

ISDN HOLDINGS LIMITED

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ISDN HOLDINGS LIMITED

UPDATE ON ENERGY OPPORTUNITIES IN MYANMAR – FORMATION OF JOINT VENTURE FOR INVESTMENT IN AND OPERATION OF COAL MINE

1. INTRODUCTION

1.1 Reference is made to the announcement of 3 May 2013 by ISDN Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) of the non-legally binding Memorandum of Agreement of 1 May 2013 (“**Concession Memorandum**”) entered into by the Group with Tun Thwin Mining Co., Ltd (“**TTMCL**”) for the proposed formation of a joint venture company to acquire concession rights held by TTMCL to a coal mine located in the Kalewa Township, Sagaing Region, in the Republic of the Union of Myanmar (“**Coal Mine**”).

1.2 The Company is pleased to announce that subsequent to the Concession Memorandum, ISDN Myanmar Energy Pte Ltd (“**ISDN Myanmar Energy**”), a wholly-owned subsidiary of the Company has entered into a joint venture agreement (“**Mining JVA**”) on 20 May 2013 with TTMCL for the formation of joint venture company in Myanmar (“**Mining JVCo**”) for the purposes of acquiring such concession rights (“**Concessionary Rights**”) held by TTMCL to the Coal Mine and thereafter, to develop the Coal Mine for production of coal.

This proposed joint venture (“**Joint Venture**”) between the Group and TTMCL marks a milestone in the Group’s continuing efforts to seek energy opportunities in Myanmar as part of the Group’s strategy to diversify into coal mining related businesses.

2. INFORMATION ON TTMCL & THE CONCESSIONARY RIGHTS

2.1 As disclosed in the Company’s announcement of 2 April 2013, TTMCL is a Myanmar-based company engaged in the business of coal mining, processing and supply.

Based on information TTMCL accessible at TTMCL’s corporate website www.tunthwinmining.com, TTMCL is one of Myanmar’s foremost coal exploration company, with experience in coal mining and processing for almost 12 years and producing over 100,000 tonnes of coal annually, and is a significant provider of coal to the domestic market in Myanmar and also the largest individual supplier of coal to Myanmar’s industrial coal market.

2.2 The Concessionary Rights as held by TTMCL are for exclusive rights to operate, develop and the production of coal at the Coal Mine which covers an area of 4,500 acres, and unless extended, expires in 2014.

3. **PRINCIPAL TERMS OF THE JVA**

Subject to the fulfillment of the Conditions Precedent (as defined below) :

- 3.1 Establishment of Mining JVCo : TTMCL and ISDN Myanmar Energy (the "**Parties**") will incorporate Mining JVCo which shall be 54% and 46% (the "**Agreed Proportion**") owned by TTMCL and ISDN Myanmar Energy respectively.
- 3.2 Renewal of tenure of Concessionary Rights : TTMCL shall procure renewal of the Concessionary Rights by at least 30 years ("**Extended Period**").
- 3.3 Acquisition of extended Concessionary Rights : Subsequent to the incorporation of Mining JVCo, Mining JVCo shall acquire from TTMCL the Concessionary Rights as shall be renewed by the Extended Period at a purchase consideration ("**Concessionary Rights Consideration**") equivalent to the lower of :
 - (a) US\$38.478 million; or
 - (b) the value of coal deposits within the Coal Mine, such value to be determined on the basis of US\$5.50 per tonne of coal deposit as verified to exist in the Coal Mine by the Satisfactory Geology Report (as defined below).
- 3.4 Repayment of Concessionary Rights Consideration : The Concessionary Rights Consideration shall be payable to TTMCL as follows :
 - (a) 54% of the Concessionary Rights Consideration shall be capitalized and paid by Mining JVCo by the issuance of equity in Mining JVCo to TTMCL ("**TTMCL Capital Injection**");
 - (b) the balance 46% of the Concessionary Rights Consideration ("**Balance Concessionary Rights Consideration**") shall be payable by ISDN Myanmar Energy on behalf of Mining JVCo as follows :
 - (i) subject to Mining JVCo acquiring the Concessionary Rights from TTMCL, US\$5.7 million of the Balance Concessionary Rights Consideration ("**First ISDN Payment**") as follows :
 - (aa) US\$2.2 million in cash; and
 - (bb) the Singapore Dollar equivalent of US\$3.5 million based on an exchange rate of US\$1:S\$1.25, by way of the allotment and issue to TTMCL of 5,885,122 new shares ("**Consideration Shares**") in the capital of the Company (rounded down to the nearest whole Consideration Share) at an issue price of S\$0.7434 (being an amount equivalent to 90% of the volume weighted average price for each ISDN Share for trades done of ISDN Shares on the SGX-ST for the full Market Day on 17 May 2013 (being the last full market day prior to the signing of the Mining JVA) per Consideration Share; and

- (ii) subject to the issuance of the Satisfactory Geology Report (as defined below) to Mining JVCo, an amount equivalent to the Balance Concessionary Rights Consideration less the First ISDN Payment (“**Second ISDN Payment**”) in cash.

Each of the First ISDN Payment and the Second ISDN Payment shall, on payment by ISDN Myanmar Energy to TTMCL on behalf of Mining JVCo, be in turn be capitalized and repaid by Mining JVCo to ISDN Myanmar Energy by the issuance of equity in Mining JVCo to ISDN Myanmar Energy (collectively, the “**ISDN Capital Injection**”).

3.5 Conditions Precedent : ISDN Myanmar Energy’s obligations under the Mining JVA (including but not limited to the incorporation of Mining JVCo and the ISDN Capital Injection) is conditional upon the following conditions (“**Conditions Precedent**”) :

- (a) the results of the due diligence investigations conducted by ISDN Myanmar Energy and/or its advisers on the Concessionary Rights and the Coal Mine being satisfactory to ISDN Myanmar Energy; and
- (b) all requirements under all relevant laws and the listing rules of the SGX-ST as deemed applicable by ISDN Myanmar Energy to the Joint Venture, Incorporation, and ISDN Capital Injection being complied with, and all consents or approvals of third parties (including approvals from the relevant boards of directors and shareholders (if needed) of ISDN or ISDN Myanmar Energy), or of government, regulatory body or competent authority (including the Singapore Exchange Securities Trading Limited) as ISDN Myanmar Energy deems necessary to be obtained.

3.6 Maintenance of the Agreed Proportion: Upon the incorporation of Mining JVCo and at all times thereafter including completion of the ISDN Capital Injection and the TTMCL Capital Injection, the Agreed Proportion shall be maintained and Parties have agreed to take all steps as is necessary and in compliance with the laws and regulations of Myanmar to ensure that any capitalisation or issuance of new equity in Mining JVCo in connection with the ISDN Capital Injection and/or the TTMCL Capital Injection are effected in a manner that maintains the Agreed Proportion.

However, if ISDN Myanmar Energy does not pay the ISDN Second Payment on behalf of Mining JVCo to TTMCL, the Agreed Proportion need not be maintained and such part of the Balance Concessionary Purchase Consideration (as is equivalent to the ISDN Second Payment) payable by Mining JVCo to TTMCL shall be capitalized and paid by Mining JVCo by the issuance of equity in Mining JVCo to TTMCL.

3.7 Satisfactory Geology Report : Mining JVCo shall appoint a suitable geology firm mutually agreed to in writing by the Parties, to conduct a review and issue a geology report to confirm the amount of reserves in the Area based on pre-agreed production methods, such report to be deemed satisfactory to the Parties if it confirms that the Coal Mine contains a verified reserve of at least 7.0 million tonnes of coal (“**Satisfactory Geology Report**”).

- 3.7 Capital for Coal Production : Subsequent to TTMCL Capital Injection and ISDN Capital Injection, the Initial Shareholders agree that the initial investment amount required for operations and coal production by Mining JVCo shall be not more than US\$30,000,000 (“**Initial Production Funding**”), with up to US\$7,500,000 thereof (“**Initial Production Capital**”) to be contributed by the Initial Shareholders in their respective Agreed Proportion and the remainder thereof to be funded from financing from third parties including licensed banks or similar financial institutions.

4. FUNDING REQUIREMENTS

Under the Mining JVA, the Group’s initial planned capital contribution to the Joint Venture would be up to approximately US\$17.7 million (being 46% of the maximum Concessionary Rights Consideration of US\$38.484 million, and of which US\$3.5 million is payable by the Group in new shares in the capital of the Company) to supplement funding of Mining JVCo’s acquisition of the Concessionary Rights, and thereafter up to an additional US\$3,450,000 (being 46% of the Initial Production Capital) to supplement funding of operations and coal production by Mining JVCo.

Depending on the quantum of capital contribution for the Joint Venture eventually required of the Group, the Group may leverage on financing from financial institutions or on internal resources including equity financing by way of a placement of new Shares or rights issue of new Shares, to fund such capital contribution.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors and controlling shareholder(s) of the Company has any interest, direct or indirect, in the transactions disclosed above or as contemplated under the Mining JVA.

The proposed Joint Venture with TTMCL is subject to the fulfilment of the Conditions Precedent; adequacy of funding and is also subject to compliance by the Group with the requirements of the Listing Manual.

In the circumstances, there is no assurance that the Joint Venture will proceed and accordingly, Shareholders ought to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should also seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take.

By Order of the Board

Gwendolyn Gn
Company Secretary
ISDN Holdings Limited

22 May 2013