

MANHATTAN RESOURCES LIMITED

(Incorporated In the Republic of Singapore)
(Company Registration No. 199006289K)

CALL OPTION TO ACQUIRE UP TO 60% OF THE ISSUED SHARE CAPITAL OF STARS MIND CAPITAL PTE. LTD.

1. INTRODUCTION

- 1.1 The Board of Directors (**Board**) of Manhattan Resources Limited (**MRL** or **Company**), and together with its subsidiaries, the **Group** is pleased to announce that the Company has on 21 April 2014 entered into a call option agreement (**Call Option Agreement**) with Starsmind Capital Pte. Ltd. (**SCPL**), whereby MRL may, subject to the terms and conditions of the Call Option Agreement, exercise the call option (**Call Option**) to require SCPL to allot and issue to MRL the Option Shares (**Acquisition**).

MRL is interested in investing in Mineriver Pte. Ltd. (**Mineriver**) through acquiring an equity stake in SCPL.

- 1.2 For the purpose of this Announcement, the following definitions shall apply:

Consideration Shares means such number of MRL Shares issued in connection with exercise at the Issue Price for each Consideration Share, according to Table A below.

Independent Technical Report means the independent technical report dated January 2014, commissioned by Xinjiang Fengli and prepared by SRK Consulting China Ltd, in relation to a high-magnesium serpentinite project in Tuoli County, Xinjiang Uygur Autonomous Region, the PRC. The report provides an independent technical assessment of the geology, exploration and resource aspects of the reviewed project based on all available technical data. The report has been prepared in accordance with the JORC Code.

Investment Amount means the consideration payable by MRL to SCPL for the Option Shares, the amount of which shall depend on the Call Option selected, as specified in Table A below.

Issue Price means S\$0.645 for each Consideration Share.

JORC Code means the standard of reporting under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, promulgated by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

MRL Shares means ordinary shares from time to time in the capital of MRL.

Option Period means the period of three (3) months commencing on the date of this Call Option Agreement, which shall be renewable for a further period of three (3) months (or such other date as the Parties may agree in writing).

Option Shares means, depending on the Call Option selected, such number of new ordinary shares in the capital of SCPL to be allotted and issued pursuant to MRL's exercise representing such percentage of the enlarged issued share capital of SCPL at the time of issuance as set out in Table A below.

Parties means MRL and SCPL collectively and **Party** means any of them.

PRC means the People's Republic of China.

Xinjiang Fengli means Xinjiang Fengli Deyuan Trading Co., Ltd (新疆丰利德源贸易有限公司).

2. INFORMATION ON THE PROPOSED TARGET GROUP

2.1 SCPL

SCPL is an investment holding company and was incorporated in Singapore on 18 January 2013. As at the date of this Announcement, SCPL has 250,000 ordinary shares which have been fully paid.

2.2 Mineriver

Mineriver is an investment holding company and was incorporated in Singapore on 8 August 2013. As at the date of this Announcement, Mineriver has an issued share capital of S\$2,001,900 comprising 1,929 ordinary shares.

2.3 Xinjiang Fengli

Xinjiang Fengli is a wholly-owned foreign enterprise established in the PRC on 17 December 2007. As at the date of this Announcement, Xinjiang Fengli has a registered capital of RMB 1,000,000, which has been fully paid up and it is principally engaged in the business of resource investment.

2.4 The Proposed Target Group

SCPL has an option to acquire up to 39.4% of the equity interest of Mineriver.

As at the date of this Announcement, Mineriver is the sole shareholder of Xinjiang Fengli.

Xinjiang Fengli holds one exploration permit named Xinjiang Tuoli County Akekerishi Copper Polymetallic Exploration permit, covering an area of 21.51 square kilometres, located approximately 100 kilometres south of the Tuoli County town in Xinjiang Uygur Autonomous Region, the PRC (**Target Area**) conferring the rights to explore for metals and minerals, including Nickel (**Exploration Permit**). The Exploration Permit will expire on 31 May 2015.

SCPL, Mineriver and Xinjiang Fengli are collectively referred to as the **Proposed Target Group**.

It is intended that the Proposed Target Group will be in the business of exploration and/or mining of minerals and resources including but not limited to Nickel.

3. THE ACQUISITION

3.1 Rationale

The Board believes that the Group's investment in the Proposed Target Group is beneficial to the Group as the investment represents an opportunity for the Group to venture into the resources market and to broaden its earnings base.

The Company has decided to enter into the Call Option Agreement instead of proceeding immediately with the subscription of shares in SCPL, as it is of the view that the Call Option Agreement provides the Company with additional time to assess, amongst others, the outcome of all financial, commercial and legal due diligence investigations, and to decide whether to exercise the Call Option.

3.2 Call Option Agreement

Pursuant to the Call Option Agreement, in consideration for the sum of S\$1.00 paid by MRL to SCPL, SCPL grants to MRL during the Option Period the Call Option to require SCPL to allot and issue to MRL, free from all encumbrances and with all rights attaching thereto on the relevant date of exercise by MRL, the Option Shares, at the Investment Amount and on the terms and subject to the conditions of the Call Option Agreement.

In this connection, the Call Option comprises four possible options, of which only one may be selected by MRL upon exercise:

Table A

Call Option	Number of Option Shares	Investment Amount	Number of Consideration Shares
1	Such number of Option Shares representing 15% of SCPL's enlarged issued share capital as at the time of issuance	S\$10,000,000	15,500,000
2	Such number of Option Shares representing 30% of SCPL's enlarged issued share capital at the time of issuance	S\$20,000,000	31,000,000
3	Such number of Option Shares representing 45% of SCPL's enlarged issued share capital at the time of issuance	S\$30,000,000	46,500,000
4	Such number of Option Shares representing 60% of SCPL's enlarged issued share capital at the time of issuance	S\$40,000,000	62,000,000

3.3 Investment Amount

The Investment Amount shall, depending on the Call Option exercised, be as set out in Table A above.

The Investment Amount shall be fully satisfied by MRL through the allotment and issuance of the Consideration Shares in accordance with Table A above, each credited as fully paid, to a placement agent to be appointed (**Placement Agent**). The Placement Agent shall, at the option of SCPL:

- (a) arrange for the Consideration Shares to be issued directly to the creditors of SCPL for purposes of offsetting of debts due from SCPL to its creditors, whereupon the cash value of the debt shall be credited to MRL as the Investment Amount; and/or
- (b) conduct a placement of the Consideration Shares, whereupon the entire net proceeds of such placement shall be paid to SCPL as the Investment Amount.

To avoid doubt, for so long as SCPL is or will become a subsidiary of MRL, the Consideration Shares shall not at any time be issued to SCPL directly.

The Consideration Shares, when issued, will be free from all Encumbrances and will rank *pari passu* in all respects with the then existing MRL Shares.

The Issue Price for each Consideration Share of S\$0.645 represents approximately 5.0% discount to the volume weighted average traded price of S\$0.679 on 17 April 2014, being the market day preceding the date of the Call Option Agreement.

The Investment Amount was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis. In arriving at the Investment Amount, the Company has taken into

account, amongst others, the Independent Technical Report which states that, based on studies conducted on the reviewed area which is located in the southwest of the permit area and covers an area of nearly 5 square kilometres, there is an estimated 4,202 million tonnes in measured and indicated mineral resources at the Target Area using a Magnesium Oxide cut-off grade of 30%.

3.4 Exercise of the Call Option

The Call Option may be exercised only once by MRL at any time during the Option Period by service of a notice of exercise on SCPL, failing which the Call Option will lapse and cease to have any effect.

Save with the consent in writing of SCPL, the Call Option cannot be exercised after the expiration of the Option Period.

3.5 Conditions Precedent and Completion

MRL may not exercise its Call Option unless the following conditions (**Conditions Precedent**) have been satisfied or waived in accordance with the Call Option Agreement:

- (i) the issue of an in-principle approval from the SGX-ST for the listing and quotation of the Consideration Shares on the SGX-ST having been obtained and if such approval or issuance is subject to conditions, such conditions being reasonably acceptable to MRL and if required by the SGX-ST, such conditions being fulfilled or satisfied before Completion, and such approval remaining in full force and effect;
- (ii) if required, the approval by the shareholders of MRL having been obtained at an extraordinary general meeting of MRL for the entry into, implementation and completion of the transactions contemplated under this Agreement; and
- (iii) the satisfactory outcome of all financial, commercial and legal due diligence investigations by MRL on, *inter alia*, the financial, contractual, tax and trading positions, and prospects, of each Target Group Company (that is, any member of the Proposed Target Group) and title to its assets.

In the event that any of the Conditions Precedent has not been fulfilled or waived in accordance with the Call Option Agreement on or before the expiry of the Option Period, the Call Option Agreement (save for certain specified clauses (**Surviving Clauses**)) shall automatically terminate and neither Party shall have any claim of any nature whatsoever against the other Party under the Call Option Agreement (save and except for any claims that may be made by any Party in respect of any breach by any other Party of its obligations under any of the Surviving Clauses).

Completion shall take place in Singapore (or such other place as may be agreed between the Parties) on the Completion Date (that is, a date falling within 30 days after MRL's notice to SCPL of the exercise of MRL's Call Option) or at such other venue, time and/or date as the Parties may mutually agree in writing.

4. ASSET VALUE AND NET LOSS ATTRIBUTABLE TO THE ASSETS ACQUIRED

As SCPL is an investment holding company, it does not have any assets as at the date of this Announcement and has not carried on any business.

Based on the audited accounts of Xinjiang Fengli as at 31 December 2012 in accordance with the PRC GAAP, the book value and net tangible asset value of Xingjiang Fengli were approximately RMB827,367 and RMB795,506 respectively. Based on the said accounts, the net loss before tax for the year ended 31 December 2012 of Xingjiang Fengli was approximately RMB102,520.

Based on the audited accounts of Xinjiang Fengli for the period from 1 January 2013 to 31 July 2013 in accordance with the PRC GAAP, the book value and net tangible asset value of Xingjiang Fengli were approximately RMB381,369 and RMB(82,293) respectively. Based

on the said accounts, the net loss before tax of Xingjiang Fengli for the period from 1 January 2013 to 31 July 2013 was approximately RMB444,930.

5. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006

The relative figures (based on the Group's latest audited financial statements for the financial year ended 31 December 2013) computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST (*Listing Manual*) under the four possible scenarios, are set out below:

		Assuming Call Option 1 is exercised	Assuming Call Option 2 is exercised	Assuming Call Option 3 is exercised	Assuming Call Option 4 is exercised
Rule 1006	Bases of calculation	Relative Figures (%)	Relative Figures (%)	Relative Figures (%)	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets
(b)	The net loss ⁽¹⁾ of the Proposed Target Group attributable to the Company, compared with the Group's net profits ⁽²⁾	0	0	0	0
(c)	The aggregate value of the consideration to be given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	3 ⁽³⁾	6 ⁽³⁾	9 ⁽³⁾	12 ⁽³⁾
(d)	The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities	3	6	9	12

	previously in issue				
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets	Not applicable to an acquisition of assets

Notes:

- (1) The net loss of the Proposed Target Group attributable to the Company (***Net Loss Attributable to the Proposed Target Group***) did not include the losses of SCPL and Mineriver as both of these companies have no operational activities and have minimal transactions since their respective dates of incorporation on 18 January 2013 and 8 August 2013 to the date of this Announcement. The Net Loss Attributable to the Proposed Target Group used in the computation was based on the latest available audited financial statements of Xinjiang Fengli for the financial year ended 31 December 2012.
Purely for comparison purposes, if the Net Loss Attributable to the Proposed Target Group based on the audited financial statements of Xinjiang Fengli for the seven-month period ended 31 July 2013 is used, the relative figures would be -1%, -1%, -2% and -2% under the above four possible scenarios.
- (2) For this purpose, "net profit/loss" is defined as profit/loss before income tax, minority interests and extraordinary items.
- (3) The Company's market capitalisation of S\$343.96 million is determined by multiplying the number of shares in issue by the volume weighted average traded price of S\$0.679 on 17 April 2014, being the market day preceding the date of the Call Option Agreement.

For each of the four possible scenarios, none of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds 20%, the Acquisition therefore constitutes a discloseable transaction under Chapter 10 of the Listing Manual.

6. FINANCIAL EFFECTS

The proforma financial effects of the Acquisition are set out below, assuming that:

- (a) the Acquisition had been effected at the end of the financial year ended 31 December 2013 for the computation of the effect on the net tangible assets (*NTA*) per share; and
- (b) the Acquisition had been effected at the beginning of the financial year ended 31 December 2013 for the computation of the effect on the earnings per share (*EPS*).

Given that the proforma financial effects set out below are theoretical in nature and only for illustrative purposes, they do not represent the actual financial position and/or the results of the Company or the Group.

Based on the Group's latest audited financial statements for the financial year ended 31 December 2013, the proforma financial effects under the four possible scenarios are set out below:

	Assuming Call Option 1 is exercised		Assuming Call Option 2 is exercised		Assuming Call Option 3 is exercised		Assuming Call Option 4 is exercised	
	Before the Acquisition (cents)	After the Acquisition (cents)	Before the Acquisition (cents)	After the Acquisition (cents)	Before the Acquisition (cents)	After the Acquisition (cents)	Before the Acquisition (cents)	After the Acquisition (cents)
Effects on the NTA per share assuming the Acquisition had been effected on 31 December 2013	0.22	0.21	0.22	0.21	0.22	0.20	0.22	0.20
Effects on the EPS ⁽¹⁾ assuming the Acquisition had been effected on 1 January 2013	0.50	0.49	0.50	0.47	0.50	0.45	0.50	0.44

Note:

- (1) The losses of SCPL and Mineriver were not included in the computation. The above figures have been computed based on the Net Loss Attributable to the Proposed Target Group, based on the audited financial statements of Xingjiang Fengli for the seven-month period ended 31 July 2013.

7. FURTHER INFORMATION

7.1 Interests of Directors and Controlling Shareholders

Save for their shareholding interests in the Company, none of the Directors or the controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition.

7.2 No Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7.3 Documents for Inspection

Copies of the following documents are available for inspection at the registered office of the Company at 133 New Bridge Road, #18-09 Chinatown Point, Singapore 059413 during normal business hours for a period of three months commencing from the date of this Announcement:

- (a) Call Option Agreement; and
- (b) Independent Technical Report.

7.4 Directors' Responsibility Statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

7.5 Caution in Trading

Shareholders are advised to exercise caution in trading their Shares. The exercise of the Call Option is subject to certain conditions including the completion and satisfactory outcome of due diligence. There is no certainty or assurance as at the date of this Announcement that the Call Option will be exercised or the Acquisition will be completed. The Company will make the necessary announcements as and when there are further developments on the Acquisition.

Shareholders and potential investors are advised to read this Announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their legal, financial, tax or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Low Yi Ngo
Chief Executive Officer and Managing Director
22 April 2014