

DCORP 027/2018

Date 13 March 2018

Subject Board of Directors' meeting resolution regarding the operation of the biogas power plant project of Aukkrarawat Plant Renewable Energies Co., Ltd. ("Aukkrarawat") (Revised)

To President  
The Stock Exchange of Thailand

In reference to Clarification Letter on the Information in the Financial Statements Quarter 3 , ended 3 0 September 2 0 1 7 , as inquired by the Stock Exchange of Thailand (Revised) No. DCORP 017/2561 dated 16 February 2018 (the "Clarification Letter")

Demeter Corporation Public Company Limited (the "Company") would like to inform that the Meeting of the Board of Directors No. 12/2017 of the Company held on 26 February 2018, has resolved significant matters as follows:

Reference is made to the Clarification Letter regarding the Board of Directors' opinion on the dept cost structure analysis for the investment in the biogas power plant project of Aukkrarawat that the Board of Directors has considered additional facts and the study of the change in cost structure. Then, it has been found that the operation of the project in the same manner may result in an inability to acquire the benefits to Company and for shareholders as when the investment was previously approved. In such case, it is viewed that the executive shall explore the solutions so that the Company is least affected by the project and the Board of Directors will consider such solutions within February 2018.

The Company would like to inform that the Company has proposed the solutions with the significant issues from the study of such solutions as follows:

- (1) Analysis on cost of the treatment of waste water created from the power plant using biomass energy

According to the studies of the possibility in the investment before deciding to invest, the Company received the information that, in general, the neighboring community around the project (within the 20 kilometers radius) would request for such waste water from the project to irrigate agricultural area of the community. Nevertheless, during the project area development, it was found that the neighboring communities around project materially retrieve less waste

water from the project. Based on the inspection, it was found that (1) there are new power plant projects in the area and the neighboring community which could retrieve waste water from Aukkrarawat may consider retrieving the waste water from such new projects if it takes less transportation time for them, and (2) the neighboring community receives waste water from similar power plants located in the same area, some of which transport their waste water to the community. Therefore, it is not necessary for the community to retrieve the waste water directly from the project. As such, the Company has conduct the cost analysis of the transportation of waste water to the neighboring community.

From the study, in case Aukkrarawat has to bear the cost of waste water transportation to the neighboring community, the commercial feasibility of the project would significantly decrease. The reason is because Aukkrarawat still has to bear the cost of the transportation of the material (Vinasses water) from the Biofuel Mitrphol Factory, Dan Chang which, currently, is 45 kilometers from the project. Further, the waste water transportation to neighboring community shall increase cost of the project around 30 percent.

(2) Analysis on possibility to install water treatment system

The result of analysis on cost of water treatment system installation is around 40-60 baht per waste water ton. This would affect the cost structure and the investment return of the project.

(3) Analysis on movement of the location of the project to reduce the distance for raw material (Vinasses water) transportation from the Biofuel Mitrphol Factory, Dan Chang

From the study of the dept cost structure of the transportation from (1) and (2), it has been found that the Company still has high limitation. Hence, the Company has studied the possibility to move the location of the project to reduce the distance for raw material transportation which is the fixed cost.

Currently, the distance of raw material transportation is around 45 kilometers. From the location search to increase commercial feasibility by considering from the current location, it has been found that there are 2 potential locations. They are located in the north of the current location,

next to Nong Ya Sai, where is the nearest to the raw material resource and far from residential community (where is sugar cane and vegetable garden).

The Company has explored the 2 potential locations for moving of the factory. The total distance is around 28.7 kilometers. The Company has also explored shortcut with the distance around 23.9 kilometers. It has been found as follows:

- (a) Area 1 is the area that has transmission lines already but the transmission lines are still small (which is able to be changed to be bigger) Most of the area is sugar cane and vegetable garden, far from residential community (having a few houses). Hence, it has the potential site for the power plant.
- (b) Area 2 is the area does not have transmission lines but it is the wide-open area considered to have potential to set up the power plant. Nevertheless, it needs to invest in the construction of additional transmission lines from the existing and develop the entrance of the area to let large trucks are able to enter into the area.
- (c) The shortcut is unlikely to be used because there is dirt road and holes in the middle part. This will result in splash waste water from the trucks especially in the rainy season which is likely to have more holes.

Hence, the most probable solution from studying of relocation possibility of Aukkrarawat to reduce the distance of raw material transportation is moving the project location to area 1 or area 2. Based on the evaluation result of the waste water transportation from the factory of raw material (Vinasses water) from Biofuel Mitrophol Factory, Dan Chang, the distance will be around 28.7 kilometers.

(4) Analysis on possibilities to terminate share purchase agreement

Terms and conditions agreed with the parties and the conditions of the payment of remaining sale share consideration or the 3<sup>rd</sup> share sale or in the proportion of 16.36 percent of all shares, or in the amount of approximate 36 million Baht, the Company has asked for the comment from legal counsel, Kudun and Partners Limited. The details are as follows:

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According to the share purchase agreement between the Company and Aukkrarawat, the agreement with respect to payment of the sale share consideration, conditions of payment and termination of agreement as follows:

Conditions precedent for the third completion of the share sale and purchase

- The seller and the purchaser having entered into the shareholders' agreement according to the agreed terms.

Event of default as a cause for termination

If either party fails to perform any of its material obligations on the completion date of the share sale and purchase (first, second or third), the other party has the right to take any of the following actions:

- (1) Immediately terminate this agreement without prejudice against the right to claim for damages incurred against the other party;
- (2) Exercise or waive any rights to proceed with the completion of the share sale and purchase on the completion date of the share sale and purchase; or
- (3) Determine the new completion date which shall be no more than 5 business days from the previously stipulated completion date, provided that each of the parties performs its obligations on the rescheduled completion date of the share sale and purchase and such rescheduling may take place only once, unless otherwise agreed between the parties.

In this regard, the Company agreed to extend the third completion of the share sale and purchase to 30 November 2017 in order to negotiate regarding Aukkrarawat management with the seller. Currently, due to the fact that the Company and the seller are not able to fulfill the conditions precedent for the third completion of the share sale and purchase since the negotiation on other essence matters have yet to be completed, the Company has yet not completed the third purchase of the shares. Moreover, if the parties are unable to proceed with

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the third completion of the share sale and purchase due to the conditions precedent could not be completely taken, the parties may consider to terminate the agreement and require the other party to pay damages (if any) incurred between them according to the laws.

Hence, the Board of Directors has considered all the solutions and opined that the operation of the project either in the same manner or according to the solutions no. (1) – (3) may result in an inability to acquire the benefits to Company and for shareholders as when the investment was previously approved. In such case, it is viewed that the Company shall terminate or sell the investment, and the Company shall, then, seek for investors who are interested in the project. **Nevertheless, to protect benefits of the Company and the shareholders, the Company is under consideration to take legal action and claim for damages pursuant to the share purchase agreement.**

Please be informed.

Your sincerely,

Demeter Corporation Public Company Limited

*Teerawet Charuwat*

(Mr. Teerawit Charuwat)

Director and Chief Executive Officer