



MANHATTAN RESOURCES LIMITED

PROPOSED ACQUISITION OF 92.18% EQUITY INTEREST IN PT KP

Powering ahead with diversification

29 June 2016



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About PT Kariangau Power (“PT KP”)



About PT KP

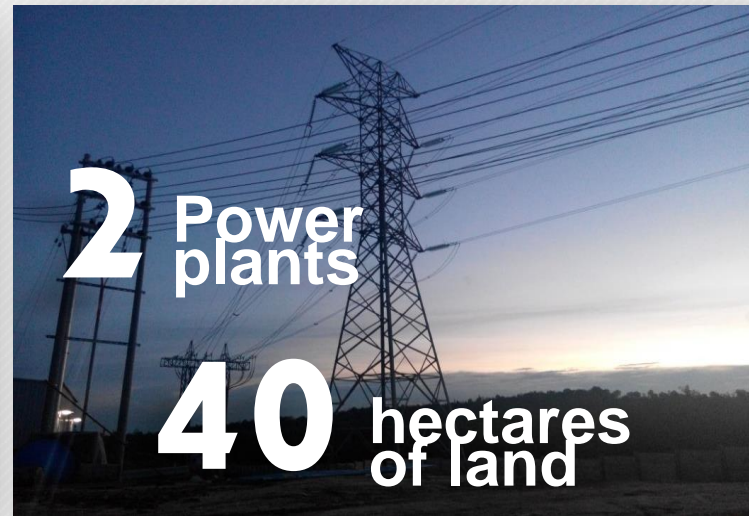
Indonesia's eastern coastal growth center



- Located in the Kawasan Industrial Kariangau (KIK) zone, Balikpapan, East Kalimantan
 - East Kalimantan is an economic corridor identified by Indonesian government
 - KIK zone is an integrated industrial zone for heavy and medium industries, and warehouses



About PT KP



2 x 15 MW power plant

- Coal-fired steam power plant
- 80% average utilization rate
- 2 pieces of vacant land adjacent to the power plant for future expansion



About PT KP



Granted exclusive licence to supply electricity within the KIK zone for 15 years



PT KP has 2 existing agreements with customers:

- PT Dermaga Perkasapratama for a guaranteed monthly minimum sales
- Indonesian state-owned company has committed to purchase all excess power not sold to other customers



PT KP has an on-going Coal Sales and Purchase Agreement with Bayan International which will provide a stable supply of coal, an essential raw material required for its operation.



Prospects for Energy in Indonesia



Electricity Undersupply in Indonesia

Country	Electrification rate ⁽¹⁾	Electricity Consumption (kWh per capita) ⁽²⁾
Indonesia	84.3%	0.7
Philippines	89.7%	0.6
Vietnam	97.3%	1.1
Thailand	99.3%	2.3
Malaysia	99.4%	4.2
Singapore	100%	8.4

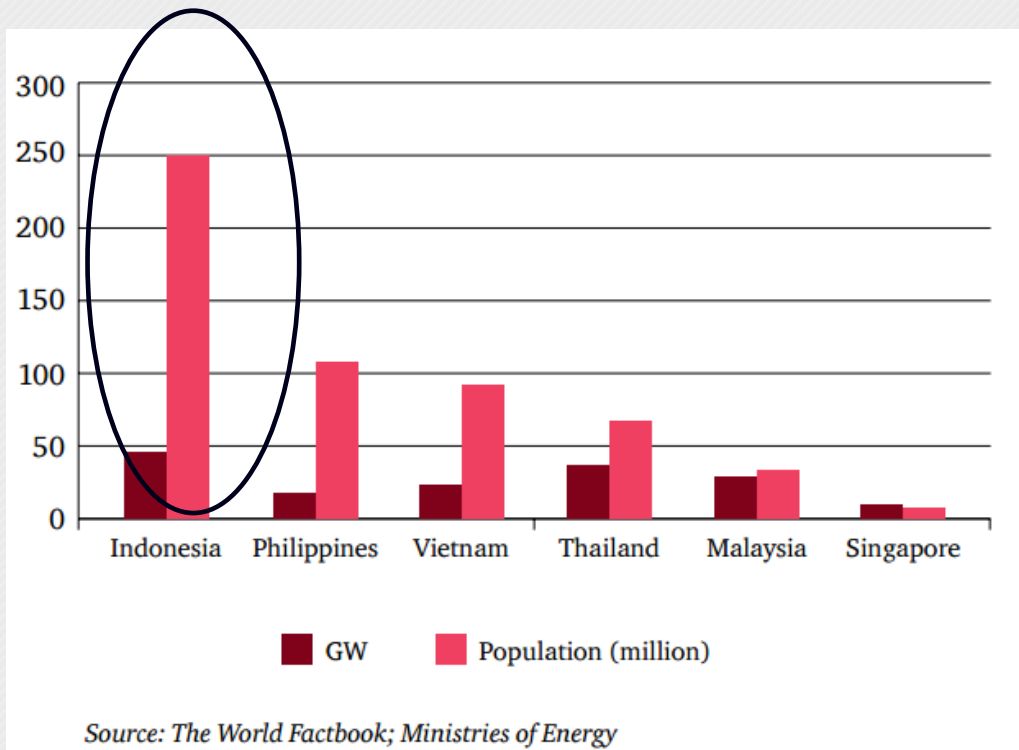
Source: (1) PLN, ASEAN-RESP 2012; (2) World Bank

- Despite relative abundance of cheap natural resources such as coal, electrification rate is amongst the lowest in the region



Electricity Undersupply in Indonesia

Installed capacity vs Population

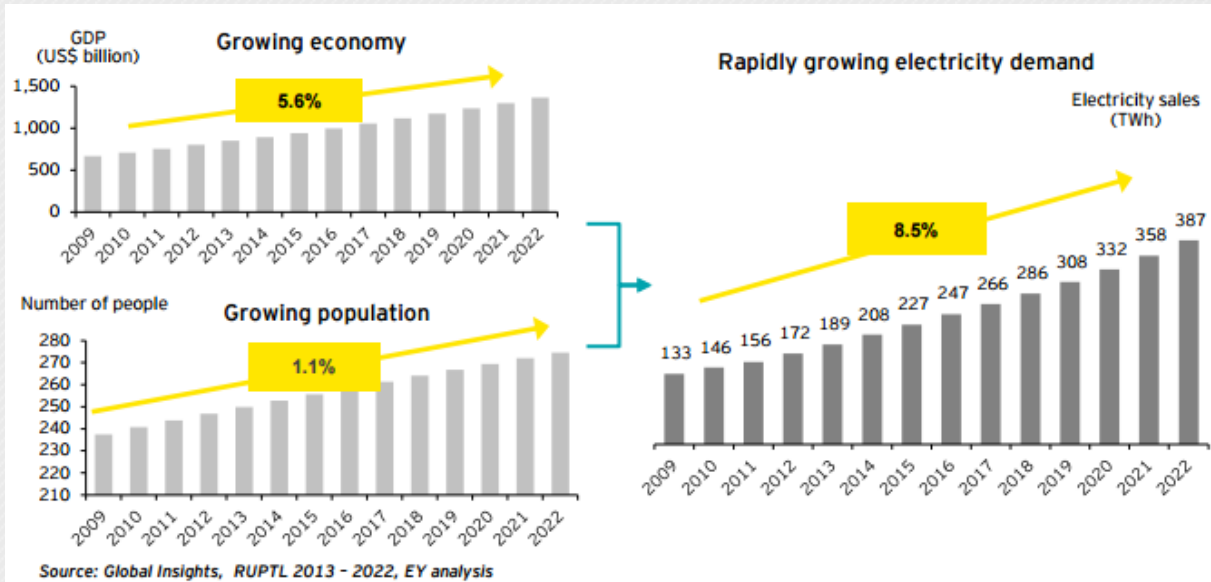


Source: PwC, Power in Indonesia, Oct 2015



- Growing population undergoing urbanization and industrialization but installed capacity for electricity remains disproportionately low
- Supply of electricity at an affordable cost is a potential constraint to the government
- Consequently promoting private sector investment to reach its power generation targets

Rising Demand for Electricity

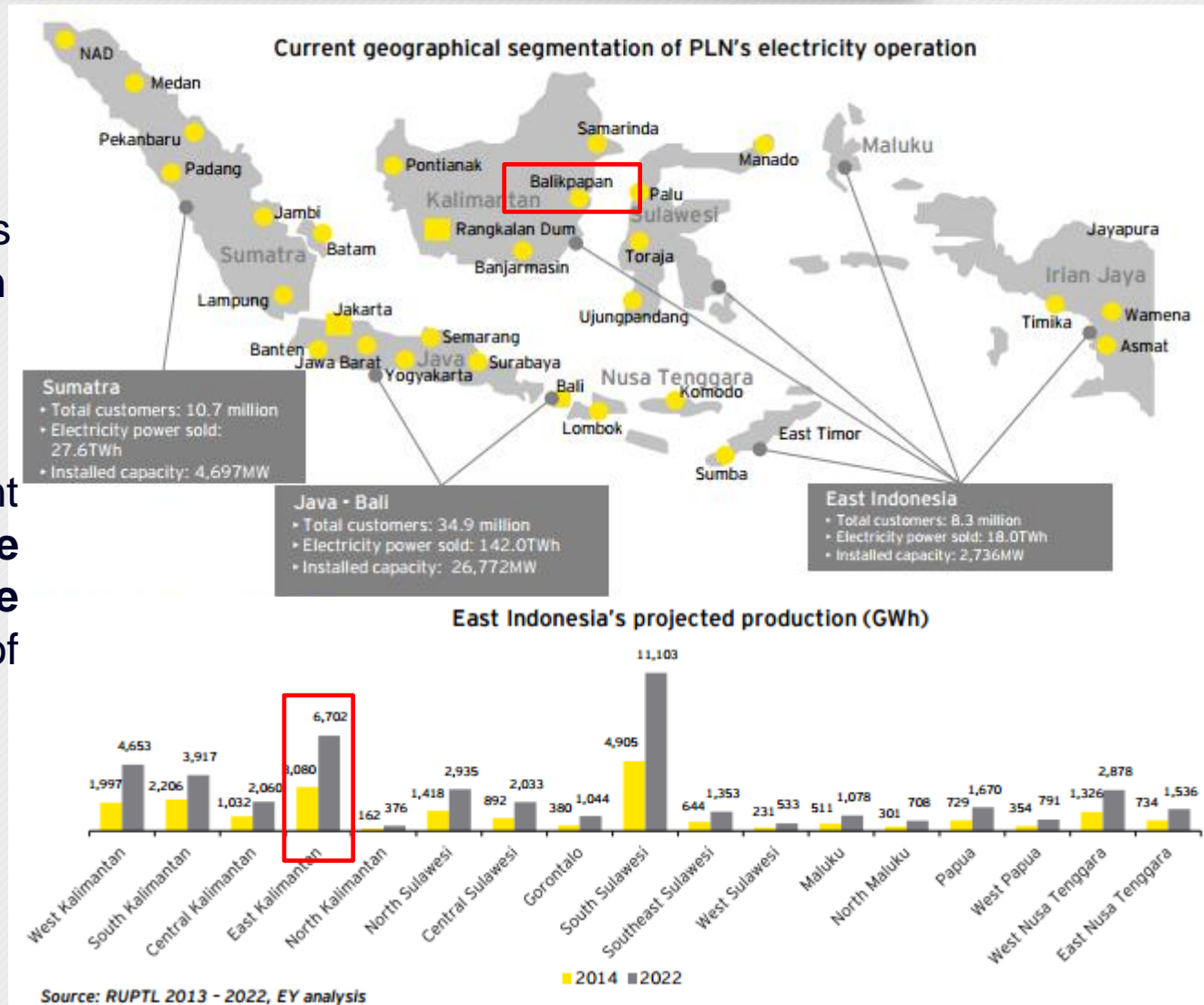


- PT Perusahaan Listrik Negara (PLN), a state-owned enterprise of Indonesia, the only permitted legal entity to supply electricity for public needs, was tasked to establish power plants with a total capacity of **35 GW within the next five years**
- PLN responsible for 17 GW; **New opportunities** for private parties to undertake the remaining 18 GW



Rising Demand for Electricity

- In East Kalimantan in East Indonesia alone, projected production is expected to more than double to 6,702 GWh from 2014 to 2022
- Indonesia government **targets coal to be the main energy source** at more than 60% of the target energy mix



Transaction Overview



Transaction Overview

Acquisition

92.18% equity interest in PT KP

Consideration

Purchase consideration of US\$37 million; to be adjusted downwards to US\$21 million if PT KP does not fulfil adjustment events.

Valuation

From US\$15.5 million to US\$53.3 million based on independent valuation of stake as at 31 Dec 2015

Funding

Internal resources, cash generated from power plant operations and bank borrowings



Adjustment Events by Completion Date

The Purchase Consideration shall not be adjusted to US\$21 million in the event PT KP:

- A** Execute a power purchase agreement (PPA) with 1 of its potential customers; and/or
- B** Achieve an increment of at least 29% in price of electricity sold in an existing PPA with its major customer

The Purchase Consideration shall be further adjusted downward in the event of:

- C** An increase in the net current liability (NCL) of PT KP in excess of US\$250,000 between the month preceding the Completion Date and 31 Dec 2015 on a dollar-for-dollar basis by the amount in excess of US\$250,000.



Adjustment Events by Completion Date

Adjustment Events	Total Purchase Consideration
Both A & B / Either A or B fulfilled	US\$ 37 million
Neither A nor B fulfilled	US\$ 21 million
Both A & B / Either A or B fulfilled and in the event of C	US\$ 37 million less adjustment amount in excess of US\$250,000
Neither A nor B fulfilled and in the event of C	US\$ 21 million less adjustment amount in excess of US\$250,000



Acquisition Rationale



Compelling acquisition for the Group

- 1** **New revenue streams** to broaden earning base, reduce reliance on existing business and achieve long term sustainable growth
- 2** **A natural extension** of the Group's existing barging business and the Group's on-going ventures into the energy-related businesses
- 3** **Directors' experience** in the energy sector
- 4** **Tap on rising demand for electricity** in Indonesia, particularly in economic corridors of Kalimantan
- 5** **PT KP's exclusive right to supply electricity** in the KIK zone for 15 years, granted by Indonesian government
- 6** **PT KP's 2 existing agreements** to sell electricity output which will generate a steady income stream



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