

# **SAPEX Group Limited**

**ACN 619 195 283**

## **Notice of General Meeting**

**Explanatory Memorandum**

**And**

**Independent Expert's Report**

**Venue:** **HWL Ebsworth Lawyers**  
**Level 19 480 Queen Street Brisbane QLD 4000**

**And via zoom webinar:**

[https://zoom.us/webinar/register/WN\\_KePJ988QQ0i6qH9iNrKzTQ](https://zoom.us/webinar/register/WN_KePJ988QQ0i6qH9iNrKzTQ)

**Date:** **29 May 2020**

**Time:** **Commencing at 11:00am (Sydney time)**

**THE INDEPENDENT EXPERT REPORT PREPARED BY STANTONS INTERNATIONAL SECURITIES PTY LTD ACN 128 908 289 CONCLUDES THAT THE PROPOSED ISSUE OF SHARES BY THE COMPANY ARE FAIR AND REASONABLE TO THE NON-ASSOCIATED SHAREHOLDERS OF THE COMPANY. PLEASE REFER TO THE INDEPENDENT EXPERT'S REPORT SET OUT IN ANNEXURE A OF THIS NOTICE.**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

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## Key dates

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The key dates for the General Meeting (GM) are set out below.

Event	Date
Last day for receipt of proxies	11:00am, Wednesday 27 May 2020
General Meeting	11:00am, Friday 29 May 2020

Proxy Forms received after 11:00am (Sydney time) on Wednesday 27 May 2020 will be disregarded.

## Your Vote

The business of the GM affects your shareholding and your vote is important.

Whilst the Company continues to welcome Shareholder participation in the Meeting, based on the restrictions on public gatherings at the date of the Notice, the Company strongly encourages Shareholders to consider lodging a proxy rather than attending the meeting in person as we may not be able to allow access to the meeting room on the day. Proxy forms can be lodged by following the instructions below.

Shareholders are also encouraged to submit any questions to [lee.tamplin@automicgroup.com.au](mailto:lee.tamplin@automicgroup.com.au) before 11:00am, Wednesday 27 May 2020.

Those Shareholders wishing to attend the meeting via webinar can register to do so at the following link: [https://zoom.us/webinar/register/WN\\_KePJ988QQ0i6qH9iNrKzTQ](https://zoom.us/webinar/register/WN_KePJ988QQ0i6qH9iNrKzTQ). Once registered, you will be provided details to access the webinar on the day.

Shareholders attending via the webinar should note that they will not be able to vote at the meeting and are therefore encouraged to lodge their vote by proxy.

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

## Questions

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Shareholders are invited to contact the Company Secretary Lee Tamplin on +61 2 8072 1429 if they have any questions regarding the GM.

# Notice of General Meeting

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Notice is given that the General Meeting of Sapex Group Limited ACN 619 195 283 (**Sapex or Company**) will be held at **HWL Ebsworth Lawyers' Brisbane office at level 19 480 Queen Street Brisbane QLD 4000** on **Friday 29 May 2020** commencing at **11:00am (Sydney time)**.

Due to the recent COVID-19 pandemic, the Company has prioritised the health and wellbeing of its Shareholders, clients and employees. As such, to minimise health risks created by the COVID-19 pandemic, the Company strongly encourages Shareholders to lodge a directed proxy rather than attending the meeting in person. Please see the "*Proxy Appointment, Voting and Meeting Instructions*" section of this Notice of General Meeting for more instructions.

The Explanatory Statement, which accompanies and forms part of this Notice, contains information to assist Shareholders to decide how to vote on the matters to be considered at the GM.

Terms used in this Notice are defined in the Glossary.

## Agenda

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### 1. Ordinary Resolutions

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#### **Resolution 1(a) and (b) - Approval of the issue and transfer of Shares to First Guardian Secured Convertible Bond Fund**

To consider and if thought fit to pass, with or without amendment, the following resolution as ordinary resolutions:

*"That:*

- (a) subject to Resolution 1(b) being passed, in accordance with item 7 of section 611 of the Corporations Act and NSX Listing Rule 6.25 and for all other purposes, Shareholders approve the issue of up to 132,511,652 Shares at a deemed issue price of \$0.11 per Share to First Guardian Secured Convertible Bond Fund (**FGSC Bond Fund**) as Lombok Property Group's (**LPG**) nominee in respect to part consideration for the acquisition of PT Lombok Bau Nyale on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting; and*
- (b) subject to Resolution 1(a) being passed, in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the transfer of 28,929,610 Shares owned by Ron Larson and 28,929,610 Shares owned by Kyle Larson to FGSC Bond Fund on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting,*

*such that the voting power of FGSC Bond Fund and its associates increases to 34.0% if Resolutions 1(a), 1(b) and 2A are approved by Shareholders and 35.4% if all Resolutions are approved."*

**Voting Exclusion:** In accordance with the notice requirements of item 7 of section 611 of the Corporations Act, no votes may be cast in favour of Resolution 1 by:

- (a) First Guardian Secured Convertible Bond Fund;
- (b) Kyle Larson;
- (c) Ron Larson; and
- (d) an associate of any of the above persons.

## Resolution 2A - Approval of the issue of Shares to Lombok Property Group Shareholders

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to Resolutions 1(a) and 1(b) being passed, in accordance with NSX Listing Rule 6.25 and for all other purposes, Shareholder approval is given for the issue of up to 246,706,330 Shares at a deemed issue price of \$0.11 per Share to Lombok Property Group shareholders (**LPG Shareholders**) as consideration for the acquisition of PT Lombok Bau Nyale in the Company on the terms and conditions as detailed in the Explanatory Statement accompanying this Notice of General Meeting."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 2A by:

- (a) A person specified in the Explanatory Statement who will receive Shares under Resolution 2A; and
- (b) an associate of any of the above persons.

However, the Company need not disregard a vote if:

- (a) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) It is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Resolution 2AB - Approval of the transfer of Shares to First Guardian Secured Convertible Bond Fund

To consider and if thought fit to pass, with or without amendment, the following resolution as ordinary resolution:

*"That in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, the Shareholders approve the transfer of 9,169,034 Shares from certain Sapex Investors specified in the Explanatory Statement on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting such that, assuming all other Resolutions are also approved by Shareholders, the voting power of FGSC Bond Fund and its associates increases to a maximum of 35.4%."*

**Voting Exclusion:** In accordance with the notice requirements of item 7 of section 611 of the Corporations Act, no votes may be cast in favour of Resolution 2AB by:

- (a) First Guardian Secured Convertible Bond Fund;
- (b) each Sapex Investor specified in the Explanatory Statement as having their Shares transferred to First Guardian Secured Convertible Bond Fund; and
- (c) an associate of any of the above persons.

## **Resolution 2B - Approval of significant change to the Company's activities**

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to Resolutions 1(a), 1(b), 2A and 2BA being passed, in accordance with NSX Listing Rule 6.41 and for all other purposes, Shareholder approval is given for the acquisition of PT Lombok Bau Nyale as a significant change to the scale and nature of the Company's activities on the terms and conditions as detailed in the Explanatory Statement accompanying this Notice of General Meeting."*

## **Resolution 2BA - Approval of giving financial benefits to Ron & Kyle Larson**

To consider and if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to Resolutions 1(a), 1(b), 2A and 2B being passed, for the purposes of section 208 of the Corporations Act and for all other purposes, approval is given for PT Sapex Servis Indonesia (**SSI**), a company controlled by the Company, to separately enter into an unsecured loan agreement with Kyle Larson and Ron Larson in the amount of US\$680,000 each on the terms and conditions as detailed in the Explanatory Statement accompanying this Notice of General Meeting."*

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 2BA by:

- (c) Kyle Larson and Ron Larson; and
- (d) an associate of any of the above persons.

However, the Company need not disregard a vote if:

- (c) It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) It is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## 2. Special Resolutions

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### Resolution 2C - Approval of change of Company name

To consider and if thought fit to pass, with or without amendment, the following resolution as a special resolution:

*"That, subject to Resolutions 1(a), 1(b), 2A, 2B and 2BA being passed, with effect from the date that ASIC alters the details of the Company's registration in accordance with section 157 of the Corporations Act, the name of the Company be changed to Siwa Group Limited on the terms and conditions as detailed in the Explanatory Statement accompanying this Notice of General Meeting."*

### Resolution 3 - Approval of issue of Shares to Peter Chambers

To consider and if thought fit to pass, with or without amendment, the following resolution as a special resolution:

*"That for the purposes of NSX Listing Rule 6.44 and for all other purposes, approval is given for the Company to issue 245,460 Shares upon conversion of 245,460 convertible notes to Peter Chambers who is a Director of the Company and/or his nominees on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** As required under NSX Listing Rule 6.46, a vote on this Resolution 3 must not be cast (in any capacity) by or on behalf of:

- (a) Peter Chambers; or
- (b) an associate of Peter Chambers.

However, the Company need not disregard a vote on this Resolution:

- (c) if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (d) if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction of the Proxy Form to vote as the proxy decides.

## Resolution 4 - Approval of issue of Shares to Peter Van Ratingen

To consider and if thought fit to pass, with or without amendment, the following resolution as a special resolution

*"That for the purposes of NSX Listing Rule 6.44 and for all other purposes, approval is given for the Company to issue 936,370 Shares upon conversion of 936,370 convertible notes to Peter Van Ratingen who is a Director of the Company and/or his nominees on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** As required under NSX Listing Rule 6.46, a vote on this Resolution 4 must not be cast (in any capacity) by or on behalf of:

- (a) Peter Van Ratingen; or
- (b) an associate of Peter Van Ratingen.

However, the Company need not disregard a vote on this Resolution:

- (c) if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (d) if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction of the Proxy Form to vote as the proxy decides.

## Resolution 5 - Approval of issue of Shares to James Lachlan Robert Midgley

To consider and if thought fit to pass, with or without amendment, the following resolution as a special resolution:

*"That for the purposes of NSX Listing Rule 6.44 and for all other purposes, approval is given for the Company to issue 663,650 Shares upon conversion of 663,650 convertible notes to James Lachlan Robert Midgley who is a Director of the Company and/or his nominees on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** As required under NSX Listing Rule 6.46, a vote on this Resolution 5 must not be cast (in any capacity) by or on behalf of:

- (a) James Lachlan Robert Midgley; or
- (b) an associate of James Lachlan Robert Midgley.

However, the Company need not disregard a vote on this Resolution:

- (c) if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (d) if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction of the Proxy Form to vote as the proxy decides.

## By order of the Board of Directors

Lee Tamplin  
Company Secretary

29 April 2020

# Proxy Appointment, Voting and Meeting Instructions

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See attached proxy form.

Given the current uncertainty and to minimise health risks created by the rapidly evolving COVID-19 pandemic, the Company strongly encourages Shareholders to consider lodging a directed proxy rather than attending this meeting in person.

As an alternative to attending, the Company encourages Shareholders to participate in the Meeting by:

1. attending via the webinar (see below for details); or
2. lodging questions prior to the meeting by emailing [Lee.Tamplin@automicgroup.com.au](mailto:Lee.Tamplin@automicgroup.com.au).

Shareholders who choose to physically attend the Meeting should review and follow the Australian Government warnings and recommendations.

To be valid, properly completed forms must be received by the Company no later than **11:00am** Australian Eastern Standard Time (AEST) on **Wednesday 27 May 2020**.

## Webcast details

Those Shareholders wishing to attend the webinar can register to do so at the following link:

[https://zoom.us/webinar/register/WN\\_KePJ988QQ0i6qH9iNrKzTQ](https://zoom.us/webinar/register/WN_KePJ988QQ0i6qH9iNrKzTQ) by no later than **11:00am**

Australian Eastern Standard Time (AEST) on **Wednesday 27 May 2020**. Once registered, you will be provided details to access the webinar on the day.



# Explanatory Statement

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This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company that is material to a decision on how to vote on the Resolutions in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary. Capitalised terms defined within this Notice of General Meeting but which are not defined in the Glossary also apply within this Notice of General Meeting.

## ORDINARY RESOLUTIONS

### Resolutions 1(a), 1(b), 2A & 2AB – Approval of issue and transfer of Shares to First Guardian Secured Convertible Bond Fund and issue of Shares to Lombok Property Group Shareholders

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#### *Background*

PT Lombok Bau Nyale (**LBN**) is a Lombok, Indonesia based property developer with over 600 employees and a portfolio of diversified property assets consisting of operation hotels, premium land bank and prime hospitality assets. Lombok Property Group's construction and engineering division is the largest foreign owned building company in the region and will be a user of the DURA-BASE® Composite Mat System (**Dura-Base Mats**) in 2020 and beyond.

The Company seeks to acquire 99.9% of the total issued share capital in LBN by acquiring all of Lombok Property Group's shares in LBN which it owns 99.8% of the shares in LBN and half of the shares owned by Febryanti Kharisma in LBN which is an amount equal to 0.1% of the total issued share capital in LBN, whereby following the proposed acquisition, LPG will nominate its shareholders (**LPG Shareholders**) to directly receive Shares in the Company according to the table below. The total number of Shares issued in consideration for acquiring LBN is 379,217,982 or 59.8% of the enlarged Share capital of the Company.

An important aspect of the proposed acquisition is that the Company's debts, which are currently due, will be refinanced as follows:

1. The financial accommodation in the amount of US\$3,000,000 (**Athos Loan**) provided to the Company by Athos Asia Event Driven Master Fund (**Athos**) will be repaid by MK Engineering Pte Ltd (**MKE**). Athos will then assign the Athos Loan to MKE and the Company will novate the obligations under the Athos Loan to the Company's subsidiary SSI (whereby the Company holds 99% of the issued share capital of SSI). MKE and SSI will then enter into a new amended and restated secured loan agreement on similar terms as the Athos Loan (**MKE Loan**). Summarised below are the terms of the repayment of the MKE Loan by SSI:
  - 1.1 the MKE Loan will be required to be repaid by 13 March 2021 (**MKE Loan Maturity Date**); and
  - 1.2 the interest payable in relation to the MKE Loan will be 12% per annum payable monthly for the period up to the MKE Loan Maturity Date; and
  - 1.3 the MKE Loan will be secured by SSI's Dura-Base Mats.

Additionally, Athos has agreed to enter into a deed of release with the Company, so that Athos will release the Company from any prior breaches of the Athos Loan. This will ensure that Athos will not have a claim against the Company following the Athos Loan being repaid by MKE;

2. Additionally, existing amounts owing totalling US\$2,046,005 which includes principal and interest (**SAS Loan**) provided to the Company by PT SAS International Limited (**SAS**) under a secured loan agreement will be assigned by the Company to SSI on the following terms and conditions:
  - 2.1 the SAS Loan will be required to be repaid by 13 March 2021 (**SAS Loan Maturity Date**); and
  - 2.2 the interest payable in relation to the SAS Loan will be 12% per annum payable monthly for the period up to the SAS Loan Maturity Date; and
  - 2.3 the SAS Loan will also be secured by SSI's Dura-Base Mats.
3. In regards to the current convertible notes on issue in the Company, FGSC Bond Fund will provide an unsecured loan to the Company in the amount of AU\$661,000 for the purpose of redeeming existing convertible notes issued in the Company (**Convertible Note Loan**). The key terms of the unsecured loan will be:
  - 3.1 the Convertible Note Loan will be required to be repaid by 13 March 2021 (**Convertible Note Loan Maturity Date**); and
  - 3.2 the interest payable in relation to the Convertible Note Loan will be 12% per annum payable monthly for the period up to the Convertible Note Loan Maturity Date.
4. FGC, a related entity of FGSC Bond Fund, FG Agri and FG Innovation has provided a working capital facility totally approximately AU\$1,589,144 million and in regards to the existing convertible notes held by FG Agri and FG Innovation totalling 48,819,008 convertible notes will be deemed to be redeemed and subsequently cancelled by the Company. In consideration for the above working capital facility and the deemed redemption of the convertible notes, FGSC Bond Fund will provide a new loan facility in the amount of AU\$5,370,091 between FGSC Bond Fund and SSI (**FGSC Bond Fund Convertible Note Loan**) on the following key terms:
  - 4.1 The FGSC Bond Fund Convertible Note Loan will be repaid by 13 March 2021 (**FGSC Bond Fund Convertible Note Loan Maturity Date**); and
  - 4.2 The interest payable in relation to the FGSC Bond Fund Convertible Note Loan will be 12% per annum payable monthly for the period up to the FGSC Bond Fund Convertible Note Loan Maturity Date.

***Issue of Shares to First Guarding Secured Convertible Bond Fund and Lombok Property Group Shareholders***

Currently, FGSC Bond Fund and its associates hold 25,335,977 Shares in the Company. Subject to Shareholder approval, the Company proposes to issue 132,511,652 Shares and Ron Larson, Kyle Larson and Sapex Investors will transfer 67,028,256 Shares to FGSC Bond Fund. The Company also proposes to issue 246,706,330 Shares to LPG Shareholders other than FGSC Bond Fund set out in the table below:

No.	Shareholders	No. of Shares to be issued
1.	FGSC Bond Fund	132,511,652

LPG Shareholders		
2.	Mathew Davis	54,545,452
3.	PT SAS International	53,580,258
4.	Geoffrey Davis	22,659,898
5.	Bam Bam Limited	20,454,545
6.	Paul Cox	18,181,814
7.	SIWA Pool Limited	18,181,818
8.	Michael David Evans Trust	15,625,000
9.	Neil Alfred Commins	12,784,091
10.	MNL Holdings	11,545,727
11.	Muhamad Hakim	5,681,818
12.	Belborra Limited	3,636,364
13.	ADHL Limited	3,636,364
14.	Beveles Investments & Services	1,136,364
15.	Richard English	568,182
16.	The Trustee for Ohare S A & J	568,182
17.	Mr. John Anderson	568,182
18.	Jose Arevalo	454,545
19.	Ria Kusmati	454,545
20.	Aisy Rinjani	454,545
21.	Damai Indah Limited	454,545
22.	Mr. Albert Kim Barnes	340,909
23.	Mr. James Hunter Cordery	340,909
24.	NSW Property Investment	284,091
25.	Dr. Philip John Rosewarne	284,091
26.	Dr. Ballok Zita Elizabeth	284,091
	<b>Total</b>	<b>379,217,982</b>

### **Approval under the NSX Listing Rules**

#### **NSX Listing Rule 6.25 - issue of Shares to First Guardian Secured Convertible Bond Fund and Lombok Property Group Shareholders**

Subject to a number of exceptions, NSX Listing Rule 6.25 limits the number of equity securities that a company may issue or agree to issue without Shareholder approval in any 12-month period to 15% of its issued securities. Shareholder approval is required for the issue of Shares under NSX Listing Rule 6.25 if the number of Shares issued may exceed this limit.

As a result, if this Resolution is passed, any Shares issued to FGSC Bond Fund and LPG Shareholders will not count towards the Company's 15% cap.

#### **Information required under NSX Listing Rule 6.48**

NSX Listing Rule 6.48 states that the Company must provide Shareholders with sufficient information to ensure Shareholders are informed of all substantial matters relevant to the resolutions.

The material terms of the Shares to be issued are disclosed in the following table:

<b>No. of Shares to be issued to FGSC Bond Fund and LPG Shareholders</b>	379,217,982 Shares
<b>Date to be issued</b>	Shares will be issued the business day following the date of the General Meeting assuming Shareholder approval is obtained.
<b>Deemed issue price</b>	\$0.11
<b>Terms of the Shares to be issued</b>	Shares issued will be fully paid ordinary shares in the capital of the Company and issued on the same terms and conditions as the Company's existing Shares.
<b>Persons who the Shares will be issued to</b>	Please refer to the table above.
<b>Use of funds</b>	No funds will be provided for the issue of the Shares by the Company.

#### **Transfer of Shares to First Guardian Secured Convertible Bond Fund**

As part of the acquisition of LBN, Ron Larson and Kyle Larson will each transfer 28,929,610 Shares to FGSC Bond Fund.

Additionally, the Sapex Investors in the table below will transfer their shares to FGSC Bond Fund which subject to Shareholder approval FGSC Bond Fund will receive 9,169,034 Shares in total.

<b>No.</b>	<b>Sapex Investors</b>	<b>No. of Shares to be transferred to FGSC Bond Fund</b>
1.	Nicholas Michael Young	21,900
2.	Xiuhua Zhang	249,200
3.	Xinde Jin	249,200
4.	Ye Jin	21,920
5.	Bob Mei	500,000

6.	Derek Topping	26,310
7.	Riccardo Biffi	26,310
8.	Simon Selimaj	38,000
9.	Timothy Mcadam Young	44,500
10.	Jeremy Kee Keong FOO	51,920
11.	Zehan Chen	65,770
12.	Peter Alexander Crothers	178,571
13.	Zehan Chen	219,117
14.	Paul Tosin	300,000
15.	Timothy Young	636,370
16.	Daniel Edward Powell	400,000
17.	Simon Selimaj	909,100
18.	Soeryo Soemirat	20,000
19.	Uranus Investments Pty Limited	178,571
20.	Camillo East Brighton Pty Ltd	227,280
21.	Mr John Mcdonald	43,850
22.	Mr Richard Eric Lavender & Mrs Christine Angela Lavender	175,430
23.	Mrs Lyn Earley	26,310
24.	Gearcentro Pty Ltd	43,850
25.	Saayman Investments Pty Ltd	178,571
26.	Breathing in Enterprises Pty Ltd ATF Harvey Zahra Superannuation Fund	113,640
27.	Palmpool Pty Ltd	43,850
28.	Blue Eagle Mining Pty Ltd ATF Mercer Family Superannuation Fund	35,080
29.	Mr Taha Muhammad Bhatti	21,920
30.	Mr Euan Sutherland	21,920
31.	Mr David Sherar	26,310
32.	Ms Shan Wang	43,850

33.	Mr James Edward Griffiths	21,920
34.	Mrs Cuihua Pu	21,920
35.	Mr Rodney Graham McIntosh	65,780
36.	Mrs Tracey Megan McIntosh	65,780
37.	Shron Nominees Pty Ltd	178,571
38.	Miss Meng Yu Li	21,920
39.	Kuang Pty Ltd	43,850
40.	Mr Joshua Martin	43,850
41.	Darnell Pty Ltd ATF Minchin Superannuation Fund	26,310
42.	Xue Mei	30,700
43.	Yikun Gong	43,840
44.	Miss Fan Zhang	21,920
45.	Ms Yudi Zhang	21,920
46.	Aminya Pty Ltd	61,400
47.	Mrs Amanda Lea Hogan	43,850
48.	Ms Cenyu Long	26,310
49.	Mitchell James Harrison & Dr Rosalind Frances Menzies ATF Menzies Harrison Superannuation Fund	357,143
50.	Mr Chen Lu	21,920
51.	Rilmard Investments Pty Ltd ATF the Moss Family Trust	150,000
52.	Mrs Christine Lassen	100,870
53.	Mr James Francis Batch	26,310
54.	Andrew David Restein	454,550
55.	Sondance Pty Ltd ATF the Jolpet Trust	2,000,000
56.	Mr Edward Walter Gale	26,310
57.	Mr Peter John Melville Leslie & Miss Robyn Adele Boness	21,920

58.	Mr Lyndon Keith Davies & Mrs Estelle Leonore Davies ATF the LK & EL Davies Superannuation Fund	43,850
59.	Miss Qi Zhang	43,850
60.	Bing Zuo	43,850
	<b>Total</b>	<b>9,169,034</b>

Currently, FGSC Bond Fund and its associates hold 25,335,977 Shares in the Company. Following the completion of the proposed acquisition of LBN, FGSC Bond Fund and its associates will hold in total 224,875,885 Shares in the Company and including other Shareholders who are associates of FGSC Bond Fund, it will hold a total voting power of 35.4%. A breakdown of the Shares held by associates of FGSC Bond Fund is set out below.

<b>Total number of Shares held by FGSC Bond Fund upon completion of the acquisition of LBN</b>	221,792,115
<b>Number of Shares currently held by Chris Warren (an associate of FGSC Bond Fund)</b>	470,000
<b>Number of Shares currently held by Mayee Warren (an associate of FGSC Bond Fund)</b>	259,220
<b>Number of Shares currently held by Falcon Capital Limited (an associate of FGSC Bond Fund)</b>	2,354,550
<b>Percentage voting power on a fully diluted issued capital in the Company following issue of the Shares</b>	35.4%

### ***Approval under the Corporations Act***

#### ***Section 606 prohibition***

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

A person's voting power in a company is determined in accordance with section 610 of the Corporations Act. A person's voting power is calculated by determining the percentage of the total number of votes attached to all voting shares in the company that a person and its associates have a relevant interest in.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities;  
or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

***Why Shareholder approval is required***

Currently there are 253,152,430 Shares on issue and 2,300,040 convertible notes on issue of which 454,560 convertible notes are held by persons other than the Directors listed under Resolutions 3 to 5. If the proposed acquisition of LBN proceeds, and all 2,300,040 convertible notes on issue in the Company are converted into Shares, there will be a total of 634,670,452 Shares in the capital of the Company of which 224,875,885 Shares will be held by FGSC Bond Fund and its associates assuming Resolutions 1(a), 1(b) and 2AB are approved by Shareholders, 246,706,330 Shares will be issued to the LPG Shareholders assuming Resolution 2A are approved by Shareholders and 160,788,197 Shares will be held by other existing Shareholders of Sapex. Assuming Resolutions 1(a), 1(b) and 2AB are approved by Shareholders FGSC Bond Fund and its associates will hold 224,875,885 Shares in the Company which will equate to a shareholding of approximately 35.4% of the Company's Shares following completion of the proposed acquisition of LBN.

This potential increase in FGSC Bond Fund's relevant interest in the Company from less than 20% to more than 20% is prohibited under section 606 of the Corporations Act. However, such an issue would be permitted if prior Shareholder approval is granted for the issue and transfer of the 199,539,908 Shares to FGSC Bond Fund in accordance with the terms of Resolutions 1(a), 1(b) and 2AB.



***Dilution of existing Shareholders if Resolutions 1(a), 1(b), 2A & 2AB are approved***

Assuming that the 2,300,040 convertible notes are converted into Shares and Resolutions 3 - 5 are approved by Shareholders, the following table illustrates the percentage dilution of the existing Shareholders in the event that Resolutions 1(a), 1(b), 2A & 2AB are passed by non-associated Shareholders.

<b>Shareholders</b>	<b>Current collective percentage voting power in the Company</b>	<b>Collective percentage voting power in the Company if Resolutions 1(a) &amp; 1(b) are approved by non-associated Shareholders.</b>	<b>Collective percentage voting power in the Company if Resolutions 1(a), 1(b) &amp; 2A are approved by non-associated Shareholders</b>	<b>Collective percentage voting power in the Company if Resolutions 1(a), 1(b), 2A &amp; 2AB are approved by non-associated Shareholders</b>
<b>Non-associated Shareholders</b>	90.0%	44.4%	27.1%	25.7%
<b>FGSC Bond Fund and their associates</b>	10.0%	55.6%	34.0%	35.4%
<b>LPG Shareholders</b>	N/A	N/A	38.9%	38.9%
<b>Total</b>	100%	100%	100%	100%

***Exception to the section 606 prohibition***

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting shares with Shareholder approval.

In order for the exemption of item 7 of section 611 of the Corporations Act to apply, Shareholders must be given all information known to the person making the acquisition or their associates, or known to the company, that was material to the decision on how to vote in the resolution, including matters set out in the table below:

***Information for Shareholders under item 7 of section 611 of the Corporations Act***

<b>No.</b>	<b>Information to be provided</b>	<b>Explanation</b>
<b>1.</b>	<b>The identity of the person proposing to make the acquisition and their associates</b>	FGSC Bond Fund.
<b>2.</b>	<b>The maximum extent of the increase in that person's voting power in the company that would result from the acquisition</b>	FGSC Bond Fund's voting power will increase from 10.0% to 35.4% following the issue and transfer of shares to FGSC Bond Fund outlined under Resolution 1(a), 1(b) and 2AB.
<b>3.</b>	<b>The voting power that a person would have as a result of the acquisition</b>	Following the acquisition, FGSC Bond Fund would have a voting power of 35.4%.

4.	<b>The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition</b>	FGSC Bond Fund's associates' voting power will increase from 10.0% to 35.4% following the issue and transfer of shares to FGSC Bond Fund outlined under Resolution 1(a), 1(b) and 2AB.
5.	<b>The voting power that each of that person's associates would have as a result of the acquisition</b>	Following the acquisition, FGSC Bond Fund's associates would have a voting power of 35.4%.

**Information for Shareholders required by ASIC Regulatory Guide 74**

Further information required by ASIC Regulatory Guide 74 (**RG 74**) is set out below:

No.	Information to be provided	Explanation
1.	<b>An explanation of the reasons for the proposed acquisition</b>	<p>Sapex Group has a strong pipeline of contracts moving in to 2020 and has historically generated strong earnings from its inventory of Dura-Base Mats. The business has ongoing requirements for working capital, in order to fund expansion of its inventory. By acquiring LBN, the following synergies are realised:</p> <ol style="list-style-type: none"> <li>1. Improved capacity for Sapex to secure financing based on its expanded balance sheet including direct property assets that are readily recognised as collateral.</li> <li>2. Operational efficiencies generated through a reduction in head office costs as both entities are consolidated.</li> <li>3. LBN will become an internal client for Sapex, allowing it to diversify into a sector it has not previously gained significant traction in. LBN's requirement is for lower grade mats that have already seen significant use in the energy sector but remain adequate for use in the property construction space.</li> </ol>
2.	<b>When the proposed acquisition is to occur</b>	Shares to be issued once Shareholder approval is obtained following the General Meeting.
3.	<b>The material terms of the proposed acquisition</b>	<p>The Company will acquire 99.9% of the shares in LBN by acquiring:</p> <ul style="list-style-type: none"> <li>• all of the shares in LPG which holds 99.8% of the shares in LBN; and</li> <li>• half of the shares owned by Febryanti Kharisma in LBN for a consideration of IDR 22,000,000.</li> </ul>

		<p>As consideration for acquiring LPG which holds 99.8% of LBN, the Company will issue Shares directly to the LPG Shareholders according to the table set out under the section titled "<i>Issue of Shares to First Guarding Secured Convertible Bond Fund and Lombok Property Group Shareholders.</i>"</p> <p>Additionally, as part of the proposed acquisition of LBN, the existing debt of the Company will be refinanced as set out in Background section of this Explanatory Statement above.</p>
4.	<b>Details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition</b>	<p>The financial benefit provided to Ron Larson and Kyle Larson is also conditional on Shareholder approval. Details of which are provided under section 7 of this table and under Resolution 2BA.</p> <p>No other relevant agreement exists between the acquirer and the target entity or vendor that is conditional on Shareholder approval.</p>
5.	<b>A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular:</b>	The acquirer intends to support the business through provision of additional finance as required to allow it to meet its business plans.
	(a) <b>any intention to change the business of the entity;</b>	The Company will integrate LBN's existing property and tourism development operations with those of Sapex. The combined entity will span the property development and logistics sectors across Indonesia, diversifying its earnings base and reducing the overall cost of capital for both divisions.
	(b) <b>any intention to inject further capital into the entity;</b>	No.
	(c) <b>the future employment of present employees of the entity;</b>	There will be some rationalisation of staff at the head office which will likely take place under the direction of the Board, but not at the direction of the acquirer.
	(d) <b>any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates; and</b>	Following completion of the acquisition of LBN by the Company, the used lower grade Dura-Base Mats will be used by LBN through an Dura-Base Mat leasing agreement between the Company and LBN.

	(e) <b>any intention to otherwise redeploy the fixed assets of the entity</b>	No.
6.	<b>Any intention of the acquirer to significantly change the financial dividend distribution policies of the entity</b>	No.
7.	<b>The interests that any director has in the acquisition or any relevant agreement disclosed in respect of any other relevant agreement disclosed above</b>	Kyle Larson a Director will transfer of all his Shares in the Company to FGSC Bond Fund and as consideration receive AU\$250,000 cash and further US\$680,000 payable to Kyle Larson in 12-months' time with 1% monthly interest.
8.	<b>The following details about any person who is intended to become a director if members approve the acquisition:</b>	
	(a) <b>name;</b>	<p>The Director's will appoint David Anderson, Marc Thomson and Herman Kamana to fill the casual vacancy as a result of the resignation of Peter Chambers and Kyle Larson as mentioned below, under clause 19.4 of the Company's Constitution.</p> <p>As mentioned above, Peter Chambers and Kyle Larson who are the current Directors will resign if Shareholder approval is given at this General Meeting.</p>
	(b) <b>qualifications and relevant professional or commercial experience;</b>	<p>David Anderson is the co-founder of First Guardian Capital. He brings over 20 years of investment management and commercial experience to the firm. He is jointly responsible for the management of First Guardian's investment portfolios, and implementing the firm's business strategy across Australia and Asia. He has a background in establishing and growing businesses, and managing direct asset portfolios for global investors.</p> <p>Marc Thomson has held a variety of commercial and operational positions with the Swire Group in HK, New Zealand, Australia and Singapore as part of their Management Scheme. Marc speaks Bahasa Indonesia and has been personally investing in Lombok since 2013.</p> <p>Herman Karmana is the founder and CEO of SAS. He has over 30 years' experience investing in and managing various companies in the Equipment Services and Engineering &amp; Construction areas of the Oil and Gas industry, Resort and Residential Property Development, and Nickel Mining sectors</p>

		within Indonesia. He has also been a strategic business advisor in the development of Gold Mines and underground Coal Mines in Indonesia since 2017. Through his various roles, he has acquired significant experience in regulatory and management governance and been able to maintain this throughout his career.
	(c) <b>any associations that the proposed director has with the acquirer, vendor or any of their associates; and</b>	David Anderson is one of the directors of the acquirer (FGSC Bond Fund).
	(d) <b>any interest that the proposed director has in the acquisition or any relevant agreement disclosed above</b>	David Anderson is one of the security holders and holds half of the voting securities in FGSC Bond Fund.

### **Overview of proposed activities following acquisition of PT Lombok Bau Nyale**

The Company will integrate LBN's existing property and tourism development operations with those of Sapex's current Dura-Base Mats business. The combined businesses of Sapex and LBN will span the property development and logistics sectors across Indonesia, diversifying its earnings base and reducing the overall cost of capital for both divisions.

### **General risks**

There are business and market risks inherent in any listed security, which could materially affect the Company's earnings and the pricing of the Company's Shares, including:

- (a) movements in local and international economies and share and capital markets;
- (b) changes in interest rates and other general economic conditions;
- (c) changes in investor sentiment and perceptions;
- (d) upheaval and uncertainty due to terrorist activities, insurrection, war, general conflict, epidemics, pandemics and quarantine restrictions; and
- (e) changes in government fiscal, monetary and regulatory policies and statutory changes.

### **External risk factors**

There are a number of external risk factors over which the Company has little or no control which could materially affect the future pricing of the Company's Shares or the Company's earnings, including:

- (a) Taxation, where changes to tax legislation and regulation, or their interpretation may adversely affect the value of an investment in the Company's Shares and may affect each Shareholder differently;
- (b) Changing economic conditions in Australia and globally which may affect the Company's business and financial condition. Any protracted slowdown in economic conditions or adverse changes in such factors as the level inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies) and employment rates, among others, are outside the control of the Company and the directors and may result in materially adverse impact on the business and its operating results; and
- (c) Illiquidity and subsequent volatility in the sale price of the Company's Shares, with no guarantee that a more active market in the Company's Shares will develop despite the change in activities of the Company.

### ***Specific risk factors***

There are a number of specific risk factors over which the Company may face that could materially affect the future pricing of the Company's Shares or the Company's earnings, including:

- (a) **Environmental risk** where the Company's business operations and activities will be conducted in an earthquake and tsunami prone area. However, a geological report was commissioned and completed which identified that an earthquake and tsunami occurring in the area as extremely low;
- (b) **Construction risk** where the construction and development of business of the Company may be subject to certain risks of inferior building standards and building materials. The Company will apply international safety standards on all building projects conducted, including having experienced off-shore managers overseeing each building project;
- (c) **Political risk** where the local and central government of Indonesia may prohibit developments of the Company's proposed projects due to sustainability issues. The Company is confident that the projects it will undertake are consistent with both the national policy on tourism development and the Company has received significant support from the government to ensure development projects are conducted efficiently and sustainably; and
- (d) **Cultural risk** where the community may be offended by the way in which the Company conducts its business activities. The Company plans to minimise this risk by providing conducting its activities so that it will not conflict with local culture and therefore less likely to antagonize the local population. Additionally, community engagement will be undertaken by the Company to ensure that any development is seen as beneficial to the community. Finally, members of management of the Company have undertook various charitable undertakings which will give the Company a strong relationship and good will with the local community.

### ***Independent Expert's Report***

In accordance with the requirements of RG 74, the Directors engaged the Independent Expert to prepare and provide the Independent Expert's Report which contains an analysis of whether the proposed issue and transfer of Shares following the completion of the proposed acquisition of LBN is fair and reasonable to the current Shareholders.

The Independent Expert's report compares the likely advantages and disadvantages for the current Shareholders if the proposal is agreed to, with the advantages and disadvantages to those current Shareholders if it is not.

The Independent Expert included under Annexure A to this Notice, has concluded that the issue and transfer of Shares to FGSC Bond Fund under Resolution 1(a) and 1(b) and the issue of Shares to LPG Shareholders under Resolution 2A is fair and reasonable to the Shareholders not associated with FGSC Bond Fund and its associates and the LPG Shareholders. It is recommended that all Shareholders read the Independent Expert's Report in full under Annexure A.

### ***Advantages and disadvantages of the issue of Shares to First Guardian Secured Convertible Bond Fund and the Lombok Property Group Shareholders***

The Board has considered a number of advantages for the approval of Resolutions 1(a), 1(b), 2A and 2AB, some of which include:

- (a) **Expansion of business and revenue streams**, the Company's current business is the sale and rental of the Dura-Base Mats which is also the Company's sole source of revenue, by acquiring LBN, the Company's current business complements its proposed construction and development business and subsequently expand its source of revenue;
- (b) **Enhanced Dura-Base Mats business**, currently the Company engages its subsidiary SSI to sell and rent its Dura-Base Mats. Following the acquisition of LBN, which will result in SAS being a Shareholder, the Company and SAS will co-operate and expand the Company's Dura-Base Mats business which will be done by utilising SAS' business connections and expertise. As such the enhanced relationship between the Company and SAS aims to increase the Company's efficiency and profitability of its Dura-Base Mats business.

- (c) **Expansion of sources of capital**, currently, most Shareholders are based in Australia but following the acquisition of LBN, there will be an increase in Shareholders based outside of Australia, particularly in South East Asia. The Board believes that as the business of the Company will predominantly be conducted in Indonesia the added presence of South East Asian investors will increase the Company's future sources of capital.
- (d) **Debt restructuring**, as mentioned in the Background section of the Explanatory Statement of Resolution 1(a), 1(b), 2A and 2AB, there are several loan facilities which Sapex is currently in default. The acquisition of LBN will assist the Company in refinancing its current loan facilities which will ensure the business of the Company remains viable and profitable.

The Board does not consider there to be any material disadvantages following a Shareholder approval of Resolutions 1(a), 1(b), 2A and 2AB.

***Directors' recommendation in relation to Resolutions 1(a), 1(b), 2A & 2AB***

The Directors unanimously recommend that Shareholders vote in favour of Resolutions 1(a), 1(b), 2A & 2AB.

The Board has carefully considered the advantages and disadvantages and evaluated their relative weight in the circumstances of the Company. The Board unanimously believes that the sum of the advantages outweighs the sum of the disadvantages and that the issue and transfer of the Shares to FGSC Bond Fund and the issue of Shares to the LPG Shareholders are in the best interests of existing Shareholders as a whole for the reasons set out in this Explanatory Statement and the IER. A copy of the IER is set out under Annexure A of this Notice.

## **Resolution 2B - Approval of significant change to the Company's activities**

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This Resolution is subject to Resolutions 1(a), 1(b) and 2A and seeks Shareholder approval for the change of the Company's nature and scale of activities to that of a property development and management company.

NSX Listing Rule 6.41 provides that if an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities - which under this Notice is proposed to occur, then the Company must obtain the approval of its Shareholders and it must set out in detail the relevant terms of the change.

Additionally, NSX Listing Rule 6.48 requires that the Company include with this Notice, sufficient information to ensure that Shareholders are informed of all substantial matters relevant to the resolution proposed. All such information is included in the Explanatory Statement for Resolution 1(a) and 1(b).

***Directors' recommendation***

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2B.

## **Resolution 2BA - Approval of giving financial benefits to Ron & Kyle Larson**

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This Resolution is subject to Resolutions 1(a), 1(b), 2A and 2B and seeks Shareholder approval for the Company's 99% owned subsidiary SSI to give a financial benefit to each of Ron Larson and Kyle Larson in the form of a loan to SSI from Ron Larson & Kyle Larson in the amount of US\$680,000 on the following terms (each an **RL Loan** and **KL Loan**, collectively the **R&K Loans**):

- (a) the R&K Loans will be required to be repaid by 13 March 2021 (**R&K Loans Maturity Date**);
- (b) the interest payable on the RL Loan and KL Loan will be 12% per annum payable monthly for the period up to the R&K Loans Maturity Date; and
- (c) the R&K Loans will be unsecured.

## Chapter 2E of the Corporations Act

The objective of the related party provisions in Chapter 2E of the Corporations Act is to protect the interests of Shareholders of public companies by requiring Shareholder approval for giving financial benefits to related parties of public companies or entities which the public company controls.

Under section 208 and unless an exception set out in sections 210 to 216 were to apply, a public company or an entity it controls to give a financial benefit to a related party of the public company, its Shareholders must approve the transaction in the way prescribed under sections 217 to 227 of the Corporations Act.

Where Shareholder approval is required, meeting materials seeking approvals for related party transactions involving a public company must provide sufficient information to Shareholders to enable them to decide whether or not the financial benefit to be given to a related party is in the interests of the Company. Hence please see the table below in relation to the information required to be provided to the Shareholders.

### Information for Shareholders required by ASIC Regulatory Guide 76

Further information required by ASIC Regulatory Guide 76 (RG 76) is set out below:

No.	Information to be provided	Explanation
1.	<b>Identify of the related party</b>	Kyle Larson is a Director of the Company and Ron Larson is an associate of Kyle Larson for the purposes of the Corporations Act
2.	<b>Nature of the financial benefit</b>	An unsecured loan in the amount of US\$680,000 to SSI from each of Kyle Larson and Ron Larson on the following terms: <ol style="list-style-type: none"><li>1. the R&amp;K Loans will be required to be repaid by 13 March 2021;</li><li>2. the interest payable on the RL Loan and KL Loan will be 12% per annum payable monthly for the period up to the R&amp;K Loans Maturity Date; and</li><li>3. the R&amp;K Loans will be unsecured.</li></ol>
3.	<b>Directors' recommendations</b>	Having regard to his interests in this Resolution, Kyle Larson declines to make a recommendation on how Shareholders should vote on this Resolution.  Peter Chambers, Peter Van Ratingen and James Midgley, each of whom has no interest in the outcome of this Resolution and who acts independently of Kyle Larson in relation to this Resolution, has closely considered the proposed giving of financial benefits and recommends that Shareholders vote in favour of this Resolution.
4.	<b>Directors' interest in the outcome</b>	Aside from Kyle Larson who will provide an unsecured loan to SSI in the amount of \$680,000, no other Director has any interest in the outcome of this Resolution.
5.	<b>Other information to be provided as prescribed under section 219(1)(e) of the Corporations Act</b>	As stated previously under section 7 of the "Information for Shareholders required by ASIC Regulatory Guide 74" of this Explanatory Statement, The unsecured R&K Loans will be a part consideration for Kyle Larson and Ron Larson transferring their respective Shares (being



		28,929,610 Shares each) in the Company to FGSC Bond Fund. For completeness the entire consideration for Kyle Larson and Ron Larson to transfer their respective holdings is an AU\$250,000 upfront payment each and the R&K Loans.
6.	<b>Valuation of the financial benefit</b>	US\$680,000 principal loan amount plus 12% interest per annum payable monthly.
7.	<b>Disclosure of a relevant director's total remuneration package</b>	N/A
8.	<b>Related party's existing interest</b>	Kyle Larson and Ron Larson each hold 28,929,610 Shares in the Company, which will be transferred to FGSC Bond Fund if Resolution 1 is passed by the Shareholders.
9.	<b>Dilution effect of the transaction on existing members' interests</b>	N/A

#### ***ASIC's review of the materials***

This statement has been reviewed by ASIC for the purposes of determining its compliance with Chapter 2E of the Corporations Act.

ASIC is not responsible for the contents of the meeting materials. The fact that ASIC has reviewed the meeting documents should not be taken to mean the following:

- (a) that the meeting material complies with the Corporations Act; or
- (b) it is an endorsement by ASIC of, or any other expression of opinion by ASIC on, the proposals under the Notice of General Meeting; and
- (c) that ASIC has formed any view as to the merits of the proposals that are for consideration or as to how the Company Shareholders should vote (on this matter Shareholders of the Company must reach their own decision).

# SPECIAL RESOLUTIONS

## Resolutions 2C – Approval of change of Company name

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Subject to Resolutions 1(a), 1(b), 2A, 2B and 2BA, the directors have determined to change the name of the Company to "Siwa Group Limited". All such information is included in the Explanatory Statement for Resolution 1(a) and 1(b).

The change of name of the Company will take effect from when ASIC enters the details of the Company's registration.

### ***Directors' recommendation***

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2C.

## Resolutions 3 to 5 – Approval of issue of Shares to Directors

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### **Summary**

Under the NSX Listing Rules the Company must seek Shareholder approval to grant securities to directors. Resolutions 3 and 4 are special resolutions which mean that at least 75% of the votes cast by the Company's Shareholders entitled to vote must be in favour of each resolution for the resolution to be passed. The Company seeks to issue a total of up to 1,845,480 Shares to the Directors upon conversion of 1,845,480 convertible notes previously issued to the Directors of the Company. The number of Shares to be issued to each Director is set out in paragraph (a) below.

### **Regulatory Requirements**

#### ***NSX Listing Rules***

NSX Listing Rule 6.44 requires special Shareholder approval to be obtained where an entity issues or agrees to issue equity securities to a related party, unless an exception under NSX Listing Rule 6.44 applies.

Peter Chambers, Peter Van Ratingen and James Lachlan Robert Midgley are Directors converting their convertible notes into Shares of the Company and are therefore each a related party of the Company. It is the view of the Directors that the exceptions set out in NSX Listing Rule 6.44 do not apply in the current circumstances.

NSX Listing Rule 6.48 states that the Company must provide Shareholders with sufficient information to ensure Shareholders are informed of all substantial matters relevant to the resolutions.

The following information is provided to Shareholders in respect of special Resolutions 3 - 5:

- (a) the maximum number of Shares to be issued to each Director is set out below;

<b>Name of Director to be issued Shares</b>	<b>Number of Shares to be issued</b>
Peter Chambers	245,460
Peter Van Ratingen	936,370
James Lachlan Robert Midgley	663,650

- (b) the price per Share to be issued to Directors of the Company is AU\$0.11 per Share
- (c) the Shares to be issued to Directors will rank pari passu with the existing fully paid ordinary shares in the capital of the Company;
- (d) Convertible notes are issued on the same terms as the investors and are a minority of the convertible notes issued, with Directors holding less than 3,000,000 of the 60,848,440 convertible notes on issue, and the terms of those convertible notes were negotiated by a party unrelated to any Director. Accordingly, the Directors believe the convertible notes were issued on arms-length commercial terms.

#### **Directors' recommendations**

The Directors, other than Peter Chambers, unanimously recommend that the Shareholders vote in favour of Resolution 3. Peter Chambers declines to make a recommendation to Shareholders in relation to Resolution 3 due to his personal interest in the outcome of Resolution 3.

The Directors, other than Peter Van Ratingen, unanimously recommend that the Shareholders vote in favour of Resolution 4. Peter Van Ratingen declines to make a recommendation to Shareholders in relation to Resolution 4 due to his personal interest in the outcome of Resolution 4.

The Directors, other than James Lachlan Robert Midgley, unanimously recommend that the Shareholders vote in favour of Resolution 5. James Lachlan Robert Midgley declines to make a recommendation to Shareholders in relation to Resolution 5 due to his personal interest in the outcome of Resolution 5.

## Glossary

In this Explanatory Statement, the following terms have the following meaning:

<b>ASIC</b>	means the Australian Securities and Investments Commission
<b>Athos</b>	means Athos Asia Event Driver Master Fund of PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
<b>Board or SAPEX Board</b>	means the board of Directors of the Company.
<b>Company or Sapex</b>	SAPEX Group Limited ACN 619 195 283.
<b>LPG Shareholder</b>	means a holder of fully paid ordinary shares of LPG (or their nominees).
<b>Constitution</b>	means the constitution of the Company for the time being in force.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Director</b>	means a director of the Company.
<b>Dura-Base Mats</b>	means the DURA-BASE® Composite Mat System.
<b>Explanatory Statement or Explanatory Memorandum</b>	means this explanatory statement accompanying the Notice.
<b>FGC</b>	means First Guardian Capital Pty Ltd ACN 073 622 741.
<b>FG Agri</b>	means FG Agri Pty Ltd ACN 167 234 424.
<b>FGSC Bond Fund</b>	means First Guardian Secured Convertible Bond Fund.
<b>FG Innovation</b>	means First Guardian Innovation Fund, Limited Partnership.
<b>General Meeting or Meeting or GM</b>	means the general meeting of Shareholders or any adjournment of it, convened by this Notice.
<b>IER</b>	means the Independent Expert's Report as set out under Annexure A of this Notice.
<b>Key Management Personnel</b>	has the same definition as <i>AASB 124 Related Party Disclosures</i> which defines key management personnel as “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity”.
<b>Lombok Property Group or LPG</b>	means Lombok Property Group Limited ACN 632 439 840.
<b>LBN</b>	means PT Lombok Bau Nyale of Jalan Baturiti I, Kuta, Pujut, Kabupaten Lombok Tengah Nusa Tenggara Barat 83573, Indonesia.

<b>MKE</b>	means MK Engineering Pte. Ltd., a company incorporated under the laws of Singapore, having its registered office at 9 Tagore Lane, #01-09, @ Tagore Singapore 787372
<b>Non-Executive Director</b>	means a Director who is not an employee of the Company.
<b>Notice or Notice of General Meeting</b>	means the notice of General Meeting, which accompanies this Explanatory Statement.
<b>NSX</b>	means the National Stock Exchange of Australia Limited as operated by NSX Limited.
<b>NSX Listing Rules</b>	means the Listing Rules of NSX.
<b>Proxy Form</b>	means the proxy form accompanying the Notice.
<b>Sapex Investors</b>	means the Company investors named in the table specified in the Explanatory Statement to Resolution 1(a), 1(b) and 2AB.
<b>Resolution</b>	means a resolution set out in the Notice.
<b>SAS</b>	means PT SAS International.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a registered holder of a Share.
<b>SSI</b>	means PT SAPEX Servis International.

## **Annexure A - Independent Expert's Report**

If you are attending the meeting  
in person, please bring this with you  
for Securityholder registration.

Holder Number:

## Vote by Proxy: SAA

Your proxy voting instruction must be received by **11:00am (Sydney time) on Wednesday, 27 May 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

### SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



### SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

#### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home>. Shareholders sponsored by a broker should advise their broker of any changes.

#### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

#### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

#### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided.

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided.

**By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

#### CORPORATE REPRESENTATIVES





If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

#### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

#### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

<div>Contact</div>	<div>Return your completed form</div>		<div>All enquiries to Automic</div>	
	<div>  <b>BY MAIL</b>  Automic  GPO Box 5193  Sydney NSW 2001 </div>	<div>  <b>IN PERSON</b>  Automic  Level 5, 126 Phillip Street  Sydney NSW 2000 </div>	<div>  <b>BY EMAIL</b>  <a href="mailto:meetings@automicgroup.com.au">meetings@automicgroup.com.au</a> </div>	<div>  <b>WEBCHAT</b>  <a href="https://automic.com.au/">https://automic.com.au/</a> </div>

[illegible]

Resolutions		For	Against	Abstain	Resolutions		For	Against	Abstain
1a.	Approval of the issue of Shares to First Guardian Secured Convertible Bond Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2BA.	Approval of giving financial benefits to Ron & Kyle Larson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1b.	Approval of the transfer of Shares to First Guardian Secured Convertible Bond Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2C.	Approval of change of Company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2A.	Approval of the issue of Shares to Lombok Property Group Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3.	Approval of issue of Shares to Peter Chambers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2AB.	Approval of the transfer of Shares to First Guardian Secured Convertible Bond Fund	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4.	Approval of issue of Shares to Peter Van Ratingen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2B.	Approval of significant change to the Company's activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5.	Approval of issue of Shares to James Lachlan Robert Midgley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please note:** If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**STEP 3: Sign Here + Contact Details**

**SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED**

Individual or Securityholder 1      Securityholder 2      Securityholder 3

Sole Director and Sole Company Secretary      Director      Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone      Date (DD/MM/YY)

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).



28 April 2020

The Independent Directors  
Sapex Group Limited  
Level 5, 126 Phillip Street  
SYDNEY NSW 2000

Dear Sirs

**RE: SAPEX GROUP LIMITED ("SAPEX" OR "THE COMPANY") (ACN 619 195 283) -  
INDEPENDENT EXPERT'S REPORT RELATING TO THE ACQUISITION OF PT LOMBOK  
BAU NYALE ("LBN") WITH ASSOCIATED DEBT AND EQUITY RESTRUCTURING**

**1. REPORT SUMMARY**

**Introduction**

- 1.1. Stantons International Securities Pty Ltd ("**SIS**") have been instructed by Sapex to prepare an Independent Expert's Report ("**IER**") to determine whether the proposed issue of new Sapex shares is fair and reasonable to the Non-Associated Shareholders, pursuant to section 611 item 7 of the Corporations Act 2001 ("**TCA**").
- 1.2. Sapex intends to seek shareholder approval for the proposed Transaction (as defined below) at a general meeting of the ordinary shareholders. The Transaction is outlined in a Notice of Meeting ("**NoM**") and Explanatory Statement ("**ES**") to be provided to shareholders in or around April 2020 for a meeting of Sapex shareholders planned to be held in May 2020.

**Opinions**

- 1.3. In our opinion, after taking into account all of the factors noted in this report, the proposed Transaction (as defined below) including the items covered in Resolution 1A of the NoM is **FAIR** and **REASONABLE** to the shareholders who are not restricted from voting on the proposal (the "**Non-Associated Shareholders**").
- 1.4. This opinion must be read in conjunction with the more detailed analysis included in this report, together with the disclosures, Financial Services Guide and other appendices to this report.

**Background**

- 1.5. Sapex is an Australian company founded in 2001 that is listed on the National Stock Exchange of Australia ("**NSX**"). The primary business activity of the Company is to supply Dura-Base composite mats to the oil and gas, infrastructure and construction industries in Indonesia. Sapex currently holds the exclusive rights to distribute Dura-Base mats under licence in Indonesia. Dura-Base mats are predominantly used to provide all-terrain access for heavy equipment and personnel in remote and inaccessible areas.
- 1.6. Sapex acquired a 99% interest in PT Sapex Servis International ("**SSI**") on 26 September 2018. SSI is an Indonesian company that acts as the operating entity for Sapex in Indonesia.
- 1.7. Since acquiring SSI, Sapex has been loss making and is currently in a net liability position.

- 1.8. PT SAS International Limited ("**SAS**") is an Indonesian based provider of products and services to the energy sector in Indonesia, which acts as a local agent for Sapex composite mats business, providing Dura-Base mats distribution and associated installation, repair and maintenance services. SAS previously owned the Dura-Base mats inventory currently owned by Sapex, and is also an existing substantial shareholder in Sapex.
- 1.9. First Guardian Capital Pty Ltd ("**FGC**") is an investment management company based in Melbourne, Australia. FGC is related to the entities FG Agri Pty Ltd ("**FG Agri**"), First Guardian Innovation Fund, Limited Partnership ("**FG Innovation**"), and First Guardian Secured Convertible Bond Fund ("**FGSC Bond Fund**"). FGSC Bond Fund is owned and managed by David Anderson, a director and principal of FGC, and Conrad Warren, a manager at FGC. Entities related to FGC are shareholders, lenders and advisors to Sapex.
- 1.10. FGSC Bond Fund currently holds 22,252,207 ordinary shares in Sapex. Associates of FGSC Bond Fund include Chris Warren, Mayee Warren and Falcon Capital Limited (the "**Associates**") who respectively hold 470,000, 259,220 and 2,354,550 ordinary shares in Sapex. Accordingly, FGSC Bond Fund and Associates hold 25,335,977 shares representing approximately 10% of the outstanding shares of Sapex.
- 1.11. Athos Asia Event Driven Master Fund ("**Athos**") is a Hong Kong based special situations focused hedge fund and is an existing lender to Sapex. Athos' existing facility with Sapex expired on 19 December 2019. Sapex is currently in default and Athos is owed US\$3,000,000 in principal and approximately US\$160,000 in accrued interest as at 6 March 2020.
- 1.12. Lombok Property Group Pty Ltd ("**LPG**") is an Australian company which holds a 99.8% equity interest in an Indonesian property development business, LBN. FGSC Bond Fund is a significant shareholder in LPG. LBN is a Lombok, Indonesia focused developer, operator and marketer of luxury beach villas and hospitality offerings. LBN was formed in April 2019 through the merger of five Lombok based property related businesses.
- 1.13. The proposed Transaction (as defined below) involves Sapex acquiring LBN in exchange for new Sapex shares to be issued to the shareholders of LPG (or its nominees), other share transactions, and a concurrent refinancing of Sapex's debt obligations, some of which are currently in default, as described in further detail below.
- 1.14. We note that the latest financial data we have received for Sapex is the management accounts as at 6 March 2020, and for LBN the latest cash and debt balances as at 29 February 2020. We have applied a 6 March 2020 cut-off date for the Transaction, and in order to keep consistency throughout the report all currency figures have been converted at the relevant exchange rate as at this date.

#### **Pre-Transaction Capital Structure**

- 1.15. As at 6 March 2020, the capital structure of Sapex was as follows:

	Number	Amount (A\$)	Amount (US\$)
<b>Equity</b>			
Ordinary shares	253,152,430		
<b>Debt</b>			
Athos loan		4,515,148	3,000,000
Athos accrued interest		235,938	160,000
SAS secured facility (converted from IDR)		3,079,339	2,046,005
FG Agri & FG Innovation convertible notes		5,370,091	3,568,050
Non-FGSC Bond Fund convertible notes		914,000	607,289
FGSC Bond Fund short-term loan		1,589,144	1,055,875
<b>Total</b>	<b>253,152,430</b>	<b>15,703,660</b>	<b>10,437,219</b>

*Note: All loan amounts are denominated in A\$ except for the Athos and SAS loans which are denominated in US\$. The A\$:US\$ exchange rate of 0.66443 as at 6 March 2020 has been applied above. The SAS secured facility is payable in either US\$ or IDR at the US\$:IDR exchange rate on the repayment day. The US\$:IDR exchange rate at 6 March 2020 was 1:9428. The conversion rate applied to the Athos accrued interest is as per Company management accounts.*

### Transaction

- 1.16. As of November 2019, Sapex has been in default on the Athos loan. Currently, FGSC Bond Fund provides a guarantee to Athos on these debts, on which FGSC Bond Fund is also in default. Athos holds a secured interest over the assets of SSI including the Dura Base mat asset portfolio which is the Company's primary asset.
- 1.17. Sapex is also currently in default, or potentially in default (subject to the issue of notice) on:
  - the SAS secured facility;
  - the FG Agri convertible notes;
  - the FG Innovation convertible notes; and
  - the FGC working capital facility.
- 1.18. In addition to its positions in Sapex, FGSC Bond Fund is also a significant shareholder of the Indonesian property development company LBN. LBN is a holder of properties and other related businesses in Lombok, Indonesia.
- 1.19. Sapex is proposing a transaction which involves several components, including the acquisition of 99.9% of LBN, a refinance of its existing debts, a restructure of its equity, and operational changes. The rationale for the transaction is to stabilise and improve the Company's financial performance, and to extend, simplify and stabilise the Company's financing structure.
- 1.20. As a result, securities in Sapex will be issued to various investors, consisting of FGSC Bond Fund, SAS, and other existing shareholders of LPG.
- 1.21. The proposal is comprised of the following:

*Share issue in exchange for acquisition of 99.8% of LBN (the "Acquisition Transaction")*

- i) 132,511,652 ordinary shares will be issued by Sapex to FGSC Bond Fund at a deemed issue price of \$0.11

- ii) 246,706,330 ordinary shares will be issued to the other shareholders of LPG (excluding FGSC Bond Fund) at a deemed issue price of \$0.11
- iii) Sapex will acquire 99.8% of the issued capital of LBN from the LPG shareholder vendors. Separately, Sapex will acquire an additional 0.1% interest in LBN for cash (22,000,000 Indonesian Rupiah (“IDR”)), from Febryanti Kharisma, a local Indonesian registered shareholder (who will retain 0.1% interest in LBN).

*Share transfers and conversions (the “Share Transaction”)*

- iv) 28,929,610 ordinary shares in Sapex owned by Ron Larson will be transferred to FGSC Bond Fund in exchange for a debt swap (described at item (x) below)
- v) 28,929,610 ordinary shares in Sapex owned by Kyle Larson will be transferred to FGSC Bond Fund in exchange for a debt swap (described at item (x) below)
- vi) 9,169,034 ordinary shares from other existing shareholders (refer paragraph 1.25 for details) will be acquired by FGSC Bond Fund for cash by way of private sale
- vii) 8,309,220 existing convertible notes not held by FGSC Bond Fund are currently in default. Holders of 2,300,040 of these convertible notes (to the value of \$253,000) have elected to convert into ordinary shares (which implies a value of \$0.11 per share). The balance of the holders of these convertible notes (totalling \$661,000 in deemed value) have elected to redeem for cash (as described at (xi) below)

*Refinance of debt structure and other equity movements (the “Restructure Transaction”)*

- viii) The US\$3,000,000 loan provided to the Company by Athos will be assigned to MK Engineering Pty Ltd (“MKE”), an entity associated with SAS, and “pushed down” from Sapex to SSI (a 99% owned subsidiary of Sapex). The Company will be released from any prior breaches of the loan agreement with Athos. The key terms of the new loan will be:
  - Loan denominated in US dollars or Indonesian rupiah
  - Maturity date of 13 March 2021
  - Interest will be applied at 12% p.a., payable monthly
  - The loan will be secured by SSI’s Dura-Base mats
- ix) Existing amounts owing totalling approximately US\$2,046,005 (including principal and accrued interest, converted from IDR at the 6 March 2020 exchange rate) under the SAS senior facility will be rolled over into a new facility on the following terms:
  - Maturity date of 13 March 2021
  - Interest will be applied at 12% p.a., payable monthly
  - Payments to be made in IDR at the US\$:IDR exchange rate on the repayment date (being the published Jakarta Interbank Spot Dollar Rate (“JISDOR”))
  - SAS will also be a secured party (alongside MKE) over the assets of SSI
- x) As consideration for the transfer of their shares, Ron Larson and Kyle Larson will receive a loan interest in Sapex of US\$680,000 each, with FGSC Bond Fund to extinguish an equivalent value of existing loans owed by Sapex to FGSC Bond Fund. The new loans to Ron and Kyle Larson will be on the following terms:

- Loan denominated in US dollars
  - Maturity date of 13 March 2021
  - Interest will be applied at 12% p.a., payable monthly
- xi) FGSC Bond Fund will provide an unsecured loan to Sapex of \$661,000 for the purpose of redeeming existing convertible notes. The key terms of the unsecured loan will be:
- Loan denominated in Australian dollars
  - Maturity date of 13 March 2021
  - Interest will be applied at 12% p.a., payable monthly
- xii) All amounts owing under the 48,819,008 existing convertible notes held by FG Agri and FG Innovation, and the short-term facility provided by FGSC Bond Fund (A\$1,589,144 as at 6 March 2020 but subject to change) will be deemed to be redeemed and cancelled. To refinance these amounts, FGSC Bond Fund will provide additional new loan funding of A\$5,370,091 (as at 6 March 2020 but subject to change) on the same terms as (xi) above.
- 1.22. We note that Resolution 1A of the NoM, on which we have been requested to provide an opinion, relates to the Acquisition Transaction only. However, we also note that effectively, completion of the Acquisition Transaction is interdependent with completion of the Share Transaction and Restructure Transaction. Accordingly, we have assessed all of the Acquisition Transaction, Share Transaction and Restructure Transaction as a collective package, and define them collectively as the “**Transaction**”.
- 1.23. We note that concurrent to the transaction, Sapex will seek shareholder approval to change its name to Siwa Group Limited and change its board of directors as described at paragraph 3.5.

#### **Impact on Capital Structure**

##### ***Equity Restructure***

- 1.24. The Transaction will have the following effect on the equity ownership of the Company.

	Existing shares on issue	LPG vend	Transfers	Convertible note conversion	Post Transaction	% holding (post Transaction)
FGSC Bond Fund & Associates	25,335,977	132,511,652	67,028,254	-	224,875,883	35.43%
Matthew Davis	-	54,545,452	-	-	54,545,452	8.6%
SAS	29,545,450	53,580,258	-	-	83,125,708	13.1%
Geoffrey Davis	-	22,659,898	-	-	22,659,898	3.6%
Bam Bam Limited	-	20,454,545	-	-	20,454,545	3.2%
Paul Cox	-	18,181,814	-	-	18,181,814	2.9%
SIWA Pool Limited	-	18,181,818	-	-	18,181,818	2.9%
Michael David Evans Trust	-	15,625,000	-	-	15,625,000	2.5%
Neil Alfred Commins	-	12,784,091	-	-	12,784,091	2.0%
MNL Holdings	-	11,545,727	-	-	11,545,727	1.8%
Muhamad Hakim	-	5,681,818	-	-	5,681,818	0.9%
Belborra Limited	-	3,636,364	-	-	3,636,364	0.6%
ADHL Limited	-	3,636,364	-	-	3,636,364	0.6%
Beveles Investments & Services	-	1,136,364	-	-	1,136,364	0.2%
Richard English	-	568,182	-	-	568,182	0.1%
The Trustee for Ohare S A & J	-	568,182	-	-	568,182	0.1%
John Anderson	-	568,182	-	-	568,182	0.1%
Jose Arevalo	-	454,545	-	-	454,545	0.1%
Ria Kusmati	-	454,545	-	-	454,545	0.1%
Aisy Rinjani	-	454,545	-	-	454,545	0.1%
Damai Indah Limited	-	454,545	-	-	454,545	0.1%
Albert Kim Barnes	-	340,909	-	-	340,909	0.1%
James Hunter Cordery	-	340,909	-	-	340,909	0.1%
NSW Property Investments	-	284,091	-	-	284,091	0.0%
Philip John Rosewarne	-	284,091	-	-	284,091	0.0%
Ballok Zita Elizabeth	-	284,091	-	-	284,091	0.0%
Others	131,242,749	-	-	-	131,242,749	20.7%
Ron Larson	28,929,610	-	(28,929,610)	-	-	-
Kyle Larson	28,929,610	-	(28,929,610)	-	-	-
Other transferring holders	9,169,034	-	(9,169,034)	-	-	-
Existing convertible note holders				2,300,040	2,300,040	0.4%
<b>Total</b>	<b>253,152,430</b>	<b>379,217,982</b>	<b>-</b>	<b>2,300,040</b>	<b>634,670,452</b>	<b>100%</b>

1.25. The equity structure is impacted by the following components of the Transaction:

- Vendors of LBN will be issued 379,217,982 shares in Sapex as consideration for the acquisition of a 99.8% interest in LBN. Significant vendors of LBN include FGSC Bond Fund, who will receive 132,511,652 shares, and SAS who will receive 53,580,258 shares.
- FGSC Bond Fund is to acquire a total of 57,859,220 shares from two existing directors of Sapex, Kyle and Ron Larson, by way of a direct off market transfer. These

transactions do not affect the number of shares on issue but will increase the percentage of FGSC Bond Fund's ordinary shareholding in Sapex.

- Certain other shareholders will engage in a private sale share transfer that will result in their shares being transferred to FGSC Bond Fund, totalling 9,169,034 shares.

1.26. Thus, post Transaction, FGSC Bond Fund and its Associates will have a relevant interest in 224,875,883 shares in Sapex, representing approximately 35.43% of the ordinary shares on issue.

### **Debt Restructure**

1.27. The restructuring of Sapex's debt structure is summarised below, showing the sources of new funding and its use in extinguishing existing obligations.

	Source (A\$)		Use (A\$)	Ref
Cash movements				
<i>Athos loan assignment</i>				
MKE loan	4,515,148	Athos loan	4,515,148	
Total	4,515,148		4,515,148	1.21 (viii)
<i>SAS facility rollover</i>				
New MKE/SAS facility	3,079,339	Old SAS facility	3,079,339	
Total	3,079,339		3,079,339	1.21 (ix)
<i>Non-FGC notes redemption</i>				
FGSC Bond Fund payable	661,000	Non-FGC convertible notes redeemed	661,000	
Total	661,000		661,000	1.21 (xi)
<i>Transfer and new FGC funding</i>				
FGSC Bond Fund new loan	5,148,306	FG Agri & FG Innovation convertible note	5,370,091	
Ron Larson junior loan agreement	1,023,434	FGSC Bond Fund short term loan	1,589,144	
Kyle Larson junior loan agreement	1,023,434	Athos interest	235,938	
Total	7,195,174		7,195,173	1.21 (x) and (xii)
Total	15,450,660		15,450,660	
Equity movements				
Equity issue	253,000	Converted convertible notes	253,000	
Total	15,703,660		15,703,660	

1.28. We note the above balance have been calculated using amounts owing and exchange rates as at 6 March 2020. Actual balances on the completion date may increase for additional accrued interest and varied for exchange rate movements.

- 1.29. The debt structure of Sapex following the Transaction (subject to movements post 6 March 2020 due to additional interest, fees or exchange rate movements) is approximated in the table below:

Facility	Value (A\$)	Value (US\$)	Currency denomination	Interest (monthly %)	Tenure (months)
MKE loan	4,515,148	3,000,000	US\$	1%	12
New MKE/SAS facility	3,079,339	2,046,005	US\$ or IDR	1%	12
FGSC Bond Fund new loan	5,148,306	3,420,689	A\$	1%	12
FGSC Bond Fund payable	661,000	439,188	A\$	1%	12
Ron Larson junior loan agreement	1,023,434	680,000	US\$	1%	12
Kyle Larson junior loan agreement	1,023,434	680,000	US\$	1%	12
<b>Total</b>	<b>15,450,660</b>	<b>10,265,882</b>		<b>1%</b>	<b>12</b>

*Note: The A\$:US\$ exchange rate of 0.66443 as at 6 March 2020 has been applied in the currency conversions above.*

- 1.30. In addition to the above, ownership of LBN will be transferred with the following borrowings.

*ADM loan*

- 1.31. LBN recently secured a debt facility from ADM Capital (“**ADM**”), with the following terms:

- Facility limit of A\$5,000,000, which has been fully drawn
- Term of 2 years from drawdown (which occurred in February 2020)
- Interest payable at 12% per annum
- Secured against all LBN land assets with no further indebtedness permitted besides the amount owed to FGC related entities

*FGC Obligations*

- 1.32. FGC related entities have provided unsecured loan funds to LBN, and as at 29 February 2020, were owed 17,254,799,694 IDR, the equivalent of A\$1,830,165. We have been advised these amounts accrue interest at a rate of 12% per annum, paid on a monthly basis.
- 1.33. Further details on LBN’s financial position are shown in paragraph 6.11.

**Transaction Rationale**

- 1.34. The intention of the parties is to achieve the following:

- Simplify the liability structure by converting all liabilities in to simple 12.0% per annum, 12-month, non-dilutive facilities (that currently have the potential of “watering down” 40%+ of the current equity capitalisation)
- Provides 12-months of “headspace” across all liabilities
- All Sapex related liabilities to be novated to SSI, leaving the “list-co” liability free



### Purpose of Report

- 1.35. Under Section 606 (“**s606**”) of TCA, a person must not acquire a relevant interest in the issued voting shares in a public company if because of the transaction, that persons’ or someone else’s voting power in the company increases:
- a) from 20% or below to more than 20%; or
  - b) from a starting point that is above 20% and below 90%.
- 1.36. Under Item 7 of Section 611 (“**s611**”) of TCA, s606 does not apply in relation to any acquisition of shares in a company which is approved by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates.
- 1.37. Resolution 1A refers to the issue of shares to FGSC Bond Fund, and Resolution 2A refers to the issue of shares to the other vendors of LPG excluding FGSC Bond Fund.
- 1.38. The Transaction involves the issue of 132,511,652 ordinary shares in Sapex to the FGSC Bond Fund. As a result, FGSC Bond Fund and its Associates have the potential to acquire an additional 24.87% interest in Sapex.
- 1.39. In addition, Resolutions 1B and 2AB refer to 67,028,254 existing shares that will be transferred to FGSC Bond Fund, potentially increasing the interest of FGSC Bond Fund and its Associates to approximately 35.43%.
- 1.40. Item 7 of s611 requires shareholders to be provided with all information known to the Company, and to the potential acquirer, that is material to the shareholders’ decision. Regulatory Guide 74: *Acquisitions Approved by Members* (“**RG74**”) issued by the Australian Securities and Investments Commission (“**ASIC**”) provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should usually provide shareholders with an IER on the proposed transaction.
- 1.41. Under ASIC Regulatory Guide 111: *Contents of Expert Reports* (“**RG111**”), an approval of shares under Item 7 of s611 that has an effect on a company’s shareholding that is comparable to a takeover bid should be treated as such. In this case, an IER should apply the analysis outlined in RG111.10 to RG111.17 to report on the fairness and reasonableness of the Transaction pursuant to the resolutions involving FGSC Bond Fund, as if it were a takeover bid under Chapter 6 (RG111.25). The Sapex directors have requested SIS to prepare an IER to assist the shareholders in determining how to vote on Resolution 1A pursuant to an Item 7 of s611 meeting as outlined in the NoM and the ES.

### Basis of Evaluation

- 1.42. In order to assess whether the proposed Transaction is fair in accordance with RG111, we have compared the fair market value of an ordinary share in Sapex:
- prior to the proposed Transaction, on a control basis; with
  - immediately following the Transaction, on a minority basis.

### JLL Report

- 1.43. As part of this IER, and to support our valuation analysis, SIS engaged KJPP Wiseso Saladin dan Rekan, an Indonesian affiliate of Jones Lang LaSalle (“**JLL**”) to act as specialist expert to provide an independent market valuation of LBN’s Indonesian property interests (the “**JLL Report**”). A summary of the JLL Report is provided in paragraphs 7.2 to 7.40.

**Fairness**

- 1.44. We note that Resolution 1A of the NoM, on which we have been requested to provide an opinion, relates to the share issue relating to the Acquisition Transaction only. However, we also note that effectively, completion of the Acquisition Transaction is interdependent with completion of the Share Transaction and Restructure Transaction. Accordingly, we have assessed all as a collective package, and conclude on fairness of the Transaction collectively and not individually.

***Pre-Transaction Value***

- 1.45. For the purpose of assessing the Transaction our assessed value of a Sapex ordinary share as at 6 March 2020 prior to the Transaction, on a control basis, is as follows:

	Ref	Adjusted to 6 March 2020 A\$
<b>Current assets</b>		
Cash and cash equivalents	5.2	93,038
Trade and other receivables	5.2	1,193,957
Loans and advances	5.2	23,665
Other assets (prepayments)	5.2	108,791
<b>Total current assets</b>	<b>5.2</b>	<b>1,419,451</b>
<b>Non-current assets</b>		
Property, plant and equipment	5.2	3,783,665
Intangible assets	5.2	475,428
<b>Total non-current assets</b>	<b>5.2</b>	<b>4,259,093</b>
<b>Total assets</b>	<b>5.2</b>	<b>5,678,544</b>
<b>Current liabilities</b>		
Trade and other payables	5.2	(722,719)
Borrowings	5.2	(15,703,660)
Derivative financial instruments	5.2	-
Current tax liabilities	5.2	(56,362)
Employee benefits	5.2	(60,594)
<b>Total current liabilities</b>	<b>5.2</b>	<b>(16,543,335)</b>
<b>Non-current liabilities</b>		
Trade and other payables	5.2	(512,489)
Borrowings	5.2	(25,192)
Deferred tax liabilities	5.2	(199,283)
<b>Total non-current liabilities</b>	<b>5.2</b>	<b>(736,964)</b>
<b>Total liabilities</b>	<b>5.2</b>	<b>(17,280,299)</b>
<b>Net assets/(liabilities)</b>	<b>5.2</b>	<b>(11,601,755)</b>
Number of shares on issue	5.2	253,152,430
<b>Value per share (control basis)</b>	<b>5.2</b>	<b>(0.0458)</b>

### Post Transaction Value

- 1.46. We have assessed the fair value of a Sapex share post Transaction on a minority interest basis as follows:

	Ref	Low A\$	Adjusted Preferred A\$	High A\$
Sapex – pre-Transaction net asset value	8.3	(11,601,755)	(11,601,755)	(11,601,755)
LBN – 99.9% of net asset value	8.3	11,206,097	11,910,591	12,748,856
Net decrease/(increase) in borrowings	8.3	253,000	253,000	253,000
Cash purchase of Febryanti Kharisma shares	8.3	(2,333)	(2,333)	(2,333)
<b>Combined net asset value</b>	<b>8.3</b>	<b>(144,991)</b>	<b>559,502</b>	<b>1,397,767</b>
Post transaction shares on issue	8.3	634,670,452	634,670,452	634,670,452
<b>Value per share (control basis)</b>	<b>8.3</b>	<b>(0.0002)</b>	<b>0.0009</b>	<b>0.0022</b>
Minority discount (%)	8.3	23.1%	23.1%	23.1%
<b>Value per share (minority interest basis)</b>	<b>8.3</b>	<b>(0.0002)</b>	<b>0.0007</b>	<b>0.0017</b>

- 1.47. We have assessed that the fair value of a Sapex share as a result of the Transaction may be between negative \$0.0002 and \$0.0017, with a preferred value of \$0.0007. This is above the pre-Transaction value across all three scenarios.
- 1.48. Accordingly, we consider the Transaction as defined in Resolution 1A to be **FAIR** to the Non-Associated Shareholders.

### Reasonableness

- 1.49. As the Transaction is considered to be **FAIR**, under RG111.12 it is considered to be **REASONABLE**. For the purpose of providing the Non-Associated Shareholders with all relevant information on the Transaction, we have included the following summary of the advantages, disadvantages, and other factors of the Transaction.

### Advantages

- 1.50. The Transaction as noted above is considered fair.
- 1.51. The Company is currently in default under several debt agreements, and may avoid a potential receivership scenario, or a more punitive alternative restructuring transaction, by approving the proposed Transaction. If a receivership were to occur:
- Sapex's directors would no longer have their powers and the receiver would take control of the Company's assets on behalf of the secured creditors.
  - It is likely that the receivers would seek to sell the assets of the Company, and a receiver led sale process may result in a lower value than under a transaction process in different circumstances.
  - Transaction costs would be associated with the receivership.

- The Non-Associated Shareholders would receive the residual surplus after the receiver, the secured creditors and preferred shareholders have been compensated. Due to the significant existing debts and a current net liability position, we consider it is unlikely that Sapex shareholders would receive anything in this scenario.

As a result, it is possible that the Non-Associated Shareholders may receive less value in a receivership scenario than following the proposed Transaction.

- 1.52. Furthermore, we note Sapex will secure a release of any obligations to Athos, FG Agri and FG Innovation as part of the Transaction.
- 1.53. The proposed Restructure Transaction secures an extension of 12 months on all of Sapex's borrowings, which provides an opportunity for Sapex to improve its performance, financial position, and seek to improve its funding structure in a subsequent refinance event.
- 1.54. The proposed Transaction would increase the scale of the business. This could potentially increase the likelihood of the Company meeting the Australian Securities Exchange ("**ASX**") Listing Rules criteria, and achieving its previously stated goal of an ASX listing (though we note that, as per the NSX announcement on 21 April 2020, an ASX listing is no longer a priority for the Company in the short-term).
- 1.55. The Transaction introduces a business which is currently developing property assets for sale, which may generate cash flow that could ameliorate the current losses being made, and provide working capital funding to grow the existing Sapex business to a sustainable level of operations.
- 1.56. The conversion features relating to the existing convertible notes are eliminated, reducing potential dilution (but noting that FGSC Bond Fund and Associates, if all resolutions are passed and consummated, will obtain a 35.43% interest in Sapex).
- 1.57. Sapex acquires a property development company which will diversify its business interests in Indonesia.
- 1.58. A change of management and control to parties associated with FGC and SAS is intended, which may reduce overheads and potentially result in a turn-around for the existing business of Sapex.
- 1.59. There are potential synergies to be obtained through the Transaction, as Sapex Dura-Base mats products will be used by LBN in its property development activities.

#### **Disadvantages**

- 1.60. FGSC Bond Fund and other parties acquire an approximate 59.97% shareholding interest in Sapex. The potential shareholding position of FGSC Bond Fund and Associates may approximate 35.43% (up from the current position of approximately 10.01%).
- 1.61. The number of fully paid ordinary shares on issue would increase (see paragraph 1.24) after issuing 379,217,982 new ordinary shares. This could represent an approximate 149.8% increase in the number of ordinary shares on issue.

#### **Other Factors**

- 1.62. We note that though the JLL Report is dated 19 March 2020, the valuation cut-off date is 20 February 2020. Since the valuation cut-off date, we note that the coronavirus pandemic has accelerated and become global in nature. Financial market volatility has increased along with economic uncertainty, causing an uncertain but significant damage to travel and tourism industry worldwide. The impact on the Indonesian tourism industry and therefore the valuations of LBN's property portfolio is therefore unable to be accurately assessed at the date of this report.

- 1.63. Furthermore, we also note there has been a substantial decrease in the oil price and that Sapex's existing mat business faces significant challenges that cannot be quantified at this time.
- 1.64. While the current pandemic is a significant negative for Indonesian tourism and may affect tourism related property values in Lombok, and the time to recover is uncertain, we note that if the Transaction is not approved by Non-Associated Shareholders, they remain at significant risk of a receivership scenario and crystallising a full loss on their existing investment.

## FINANCIAL SERVICES GUIDE

Dated 28 April 2020

### STANTONS INTERNATIONAL SECURITIES PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)

Stantons International Securities Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) (“**SIS**” or “**we**” or “**us**” or “**ours**” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

#### Financial Services Guide

In the above circumstances, we are required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- i. who we are and how we can be contacted;
- ii. the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 448697**;
- iii. remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- iv. any relevant associations or relationships we have; and
- v. our complaints handling procedures and how you may access them.

#### Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

#### General Financial Product Advice

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Where you do not understand the matters contained in the Independent Expert's Report, you should seek advice from a registered financial adviser.

### **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Our fee for preparing this report is expected to be up to A\$60,000 exclusive of GST, net of the cost of engaging JLL to prepare the JLL Report, which was incurred by SIS and reimbursed by the Company.

You have a right to request for further information in relation to the remuneration, the range of amounts or rates of remuneration and you can contact us for this information.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### **Associations and relationships**

SIS is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

### **Complaints resolution**

#### **Internal complaints resolution process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities Pty Ltd  
Level 2  
1 Walker Avenue  
WEST PERTH WA 6005

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaints within 10 days and investigate the issues raised. As soon as practical, and



not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (“**AFCA**”). AFCA has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly via the details set out below.

Australian Financial Complaints Authority Limited  
GPO Box 3  
MELBOURNE VIC 3001

Telephone: 1800 931 678

SIS confirms that it has arrangements in place to ensure it continues to maintain Professional Indemnity insurance in accordance with s.912B of the Corporations Act 2001 (as amended). In particular our Professional Indemnity insurance, subject to its terms and conditions, provides indemnity up to the Sum Insured for SIS and our authorised representatives / representatives / employees in respect of our authorisations and obligations under our Australian Financial Services Licence. This insurance will continue to provide such coverage for any authorised representative / representative / employee who has ceased work with SIS for work done whilst engaged with us.

#### **Contact details**

You may contact us using the details set out at above or by phoning (08) 9481 3188 or faxing (08) 9321 1204.

## **2. SCOPE**

### **Purpose of Report**

- 2.1. As a consequence of the Transaction, FGSC Bond Fund and its Associates may hold an approximate 35.43% interest in the ordinary shares of Sapex, up from the current shareholding of approximately 10.01%.
- 2.2. Under s606 of TCA, unless certain exemptions apply, a person must not acquire a relevant interest in issued voting shares in a company if, as a result of the transaction, that person's or someone else's voting power in the company increases:
  - a) from 20% or below to more than 20%; or
  - b) from a starting point that is above 20% and below 90%.
- 2.3. Under s611 (Item 7) of TCA, s606 does not apply in relation to any acquisition of shares approved by a resolution passed at a general meeting by the Non-Associated Shareholders. For such a meeting, an independent expert is typically engaged to report on the fairness and reasonableness of the transaction.

### **Basis of Evaluation**

- 2.4. In order to assess whether the Transaction is fair we have assessed it as:
  - i. fair if the value of a Sapex share after the proposed Transaction, on a minority basis, is greater than or equal to;
  - ii. the value of a Sapex share prior to the proposed Transaction, on a control basis.
- 2.5. RG111.25 requires an independent expert to evaluate a proposed issue of securities under Item 7 of s611 as if it were a takeover offer. RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer.
- 2.6. Accordingly, we have assessed whether the proposed Transaction is fair by comparing the value of a Sapex share prior to the Transaction with the consideration offered to Non-Associated Shareholders. As shareholders would retain their Sapex shares if the proposed Transaction proceeds (as opposed to exchanging them for cash or the acquirer's scrip as in a takeover offer) the effective consideration is the continued ownership of a Sapex share, which will become a share in the enlarged entity.
- 2.7. We note that Resolution 1A of the NoM, on which we have been requested to provide an opinion, relates to the Acquisition Transaction only. However, we also note that effectively, completion of the Acquisition Transaction is interdependent with completion of the Share Transaction and Restructure Transaction. Accordingly, we have assessed all as a collective package, and conclude on fairness and reasonableness on the Transaction collectively and not individually.
- 2.8. The value of a Sapex share before the proposed Transaction has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11(b) that the comparison for a takeover must assume a 100% interest in the target company.
- 2.9. After the proposed Transaction, a Sapex share will effectively be a share in the proposed combined entity (i.e. Sapex with the inclusion of LBN and a new equity and debt structure). For the purpose of the valuation, the proposed combined entity has been assessed on a minority basis as shareholders are ceding a degree of control to the vendors, and would own a minority stake in the proposed combined entity should the proposed Transaction occur.

- 2.10. We have assessed the values of existing Sapex shares and the resultant combined entity's shares on a fair market value basis, which is defined by the International Glossary of Business Valuation Terms as:

*The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.*

- 2.11. While there is no explicit definition of value in RG111, we believe this definition of fair market value is consistent with RG111.11 and common market practice.

#### **Reasonableness**

- 2.12. In accordance with RG111, we have defined the proposed Transaction as being reasonable if it is fair, or if despite not being fair SIS believe that there are sufficient reasons for Non-Associated Shareholders to vote for the proposal. We have therefore considered whether the advantages to Non-Associated Shareholders of the proposed Transaction outweigh the disadvantages. These reasonableness factors are discussed in paragraphs 9.1 to 9.17.

#### **Individual Circumstances**

- 2.13. We have evaluated the proposed Transaction for Non-Associated Shareholders generically. We have not considered their effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this proposed Transaction on their specific financial circumstances.

### **3. PROFILE OF SAPEX**

#### **Principal Activities**

- 3.1. Sapex is an Australian company that has been listed on the NSX since 15 September 2017. The Company's main business activities relate to Dura-Base composite mats, a product that is manufactured in the USA by Newpark Mats & Integrated Services LLC ("**Newpark**"). Sapex is involved in the sale, distribution, rental and service operations of Dura-Base, predominantly to the oil & gas, mining and construction industries. The Dura-Base composite mat is used to provide heavy duty working platforms and temporary roads in difficult terrain.
- 3.2. As of 2016, composite mats made up 53% of the industry for all-terrain access products, taking over from concrete and steel. Advantages include strong durability, ease of mobilisation and cost. Sapex has about an 85% market share of the composite mat market in Indonesia.
- 3.3. Sapex holds a 99% interest in its Indonesian-based subsidiary, SSI, through which it carries out its Dura-Base mat related business activities. Through SSI, Sapex is the holder of an exclusive licensing agreement with Newpark entered into on 18 October 2007 and has an agreement in place until 31 December 2021.
- 3.4. In 2018, Sapex acquired the Dura-Base mats distribution business from SAS. SSI and SAS entered into an exclusive agency agreement for SAS to operate the Dura-Base mat rental business. The agency arrangement was driven by Indonesian regulatory requirements for a local agent to be used when entering agreements in the oil and gas industry. Under the terms of the agreement, SSI and SAS earn a profit share at a ratio of 80/20 on any new mats that are provided by either party and on rental revenue that is earned on the mats owned by SSI. They will also each take a 50% share of the profits made on the rental of any mat owned by third parties.

#### **Directors of Sapex**

- 3.5. The current directors of Sapex are:
- Peter Chambers (Chairman)
  - Kyle Larson (Executive Director)
  - Daniel Powell (Non-Executive Director)
  - James Midgley (Non-Executive Director)
  - Peter van Ratingen (Non-Executive Director)
- 3.6. If the Transaction proceeds, it is proposed that the new directors of Sapex will be:
- James Midgley
  - David Anderson (FGC stakeholder)
  - Peter van Ratingen
  - Marc Thompson (LBN CEO)
  - Herman Kamana (SAS stakeholder)

#### **Financial Position**

- 3.7. Set out below is Sapex's audited statement of financial position as at 31 December 2018 and 31 December 2019, adjusted for the following material subsequent movements:

- Movement in borrowings of \$2,152,044 based on changes in the management accounts of the Company to 6 March 2020. Additionally, accrued interest on the Athos loan of \$235,938 has been transferred from payables to borrowings.
  - Increases in cash as recorded in the Company's 6 March 2020 management accounts.
- 3.8. We note that as a result of impairment testing on the intangible assets during the 31 December 2019 audit, the carrying value of goodwill which arose from the acquisition of the Dura-Base mat business was fully impaired. Value attributed to customer lists of \$475,428 was retained.
- 3.9. Furthermore, the value of the Company's Dura-Base mat portfolio was written down by \$1,667,532, being the value previously attributed to unusable mats.

	Audited 31 Dec 2018 A\$	Audited 31 Dec 2019 A\$	Adjustments to 6 March 2020 A\$	Adjusted at 6 March 2020 A\$
<b>Current assets</b>				
Cash and cash equivalents	87,048	10,671	82,367	93,038
Trade and other receivables	902,369	1,193,957	-	1,193,957
Loans and advances	22,522	23,665	-	23,665
Other assets	15,331	108,791	-	108,791
<b>Total current assets</b>	<b>1,027,270</b>	<b>1,337,084</b>	<b>82,367</b>	<b>1,419,451</b>
<b>Non-current assets</b>				
Property, plant and equipment	6,177,394	3,783,665	-	3,783,665
Intangible assets	6,114,811	475,428	-	475,428
<b>Total non-current assets</b>	<b>12,292,205</b>	<b>4,259,093</b>	<b>-</b>	<b>4,259,093</b>
<b>Total assets</b>	<b>13,319,475</b>	<b>5,596,177</b>	<b>82,367</b>	<b>5,678,544</b>
<b>Current liabilities</b>				
Trade and other payables	(547,582)	(958,657)	235,938	(722,719)
Borrowings	(14,680,119)	(13,444,185)	(2,259,475)	(15,703,660)
Derivative financial instruments	(222,000)	-	-	-
Current tax liabilities	(34,864)	(56,362)	-	(56,362)
Employee benefits	-	(60,594)	-	(60,594)
<b>Total current liabilities</b>	<b>(15,484,565)</b>	<b>(14,519,798)</b>	<b>(2,023,537)</b>	<b>(16,543,335)</b>
<b>Non-current liabilities</b>				
Trade and other payables	-	(512,489)	-	(512,489)
Borrowings	-	(25,192)	-	(25,192)
Deferred tax liabilities	-	(199,283)	-	(199,283)
<b>Total non-current liabilities</b>	<b>-</b>	<b>(736,964)</b>	<b>-</b>	<b>(736,964)</b>
<b>Total liabilities</b>	<b>(15,484,565)</b>	<b>(15,256,762)</b>	<b>(2,023,537)</b>	<b>(17,280,299)</b>
<b>Net assets</b>	<b>(2,165,090)</b>	<b>(9,660,585)</b>	<b>(1,941,170)</b>	<b>(11,601,755)</b>
<b>Equity</b>				
Issued capital	7,811,990	14,620,983	-	14,620,983
Reserves	641,861	506,861	-	506,861
Retained earnings	(10,639,450)	(24,788,429)	(1,941,170)	(26,729,599)
<b>Total equity</b>	<b>(2,185,599)</b>	<b>(9,660,585)</b>	<b>(1,941,170)</b>	<b>(11,601,755)</b>
Non-controlling interest	20,509	-	-	-
<b>Total equity to shareholders</b>	<b>(2,165,090)</b>	<b>(9,660,585)</b>	<b>(1,941,170)</b>	<b>(11,601,755)</b>

## Financial Performance

- 3.10. A summarised audited statement of comprehensive income for Sapex for the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 is set out below.

	Audited 12 months to 31 Dec 2017 A\$	Audited 12 months to 31 Dec 2018 A\$	Audited 12 months to 31 Dec 2019 A\$
<b>Income</b>			
Sales income	769,094	1,195,460	2,992,029
Other income	127	353,485	28,115
<b>Total income</b>	<b>769,221</b>	<b>1,548,945</b>	<b>3,020,144</b>
<b>Expenses</b>			
Raw materials and consumables used	-	-	(2,052,239)
Employee benefits expense	(165,633)	(692,053)	(1,071,838)
Depreciation and amortisation	-	(760)	(7,936,631)
Corporate transaction accounting expense	(7,521,698)	-	-
Fair value loss on derivative liabilities	-	(222,000)	-
Other expenses	(1,514,132)	(2,083,274)	(2,751,400)
Finance costs	(30,539)	(635,600)	(3,375,517)
<b>Total expenses</b>	<b>(9,232,002)</b>	<b>(3,633,687)</b>	<b>(17,187,625)</b>
<b>Loss before income tax</b>	<b>(8,462,781)</b>	<b>(2,084,742)</b>	<b>(14,167,481)</b>
Income tax expense	-	(67)	(2,007)
<b>Loss for period</b>	<b>(8,462,781)</b>	<b>(2,084,809)</b>	<b>(14,169,488)</b>
Exchange differences on translating foreign controlled entities	-	295,657	(322,878)
<b>Total comprehensive loss for period</b>	<b>(8,462,781)</b>	<b>(1,789,152)</b>	<b>(14,492,366)</b>
<b>Loss attributable to:</b>			
Members of parent entity	(8,462,781)	(2,079,241)	(14,148,979)
Non-controlling interest	-	(5,568)	(20,509)
<b>Loss for period</b>	<b>(8,462,781)</b>	<b>(2,084,809)</b>	<b>(14,169,488)</b>
<b>Total comprehensive loss attributable to:</b>			
Members of parent entity	(8,462,781)	(1,783,584)	(14,471,857)
Non-controlling interest	-	(5,568)	(20,509)
<b>Total comprehensive loss for period</b>	<b>(8,462,781)</b>	<b>(1,789,152)</b>	<b>(14,492,366)</b>

- 3.11. We note that Sapex's recent financial performance has been impacted heavily by financing costs and costs related to corporate activities including the proposed Transaction. However, if these costs were excluded, we note the operations are still loss making. In addition, the impairment of goodwill and unusable mats, as described in paragraphs 3.8 and 3.9 has significantly impacted the results for the year to 31 December 2019.

- 3.12. We note Sapex has recently announced contract wins which may improve financial performance in the future, however we have not been provided with any reliable forecasts demonstrating financial performance will improve to a profit generating position.
- 3.13. In assessing Sapex's financial position and objectives, it is unlikely to pay dividends to ordinary shareholders in the near future.



#### **4. VALUATION METHODOLOGY**

##### **Available Valuation Methodologies**

- 4.1. In assessing the value of Sapex and LBN, we have considered a range of common market practice valuation methodologies in accordance with RG111, including those listed below.
- Capitalisation of Future Maintainable Earnings (“**FME**”)
  - Discounted Future Cash Flows (“**DCF**”)
  - Asset based methods, including net assets on a going concern basis (“**Net Asset(s)**”)
  - Quoted market prices or analysis of traded share values
- 4.2. Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of required information. A detailed description of these methods and when they are appropriate is provided in Appendix B.

##### **Sapex Selected Primary Methodology**

- 4.3. Our preferred valuation methodology used to value the shares of Sapex is the Net Assets method.
- 4.4. In selecting an appropriate valuation methodology to value the shares of Sapex, we have considered the following factors:
- Sapex has incurred losses in the financial years ended 31 December 2017, 2018, and 2019. Therefore, FME is not appropriate.
  - Reliable forecasts indicating Sapex will generate profits in the future are not available.
  - The shares of Sapex are listed on NSX, have generally had low liquidity and have not traded at all since 25 October 2018. Accordingly, a quoted market price or recent trade price basis is not appropriate.
  - Due to the above considerations, we consider a Net Asset based methodology to be appropriate.

##### **LBN Selected Primary Methodology**

- 4.5. Our preferred valuation methodology used to value the shares of LBN is the Net Assets method. In order to determine the value of Sapex’s property assets, we have commissioned an independent technical expert, JLL, who specialise in the valuation of real estate in Indonesia. The JLL Report, dated 19 March 2020, is appended to this report as Appendix E.
- 4.6. In selecting an appropriate valuation methodology to value the shares of LBN, we have considered the following factors:
- LBN has a short history operating as a merged entity since it was formed in April 2019.
  - LBN’s activities are primarily in property development, and its current business profile is not expected to generate a steady level of earnings.
  - LBN is not listed on a stock exchange, and therefore a quoted price basis is not available.

- LBN's level of trading income from hospitality operations is not considered material in the context of its overall financial position.
- As LBN's value is determined primarily by its property holdings and development activity, a Net Asset based methodology, using market values of its property assets, is considered the most appropriate methodology.

## 5. VALUATION OF SAPEX SHARES PRE-TRANSACTION

### Valuation Methodology Adopted for Sapex

- 5.1. The preferred valuation methodology used to value the shares of Sapex is a Net Asset based method, although consideration has also been given to the traded prices of Sapex shares.

### Sum of the Parts Net Asset Based Value of Sapex Shares

- 5.2. Set out below is Sapex's adjusted estimated net liabilities as at 6 March 2020.

Adjusted to 6 March 2020 A\$	
<b>Current assets</b>	
Cash and cash equivalents	93,038
Trade and other receivables	1,193,957
Loans and advances	23,665
Other assets (prepayments)	108,791
<b>Total current assets</b>	<b>1,419,451</b>
<b>Non-current assets</b>	
Property, plant and equipment	3,783,665
Intangible assets	475,428
<b>Total non-current assets</b>	<b>4,259,093</b>
<b>Total assets</b>	<b>5,678,544</b>
<b>Current liabilities</b>	
Trade and other payables	(722,719)
Borrowings	(15,703,660)
Derivative financial instruments	-
Current tax liabilities	(56,362)
Employee benefits	(60,594)
<b>Total current liabilities</b>	<b>(16,543,335)</b>
<b>Non-current liabilities</b>	
Trade and other payables	(512,489)
Borrowings	(25,192)
Deferred tax liabilities	(199,283)
<b>Total non-current liabilities</b>	<b>(736,964)</b>
<b>Total liabilities</b>	<b>(17,280,299)</b>
<b>Net assets/(liabilities)</b>	<b>(11,601,755)</b>
Number of shares on issue	253,152,430
<b>Value per share (control basis)</b>	<b>(0.0458)</b>

- 5.3. We have assumed all current assets and non-current assets, and all liabilities as displayed in the table under paragraph 3.9 are at fair values. The intangible assets were reviewed for impairment as at 30 December 2019 and written down as described in paragraph 3.8. The remaining value represents customer lists (less amortisation), which we have adopted for the purpose of the valuation.
- 5.4. We have been advised that Sapex has not been involved in any significant (material) transactions subsequent to 31 December 2019 not already referred to in this report or disclosed via NSX announcements.
- 5.5. **As the Company has net liabilities as noted above, the value of an ordinary share in Sapex is negative \$0.0458.**

#### Traded Market Price Basis

- 5.6. In addition to the Net Asset valuation of Sapex shares in paragraph 5.2 of this report, we have considered the recent trading history of Sapex shares on the NSX. As outlined on the NSX website, trading in Sapex shares has included the following trades.

Date	Buyer	Seller	Price \$	Value \$
25/10/18	OpenMarkets	OpenMarkets	1.160	4,385
4/10/18	Morgans	OpenMarkets	1.160	1,000
4/10/18	Morgans	OpenMarkets	1.160	1,000
8/08/18	OpenMarkets	OpenMarkets	1.160	5,000
8/08/18	OpenMarkets	OpenMarkets	1.160	700
8/08/18	OpenMarkets	OpenMarkets	1.160	9,878
8/08/18	OpenMarkets	OpenMarkets	1.150	2,122
8/08/18	OpenMarkets	OpenMarkets	1.150	6,000
31/07/18	OpenMarkets	OpenMarkets	1.150	5,000
24/07/18	OpenMarkets	Ord Minnett	1.145	3,000

- 5.7. As noted above, the shares in Sapex have not traded on NSX since 25 October 2018. Taking into account the 1 for 10 consolidation of capital in April 2019, the shares in Sapex traded on NSX between May 2018 and October 2018 effectively between 11.45 cents and 11.60 cents.
- 5.8. Generally, the market is a fair indicator of what a share is worth, however in order for a quoted market price to be a reliable indicator of a company's value, the company's shares must trade in a liquid and fully informed market.
- 5.9. A "deep" market is considered to be where the number of shares traded on a weekly basis exceeds 1% of the company's total shares. Sapex's shares have not demonstrated liquidity at this level and liquidity in Sapex shares is considered extremely low.
- 5.10. Accordingly, trading in Sapex shares on NSX is not considered sufficiently liquid to demonstrate an efficient market and therefore provide a reliable indication of value. Whilst we have considered the 2018 historical traded share price history as a secondary methodology, this has not influenced our assessment of value for the purpose of opining on the fairness the Transaction.
- 5.11. The future value of a Sapex share will depend upon, inter alia:
- i) the successful exploitation of the current assets of Sapex;
  - ii) the state of the oil and gas markets (the current business customers are oil and gas companies in Indonesia);

- iii) the cash position of Sapex;
- iv) the state of Australian and overseas stock markets;
- v) the commercial success of LPG (if acquired);
- vi) membership and control of the board and management of Sapex; and
- vii) liquidity of shares in Sapex.

**Conclusion on the Value of Sapex Shares**

- 5.12. In Section 5 we have discussed the Net Asset value and 2018 NSX past trading history of Sapex shares.
- 5.13. **For the purpose of this report it is considered appropriate to use the Net Asset value for Sapex as the primary methodology. Accordingly, we have assessed the value of Sapex shares on a control interest basis is negative \$0.0458.**

## 6. PROFILE OF LBN

6.1. LBN is a diversified real estate and property services company with a focus on the development and growth of Lombok Island, Indonesia, which has been identified by the Indonesian Government as one of the '10 New Balis', which is a tourism expansion strategy of the Indonesian Government.

6.2. LBN is the result of a merger in April 2019 of 5 Lombok based property businesses:

Business	LBN Interest	Activities
Bau Navale Management	100%	Hotel management
Damai Indah Construction	65%	Property construction
Indo Design Karya Mandiri	100%	Architectural & interior design
Ray White Lombok	100%	Real estate agent
PT Lombok Awan Sembilan	100%	Property developer & land bank

6.3. We note that LBN holds 65% of Damai Indah Construction due to Indonesian laws limiting foreign ownership of companies operating in the construction industry.

6.4. LBN's operations are based in Kuta, Lombok and currently has approximately 100 full time staff. The key service provided by the company is professional villa management. However, at this stage, the large majority of the group's focus is on developing the land it currently owns.

6.5. LBN's business plan is to acquire and develop properties, with a particular focus in Kuta, Lombok and the surrounding areas of Southern Lombok. The island of Lombok is located approximately 163 km east of the popular tourist island of Bali.

6.6. The Southern Lombok area is the home of the Mandalika project ("**Mandalika Project**"), a large resort development run by the Indonesia Tourism Development Corporation ("**ITDC**") (an Indonesian state-owned entity) that is under construction. The development will be accompanied by significant surrounding infrastructure including solar power plant, water treatment (desalination) facilities and road infrastructure. It is being developed as a special economic zone for tourism, providing tax incentives for foreign entities and relaxed regulation on foreign workers and foreign land ownership. The development will include hotel facilities, residential units, a theme park, water park, marina and golf course, amongst other facilities.

6.7. The current key assets of LBN include:

- i) Mawun Beachfront Plot
  - Planned beachfront hotel development
  - Due diligence is being carried out on the land at the preferred site
  - Land is in the process of being acquired and the titles are in the process of being converted to *Hak Guna Nagunan* legal status (refer paragraph 7.7 for details), registered under LBN.
- ii) Mong Hill
  - 6-hectare development in central Kuta on hill top land with ocean views
  - Longer term project for development over next 5 years

- iii) SIWA Cliff Estate
  - SIWA residence phase 1 involves 11 luxury villas in Kuta Bay
  - Also included is a clubhouse that sits on approximately 7000m<sup>2</sup> of clifftop land, being built to host a day club with capacity for 500 people
  - Phase 2 involves 16 additional residential villas to be constructed
- iv) Villa Bau Nyala
  - Hotel that has been operational for 5 years
  - Includes 15 villas with pools, 10 rooms, restaurant and spa facilities
  - Located in central Kuta, includes land of 4500m<sup>2</sup> and an additional 2000m<sup>2</sup> for development
  - An additional 10 villas are planned
- v) Matahari Site
  - 600 square metres of land as part of an ex-Matahari Inn hotel and restaurant building (currently being demolished)

6.8. LBN's key people include:

- Marc Thomson (CEO)
  - Mr Thomson has previously held senior management positions in a variety of companies with operations across south East Asia, Australia, India and the Middle East in the offshore industry. He is a British national who speaks Bahasa Indonesian, and has been investing in Lombok since 2013. Marc is married to Febryanti Kharisma, a local registered holder of some of LBN's assets
- Matt Davis (Head of Construction and Engineering)
  - Mr Davis has 25 years of experience in the oil and gas industry including project management for multinational companies. He is an Australian long-term resident in Indonesia and speaks Bahasa Indonesian.
- Paul Cox (Head of Architecture and Design)
  - Mr Cox has 20 years of experience working on construction and design projects around the world. He is an Australian who has worked in Indonesia for the past 15 years, and is also a fluent speaker of Bahasa Indonesian.
- David Anderson (Director)
  - Mr Anderson is a co-founder of FGC and has over 18 years of investment and commercial experience.

### **Financial Position**

- 6.9. Set out below is LBN's statement of financial position as at 31 October 2019, which has been reviewed by audit firm, Stielow & Associates.
- 6.10. We have adjusted LBN's balance sheet for material movements between the reviewed 31 October 2019 balance date and 29 February 2020, the date of which we have been provided with updated details of LBN's cash and borrowing position. These include:
- a new debt facility from ADM for A\$5,000,000 which has been fully drawn down, with the funds used for:
    - part repayment of amounts owed to vendors of land acquired by LBN;
    - part repayment of a shareholder loan provided by Marc Thomson and/or his wife, Febryanti Kharisma;
    - repayment of all borrowings owed to Bank BRI;
    - the acquisition of a new property;
    - transaction costs associated with securing the new facility;
    - payment of operating expenses; and
    - the remainder held in cash reserves.
  - the balance of amounts owed to land vendors and Marc Thomson being forgiven for nil consideration; and
  - additional cash outflows, with our adjustment to cash reflecting LBN's cash position as at 29 February 2020.
- 6.11. The accounts of LBN are normally prepared in Indonesian Rupiah, however we have converted them to Australian dollars using an exchange rate of A\$1 to 9,428 IDR as at 6 March 2020 (despite our adjusted position being as at 29 February 2020), as per the valuation cut-off date of this report and to align with the conversion rate used for Sapex's financial position.



	Audit reviewed 31 Oct 2019 IDR	Use of ADM facility IDR	Other adjustments IDR	Adjusted to 29 Feb 2020 IDR	Adjusted to 29 Feb 2020 \$A
<b>Current assets</b>					
Cash and cash equivalents	4,177,239,597	8,552,201,798	(2,429,460,512)	10,299,980,883	1,092,488
Trade and other receivables	109,238,348	-	-	109,238,348	11,587
Inventory	3,040,659,132	-	-	3,040,659,132	322,514
Advances	2,336,585,418	-	-	2,336,585,418	247,835
Prepaid expenses	162,095,993	-	-	162,095,993	17,193
<b>Total current assets</b>	<b>9,825,818,487</b>	<b>8,552,201,798</b>	<b>(2,429,460,512)</b>	<b>15,948,559,774</b>	<b>1,691,616</b>
<b>Non-current assets</b>					
Land and buildings	15,184,799,694	2,070,000,000	-	17,254,799,694	1,830,165
Construction in progress	57,850,275,640	-	-	57,850,275,640	6,136,007
Plant and equipment	2,484,931,597	-	-	2,484,931,597	263,569
Deferred tax asset	16,304,310	-	-	16,304,310	1,729
<b>Total non-current assets</b>	<b>75,536,311,241</b>	<b>2,070,000,000</b>	<b>-</b>	<b>77,606,311,241</b>	<b>8,231,471</b>
<b>Total Assets</b>	<b>85,362,129,728</b>	<b>10,622,201,798</b>	<b>(2,429,460,512)</b>	<b>93,554,871,015</b>	<b>9,923,088</b>
<b>Current liabilities</b>					
Payables - land vendors	44,311,116,082	27,960,185,518	16,350,930,564	-	-
Payables - FGC related entities	11,968,184,900	-	-	(11,968,184,900)	(1,269,430)
Payables - Marc & Febryanti	9,651,303,813	4,203,000,000	5,448,303,813	-	-
Other payables	2,037,306,414	-	-	(2,037,306,414)	(216,091)
Accrued expenses	760,529,266	-	-	(760,529,266)	(80,667)
Refundable sales deposits	615,530,596	-	-	(615,530,596)	(65,288)
Tax payables	317,572,310	-	-	(317,572,310)	(33,684)
Borrowings - BRI	220,833,264	220,833,264	-	-	-
Borrowings - ADM	-	-	-	-	-
<b>Total current liabilities</b>	<b>69,882,376,645</b>	<b>32,384,018,782</b>	<b>21,799,234,377</b>	<b>(15,699,123,486)</b>	<b>(1,665,159)</b>
<b>Non-current liabilities</b>					
Borrowings - BRI	1,472,221,848	1,472,221,848	-	-	-
Borrowings - ADM	-	(47,140,000,000)	-	(47,140,000,000)	(5,000,000)
Employee entitlements	65,217,239	-	-	(65,217,239)	(6,917)
<b>Total non-current liabilities</b>	<b>1,537,439,087</b>	<b>(45,667,778,152)</b>	<b>-</b>	<b>(47,205,217,239)</b>	<b>(5,006,917)</b>
<b>Total liabilities</b>	<b>71,419,815,732</b>	<b>(13,283,759,370)</b>	<b>21,799,234,377</b>	<b>(62,904,340,725)</b>	<b>(6,672,077)</b>
<b>Net assets</b>	<b>13,942,313,996</b>	<b>(2,661,557,572)</b>	<b>19,369,773,865</b>	<b>30,650,530,289</b>	<b>3,251,011</b>
<b>Equity</b>					
Shareholder's equity	22,000,000,000	-	-	22,000,000,000	2,333,475
Retained earnings	(8,057,686,005)	(2,661,557,572)	19,369,773,865	8,650,530,289	917,536
<b>Total equity</b>	<b>13,942,313,995</b>	<b>(2,661,557,572)</b>	<b>19,369,773,865</b>	<b>30,650,530,289</b>	<b>3,251,011</b>

## 7. VALUATION OF LBN

- 7.1. The preferred valuation methodology used to value LBN is the Net Asset method. The market values of LBN property assets have been assessed in the JLL Report (refer paragraphs 7.2 to 7.40 for more details), which we have relied on to arrive at a Net Asset based value.

### Specialist Valuation of LBN's Property Interests

- 7.2. In order to determine the Net Asset value of LBN, Stanton's engaged a specialist property valuation firm in Indonesia, JLL, to provide a range of fair market values for LBN's property assets. The JLL Report dated 19 March 2020, but using a valuation cut-off date of 20 February 2020 is appended to this report as Appendix E.
- 7.3. We have used and relied on the JLL Report in assessing the fair value of LBN's property interests and note that JLL has confirmed in its report that:
- vi) JLL is a suitable property valuation firm and has relevant experience in assessing property interests in Indonesia;
  - vii) JLL is independent from Sapex, and all other parties involved in the Transaction; and
  - viii) JLL have employed sound and recognised methodologies in the preparation of the JLL report on the property interests.
- 7.4. The value of LBN's property interests has been adjusted to reflect the values indicated by the JLL Report.
- 7.5. In completing the market valuation of the property assets of LBN, the following properties have been considered. Note the values have been converted at the A\$ to IDR exchange rate of 9,428 as at 6 March 2020, as per the valuation cut-off date considered in this report. The values presented below are the preferred values.

Property	Land Type	Area (m <sup>2</sup> )	Value (IDR)	Value (A\$)
Mawun Beachfront site	Vacant beach-front land plot	13,600	N/A	N/A
Mong Hill site	Vacant raw hill-side land plot	56,808	38,370,000,000	4,069,792
Siwa Cliff Estate			92,840,000,000	9,847,263
Damai Indah Villa (Siwa Residence - Phase 1)	An ongoing construction of 11 residential villa	6,160		
Siwa Residence - Phase 2	Semi developed land plot	25,345		
Siwa Club	An on-going construction of clubhouse with a building area of ± 900 m	1,068		
Villa Bau Nyale	An operating resort hotel/villa with 14 rooms	4,039	18,830,000,000	1,997,242
Matahari site	Land as part of an ex-Matahari Inn Hotel and restaurant building	600	4,750,000,000	503,818

- 7.6. The methodology employed by JLL in ascribing the above market valuations is summarised from paragraph 7.16, with further details available in the JLL Report in Appendix E.

### **Property Legal Status**

- 7.7. Indonesian land laws provide for several alternative forms of property ownership. These include Hak Milik (“**HM**”), or right to own; Hak Guna Nagunan (“**HGB**”) or Right to Build; and traditional or local land rights, referred to as “**Sporadik Letter**” in the JLL Report. Key aspects of these forms of title as described by the JLL Report are summarised below.
- HM is the strongest and highest hereditary right that may be held with respect to land, but may only be held by an Indonesian citizen or other legal entities determined by the government. The usage of the land must include a social function, meaning the usage of the land has to comply with the condition and nature of the right, thereby benefiting the owner, the community and country. Land may not be held by foreign citizens under this title.
  - HGB title provides the right to establish and construct buildings on a plot of land. HGB can be granted to an Indonesian citizen, or an Indonesian legal entity (which can be foreign or locally owned) established under Indonesian law and domiciled in Indonesia. The term of an HGB title can be up to a maximum of 30 years, though up to an additional 20-year extension can be granted. In practice, after the initial extension the term can be extended for an additional 30 years.
  - Sporadik Letter is the lowest right of land ownership and is not registered with the National Land Agency.
- 7.8. Based on the legal status of the land titles provided in the JLL Report, only the HGB titles have been assigned value, given that there is a lack of legal certainty provided by a Sporadik Letter.

### **Indonesian Economy and Tourism Industry**

- 7.9. Indonesia has experienced growth in international tourists for 12 consecutive years, with a compound annual growth rate of 13.8% between 2014 and 2018. This increased growth coincides with the government relaxing the visa requirements for entry and an increase in the number of international flight routes into the country. The Government of Indonesia has additionally budgeted for increased infrastructure spending, which is expected to provide further support to the tourism industry.
- 7.10. The JLL Report notes that:
- “The Indonesian Government has a growth strategy to replicate the success of the tourism industry on the island of Bali across 10 destinations. Areas were selected based on attractiveness as a tourist destination and extent that the location would economically benefit from better access and amenities.”*
- 7.11. Tourist numbers to the island of Lombok been increasing since 2013, though there was a decrease in 2018 that is expected to be temporary due to natural disasters being the cause of the drop in that year.
- 7.12. One of the identified growth regions involves the Mandalika Project, located in the vicinity of LBN’s property interests. The Mandalika Project is being developed by the state-owned enterprise ITDC as a Tourism Special Economic Zone. The development is expected to boost Lombok’s tourism industry, and support economic development through infrastructure investments in the region.
- 7.13. Funding committed to date for the Mandalika Project has been approximately US\$1.3 billion. Funding support is also to be provided by the Asian Infrastructure Investment Bank, with a loan program worth US\$248.4 million entered into on 31 December 2018. 10 hotels are planned for the development, expected to provide 2,485 rooms by the end of 2021. Additionally, facilities are being constructed in order to host a MotoGP event in 2021, expected to provide a large boost to tourist spending in the area.

7.14. Additional surrounding infrastructure developments include:

- A direct access road to Mandalika from the Lombok International Airport
- 11km of regional highways
- Clean water distribution pipelines
- Electricity network
- Clean water treatment plant
- Restaurants, cafes and retail shop developments
- Water park
- Mosque accommodating up to 5,500 people

7.15. We note the JLL report does not take into account the impact of the Coronavirus pandemic on the Indonesian tourism industry given the recency of the event and the extreme uncertainty as a result. Please refer to paragraph 9.15 for further comments on this.

***Valuation Methodology***

7.16. A variety of valuation methodologies have been adopted in the valuations of the LBN properties where appropriate. The valuations for each of the properties have been conducted under the principle of “*The reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, financially feasible, and that result in the highest land value*” as per the Indonesian valuation standards. The valuations for each property were assessed as follows.

***Mawun Beachfront***

7.17. Due to a lack of supporting legal documents for the Mawun Beachfront site held under 3 Sporadik Letter agreements, JLL determined that ascribing a value to LBN’s interest in this property was not appropriate.

***Mong Hill***

7.18. The Mong Hill site was valued using a market-based comparable transactions approach, that considers other properties in the vicinity that are either currently for sale or have recently transacted. Four comparable properties were identified, with adjustments made to the sale price to reflect differences in both transaction and property conditions, reflected by applying a premium or discount for the relative impact on value of various factors as follows:

- Price negotiation discount
- Legal status of the property
- Desirability of the property location
- Accessibility to the property
- Land area
- View of the property
- Legal/zoning characteristics of the property

- 7.19. The Mong Hill site is assessed to have a value based on comparable properties of IDR 752,958 per square metre, or a total of approximately IDR 38,370,000,000 over the 50,959 square metres considered by JLL (under HGB status). We note that 5,849 square metres of the property has not been valued due to lack of legal certainty over of the land held by Sporadik Letter only.
- 7.20. An optimistic and conservative scenario has additionally been presented by the JLL Report based on:
- In the optimistic case, no discount on the comparable land price, for a value of IDR 782,461 per square metre, or a total of IDR 39,873,428,530; and
  - In the conservative case, an additional 5% discount applied to comparable land prices after the initial discount, for a value of IDR 733,459 per square meter, or a total of IDR 37,376,340,477.

*Siwa Cliff Estate*

- 7.21. The Siwa Cliff Estate consists of three components that have been valued separately by JLL, the Residence Phase 1 (under construction), Residence Phase 2 and Siwa Club (under construction). These total a valuation area of 27,177 square metres under HGB titles, with 5,396 square metres excluded as they are under a HM license with a lack of supporting documents to confirm the property has been transferred to LBN and converted to HGB.
- 7.22. Each of the three components were valued using a cost approach involving the summation of the estimated values of the land, building and infrastructure, separately.
- 7.23. The land for each of the three components was valued using a market-based approach based on sales of 4 comparable properties each. The valuation has been adjusted for the same factors described at paragraph 7.18 and also:
- Market condition, i.e. if there is growth of the market of land in the surrounding area since the transaction date
  - Land condition
- 7.24. The value based on comparable properties per square metre was then applied to the respective valuation areas of the three components.
- 7.25. The building and infrastructure were valued based on replacement cost using construction costs to date. The Siwa Residence Phase 2 building construction has yet to commence and therefore there is no building value for that component.
- 7.26. A 25% developers' profit has been applied to the property. This is based on the professional judgement of JLL that an Indonesian real estate developer would typically seek a profit of between 20% and 30% of their investment. For the preferred value the mid-point of 25% has therefore been applied.
- 7.27. The valuation figures for each of the individual components of the Siwa Cliff Estate is as set out below.

Component	Aspect	Value per square metre (IDR)	Area (m <sup>2</sup> )	Value (IDR)
Residence phase 1	Land	959,478	6,160	5,910,387,553
Residence phase 1	Building			24,182,440,924
Residence phase 1	Infrastructure			10,231,383,266
Subtotal				40,324,211,744
25% development profit				10,081,052,936
<b>Total (inc. 25% development profit)</b>				<b>50,405,264,680</b>
Residence phase 2	Land	952,927	19,949	19,009,936,607
Residence phase 2	Infrastructure			4,052,014,429
Subtotal				23,061,951,036
25% development profit				5,765,487,759
<b>Total (inc. 25% development profit)</b>				<b>28,827,438,795</b>
Siwa Club	Land	994,818	1,068	1,062,465,613
Siwa Club	Building			8,786,330,737
Siwa Club	Infrastructure			1,040,116,449
Subtotal				10,888,912,799
25% development profit				2,722,228,200
<b>Total (inc. 25% development profit)</b>				<b>13,611,140,999</b>
<b>Total (rounded)</b>				<b>92,840,000,000</b>

7.28. Optimistic and conservative valuations were also provided for each component, based on:

- In the optimistic case, no discounts on comparable land prices and a 30% development profit, for a total value of approximately 96,900,000,000 IDR.
- In the conservative case, an additional 5% negotiation discount to comparable properties and a 20% development profit, for a total of approximately IDR 88,500,000,000.

#### *Villa Bau Nyale*

7.29. The Villa Bau Nyale property is comprised of an operational resort hotel containing multiple villas, a back house, and excess land. The land is covered by 2 HGB titles covering an area of 4,039 square metres, which is all included in the valuation.

7.30. As the hotel is revenue generating, an income-based DCF model was used. An average indicative room rate per night was calculated on comparison with other villas in Kuta, Lombok. Adjustments were made based on providing a score on a number of factors that are considered likely to affect the nightly room prices, including location, building age, facilities, etc. Numerous other assumptions were made under the model such as occupancy rates and growth rates, and are outlined in the JLL Report in Appendix E.

7.31. The back house was valued using a cost approach involving summation of the estimated value of land, building and infrastructure. Land was valued using a sales comparison method as in the other properties, with adjustments made where appropriate based on the same factors as in paragraph 7.23. Building and infrastructure were valued using the cost of replacement.

- 7.32. The excess land was also valued using a sales comparison based on 3 comparable properties, using the same adjustment factors where they are relevant, for an area of 950 square metres.
- 7.33. The valuations for individual components for the Villa Bau Nyale are set out below.

Component	Aspect	Value per square metre (IDR)	Total area (m <sup>2</sup> )	Value (IDR)
<b>Hotel/villa</b>				<b>15,720,048,861</b>
Back house	Land	1,444,688	604.38	873,133,563
Back house	Building			863,415,936
<b>Total back house</b>				<b>1,736,549,499</b>
<b>Excess land</b>	<b>Land</b>	<b>1,444,688</b>	<b>950</b>	<b>1,372,453,997</b>
<b>Total (rounded)</b>				<b>18,830,000,000</b>

- 7.34. Optimistic and conservative valuations were also provided, based on:
- In the optimistic case, for the hotel/villa a 2.5% increase in the occupancy rate assumption and an increase in the assumed base room rate, and for the land and buildings no discount to the comparable prices, for a total value of approximately IDR 19,830,000,000.
  - In the conservative case, for the hotel/villa a 2.5% decrease in the occupancy rate assumption and a decrease in the assumed base room rate, and for the land and buildings an additional 5% negotiation discount on comparable prices, for a total value of approximately IDR 17,800,000,000.

#### *Matahari*

- 7.35. The Matahari site covers an area of 4,903 square metres and contains a hotel building (currently in the process of being demolished). The land is covered by a HM contract, though will be converted to an HGB title registered the LBN following a deed of sale agreement, under which LBN will acquire an area of 600 square metres, which forms the valuation area.
- 7.36. The valuation uses a market-based comparable transactions approach. Three nearby properties that have either recently been sold or are currently on the market have been considered. As the comparable properties contain buildings, the comparable property values are adjusted to remove the estimated value of the buildings contained on the property, to arrive at a land value. Transactional and market adjustments were applied to the land value based on a premium or discount for the relative characteristics of the property as follows:
- Price negotiation discount
  - Desirability of the property location
  - Land area
- 7.37. After adjustments, the Matahari site has a value of IDR 7,921,805 per square metre, or a total of approximately IDR 4,750,000,000 over the 600 square metres valuation area.
- 7.38. An optimistic and conservative scenario has additionally been presented based on:
- In the optimistic case, no discount on the comparable land price, for a value of IDR 10,162,739 per square metre, or a total of IDR 6,097,643,396.

- In the conservative case, an additional 5% discount applied to comparable land prices after the initial discount, for a value of IDR 7,441,744 per square meter, or a total of IDR 4,465,046,406.

- 7.39. Further details on the assumptions used and adjustments made are referred to in the JLL Report attached as Appendix E to this report.
- 7.40. The adjusted range of values for LBN's property interests is summarised below. The JLL ascribed valuations have been converted into Australian dollars at the rate at 6 March 2020 of A\$1 to 9,428 IDR.

Property	Low (IDR)	Preferred (IDR)	High (IDR)	Low (A\$)	Preferred (A\$)	High (A\$)
Mawun Beachfront Site	-	-	-	-	-	-
Mong Hill	37,376,340,477	38,370,000,000	39,873,428,530	3,964,398	4,069,792	4,229,256
Siwa Cliff Estate	88,500,000,000	92,840,000,000	96,900,000,000	9,386,933	9,847,263	10,277,896
Villa Bau Nyale	17,800,000,000	18,830,000,000	19,830,000,000	1,887,993	1,997,242	2,103,309
Matahari Site	4,465,046,406	4,750,000,000	6,097,643,396	473,594	503,818	646,759
<b>Total</b>	<b>148,141,386,883</b>	<b>154,790,000,000</b>	<b>162,701,071,926</b>	<b>15,712,918</b>	<b>16,418,116</b>	<b>17,257,220</b>

#### Adjusted Net Asset Based Value

- 7.41. Set out below is LBN's adjusted net assets as per paragraph 6.11. The low, preferred and high valuation figures reflect adjustments to the value of LBN's property assets in accordance with the JLL Report as described in paragraph 7.40. In addition, a new property which was acquired subsequent to the JLL Report valuation cut-off date has been included in the property values at cost (2,070,000,000 IDR, or \$219,559 converted at the 6 March 2020 exchange rate of 9,428 IDR/A\$).
- 7.42. The accounts of LBN are normally prepared in IDR, however we have converted them to A\$ at a rate of A\$1 to 9,428 IDR, as per the exchange rate at 6 March 2020.



	Ref	Adjusted 29 Feb 2020 A\$	Low A\$	Adjusted Preferred A\$	High A\$
<b>Current assets</b>					
Cash and cash equivalents		1,092,488	1,092,488	1,092,488	1,092,488
Trade and other receivables		11,587	11,587	11,587	11,587
Inventory		322,514	322,514	322,514	322,514
Advances		247,835	247,835	247,835	247,835
Prepaid expenses		17,193	17,193	17,193	17,193
<b>Total current assets</b>		<b>1,691,616</b>	<b>1,691,616</b>	<b>1,691,616</b>	<b>1,691,616</b>
<b>Non-current assets</b>					
Land and buildings	7.40	7,966,173	15,932,476	16,637,675	17,476,779
Plant and equipment		263,569	263,569	263,569	263,569
Deferred tax asset		1,729	1,729	1,729	1,729
<b>Total non-current assets</b>		<b>8,231,471</b>	<b>16,197,775</b>	<b>16,902,974</b>	<b>17,742,078</b>
<b>Total assets</b>		<b>9,923,088</b>	<b>17,889,391</b>	<b>18,594,590</b>	<b>19,433,694</b>
<b>Current liabilities</b>					
Payable - FGC related entities		(1,269,430)	(1,269,430)	(1,269,430)	(1,269,430)
Payables - other		(216,091)	(216,091)	(216,091)	(216,091)
Accrued expenses		(80,667)	(80,667)	(80,667)	(80,667)
Refundable sales deposits		(65,288)	(65,288)	(65,288)	(65,288)
Tax payables		(33,684)	(33,684)	(33,684)	(33,684)
<b>Total current liabilities</b>		<b>(1,665,159)</b>	<b>(1,665,159)</b>	<b>(1,665,159)</b>	<b>(1,665,159)</b>
<b>Non-current liabilities</b>					
Borrowings		(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Employee entitlements		(6,917)	(6,917)	(6,917)	(6,917)
<b>Total non-current liabilities</b>		<b>(5,006,917)</b>	<b>(5,006,917)</b>	<b>(5,006,917)</b>	<b>(5,006,917)</b>
<b>Total liabilities</b>		<b>(6,672,077)</b>	<b>(6,672,077)</b>	<b>(6,672,077)</b>	<b>(6,672,077)</b>
<b>Net assets (100% interest)</b>		<b>3,251,011</b>	<b>11,217,315</b>	<b>11,922,513</b>	<b>12,761,617</b>

- 7.43. We have accepted on face value the carrying values of all other current assets and liabilities, which were reviewed by Stielow & Associates.

#### Conclusion on value of LBN

- 7.44. On a Net Asset basis using technical values for property interests, LBN may be worth between \$11,217,315 and \$12,761,617, with a preferred value of \$11,922,513.

## 8. FAIRNESS EVALUATION

### Post Transaction Value of Sapex Shares

8.1. In assessing the fairness of the Transaction, we have compared:

- i) the fair market value of a Sapex share pre-Transaction on a control basis; with
- ii) the fair market value of a Sapex share post-Transaction on a minority basis, taking into account the acquisition of LBN, debt refinancing and issue of additional shares.

### Pre-Transaction Value

8.2. The table below presents the fair value of a Sapex share to Non-Associated Shareholders prior to the Transactions being completed.

	Ref	Adjusted to 6 March 2020 A\$
Net assets/(liabilities)	5.2	(11,601,755)
Number of shares on issue	5.2	253,152,430
<b>Value per share (control basis)</b>	<b>5.2</b>	<b>(0.0458)</b>

### Post Transaction Value

8.3. Our assessed value per Sapex share post Transaction, on a minority interest basis, is set out below. We note that the following assumptions have been made.

- 99.9% of the value of LBN (on a net asset basis), as per paragraph 7.42, is added as a result of the Acquisition Transaction.
- \$253,000 owing under convertible notes to be converted to equity as per paragraph 1.21 (vii).
- Cash has been reduced by \$2,333 being the approximate purchase price for 0.1% of the capital of LBN from Febryanti Kharisma (IDR22,000,000 converted at the A\$:IDR exchange rate of 1:9,428 as at 6 March 2020).

	Ref	Low A\$	Preferred A\$	High A\$
Sapex - pre transaction net asset value	5.2	(11,601,755)	(11,601,755)	(11,601,755)
LBN – 99.9% of net asset value	7.42	11,206,097	11,910,591	12,748,856
Net decrease/(increase) in borrowings		253,000	253,000	253,000
Purchase of Febryanti Kharisma shares		(2,333)	(2,333)	(2,333)
<b>Combined net asset value</b>		<b>(144,991)</b>	<b>559,502</b>	<b>1,397,767</b>
Post transaction shares on issue	1.24	634,670,452	634,670,452	634,670,452
<b>Value per share (control basis)</b>		<b>(0.0002)</b>	<b>0.0009</b>	<b>0.0022</b>
Minority discount (%)	8.5	23.1%	23.1%	23.1%
<b>Value per share (minority interest basis)</b>		<b>(0.0002)</b>	<b>0.0007</b>	<b>0.0017</b>

#### Discount for Minority Interest

- 8.4. We note a Net Asset valuation assumes a 100% interest in the company. Pre-Transaction the shares owned by Non-Associated Shareholders are considered on a control basis, whereas the shares owned by Non-Associated Shareholders will represent a minority interest post Transaction. Generally, historical evidence of control premiums offered on takeovers for small cap companies are in the range of 20% to 40%<sup>1</sup> (although outcomes outside of this range are not uncommon) with 30% a commonly accepted benchmark.
- 8.5. To reflect the value of a minority interest in Sapex shares to Non-Associated Shareholders post-Transaction, a minority interest discount of 23.1% (the inverse of a 30% control premium) is applied to the assessed value of a Sapex share on a control basis.

#### Fairness Opinion

- 8.6. The fair value of a Sapex share subsequent to the Transaction may be in the range of negative \$0.0002 and \$0.0017, with a preferred value of \$0.0007.

	Ref	Low A\$	Preferred A\$	High A\$
Pre-Transaction (control basis)	5.2	(0.0458)	(0.0458)	(0.0458)
Post Transaction (minority interest)	8.3	(0.0002)	0.0007	0.0017
<b>Fairness</b>		<b>Fair</b>	<b>Fair</b>	<b>Fair</b>

- 8.7. **Since the assessed value of a Sapex share subsequent to the Transaction, when assessed collectively, is above the pre-Transaction value in all three cases, the proposal as outlined in Resolution 1A to issue FGSC Bond Fund 132,511,652 ordinary shares is considered to be FAIR to the Non-Associated Shareholders of Sapex as at the date of this report.**

<sup>1</sup> "Control Premium Study 2017", RSM

## **9. REASONABLENESS EVALUATION**

### **Decision on Reasonableness of Transaction**

- 9.1. Under RG 111, a transaction is “reasonable” if it is “fair”. As the Transaction is considered fair, the Transaction is also considered reasonable.
- 9.2. For the information of the Non-Associated Shareholders, we note below some of the advantages, disadvantages and other factors relating to the Transaction.

### **Advantages**

- 9.3. The Transaction as noted above is considered fair.
- 9.4. The Company is currently in default under several debt agreements, and may avoid a potential receivership scenario, or a more punitive alternative restructuring transaction, by approving the proposed Transaction. If a receivership were to occur:
- Sapex’s directors would no longer have their powers and the receiver would take control of the Company’s assets on behalf of the secured creditors.
  - It is likely that the receivers would seek to sell the assets of the Company, and a receiver led sale process may result in a lower value than under a transaction process in different circumstances.
  - Transaction costs would be associated with the receivership.
  - The Non-Associated Shareholders would receive the residual surplus after the receiver, the secured creditors and preferred shareholders have been compensated. Due to the significant existing debts and a current net liability position, we consider it is unlikely that Sapex shareholders would receive anything in this scenario.
- As a result, it is possible that the Non-Associated Shareholders may receive less value in a receivership scenario than following the proposed Transaction.
- 9.5. Furthermore, we note Sapex will secure a release of any obligations to Athos, FG Agri and FG Innovation as part of the Transaction.
- 9.6. The proposed Restructure Transaction secures an extension of 12 months on all of Sapex’s borrowings, which provides an opportunity for Sapex to improve its performance, financial position, and seek to improve its funding structure in a subsequent refinance event.
- 9.7. The proposed Transaction would increase the scale of the business. This could potentially increase the likelihood of the Company meeting the ASX Listing Rules criteria, and achieve its previously stated goal of an ASX listing (though we note that, as per the NSX announcement on 21 April 2020, an ASX listing is no longer a priority for the Company in the short-term).
- 9.8. The Transaction introduces a business which is currently developing property assets for sale, which may generate cash flow that could ameliorate the current losses being made, and provide working capital funding to grow the existing Sapex business to a sustainable level of operations.
- 9.9. The conversion features relating to the existing convertible notes are eliminated, reducing potential dilution (but noting that FGSC Bond Fund and Associates, if all resolutions are passed and consummated, will obtain a 35.43% interest in Sapex).
- 9.10. Sapex acquires a property development company which will diversify its business interests in Indonesia.

- 9.11. A change of management and control to parties associated with FGC and SAS is intended, which may reduce overheads and potentially result in a turn-around for the existing business of Sapex.
- 9.12. There are potential synergies to be obtained through the Transaction, as Sapex's Dura-Base mats products will be used by LBN in its property construction activities.

**Disadvantages**

- 9.13. FGSC Bond Fund and other parties acquire an approximate 59.97% shareholding interest in Sapex. The potential shareholding position of FGSC Bond Fund and Associates may approximate 35.43% (up from the current position of approximately 10.01%).
- 9.14. The number of fully paid ordinary shares on issue would increase (see paragraph 1.24) after issuing 379,217,982 new ordinary shares. This could represent an approximate 149.8% increase in the number of ordinary shares on issue.

**Other Factors**

- 9.15. We note that though the JLL Report is dated 19 March 2020, the valuation cut-off date is 20 February 2020. Since the valuation cut-off date, we note that the coronavirus pandemic has accelerated and become global in nature. Financial market volatility has increased along with financial uncertainty, causing unpredictable damage to travel and tourism industry worldwide. The impact on the Indonesian tourism industry and therefore the valuations of LBN's property portfolio is therefore unable to be accurately assessed at the date of this report.
- 9.16. Furthermore, we also note there has been a substantial decrease in the oil price and that Sapex existing mat business faces significant challenges that cannot be quantified at this time.
- 9.17. While the current pandemic is a significant negative for Indonesian tourism and may affect tourism related property values in Lombok, and the time to recover is uncertain, we note that if the Transaction is not approved by Non-Associated Shareholders, they remain at significant risk of a receivership scenario and crystallising a full loss on their existing investment.

**10. CONCLUSION AS TO THE FAIRNESS AND REASONABLENESS OF THE TRANSACTION**

- 10.1. **We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction, including the proposal under Resolution 1A, is FAIR AND REASONABLE to the Non-Associated Shareholders of Sapex at the date of this report.**

**11. SHAREHOLDERS DECISION**

- 11.1. SIS has been engaged to prepare an IER setting out whether in its opinion the Transaction is fair and reasonable and state reasons for that opinion. SIS has not been engaged to provide a recommendation to shareholders as to whether to approve the Transaction.
- 11.2. The decision whether to approve the Transaction or not is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the Transaction proposal shareholders should consult their own professional adviser.
- 11.3. Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Sapex. This is an investment decision upon which SIS does not offer an opinion and is independent of the decision to approve the Transaction or not. Shareholders should consult their own professional adviser in this regard.

**12. SOURCES OF INFORMATION**

- 12.1. In making our assessment as to whether the Transaction is fair and reasonable to the Non-Associated Shareholders of Sapex we have reviewed relevant published information and other unpublished information on the Company which is relevant to the current circumstances. In addition, we have held discussions with the management of Sapex about the present and future operations of Sapex. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Sapex.
- 12.2. Information we have received includes, but is not limited to the following items.
- i) Discussions with representatives of Sapex
  - ii) Drafts of the NoM and ES to 28 April 2020
  - iii) Details of historical market trading of Sapex shares as recorded by NSX to 28 April 2020
  - iv) Annual reports of Sapex for the years ended 31 December 2018 and 31 December 2019
  - v) Half year report of Sapex for the half years ended 30 June 2018 and 30 June 2019
  - vi) Announcements made by Sapex for the period from 1 January 2018 to 28 April 2020
  - vii) The JLL Report on the property assets of LBN prepared by JLL and dated 19 March 2020
  - viii) Management accounts of Sapex and LBN to 6 March 2020 and 31 October 2019, respectively
  - ix) Updates of cash and obligation balances of LBN to 29 February 2020

- x) Copies of legal agreements relating to the Transaction
- xi) LPG investor presentation
- xii) Final Legal Due Diligence Report of LBN prepared by a Big 4 professional service firm, dated 7 February 2020
- xiii) Audit review report on LBN management accounts produced by Stielow & Associates
- xiv) Capital structure (registers) of LBN and Sapex
- xv) Purchase Price Allocation prepared by a mid-tier professional services firm

12.3. Our report includes Appendix D being our declarations, our Financial Services Guide and Appendix E being the JLL Report.

Yours faithfully

**STANTONS INTERNATIONAL SECURTIES PTY LTD**  
**(Trading as Stantons International Securities)**



Samir Tirodkar  
**Director**

## APPENDIX A

### GLOSSARY

<b>A\$</b>	Australian Dollars
<b>Acquisition Transaction</b>	The Transaction components relating to the acquisition of 99.9% of the capital of LBN by Sapex
<b>ADM</b>	ADM Capital
<b>AFCA</b>	Australian Financial Complaints Authority
<b>ASIC</b>	Australian Securities and Investments Commission
<b>Associates</b>	The related parties to FGSC Bond Fund; Chris Warren, Mayee Warren and Falcon Capital Limited
<b>ASX</b>	Australian Securities Exchange
<b>Athos</b>	Athos Asia Event Driven Master Fund
<b>Company</b>	Sapex Group Limited
<b>DCF</b>	Discounted cash flows valuation methodology
<b>ES</b>	Explanatory Statements to the NoM of Sapex
<b>FGC</b>	First Guardian Capital Pty Ltd
<b>FG Agri</b>	FG Agri Pty Ltd
<b>FG Innovation</b>	First Guardian Innovation Fund, Limited Partnership
<b>FGSC Bond Fund</b>	First Guardian Secured Convertible Bond Fund
<b>FME</b>	Capitalisation of future maintainable earnings valuation methodology
<b>FSG</b>	SIS Financial Services Guide, dated 28 April 2020
<b>HGB</b>	Hak Guna Nagunan, a form of land title under Indonesian property law
<b>HM</b>	Hak Milik, a form of land title under Indonesian property law
<b>IDR</b>	Indonesian Rupiah
<b>IER</b>	Independent Expert's Report
<b>ITDC</b>	Indonesia Tourism Development Corporation
<b>JISDOR</b>	Jakarta Interbank Spot Dollar Rate
<b>JLL</b>	Jones Lang LaSalle
<b>JLL Report</b>	Independent Technical Specialists' Report on LBN Property Assets, prepared by JLL and dated 19 March 2020
<b>LBN</b>	PT Lombok Bau Nyale
<b>LPG</b>	Lombok Property Group Pty Ltd
<b>Mandalika Project</b>	Special tourism zone development based in southern Lombok being developed by ITDC
<b>MKE</b>	MK Engineering Pty Ltd
<b>m<sup>2</sup></b>	Square metres
<b>Net Assets</b>	Net Asset based valuation methodologies



<b>Newpark</b>	Newpark Mats & Integrated Services LLC
<b>NoM</b>	Notice of Meeting
<b>Non-Associated Shareholders</b>	The Sapex shareholders who are not restricted from voting on the proposal contained in Resolution 1A of the NoM
<b>NSX</b>	National Stock Exchange of Australia
<b>SAS</b>	PT SAS International Limited
<b>Restructure Transaction</b>	Transaction relating to refinancing of debts and other equity movements
<b>RG74</b>	ASIC Regulatory Guide 74: Acquisitions Approved by Members
<b>RG111</b>	ASIC Regulatory Guide 111: Contents of Expert Reports
<b>s606</b>	Section 606 of the Corporations Act 2001
<b>s611</b>	Section 611 of the Corporations Act 2001
<b>Sapex</b>	Sapex Group Limited
<b>Share Transaction</b>	Transaction relating to transfer of shares to FGSC Bond Fund and conversion of convertible notes
<b>SIS</b>	Stantons International Securities Pty Ltd
<b>Sporadik Letter</b>	Unregistered local land rights under Indonesian property law
<b>SSI</b>	PT Sapex Servis International
<b>TCA</b>	The Corporations Act 2001
<b>Transaction</b>	The Acquisition Transaction, Restructure Transaction and Share Transaction, collectively
<b>US\$</b>	United States of American Dollars

## **APPENDIX B**

### **VALUATION METHODOLOGIES**

#### **Introduction**

In preparing this report we have considered several valuation approaches and methods. These approaches and methods are consistent with:

- Market practice
- The methods recommended by the Australian Securities and Investments Commission in Regulatory Guide 111
- The International Valuation Standards
- The International Glossary of Business Valuation Terms

A valuation approach is a general way of determining an estimate of value of a business, business ownership interest, security or intangible asset. Within each valuation approach there are a number of specific valuation methods, which are specific ways to determine an estimate of value.

There are three general valuation approaches as follows:

#### **Income Approaches**

Provides an indication of value by converting future cash flows to a single present value. Examples of an income approach are:

- The discounted cash flow method (“DCF”)
- The capitalisation of future maintainable earnings method (“FME”)

#### **Asset Based Approaches**

Provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction.

#### **Market Approaches**

Provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. The main examples of the market approach are:

- Analysis of recent trading
- Industry rules of thumb

#### **1. Discounted Cash Flow Method**

Of the various methods noted above, the DCF method has the strongest theoretical basis. The DCF method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A DCF valuation requires:

- A forecast of expected future cash flows
- An appropriate discount rate
- An estimate of terminal value

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue and cost drivers, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under FME below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows to provide an estimate for the overall value of the business.

The DCF method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective, sometimes leading to a valuation conclusion presented that is too wide to be useful.

A DCF approach is usually preferred when valuing:

- Early stage companies or projects
- Limited life assets such as a mine or toll concession
- Companies where significant growth is expected in future cash flows
- Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support an FME approach. However, it may not be appropriate if:

- Reliable forecasts of cash flow are not available and cannot be determined
- There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

A DCF approach is not recommended when assets are expected to earn below the cost of capital. Also, when valuing a minority interest in a company, care needs to be taken if a DCF based on earnings for the whole business is prepared, as the holder of a minority interest would not have access to, or control of, those cash flows.

## **2. Capitalisation of Future Maintainable Earnings Method**

The FME method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a DCF, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The FME methodology involves the determination of:

- A level of future maintainable earnings
- An appropriate capitalisation rate or multiple

Any of the following measures of earnings can be used

**Revenue** – mostly used for early stage, fast growing companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

**EBITDA** – most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

**EBITA** – in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business

**EBIT** – whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation)

**NPAT** – relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company as the investor has no control over the level of debt.

A normalised level of maintainable earnings needs to be determined for the selected earnings measure. This excludes the impact of any gains or losses that are not expected to reoccur and allows for the full year impact of any changes (such as acquisitions or disposals) made part way through a given financial year.

The selected multiple to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money captured in a single number. Multiples can be derived from three main sources.

- Using the comparable trading multiples, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business that are actively traded on a free and open market, such as the ASX
- The comparable transactions method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.
- It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations.

It is important to use the same earnings periods (historical, current or forecast) for calculating comparable multiples, as the period used for determining FME. For example, a multiple based on historical earnings of comparable companies should be applied to historical earnings of the subject of the valuation and not to forecast earnings.

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. The method is less appropriate for valuing companies or assets if:

- There are no (or very few) suitable alternative listed companies or transaction benchmarks for comparison
- The asset has a limited life
- Future earnings or cash flows are expected to be volatile
- There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the underlying net assets
- Working capital requirements are not expected to remain stable

### **3. Asset Based Methods**

Asset based methodologies estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net asset on a going concern basis

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the asset of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flow.

The liquidation of asset method is similar to the orderly realisation of asset method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets

method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

The net assets on a going concern method estimates the market value of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid or for asset holding companies.

An asset-based approach is a suitable method of valuation when:

- An enterprise is loss making and not expected to become profitable in the foreseeable future
- Assets are employed profitably but earn less than the cost of capital
- A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- It is relatively easy to enter the industry

Asset based methods are not appropriate if:

- The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

An asset-based approach is often considered as a floor value for a business assuming the business has the option to realise all of its assets and liabilities.

#### **4. Analysis of Recent Trading**

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

#### **5. Industry Specific Rule of Thumb**

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as traffic for internet businesses or number of beds for a nursing home. These methods are typically fairly crude and therefore only appropriate as a cross-check to a valuation determined by an alternative method.

#### **Selecting an Appropriate Valuation Approach and Method**

The choice of an appropriate valuation approach and methodology is subjective and depends on several factors such as whether a methodology is prescribed, the company's historical and projected financial performance, stage of maturity, the nature of the company's operations and availability of information. The selection of an appropriate valuation method should be guided by the actual practices adopted by potential acquirers of the company involved and the information available.

## **APPENDIX C**

### **CONTROL PREMIUM**

#### **Background**

The difference between a control value and a minority value is described as a control premium. The opposite of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including to:

- Appoint or change operational management
- Appoint or change members of the board
- Determine management compensation
- Determine owner's remuneration, including remuneration to related party employees
- Determine the size and timing of dividends
- Control the dissemination of information about the company
- Set the strategic focus of the organisation, including acquisitions, divestments and any restructuring
- Set the financial structure of the company (debt / equity mix)
- Block any or all of the above actions

The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Based on historical takeover premia that have been paid in Australian acquisitions in the period 2005-2015, the majority of takeovers have included a premium in the range of 20-50%, with 30% being the most commonly occurring. This is in line with standard industry practice, which tends to use a 30% premium for control as a standard.

#### **Intermediate Levels of Ownership**

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- 90% - can compulsorily purchase remaining shares if certain conditions are satisfied
- 75% - power to pass special resolutions
- <50% - gives control depending on the structure of other interests (but not absolute control)
- <25% - ability to block a special resolution
- <20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

## **APPENDIX D**

### **AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd trading as Stantons International Securities dated 28 April 2020, relating to the proposed Transaction.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Sapex other than Stanton International Securities acting as an independent expert for the purposes of this report. Stantons International Audit and Consulting Pty Ltd (“**SIAC**”) (the parent entity of Stantons International Securities) and Stantons International Securities undertook an independence assessment and considered that there are no existing relationships between Stantons International Securities and the parties participating in the Transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is expected to be up to A\$60,000 exclusive of GST net of the cost of engaging JLL to prepare the JLL Report, which was incurred by SIS and reimbursed by the Company. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor Mr Samir Tirodkar have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the preparation of this report.

Stantons International Securities does not hold any securities in Sapex. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr Samir Tirodkar have consented to the inclusion of this report in the form and context in which it is included.

### **QUALIFICATIONS**

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services License (No 448697) under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions involving securities. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted businesses.

Mr Samir Tirodkar, the person with overall responsibility for this report, has experience in the preparation of valuations for companies, particularly in the context of listed company corporate transactions, including the fairness and reasonableness of such transactions. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

### **DECLARATION**

This report has been prepared at the request of Sapex in order to assist shareholders of Sapex to assess the merits of the Transaction to which this report relates. This report has been prepared for the benefit of Sapex shareholders and those persons only who are entitled to receive a copy for the purposes under the Corporations Act 2001 and does not provide a general expression of Stantons International Securities' opinion as to the longer-term value of Sapex, its subsidiaries and/or assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Sapex or their subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

### **DISCLAIMER**

This report has been prepared by Stantons International Securities with care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way

whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities (and SIAC, its directors, employees or consultants) for the preparation of this report.

#### **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities may rely on information provided by Sapex and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Sapex has agreed:

- (a) to make no claim by it or its officers against Stantons International Securities (and SIAC) to recover any loss or damage which Sapex may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Sapex; and
- (b) to indemnify Stantons International Securities against any claim arising (wholly or in part) from Sapex, or any of its officers, providing Stantons International Securities with any false or misleading information or in the failure of Sapex or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A final draft of this report was presented to Sapex for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not change as a result of any feedback from Sapex.



**APPENDIX E**

**JLL INDEPENDENT TECHNICAL SPECIALISTS' REPORT ON LBN PROPERTY ASSETS DATED  
19 MARCH 2020**

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