31 December 2018

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Receipts from customers | | **70,884** | 137,463 |
| Payments to suppliers and employees | | **(1,319,095)** | (254,555) |
| Payments of interest and other finance costs | | **-** | (22,425) |
| Net cash provided by/(used in) operating activities | 30 | **(1,248,211)** | (139,517) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Payments to acquire property, plant and equipment | | **(4,679)** | - |
| Payments to acquire subsidiaries and business, net of cash acquired | | **(8,856,431)** | - |
| Net cash provided by/(used in) investing activities | | **(8,861,110)** | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from issuance of share capital | | **-** | 192,864 |
| Proceeds from issuance of borrowings | | **10,539,791** | 469,645 |
| Repayment of borrowings | | **-** | (309,977) |
| Payments of interest and other finance costs | | **(369,104)** | - |
| Costs of listing | | **-** | (200,000) |
| Net cash provided by/(used in) financing activities | | **10,170,687** | 152,532 |
| Exchange differences on cash and cash equivalents | | **12,540** | 127 |
| Net increase/(decrease) in cash and cash equivalents held | | **73,906** | 13,142 |
| Cash and cash equivalents at beginning of year | | **13,142** | - |
| Cash and cash equivalents at end of financial year | 10 | **87,048** | 13,142 |

The consolidated financial report covers SAPEX Group Limited and its controlled entities ('the Group'). SAPEX Group Limited is a for-profit listed Public Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 4 April 2019.

Comparatives are consistent with prior years, unless otherwise stated.

### 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001.*

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

### 2 Change in Accounting Policy

#### (a) Financial Instruments - Adoption of AASB 9

The Group has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 January 2017.

As part of the adoption of AASB 9, the Group adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the consolidated statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.

- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, this disclosures have been provided for the current year.

The key changes to the Group's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except the Group has not restated any amounts relating to classification and measurement requirements including impairment which have been applied from 1 January 2018.

## 2 Change in Accounting Policy (continued)

### (a) Financial Instruments - Adoption of AASB 9 (continued)

**Classification of financial assets**

The financial assets of the Group have been reclassified into one of the following categories on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics:

- Measured at amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income - debt instruments (FVOCI - debt)
- Fair value through other comprehensive income - equity instruments (FVOCI - equity).

**Measurement of equity instruments**

All equity instruments of the Group are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 which allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) in the reporting period which includes the date of application.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments classified as fair value through other comprehensive income are taken to the relevant reserve.

**Derivatives**

Derivatives embedded in contracts where the host is a financial asset in the scope of AASB 9 are never separated, the whole hybrid instrument is classified.

**Impairment of financial assets**

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This can result in the earlier recognition of credit loss (bad debt provisions).

**Transition adjustments**

There was no impact to reserves and retained earnings on adoption of AASB 9 at 1 January 2018.

### 2 Change in Accounting Policy (continued)

#### (a) Financial Instruments - Adoption of AASB 9 (continued)

**Classification of financial assets and financial liabilities**

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at the date of initial application. The application of AASB 9 has resulted in no changes in the measurement of the financial assets and liabilities of the Group.

| | Note | Classification under AASB 139 | Classification under AASB 9 | Carrying amount under AASB 139 | Reclassification | Re-measurements | Carrying amount under AASB 9 |
|---|---|---|---|---|---|---|---|
| | | | | $ | $ | $ | $ |
| **Financial assets** | | | | | | | |
| Trade and other receivables | | Loans and receivables | Amortised cost | 4,473 | - | - | 4,473 |
| Cash and cash equivalents | | Loans and receivables | Amortised cost | 13,142 | - | - | 13,142 |
| Other assets | | Loans and receivables | Amortised cost | 368 | - | - | 368 |
| **Total financial assets** | | | | 17,983 | - | - | 17,983 |
| **Financial liabilities** | | | | | | | |
| Unsecured other loans | | Other financial liabilities | Other financial liabilities | 257,475 | - | - | 257,475 |
| Trade payables | | Other financial liabilities | Other financial liabilities | 492,727 | - | - | 492,727 |
| Other payables | | Other financial liabilities | Other financial liabilities | 16,000 | - | - | 16,000 |
| **Total financial liabilities** | | | | 766,202 | - | - | 766,202 |

#### (b) Revenue from Contracts with Customers - Adoption of AASB 15

The Group has adopted AASB 15 *Revenue from Contracts with Customers* for the first time in the current year with a date of initial application of 1 January 2018.

Whist the Group's accounting policies have now been aligned to the requirements of AASB 15, there was no recognition or presentation impact on these financial statements from applying AASB 15.

The Group has applied AASB 15 using the cumulative effect method which means the comparative information has not been restated and continues to be reported under AASB 111, AASB 118 and related interpretations. As noted above, there were no adjustments necessary on adoption of AASB 15. Details of the Group's updated accountng policy to relflect the adoption of AASB 15 are detailed further at Note 3(f).

### 3 Summary of Significant Accounting Policies

#### (a) Basis for consolidation

##### (i) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between

## 3 Summary of Significant Accounting Policies (continued)

### (a) Basis for consolidation (continued)

#### (i) Basis for consolidation (continued)

entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a December financial year end.

A list of controlled entities is contained in Note 27 to the financial statements.

#### (ii) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

### (b) Going concern

For the financial year ended 31 December 2018, SAPEX Group Limited recorded a loss after tax of $2,084,809 (2017: $8,462,781) and as of that date, the Group was in a net liability position of $2,165,090 (2017: $748,219). These circumstances have given rise to a significant doubt on the entity's ability to continue as a going concern.

Given these circumstances, management has entered into an agreement with the First Guardian Secured Convertible Bond Fund to provide funding of AUD$11.5m to the business for drawdown in April 2019. This funding will be structured as a convertible note, with terms approved by the Board of Directors. The Convertible Note Subscription Agreement is in the process of being executed at the time of this report. The going concern of the Group is contingent on succesful completion of this facility. This funding is for the purposes of expanding the Group's Dura-base mat assets, refinancing existing liabilities and providing working capital for the Group's planned ASX conversion and other operational requirements. It will result in a significant strengthening of SAA's financial position and allow it efficiently execute its business plan over 2019. Furthermore, the amounts owing for related party payables of $3,427,272 was settled on 30 January 2019 (refer to Note 32).

### (c) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

## 3 Summary of Significant Accounting Policies (continued)

### (c) Business combinations (continued)

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in PT SAPEX Servis Indonesia, the group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

### (d) Income Tax

The tax expense recognised in the consolidated statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

**3 Summary of Significant Accounting Policies (continued)**

**(e) Leases**

Lease payments for operating leases, where substantially all of the risks and benefits incidental to the ownership of the asset remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**(f) Revenue and other income**

**For comparative year**

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

**For current year**

**Revenue from contracts with customers - from 1 January 2018**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

The revenue recognition policies for the principal revenue streams of the Group are:

**Recurring service contracts**

The Group manages and distributes, under licence, its Dura Base asset base in the South East Asia region through recurring service (lease) contracts. The services provided under these service contracts are substantially the same. The services are transferred to the customer with the same pattern of consumption over time, and whose consideration consists of a recurring fixed amount over the term of the contract (e.g. monthly or annual payment), in such a way that the customer receives and consumes the benefits of the services as the Group provides them.

Under this method, revenue is recognised on a straight line basis over the term of the contract and costs are recognised on an accrual basis.

### 3 Summary of Significant Accounting Policies (continued)

#### (f) Revenue and other income (continued)

**Other income**

Other income is recognised on an accruals basis when the Group is entitled to it.

#### (g) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### (h) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of Australian goods and services tax (GST) and Indonesian valued added tax (VAT) (see below), except where the amount of GST or VAT incurred is not recoverable from the Australian Taxation Office (ATO) or The Directors General of Taxation (Indonesia).

Receivables and payable are stated inclusive of GST and VAT.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**Indonesian VAT**

Value Added Tax (VAT) is levied on the delivery of taxable goods adn the rpvosion of taxable services. VAT also applies to intangible goods (including royalties) and to virtually all services provided outside Indonesia to Indonesian businesses. Deliveries  to certain areas (e.g. a free zone or bonded  zone)  may enjoy certain VAT incentives. Certain goods and services are nontaxable for VAT purposes.

The Directors General of Taxation is responsible for administering VAT in Indonesia.

#### (i) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

**Plant and equipment**

Plant and equipment are measured using the cost model.

**Depreciation**

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the

## 3 Summary of Significant Accounting Policies (continued)

### (i) Property, plant and equipment (continued)

**Depreciation (continued)**
lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset class | Depreciation rate |
|---|---|
| Plant & Equipment Leased to External Parties | 20% |
| Office Equipment | 25% |
| Computer Equipment | 20% |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

### (j) Financial instruments

**For current year**

The Group has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 January 2017. Please refer to Note 2(a) for details of this Change in Accounting Policy.

**For comparative year**

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

#### (i) Financial assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- financial assets at fair value through profit or loss;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

**3 Summary of Significant Accounting Policies (continued)**

**(j) Financial instruments (continued)**

**(i) Financial assets (continued)**

All income and expenses relating to financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income in the ‘finance income’ or ‘finance costs’ line item respectively.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group’s trade and other receivables fall into this category of financial instruments.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss’ or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Group‘s financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

*Impairment of financial assets*

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

**(k) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**(l) Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been

**3 Summary of Significant Accounting Policies (continued)**

**(l) Employee benefits (continued)**

measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

**(m) Trade and other receivables**

**For comparative year**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally settled within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debtors which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivables will be impaired. The amount of the impairment allowance is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of the discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**For current year**

The measurement and classification of trade and other receivables is now accounted for in accordance with the requirements of AASB 9 - refer to Note 2(a) for further details.

**(n) Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short term nature they are measured at amortised cost and are not discounted. The amounts are unsecure and are usually paid within 30 days of recognition.

**(o) Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

**(p) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 3 Summary of Significant Accounting Policies (continued)

#### (q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

#### (r) Foreign currency transactions and balances

**Transaction and balances**

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

### 3 Summary of Significant Accounting Policies (continued)

#### (s) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Group has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Group where the standard is relevant:

| Standard Name | Effective date for entity | Requirements | Impact |
|---|---|---|---|
| AASB 16 Leases | Annual reporting period beginning on or after 1 January 2019 | AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges. | AASB 16 will not have a significant impact on the Group as there are no material operating leases which are anticipated to be brought onto the statement of financial position through the recognition of a right to use asset and associated lease liability. |

#### (t) Parent entity

In accordance with the *Corprations Act 2001*, these financial statements preset the results of the consolidated entity only. Supplementary information about the legal parent entity is dislcosed in Note 33.

#### (u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Board alongside the chief operating decision maker assesses the financial performance and position of the group, and makes strategic decisions. The chief operating decision maker, consists of the chief executive officer, the chief operating officer and the chief financial officer.

### 4 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these consolidated financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

### 4 Critical Accounting Estimates and Judgments (continued)

**Key estimates - impairment of goodwill**

In accordance with AASB 136 Impairment of Assets, the Group is required to estimate the recoverable amount of goodwill at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

• growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;

• timing and quantum of future capital expenditure;

• long-term growth rates; and

• the selection of discount rates to reflect the risks involved.

The Group prepares and approves formal five year management plans for its operations, which are used in the value in use calculations.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 15 to the consolidated financial statements.

**(a) Key estimates - business combinations**

The Group initially recognises of assets and liabilities acquired, through business combination, at their fair values. Fair values are based on the prevailing market conditios and industrial information at the time and make estimation and assumptions when arriving the fair values, which are provisional. Subsequent events may indicate these estimation and assumptions need to be revised thus affecting their fair values.

### 5 Revenue and Other Income

**Revenue from continuing operations**

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Sales revenue | | |
| - provision of services | **414,455** | - |
| Other revenue | | |
| - licence fee | **781,005** | 769,094 |
| **Total Revenue** | **1,195,460** | 769,094 |

# Notes to the Financial Statements

## For the Year Ended 31 December 2018

### 5 Revenue and Other Income (continued)

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Other Income | | |
| - fees | **18,044** | - |
| - discount on acquisition | **322,565** | - |
| - other income | **336** | - |
| - gain on exchange differences | **12,540** | 127 |
| | **353,485** | 127 |

### 6 Result for the Year

The result for the year was derived after charging / (crediting) the following items:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Finance Costs | | |
| - Other finance costs | **635,600** | 30,539 |
| Other expenses: | | |
| - Employee benefits expense | **692,053** | 165,633 |
| - Depreciation and amortisation expense | **760** | - |
| Impairment of receivables: | | |
| - Bad debts | **827,814** | - |
| - Doubtful debts | **-** | 631,631 |
| Rental expense on operating leases: | | |
| - Minimum lease payments | **13,521** | 1,718 |

### 7 Income Tax Expense

(a) The major components of tax expense (income) comprise:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Current tax expense | | |
| Current tax | **67** | - |
| Deferred tax expense | **-** | - |
| **Income tax expense for continuing operations** | **67** | - |
| **Total income tax expense** | **67** | - |

## 7 Income Tax Expense (continued)

(b) Reconciliation of income tax to accounting profit:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Loss | **(2,084,742)** | (8,462,781) |
| Tax | **30.00 %** | 30.00 % |
| | **(625,423)** | (2,538,834) |
| Add: | | |
| Tax effect of: | | |
| - other non-deductible expenses | **-** | - |
| - non-deductible corporate transaction accounting expense | **-** | 2,256,509 |
| - tax losses not recognised | **625,490** | 282,325 |
| | **67** | - |
| Less: | | |
| Tax effect of: | | |
| Income tax charge | **67** | - |

## 8 Business Combinations

The Group underwent two acquisitions during the year to facilitate the Group's transition to a full-service owner operator of the Dura-Base® Composite Mat System. The acquisitions allow the company to consolidate its core business operations across Australia, Indonesia, Philippines, and Myanmar.

Accordingly, on 26 September 2018, SAPEX Group Limited ("SAA or the Company") acquired 99% interest of PT SAPEX Servis Indonesia ("SSI") for cash consideration of AUD $2,294,098 (23,470,000,000 IDR).

On 31 December 2018, the Group further completed an Asset Purchase agreement to acquire all Dura-Base assets and Dura-Base business from PT SAS International ("SAS"). This was acquired by SSI and completed through cash consideration of AUD$8,861,064 (USD $6.425 million) and the transfer of fully paid ordinary shares in SAPEX Group Limited of AUD$3,427,272 (USD$2.275 million) by a company shareholder (the Shareholder Group). In order to complete the acquisition of the business and assets from SAS at 31 December 2018, the Shareholder Group transferred 2,954,545 fully paid ordinary shares directly to SAS by way of an off-market share transfer for the fair value of $3,427,272 on the condition that these would be returned to the Shareholder Group on approval of the issue of shares in SAA at the next Shareholder Meeting. This amount has been recorded as part of loans from related parties in Note 29(c).

On 30 January 2019, the issue of the 2,954,545 shares was approved at a Shareholders Meeting in favour of SAS. SAS subsequently transferred 2,954,545 fully paid ordinary shares back to the Shareholder Group by way of an off-market transfer. Refer to Note 32 for events occurring after reporting date.

As part of the arrangement for the business combination, SAPEX Group Limited has entered into a profit-sharing arrangement with the vendor SAS. SAS will be entitled to a share of 20% of the after-tax annual profits attributable to the acquired Dura-base business after the completion date of the acquisition, 31 December 2018.

These acquisitions are expected to increase the Group's share of this market and reduce costs through economies of scale.

### 8 Business Combinations (continued)

The following table shows the provisionally determined fair value of assets acquired, liabilities assumed and the purchase consideration at the respective acquisition dates.

| | Acquisition of SSI 26 Sep 2018 | Acquisition of SAS 31 Dec 2018 |
|---|---|---|
| | $ | $ |
| Purchase consideration: | | |
| - Cash | 2,294,098 | 8,861,064 |
| - Fair value of shares transferred by Shareholder Group | | 3,427,272 |
| **Total purchase consideration** | 2,294,098 | 12,288,336 |
| Assets or liabilities acquired: | | |
| Cash | 4,923 | - |
| Trade and other receivables | 2,398,660 | - |
| Other assets | 2,179,130 | - |
| Plant and equipment | - | 6,173,525 |
| Trade payables | (1,938,164) | - |
| Provisions | (1,810) | - |
| **Total net identifiable assets** | 2,642,739 | 6,173,525 |
| Less: non-controlling interests | (26,076) | - |
| **Identifiable assets acquired and liabilities assumed** | 2,616,663 | 6,173,525 |
| Purchase consideration | 2,294,098 | 12,288,336 |
| Less: Identifiable assets acquired | 2,616,663 | 6,173,525 |
| **Goodwill/(bargain purchase price)** | **(322,565)** | **6,114,811** |

Revenue of SSI included in the consolidated revenue of the Group since the acquisition date on 26 September 2018 amounted to $ 414,455 with a loss of $ 556,786.

The fair value of the shares transferred as part of the consideration paid for the Dura-base assets and business was based on the published share price on 31 December 2018 of AUD $1.16 per share.

The goodwill is attributable to synergies expected to be achieved from integrating the Group into the Group's existing businesses and established networks. None of the goodwill recognised expected to be deductible for income tax purposes.

### 9 Operating Segments

**Segment information**

**Identification of reportable segments**

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings. Operating segments are

### 9 Operating Segments (continued)

**Identification of reportable segments (continued)**

therefore determined on the same basis.

Accordingly, management has currently identified the Group as having only one reportable segment, being the management and distribution of industrial mats, being the Dura-Base product.

The financial results from this segment are equivalent to the financial statements for the Group.

### 10 Cash and Cash Equivalents

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Cash at bank and in hand | **87,048** | 13,142 |

### 11 Trade and Other Receivables

| | | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| CURRENT | | | |
| Trade receivables | | **451,056** | 631,631 |
| Provision for impairment | (a) | **-** | (631,631) |
| Deposits | | **3,876** | - |
| GST receivable | | **447,439** | 4,473 |
| **Total current trade and other receivables** | | **902,371** | 4,473 |

**(a) Impairment of receivables**

Reconciliation of changes in the provision for impairment of receivables is as follows:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Balance at beginning of the year | **631,631** | - |
| Impairment loss recognised | **-** | 631,631 |
| Provision used | **(631,631)** | - |
| **Balance at end of the year** | **-** | 631,631 |

### 12 Loans and Advances

| | | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| CURRENT | | | |
| Loans to directors, managers and employees | 29(c) | **22,522** | - |
| | | **22,522** | - |

# Notes to the Financial Statements

## For the Year Ended 31 December 2018

### 13 Other Assets

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| CURRENT | | |
| Prepayments | **18,166** | 368 |

### 14 Property, plant and equipment

PLANT AND EQUIPMENT

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Plant and equipment leased to external parties pursuant to operating leases | | |
| At cost | **6,173,525** | - |
| Accumulated depreciation | **-** | - |
| Total plant and equipment leased to external parties pursuant to operating leases | **6,173,525** | - |
| Office equipment | | |
| At cost | **3,000** | - |
| Accumulated depreciation | **(187)** | - |
| Total office equipment | **2,813** | - |
| Computer equipment | | |
| At cost | **1,629** | - |
| Accumulated depreciation | **(573)** | - |
| Total computer equipment | **1,056** | - |
| **Total property, plant and equipment** | **6,177,394** | - |

# Notes to the Financial Statements

## For the Year Ended 31 December 2018

### 14 Property, plant and equipment (continued)

#### (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Plant & Equipment Leased to External Parties<br>$ | Office Equipment<br>$ | Computer Equipment<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | |
| Balance at the beginning of year | - | - | - | - |
| Additions | - | 3,000 | 1,629 | 4,629 |
| Additions through acquisition of entity | 6,173,525 | - | - | 6,173,525 |
| Total additions | 6,173,525 | 3,000 | 1,629 | 6,178,154 |
| Depreciation expense | - | (187) | (573) | (760) |
| **Balance at the end of the year** | 6,173,525 | 2,813 | 1,056 | 6,177,394 |

| | Plant & Equipment Leased to External Parties<br>$ | Office Equipment<br>$ | Computer Equipment<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Year ended 31 December 2017** | | | | |
| Balance at the beginning of year | - | - | - | - |
| Additions | - | - | - | - |
| Depreciation expense | - | - | - | - |
| **Balance at the end of the year** | - | - | - | - |

## 15 Intangible Assets

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Goodwill | | |
| Cost | 6,114,811 | - |
| Accumulated impairment losses | - | - |
| **Net carrying value** | 6,114,811 | - |
| **Total Intangibles** | 6,114,811 | - |

### (a) Movements in carrying amounts of intangible assets

| | Goodwill<br>$ | Total<br>$ |
|---|---|---|
| **Year ended 31 December 2018** | | |
| Balance at the beginning of the year | - | - |
| Additions | 6,114,811 | 6,114,811 |
| Impairment loss in income | - | - |
| **Closing value at 31 December 2018** | 6,114,811 | 6,114,811 |

| | Goodwill<br>$ | Total<br>$ |
|---|---|---|
| **Year ended 31 December 2017** | | |
| Balance at the beginning of the year | - | - |
| Additions | - | - |
| Impairment loss in income | - | - |
| **Closing value at 31 December 2017** | - | - |

## 15 Intangible Assets (continued)

### (b) Impairment tests

Management carried out an impairment review at the end of the year using discounted cash flows. The following table sets out the key assumptions used in the impairment review and their approach in determining each criteria:

| Assumption | Approach used to determining values | Value |
|---|---|---|
| Growth rate | Average annual growth rate over the five-year forecast period; based on current industry trends and including long term inflation forecasts for each territory. | **9%** |
| Budgeted gross margin | Based on past performance and management's expectations for the future. | **34%** |
| Other operating costs | Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures. The amounts disclosed above are the average operating costs for the five-year forecast period. | **USD$5.3m** |
| Pre-tax discount rates | Reflect specific risks relating to the relevant segments and the countries in which they operate. | **8%** |

## 16 Trade and Other Payables

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| CURRENT | | |
| Trade payables | **399,939** | 492,727 |
| Employee benefits | **921** | - |
| Accrued expenses | **101,907** | 16,000 |
| Provision for tax | **39,847** | - |
| Other payables | **42,669** | - |
| | **585,283** | 508,727 |

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

### 17 Borrowings

| | | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| CURRENT | | | |
| Convertible notes | 17(a) | **6,347,067** | - |
| Related party payables | 17(b) | **3,812,261** | 257,475 |
| Other loans | 17(c) | **4,520,791** | - |
| | | **14,680,119** | 257,475 |
| **Total current borrowings** | | **14,680,119** | 257,475 |

#### (a) Convertible notes

During the year, the Company issued convertible debt securities as follows:

6,084,792 convertible loan notes were issued for at a face value of AUD$1.10, with a 10% coupon rate, and a maturity term of 12 months with a 20 business day conversion period after maturity. Conversion is at the holders' discretion, except for an automatic conversion upon the Group sucessfully listing on the ASX. During the conversion period, the noteholder may elect to convert the face value of the notes into fully paid Ordinary Shares.

In accordance with the Accounting Standards, the convertible notes have been deemed a compound financial instrument and therefore having a debt and an equity component. The fair value of the debt component of the convertible notes is recorded in short term borrowings. The remaining portion is recorded as Equity in Reserves (refer to Note 20), which represents the value of conversion rights of the convertible notes.

#### (b) Related party payables

On 31 December 2018, in order to complete the acquisition of the business and assets from PT. SAS International, a company shareholder (the Shareholder Group) transferred 2,954,545 fully paid ordinary shares to PT SAS International by way of an off-market share transfer for a fair value of $3,427,272 as full and final settlement of the acquisition. This amount has been included as part of related party payables. This company shareholder is a related party, being First Guardian Holdings Pty Ltd. Refer to Note 8 for details relating to the acquisition and Note 29(c) for details of the related party involved.

On 30 January 2019, it was resolved at a meeting of the Shareholders to issue 2,952,545 fully paid ordinary shares (Transferred Shares) to PT. SAS International. PT. SAS International subsequently transferred 2,954,545 fully paid ordinary shares back to the Shareholder Group by way of off market transfer. (Refer to Note 32).

#### (c) Other loans

1. The Group obtained a loan for an amount of USD$3,000,000 (AUD$4,165,862) from Athos Asia Event Driven Master Fund ("Athos") during the year, to assist with the Indonesian acquisitions. The term of the loan is 12 months, with interest charged at 16% per annum, payable monthly in arrears. The loan is secured by way of 3.7 million detachable warrants, exercisable at AUD$1.10 which also expire in 12 months (in-line with the loan termination date). The fair value of the detachable warrants has been recognised as a derivative financial instrument as detailed in Note 18.

2. On 18 December 2018, a loan was provided by MK Engineering Pte Ltd for an amount of USD$250,000 (AUD$354,929). The Group is to pay a facility fee of USD$25,000 on 31 January 2019 and on 15 March 2019. The loan and final facility fee is repayable in full on 15 March 2019. There are no other terms attached to the

### 17 Borrowings (continued)

**(c) Other loans (continued)**

loan.

### 18 Derivative Financial Instruments

| | 2018 $ | 2017 $ |
|---|---|---|
| CURRENT | | |
| Fair value of detachable warrants | **222,000** | - |

3.7 million detachable warrents were issued during the year as security on the loan provided by Athos Asia Event Driven Master Fund ("Athos"). Refer to Note 17(c).

### 19 Issued Capital

| | 2018 $ | 2017 $ |
|---|---|---|
| 19,286,406 (2017: 19,286,406) Ordinary shares | **7,811,990** | 7,811,990 |
| **Total** | **7,811,990** | 7,811,990 |

**(a) Ordinary shares**

| | 2018 No. | 2017 No. |
|---|---|---|
| At the beginning of the reporting period | **19,286,406** | 50,000 |
| Shares relating to deemed reverse acquisition on SAA by SOS | **-** | 7,714,562 |
| Issue of shares to SOS vendors as part of reverse acquisition | **-** | 11,571,844 |
| Elimination of SOS shares | **-** | (50,000) |
| At the end of the reporting period | **19,286,406** | 19,286,406 |

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

**(b) Capital Management**

The key objectives of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Group defines capital as its equity and net debt.

The Group manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk.

## 19 Issued Capital (continued)

### (b) Capital Management (continued)

The Board monitors a range of financial metrics including return on capital employed and gearing ratios. A key objective of the Group's capital risk management is to maintain compliance with the covenants attached to the Group's debts. Throughout the year, the Group has complied with these covenants.

## 20 Reserves

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Foreign currency translation reserve** | | | |
| Opening balance | | **-** | - |
| Exchange differences on translation of foreign controlled entities | | **295,657** | - |
| **Closing balance** | | **295,657** | - |
| **Convertible instruments reserve** | | | |
| Opening balance | | **-** | - |
| Value of conversion rights - convertible notes | 17(a) | **346,204** | - |
| **Closing balance** | | **346,204** | - |
| **Total** | | **641,861** | - |

## 21 Earnings per Share

(a) Reconciliation of earnings to profit or loss from continuing operations

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Loss from continuing operations | (2,079,241) | (8,462,781) |
| **Earnings used in the calculation of dilutive EPS from continuing operations** | (2,079,241) | (8,462,781) |

(b) Earnings used to calculate overall earnings per share

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Earnings used to calculate overall earnings per share | (2,079,241) | (8,462,781) |

(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

| | 2018 | 2017 |
|---|---|---|
| | No. | No. |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 19,286,406 | 14,464,804 |
| **Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS** | 19,286,406 | 14,464,804 |

Anti-dilutive options and warrants on issue have not been included in the dilutive EPS calculation.

## 22 Capital, Leasing and Contracted Commitments

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Minimum lease payments under non-cancellable operating leases: | | |
| - not later than one year | 15,332 | - |
| - between one year and five years | - | - |
| - later than five years | - | - |
| | 15,332 | - |

Operating leases are in place for rental premises and normally have a term between 6 and 12 months. Lease payments are increased on an annual basis to reflect market rentals.

### 23 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

**Specific risks**

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

**Financial instruments used**

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables
- Borrowings

**Objectives, policies and processes**

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board of Directors receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

## 23 Financial Risk Management (continued)

### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

The Group has also received the continued support from First Guardian Holdings Pty Ltd as explained in Notes 3(b) and 29.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group has no significant concentration of credit risk.

On a geographical basis, the Group has significant credit risk exposures in Indonesia given the substantial operations in that region.

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

### 23 Financial Risk Management (continued)

| | Gross amount | Past due and impaired | Past due but not impaired (days overdue) < 30 | 31-60 | 61-90 | > 90 | Within initial trade terms |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **2018** | | | | | | | |
| Trade receivables | **451,056** | **-** | **436,702** | **14,354** | **-** | **-** | **-** |
| Other receivables | **451,315** | **-** | **-** | **-** | **-** | **-** | **451,315** |
| Total | **902,371** | **-** | **436,702** | **14,354** | **-** | **-** | **451,315** |
| **2017** | | | | | | | |
| Trade receivables | 631,631 | 631,631 | - | - | - | - | - |
| Other receivables | 4,473 | - | - | - | - | - | 4,473 |
| Total | 636,104 | 631,631 | - | - | - | - | 4,473 |

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

*(i) Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Indonesian Rupiah and US Dollars.

Generally, the Group‘s risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

The Group is not exposed to material foreign exchange risk

*(ii) Interest rate risk*

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1.00% and -1.00% (2017: +1.00%/-1.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and economist reports.

### 23 Financial Risk Management (continued)

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | +1.00% | -1.00% | +1.00% | -1.00% |
| | $ | $ | $ | $ |
| Net results | **108,591** | **(108,591)** | 2,575 | (2,575) |
| Equity | **(108,591)** | **108,591** | (2,575) | 2,575 |

*(iii) Price risk*

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held being fair value through profit and loss.

The Group is not exposed materially to such risk.

### 24 Dividends

There were no dividends paid or recommended during the period or since the end of the period. There are no franking credits available to the shareholders of the Company

### 25 Key Management Personnel Remuneration

Key management personnel (KMP) remuneration included within employee expenses for the year is shown below:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | **640,905** | 165,634 |

Included in the above KMP remuneration are amounts paid in the form of non-cash benefits totalling $395,000 (2017: $Nil). Detailed remuneration discloures are provided in the Remuneration Report.

### 26 Auditors' Remuneration

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Remuneration of the auditor PKF, for:) | | |
| - auditing or reviewing the financial statements | **42,000** | 16,000 |
| - other services | **111,125** | 18,597 |
| **Total** | **153,125** | 34,597 |

## 27 Interests in Subsidiaries

### (a) Composition of the Group

| | Principal place of business / Country of Incorporation | Percentage Owned (%)* 2018 | Percentage Owned (%)* 2017 |
|---|---|---|---|
| **Subsidiaries:** | | | |
| SAPEX Oilfield Services Limited | British Virgin Islands | **100** | 100 |
| PT. SAPEX Servis Indonesia | Indonesia | **99** | - |

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

The principal activties of the subsidiaries are the same as that of the Group.

## 28 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2018 (31 December 2017:None).

## 29 Related Parties

### (a) The Group's main related parties are as follows:

Disclosures relating to key management personnel compensation are set out in Note 25 and the Directors Report.

Disclosures relating to subsidiaries are set out in Note 27.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

### (b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

29 Related Parties (continued)

(c) Loans to/from related parties

| | Opening balance | Closing balance | Interest not charged | Interest paid/payable | Impairment |
|---|---|---|---|---|---|
| **Loans to KMP** | | | | | |
| **2018** | | | | | |
| Peter Chambers | - | 22,522 | - | - | - |
| **Loans from KMP** | | | | | |
| **2018** | | | | | |
| APAC Partners Pty Ltd | - | 33,000 | - | - | - |
| First Guardian Holdings Pty Ltd | 257,475 | 351,989 | - | 19,872 | - |
| FG Agri Pty Ltd | - | 3,427,272 | - | - | - |
| | 257,475 | 3,812,261 | - | 19,872 | - |
| **2017** | | | | | |
| APAC Partners Pty Ltd | - | - | - | - | - |
| First Guardian Holdings Pty Ltd | - | 257,475 | - | 22,425 | - |
| | - | 257,475 | - | 22,425 | - |

APAC Partners Pty Ltd and Conrad Warren are related parties as defined under the *Corporations Act 2001*. 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*. These parties are substantial shareholders of the Company.

FG Agri Pty Ltd, First Guardian Holdings Pty Ltd and David Anderson are related parties as defined under the *Corporations Act 2001*. David Anderson is the director and shareholder of FG Agri Pty Ltd and First Guardian Holdings Pty Ltd. David Anderson acts as the Chief Financial Officer of the Group.

Terms of the loan from First Guardian Holdings Pty Ltd and APAC Partners Pty Ltd are disclosed in Note 17.

Terms of the loan to Peter Chambers are disclosed in the Remuneration Report, included as part of the Directors Report.

### 30 Cash Flow Information

#### (a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Total loss for the year | **(2,084,809)** | (8,462,781) |
| - Costs of listing | **-** | 200,000 |
| Non-cash flows in profit: | | |
| - depreciation | **760** | - |
| - non-monetary remuneration of KMP | **308,925** | - |
| - impairment of receivables | **827,814** | - |
| - fair value of derivative financial instruments | **222,000** | - |
| - discount on acquisition | **(322,565)** | - |
| - interest on borrowings classified as financing activities | **369,104** | - |
| - corporate transaction accounting expense | **-** | 7,521,698 |
| - foreign exchange gain | **(12,540)** | (127) |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | **(660,798)** | - |
| - (increase)/decrease in prepayments | **122,476** | (368) |
| - increase/(decrease) in trade and other payables | **(121,605)** | 602,061 |
| - increase/(decrease) in accrued expenses | **56,726** | - |
| - increase/(decrease) in income taxes payable | **34,377** | - |
| - increase/(decrease) in provisions | **11,924** | - |
| Cashflows from operations | **(1,248,211)** | (139,517) |

#### (b) Non-cash financing and investing activities

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| Purchase of subsidiary through transfer of shares by Shareholder Group | 8 | **3,427,272** | 7,714,562 |

### 31 Share-based Payments

In the year ended 31 December 2018, the Group's only share based payments related to the acquisition of the Business and Assets from PT. SAS International. Refer to Note 8 for further details.

There were no other share based payments or options granted during the year.

# Notes to the Financial Statements

## For the Year Ended 31 December 2018

### 32 Events Occurring After the Reporting Date

On 30 January 2019, the shareholders resolved to issue 2,952,545 fully paid ordinary shares (Transferred Shares) to PT. SAS International. To complete the acquisition of the business and assets from PT. SAS International, at 31 December 2018, a company shareholder (Shareholder Group) had transferred 2,954,545 fully paid ordinary shares to PT SAS International by way of an off-market share transfer for a fair value of $3,427,272. Upon approval of the issue of the shares at the Shareholders meeting on 30 January 2019, PT. SAS International transferred 2,954,545 fully paid ordinary shares back to the Shareholder Group by way of off market transfer.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 33 Parent entity

The following information has been extracted from the books and records of the parent, SAPEX Group Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, SAPEX Group Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

*Investments in subsidiaries, associates and joint ventures*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the consolidated financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Statement of Financial Position** | | |
| Assets | | |
| Current assets | **7,656,528** | 17,980 |
| Non-current assets | **7,066,330** | 3 |
| Total Assets | **14,722,858** | 17,983 |
| Liabilities | | |
| Current liabilities | **14,646,266** | 766,202 |
| Non-current liabilities | **2,377,211** | 83,113 |
| Total Liabilities | **17,023,477** | 849,315 |
| Equity | | |
| Issued capital | **192,864** | 192,864 |
| Accumulated losses | **(2,839,686)** | (1,024,196) |
| Convertible instruments reserve | **346,204** | - |
| Total Equity | **(2,300,618)** | (831,332) |
| **Statement of Profit or Loss and Other Comprehensive Income** | | |
| Total loss for the year | **(1,815,491)** | (1,024,196) |
| **Total comprehensive income** | **(1,815,491)** | (1,024,196) |

# Notes to the Financial Statements
## For the Year Ended 31 December 2018

### 33 Parent entity (continued)

#### Contingent liabilities

The parent entity did not have any contingent liabilities as at 31 December 2018 or 31 December 2017.

#### Contractual commitments

The parent entity did not have any commitments as at 31 December 2018 or 31 December 2017.

### 34 Statutory Information

The registered office of the company is:
Level 5
126 Phillip Street
Sydney NSW 2000

The principal place of business is:
Level 28
1 Market Street
Sydney NSW 2000

# Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 31 December 2018 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the consolidated financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the consolidated financial statements and notes for the financial year give a true and fair view.

3. In the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ............................................................ Peter Chambers

Director ............................................................ Kyle Roy Kenneth Larson

Dated 4 April 2019

# INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF SAPEX GROUP LIMITED

## Report on the Financial Report

## Opinion

We have audited the accompanying financial report of SAPEX Group Limited ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of the Group is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

## Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter – Going Concern

We draw our attention to Note 3(b) of the financial report, which describes management's assessment of the entity's ability to continue as a going concern. After recognising a loss after tax of $2,084,809, the entity is currently in a net liability position of $2,165,090. Our opinion is not modified in respect of this matter.

## Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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PO Box 2368 Dangar NSW 2309
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f +61 2 4962 3245

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

### 1. Going Concern

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As at 31 December 2018, the net liability position of the Group was $2,165,090 after recognising a loss in the current year of $2,084,809. Management has outlined circumstances in Note 3 (b) relating to the entity's ability to continue as a going concern.<br><br>The ability of the Group to pay its debts as they fall due is contingent on the realisation of cashflow forecasts based on revenues supported by the rental of Dura-base mats and the ongoing financial support of related parties.<br><br>Given the significance and uncertainty of these circumstances we have considered this to be a Key Audit Matter. | Our work included, but was not limited to, the following procedures:<br><br>• Reviewing managements financial statements disclosure of the circumstances regarding going concern;<br>• Assessing the completeness and accuracy of the disclosed circumstances;<br>• Reviewing the terms of compound instruments issued to effect the acquisitions,<br>• Reviewing the terms of the loan notes issued to effect the acquisitions;<br>• Reviewing the underwriting agreements regarding the related parties ongoing support of working capital;<br>• Reviewing assumptions around cost base of Dura-base mats and associated sales and revenue forecasts compared to historical trends; and<br>• Reviewing the directors and board approved cashflow forecasts over the next 12 months. |

### 2. Business combination, acquisition of a subsidiary

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As set out in Note 8 of the financial statements, during the year ended 31 December 2018, the Company acquired a 99% interest of PT SAPEX Servics Indonesia, an entity established in Indonesia for a cash consideration of $2,294,098.<br><br>Acquisition accounting involves the recognition and measurement of identifiable assets and liabilities at their fair value. This process is inherently complex and requires a level of judgement and assumptions.<br><br>Based on the above, we have determined that the accounting relating to the acquisition during the year represents a Key Audit Matter. | Our audit procedures included, but were not limited to:<br><br>• Considering the Company's assessment of the application of AASB 3 Business Combinations;<br>• Assessing the methodology applied to recognise the fair value of identifiable assets and liabilities;<br>• Validating inputs of the components of the business combinations to underlying support including settlement contracts; and<br>• Reviewing the related financial statement disclosures for the acquisition of the entity for consistency with the relevant financial reporting standard. |

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**3. Acquisition Accounting of Dura-Base mats business**

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As set out in Note 8, on 31 December 2018, the Group completed an Asset Purchase agreement to acquire all Dura-Base assets and Dura-Base business from PT SAS International (SAS).<br><br>The consideration paid by the Group was $12,288,336 which included the issuance of 2.95 million of the Group's shares.<br><br>Acquisition accounting involves the recognition and measurement of identifiable assets and liabilities at their fair value. This process is inherently complex and requires a level of judgement and assumptions.<br><br>Based on the above, we have determined that the accounting relating to the acquisition during the year represents a Key Audit Matter. | We have reviewed the following in relation to the mats acquisition:<br><br>• Considering the Company's assessment of the application of AASB 3 Business Combinations;<br>• Assessing and challenging management's judgements regarding the quantum of consideration paid and ensure that any goodwill has been appropriately capitalised;<br>• Assessing impairment of goodwill recognised under the acquisition;<br>• Assessing and challenging management's judgements regarding the asset's useful life; and<br>• Reviewing the related financial statement disclosures for the acquisition of the entity for consistency with the relevant financial reporting standards. |

## Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

## Directors' Responsibilities for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

# Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Report on the Remuneration Report

## Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2018. In our opinion, the Remuneration Report of SAPEX Group Limited for the year ended 31 December 2018, complies with section 300A of the Corporations Act 2001.

## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF

PAUL PEARMAN
PARTNER

4 APRIL 2019
SYDNEY

# Additional Information for Listed Public Companies
## 31 December 2018

### NSX Additional Information
Additional information required by the NSX Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 28 February 2019.

### Substantial shareholders
The number of substantial shareholders and their associates are set out below:

| Shareholders | Number of shares |
|---|---|
| INDOMINES LIMITED | 5,785,922 |
| PT SAS INTERNATIONAL | 2,954,545 |
| KYLE LARSON | 2,892,691 |
| RON LARSON | 2,892,691 |
| QUARTERBACK CAPITAL HOLDINGS LIMITED | 1,954,545 |

### Voting rights

*Ordinary Shares*
On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Options*
No voting rights.

### Distribution of equity security holders

| | Ordinary shares | | |
|---|---|---|---|
| **Holding** | **Holders** | **Shares** | **% of issued shares** |
| 1 - 1,000 | **2** | 2,000 | **0.01** |
| 1,001 - 5,000 | **261** | 766,090 | **3.11** |
| 5,001 - 10,000 | **52** | 382,379 | **1.72** |
| 10,001 - 100,000 | **40** | 1,290,946 | **5.80** |
| 100,000 and over | **17** | 19,799,536 | **89.02** |
| **Total** | **372** | 22,240,951 | **100.00** |

There were Nil holders of less than a marketable parcel of ordinary shares.

# Additional Information for Listed Public Companies

## 31 December 2018

### Twenty largest shareholders

| | Ordinary shares | |
|---|---|---|
| | **Number held** | **% of issued shares** |
| INDOMINES LIMITED | **5,785,922** | 26.01 |
| PT SAS INTERNATIONAL | **2,954,545** | 13.28 |
| KYLE LARSON | **2,892,961** | 13.01 |
| RON LARSON | **2,892,961** | 13.01 |
| QUARTERBACK CAPITAL HOLDINGS LIMITED | **1,954,545** | 8.79 |
| NEAL WATMOUGH | **538,000** | 2.42 |
| FG AGRI PTY LTD | **513,755** | 2.31 |
| DAVID MATHEWS | **450,000** | 2.02 |
| JAMES MIDGLEY <THE STOCKMANS INVESTMENT A/C> | **400,000** | 1.80 |
| PETER VAN RATINGEN | **250,000** | 1.12 |
| DR CHRISTOPHER DAVID ATKINSON | **200,316** | 0.90 |
| EILEEN VAN RATINGEN | **200,000** | 0.90 |
| SONDANCE PTY LTD <JOLPET A/C> | **200,000** | 0.90 |
| FALCON CAPITAL LIMITED <FG EMERGING COMPANIES A/C> | **190,000** | 0.85 |
| SALMON FAMILY HOLDINGS <SUPER FUND A/C> | **145,000** | 0.65 |
| MR CHRISTOPER RICHARD JUN CARTER | **121,531** | 0.55 |
| MR ADAM THOMAS LEONARDI <AT LEONARDI SUPER FUND A/C> | **110,000** | 0.49 |
| MR BASTIAN MICHAEL SAGLID | **89,019** | 0.40 |
| DANIEL EDWARD POWELL & JOANNE MARY POWELL <D & J POWELL SUPER FUND A/C> | **80,000** | 0.36 |
| JOHN L ANDERSON AND ASSOCIATES PTY LTD <J L ANDERSON & ASSOC SF A/C> | **65,500** | 0.29 |

### Unissued equity securities

There are 93 holders of unquoted convertible notes

There is 1 holder of unquoted detachable warrants.

### Securities exchange

The Company is listed on the National Stock Exchange of Australia.