

A-Cap Energy Limited
ACN:104 028 542

**Notice of Extraordinary General Meeting and
Explanatory Notes**

Date of Meeting
Friday 28 February 2020

Time of Meeting
10.00am AEDT

Place of Meeting
Santos Place, Level 27, 32 Turbot St, Brisbane QLD 4000

This Notice of Meeting and Explanatory Memorandum should be read in its entirety. Shareholders in doubt as to how they should vote should seek advice from professional advisers prior to voting.

If you are unable to attend the meeting, please complete and return the enclosed proxy form in accordance with the specified instructions.

INDEPENDENT DIRECTORS RECOMMEND YOU VOTE IN FAVOUR OF THE RESOLUTION

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CHAIRMAN'S LETTER

22 January 2020

Dear Shareholder

Approval of off-market transfer shares by Jiangsu Shengan Resources Group Co., Ltd, Company Number: 913209007365155768 to Singapore Shenke International Investment Pte. Ltd, UEN: 201402514Z and the appointment of Mr Jiandong He and Mr Meng Weijun as directors of the Company

This package relates to the seeking of shareholder approval for a private transaction between an existing A-Cap substantial shareholder, Jiangsu Shengan Resources Group Co., Ltd (**Jiangsu**), who intends to transfer its entire shareholding interest held in A-Cap Energy Limited (**A-Cap**) shares to Singapore Shenke International Investment Pte. Ltd. (**Shenke**) subject to the terms and conditions of the off-market transfer including A-Cap shareholder approval (**Proposed Transaction**) and the appointment of Mr Jiandong He and Mr Meng Weijun as directors of the Company.

Under the Proposed Transaction, Jiangsu and Shenke have entered into a conditional agreement for an off-market share transfer. Jiangsu is a public company listed on the China National Equities Exchange and Quotations known as the New Third Board, the over counter exchange in China. The Proposed Transaction is conditional on the shareholders of A-Cap approving the transaction as set out in this notice.

Jiangsu released an exchange announcement to the New Third Board on 23 December 2019 confirming Jiangsu shareholder approval of the transfer of Jiangsu's entire shareholding interest held in A-Cap covering 357,786,934 ordinary fully paid shares representing a current substantial interest of 41.04% equity interest in all of A-Cap issued ordinary shares for nil (A\$0.00) consideration, which transfer is subject to the following material terms and conditions:

- i. Receipt of all necessary regulatory, board and shareholder approvals relating to the off-market transfer.
- ii. Within six months from the date of receipt of all necessary regulatory, board and shareholder approvals relating to the off-market transfer in condition (i), Shenke to provide an undertaking to release the right pledge guarantee provided by Jiangsu to the Industrial and Commercial Bank of China Co., Ltd. Shanghai Hongqiao Business District Sub-branch (ICBC) held for US\$5 million by any of the following ICBC right pledge guarantee release options:
 - b. providing a cash deposit to replace Jiangsu existing security deposit held by ICBC against A-Cap's borrowings from ICBC for US\$5 million;
 - c. providing A-Cap with all the cash funds required to repay the principal and interest of its ICBC loan for US\$5 million in advance of the loan repayment dates; or
 - d. other ways to facilitate the release of Shenke security deposit held by ICBC against A-Cap's borrowings from ICBC for US\$5 million including co-operating with A-Cap and its substantial shareholders to raise additional capital.
- iii. A-Cap obtains all necessary regulatory, board and shareholder approvals to conditionally approve the off-market share transfer between Jiangsu (the transferor) and Shenke (the transferee) in respect to 357,786,934 ordinary fully paid A-Cap shares;
- iv. The off-market transfer will be held in escrow by A-Cap pending completion of the conditions listed in paragraphs (i), (ii) and (iii) above. If the off-market transfer fails to meet the conditions within twelve months from 21 December 2019 (i.e. the date of the conditional off-market transfer agreement), the off-market transfer will no longer take effect unless Jiangsu and Shenke agree otherwise; and

Although not a condition of the Proposed Transaction, following further discussions with Jiangsu and Shenke in relation to the Proposed Transaction, A-Cap has been advised that it has been agreed between Jiangsu and Shenke that Mr Angang Shen and Mr Chenghu Zhu will retire from

the A-Cap board, and both Mr Angang Shen and Mr Chenghu Zhu had informed the Company that it is their intention to so resign, and two (2) additional directors, Mr Jiandong He and Mr Meng Weijun, be appointed to the A-Cap board with effect from the approval of resolutions to appoint them.

Mr Meng Weijun is not a director or shareholder of Shenke or Shenke Holdings Pty Ltd. Mr Meng Weijun holds voting power of 13.30% in Jiangsu. Mr Meng Weijun holds Nil voting power in A-Cap.

Shenke and any of its directors and shareholder are not associates pursuant to the *Corporations Act 2001* (Cth) of either A-Cap or Jiangsu. Shenke will become a substantial shareholder of A-Cap with voting power of 41.04% in all A-Cap issued ordinary shares following the completion of the off-market transfer. A-Cap's issued shares as of the date of this notice amount to amount 871,884,866 ordinary fully paid shares.

At the date of this notice, Mr Jiandong He holds voting power of 12.36% in Jiangsu. Mr Jiandong He holds Nil voting power in A-Cap.

At the date of this notice, Mr Meng Weijun holds voting power of 13.30% in Jiangsu. Mr Meng Weijun holds Nil voting power in A-Cap. Mr Meng Weijun is not a director of Shenke and Shenke Holdings Ltd.

Jiangsu and Shenke have obtained the necessary regulatory, board and shareholder approvals to enter into the off-market share transfer with completion now subject to the terms and conditions summarised in paragraphs (i) to (iv) above. Given Mr Ji Jijing Niu and Mr Chenghu Zhu are directors of Jiangsu and A-Cap they did not vote on the resolution put to Jiangsu shareholders to approve the off-market share transfer. Additionally, given Mr Angang Shen is chairman of A-Cap and a shareholder of Jiangsu, Mr Shen did not vote on the resolution put to Jiangsu shareholders to approve the off-market share transfer.

The Proposed Transaction relates to the proposed off-market transfer of ordinary shares in the Company and does not involve any of its assets.

However, because the Proposed Transaction will increase the voting power of Shenke above 20%, shareholder approval is required under the *Corporations Act 2001* (Cth).

Mr Ji Jijing Niu and Mr Chenghu Zhu are directors of both A-Cap and Jiangsu and cannot be considered as independent directors of A-Cap for purposes of the Proposed Transaction. A-Cap's independent directors are all the A-Cap directors other than Mr Angang Shen, Mr Ji Jijing Niu and Mr Chenghu Zhu. Only A-Cap's independent directors have been involved in A-Cap board discussions or voting on this issue to recommend that shareholders vote to approve the Proposed Transaction. The reasons for this recommendation are contained in the explanatory notes to the resolution. A-Cap independent directors consider the Proposed Transaction is unfair and reasonable having regard to the interests of the non-associated shareholders.

At the date of this notice, Mr Jiandong He holds voting power of 12.36% in Jiangsu and Mr Meng Weijun holds voting power of 13.30% in Jiangsu. Shenke and Shenke Holdings Ltd hold no voting power or shares in Jiangsu.

If you are unable to attend the meeting on 28 February 2020, we ask that you complete and send your proxy form to the Company which must reach us by 10.00am AEDT on 26 February 2020.

Yours sincerely

Mr Angang Shen
Chairman
A-Cap Energy Limited, ACN: 104 028 542

A-Cap Energy Limited
ACN:104 028 542
ASX:ACB

NOTICE OF MEETING

NOTICE IS GIVEN **that an extraordinary general meeting of A-Cap Energy Limited** will be held at [Santos Place, Level 27, 32 Turbot St, Brisbane QLD 4000 on 28 February 2020 at 10am.

BUSINESS

1. **RESOLUTION 1 - APPROVAL OF THE ACQUISITION OF SHARES IN THE COMPANY BY SINGAPORE SHENKE INTERNATIONAL INVESTMENT PTE.LTD, UEN: 201402514Z**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the acquisition, on the terms summarised in the notice convening this meeting, by Singapore Shenke International Investment Pte. Ltd of a relevant interest in 357,786,934 fully paid ordinary shares in the Company held by Jiangsu Shengan Resources Group Co., Ltd be approved for the purposes of item 7 in section 611 of the *Corporations Act 2001* (Cth) and ASIC Regulatory Guide 74, even though:

- (a) the acquisition will increase Singapore Shenke International Investment Pte. Ltd voting power from nil % to 41.04%; and
- (b) other shareholders in the Company will not be given an opportunity to dispose of or acquire shares under the transaction."

2. **RESOLUTION 2 – APPOINTMENT OF MR JIANDONG HE AS A DIRECTOR.**

In the event that Resolution 1 is passed, to consider and, if thought fit, pass the following resolution as an ordinary resolution, with or without amendment:

"That Mr Jiandong He, having consented to act, be appointed as a director of the Company with effect from the end of the meeting."

3. **RESOLUTION 3 – APPOINTMENT OF MR MENG WEIJUN AS A DIRECTOR.**

In the event that Resolution 1 is passed, to consider and, if thought fit, pass the following resolution as an ordinary resolution, with or without amendment:

"That Mr Meng Weijun, having consented to act, be appointed as a director of the Company with effect from the end of the meeting"

EXCLUDED VOTES

Section 611, Item 7 of the Corporations Act requires that some shareholders be excluded from voting on Resolution 1. The Company will disregard any votes cast on Resolution 1 by the following persons:

- i. Jiangsu Shengan Resources Group Co., Ltd.

No associates of Jiangsu Shengan Resources Group Co., Ltd hold shares in A-Cap Energy Limited.

The Company, however, need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing 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.

SECTION 1109N DETERMINATION

Under section 1109N of the Corporations Act, the board of directors of the Company, being the convenor of the meeting, has determined that all the shares of the Company that are quoted by ASX at close of business on 25 February 2020 will be taken, for the purposes of the meeting, to be held by the persons who held them at that time and those shareholders will be entitled to attend and vote at the meeting as a shareholder.

PROXIES

You can appoint not more than two proxies to vote on your behalf. You can direct the proxy (or proxies) how to vote. If you appoint more than one proxy, each proxy must be appointed to represent a specified proportion of your voting rights. A proxy does not need to be a shareholder.

If the proxy form is signed under a power of attorney, you must also lodge the power of attorney with the Company not less than [48] hours before the meeting, unless you have previously sent the power of attorney to the Company.

To appoint a proxy (or proxies) you must complete the attached proxy form and lodge it, not less than [48] hours before the meeting (ie. by 10.00am 26 February 2020) at the following postal address or fax number:

Postal Address:	PO Box 1156, Nedlands WA 6909
Principal Place of Business:	110 Stirling Hwy, Nedlands WA 6009
Fax:	+61 8 6370 4203
Phone contact:	+61 8 9389 8033

Please read this document carefully and in its entirety, determine how you wish to vote in relation to Resolutions 1 – 3 (inclusive) and then cast your vote accordingly. If you do not understand any part of this document, or are in any doubt as to the course of action you should follow, you should contact your financial or other professional adviser immediately.

CORPORATE REPRESENTATIVES

A body corporate which is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

By Order of the Board
28 January 2020

John Fisher-Stamp
Finance Director

EXPLANATORY NOTES

1. BACKGROUND

These Explanatory Notes have been prepared to help shareholders understand the business to be put to shareholders at the forthcoming Meeting.

The information contained in these Explanatory Notes has been prepared by the Company and is the responsibility of A-Cap Energy Limited ACN:104 028 542 (**A-Cap** or the **Company**). Information concerning the Proposed Transaction, proposed appointments of Mr Jiandong He and Mr Meng Weijun as directors of A-Cap and Singapore Shenke International Investment Pte. Ltd, UEN: 201402514Z have been provided by Jiangsu, Mr Jiandong He, Mr Mr Meng Weijun and Shenke .

2. THE PROPOSED TRANSACTION

On 21 December 2019, Singapore Shenke International Investment Pte. Ltd, UEN: 201402514Z entered into an agreement with Jiangsu Shengan Resources Group Co., Ltd, Company Number: 913209007365155768 to purchase 357,786,934 fully paid shares in A-Cap at nil (A\$0.00) consideration per share (the **Transaction**). The agreement contains other standard terms and conditions and is conditional on the approval of shareholders in the Company in accordance with item 7 in the table in section 611 of the *Corporations Act 2001*.

3. WHO ARE THE PARTIES TO THE PROPOSED TRANSACTION?

- (a) Singapore Shenke International Investment Pte. Ltd, UEN:201402514Z (Shenke)

Shenke is a private company incorporated in Singapore on 5 September 2016 and registered at 152 Beach Road # 14-03, Gateway East, Singapore (189721). Shenke is a wholly owned subsidiary of Shenke Holdings Ltd which is registered in Zhuji, Zhejiang, China. Mr Jiandong He is a director and chairman of both Shenke and Shenke Holdings Ltd. Mr Jiandong He beneficially owns and controls all the voting power of Shenke through his control of Shenke Holdings Ltd. Mr Jiandong He was appointed to the board of Shenke and Shenke Holdings Ltd on 24 January 2014. An explanation of the ownership structure of Shenke is set out in section 8.

- (b) Jiangsu Shengan Resources Group Co., Ltd, Company Number: 913209007365155768 (Jiangsu)

Jiangsu is registered at No.36 Jianye Road, Industrial Park, Zhangzhuang Street Office, Yandu District, Yancheng City, Jiangsu Province. Jiangsu is a public company registered and incorporated in China. Jiangsu is listed on the National Equities Exchange and Quotations in China known as the Third Board, the over the counter stock exchange in China. Jiangsu is a shareholder of A-Cap and currently holds 357,786,934 ordinary fully paid shares out of 871,884,866 issued ordinary fully paid shares in A-Cap, representing approximately 41.04% in the issued capital of A-Cap. Jiangsu main business is a private equity management business in China.

At the date of this notice, the following directors of Jiangsu, hold an interest (directly or indirectly) in Jiangsu, who has voting power of approximately 41.04% in A-Cap:

- i. Mr Ji Jijing Niu is a director of, and holds voting power of, 4.10% in Jiangsu;
- ii. Mr Chenghu Zhu is a director of, and holds voting power of, 12.64% in Jiangsu;

iii. Mr Zhou Yegang and Mr Chenghu Zhu are parties acting in concert and, hold voting power of, 12.84% in Jiangsu; and

iv. Mr CH Zhu's spouse (Xu Hui) holds voting power of 8.49% in Jiangsu.

At the date of this notice, Mr Angang Shen is the chairman of A-Cap, and holds (directly or indirectly) voting power of, 18.21% in Jiangsu and voting power of 19.78% in A-Cap.

At the date of this notice, Mr Jiandong He holds voting power of 12.36% in Jiangsu. Shenke and Shenke Holdings Ltd hold no voting power or shares in Jiangsu.

At the date of this notice, Mr Meng Weijun holds voting power of 13.30% in Jiangsu. Mr Meng Weijun holds Nil voting power in A-Cap.

4. **PROFILE OF SHENKE AND MR JIANDONG HE**

Shenke is a private company incorporated in Singapore on 25 January 2014 and is a wholly owned subsidiary of private company Shenke Holdings Ltd which is registered in Zhuji, Zhejiang, China. Mr Jiandong He is a director and chairman of both Shenke and Shenke Holdings Ltd. Mr Jiandong He beneficially owns and controls all the voting power of Shenke through his control of Shenke Holdings Ltd. Mr Jiandong He holds a passport issued by Peoples Republic of China.

Shenke owns and manages a portfolio of global investment and business interests. The main business activity of the company is wholesale and distribution of heavy engineering equipment and bearings to global markets. Shenke has plans to expand its business interests and investments into the mining sector. A-Cap will represent Shenke's first investment into the mining sector. Shenke considers it can introduce engineering networks and competitive OEM bid supply options into the sourcing, construction and supply of project minerals processing equipment to A-Cap's uranium and nickel cobalt projects.

Shenke has advised A-Cap's Independent Directors that:

- i. in general, it fully supports the Company's strategy to prepare the Letlhakane Uranium Project for early development and production to take full advantage of the expected recovery in the uranium price; and
- ii. progress the Company's new energy strategy including exploration work programmes on nickel-cobalt mineral deposits; and
- iii. Shenke will continue to use its voting power in the interest of the Company and the Shareholders.

5. **PROFILE OF MR WEIJUN MENG**

Mr Weijun Meng is the current deputy general manager, general manager and deputy chairman of public company Zhejiang Jiyang Construction Group Co. Ltd located at 1 Rongma Road Taozhu Street Zhuji, 311800 China. Mr Weijun Meng has also served a director and president at Taiyuan Lionhead Cement CO., Ltd. (600539.SH), China. Mr Weijun Meng currently serves as a non-executive director of Jiangsu Protruly Vision Technology Group Co., Ltd, (600074.SH), China.

6. **RESOLUTION 1 - WHY IS SHAREHOLDER APPROVAL NEEDED?**

Section 606 of the Corporations Act contains a general prohibition on a person acquiring a relevant interest in issued voting shares in a company listed on the ASX through a transaction which results in the voting power in the company of that person or another person increasing from below 20% to more than 20% or from a starting point of more than 20% to a higher percentage.

A 'relevant interest' in shares arises if (among other things):

- i. the person is the holder of the shares;
- ii. the person has the power to, or controls the power to, exercise a right to vote attaching to the shares or dispose of the shares; or
- iii. the person controls, or has voting power of 20% or more in, a company that has a relevant interest in the shares.

The Transaction has the effect that Shenke and Mr Jiandong He increase their voting power in the Company beyond 20%. This means that the Proposed Transaction needs to fall within a relevant exception from the prohibition against exceeding the 20% limit. One such exception is where shareholder approval is obtained. Item 7 in the table in section 611 of the Corporations Act allows a person to acquire a relevant interest in a company's voting shares in excess of the 20% threshold and explains the requirements needed to be satisfied in order to fall within the exception as follows:

Approval by resolution of target

An acquisition approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, if:

- (a) no votes are cast in favour of the resolution by:
 - (i) the person proposing to make the acquisition and their associates; or
 - (ii) the persons (if any) from whom the acquisition is to be made and their associates; and
- (b) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution, including:
 - (i) the identity of the person proposing to make the acquisition and their associates; and
 - (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition; and
 - (iii) the voting power that person would have as a result of the acquisition; and
 - (iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
 - (v) the voting power that each of that person's associates would have as a result of the acquisition."

ASIC Regulatory Guide 74 also sets out other information which ASIC expects to be provided for shareholders to make a fully informed decision.

7. **RESOLUTIONS 2 AND 3 – WHY IS SHAREHOLDER APPROVAL NEEDED?**

In accordance with Article 56 of the Constitution of the Company, the Company may appoint a person as a director by resolution passed in general meeting.

8. **WHAT IS THE VOTING THRESHOLD REQUIRED FOR RESOLUTIONS 1 TO 3 (INCLUSIVE) TO BE APPROVED?**

Resolution 1 to 3 (inclusive) requires only an ordinary resolution which is a simple majority of those shareholders present and entitled to vote either in person or by proxy at the meeting, either on a show of hands or on a poll if one is called in accordance with applicable requirements.

9. **WHO CAN VOTE ON RESOLUTIONS 1 TO 3 (INCLUSIVE) TO APPROVE THE RESPECTIVE RESOLUTIONS?**

In respect of Resolution 1, all shareholders can vote other than the parties to the Proposed Transaction and their respective associates. Associates of the parties will include any person who:

- (a) is a director or secretary of the party;
- (b) is a related body corporate of the party or a director or secretary of such a body;
- (c) with whom a party has an agreement, arrangement or understanding (whether or not formal, in writing or enforceable):
 - (i) because of which one of those persons has or will have power to exercise, control or substantially influence the exercise of voting power attached to shares in the Company for the purpose of controlling or influencing the composition of the board or the conduct of its affairs; or
 - (ii) under which one of those persons will or may acquire or be required by the other to acquire shares in the Company in which the other has a relevant interest; or
 - (iii) under which one of those persons may be required to dispose of shares in the Company at the other's direction;
- (d) is acting in concert with the party or proposing to become associated with them.

In respect of Resolutions 2 and 3, Mr Jiandong He and Mr Meng Weijun hold Nil voting power in A-Cap and are ineligible to vote.

You are likely to know whether you are an associate of a party, but if you have any queries about whether you can vote, please contact the Finance Director on +61 8 9467 2612.

10. **HOW DOES THE PROPOSED TRANSACTION AFFECT THE COMPANY?**

On one level, the Proposed Transaction does not directly affect the Company because it merely involves the change of ownership of existing shares. Shares are bought and sold every day on the Stock Exchange and this does not affect the Company in any way.

In this case, however, because of the identity of the proposed purchaser and the number of shares involved, the Transaction will see a substantial controlling interest of the Company rest in Shenke and Mr Jiandong He, who will have voting power of 41.04% in the Company following completion of all conditions to the transfer.

We also refer to paragraph 13 below which sets out further details on the Independent Directors' view of the impact of the Proposed Transaction on the Company.

11. INTEREST OF THE DIRECTORS IN THE PROPOSED TRANSACTION

None of A-Cap's Independent Directors summarised below has any interest in the Transaction:

- i. Mr Paul Ingram;
- ii. Mr Michael Liu;
- iii. Mr John Fisher-Stamp; and
- iv. Mr Mark Syropoulo.

Jiangsu has voting power of approximately 41.04% in A-Cap and will be excluded from voting on Resolution 1.

Additionally, the following A-Cap directors and their associates have an interest in the Transaction and will be excluded from voting on Resolution 1.

- i. Mr Ji Jijing Niu is a director of A-Cap and Jiangsu, and holds voting power of, 4.10% in Jiangsu;
- ii. Mr Chenghu Zhu is a director of A-Cap and Jiangsu, and holds voting power of, 12.64% in Jiangsu; and
- iii. Mr Zhou Yegang and Mr Chenghu Zhu are parties acting in concert and, hold voting power of, 12.84% in Jiangsu.

At the date of this notice, Mr Angang Shen is the chairman of A-Cap, and holds (directly or indirectly) voting power of, 18.21% in Jiangsu and voting power of 19.78% in A-Cap. Mr Angang Shen will not be excluded from voting on A-Cap Resolutions 1 to 3 (inclusive) however, Mr Shen cannot be considered an independent director of A-Cap given he (directly or indirectly) holds voting power of 18.21% in Jiangsu. Mr Angang Shen abstained on voting to approve the Jiangsu shareholder resolution to approve the off-market share transfer on 21 December 2019 given he is the chairman of A-Cap. Mr Angang Shen did not vote as a director of A-Cap to recommend to shareholders vote in favour of Resolutions 1 to 3 (inclusive) in this notice of meeting.

12. HOW DID THE INDEPENDENT DIRECTORS VOTE IN RELATION TO PUTTING THE PROPOSED TRANSACTION TO SHAREHOLDERS FOR APPROVAL AND IN RELATION TO THE CONTENTS OF THIS DOCUMENT?

Each of the Independent Directors voted in favour of putting the Transaction to shareholders for approval and approved the contents of this document. Mr Angang Shen, Mr Ji Jijing Niu and Mr Chenghu Zhu have not been involved in board discussions or voting concerning the Transaction or this document.

13. DO THE INDEPENDENT DIRECTORS RECOMMEND THE APPROVAL OF THE PROPOSED TRANSACTION?

Yes. The Independent Directors recommend that shareholders vote in favour of the Proposed Transaction and the appointment of Mr Jiandong He and Mr Meng Weijun as directors A-Cap with effect from the approval date of each respective resolution.

In respect of the Proposed Transaction (Resolution 1), the Independent Directors consider that:

- an offer is considered "fair" if the value of the consideration is equal to greater than the value of the securities that are the subject of the Proposed Transaction. This comparison should be made assuming a knowledgeable and willing, but not anxious buyer and a knowledgeable and willing, but not anxious Seller acting at arm's length; and
- the Proposed Transaction is considered "reasonable" if it is "fair". If the Proposed Transaction is "not fair" it may still be "reasonable" if the Independent Directors believe that there are sufficient reasons for shareholders to justify accepting the terms of the Proposed Transaction in the absence of any higher or other offer.

With reference to the Company's current circumstances, and for the reasons set out below, the Independent Directors consider that the terms of the Proposed Transaction are not fair but reasonable and therefore in the best interests of the Company because:

- (a) Shenke has advised A-Cap Independent Directors that:
 - i. in general, it fully supports the Company's strategy to prepare the Letlhakane Uranium Project for early development and production to take full advantage of the expected recovery in the uranium price; and
 - ii. progress the Company's new energy strategy including exploration work programmes on nickel-cobalt mineral deposits; and
 - iii. Shenke will continue to use its voting power in the interest of the Company and the Shareholders;
- (b) Jiangsu facilitated the introduction of Shenke to A-Cap to replace its position as one of A-Cap's substantial shareholders, subject to the approval of Resolution 1 and the completion of the remaining terms and conditions of the off-market transfer set-out in point 13 (g) below;
- (c) Jiangsu board and shareholders resolved on 21 December 2019 to withdraw from the mining sector investments and focus on its main private equity management business in China;
- (d) Jiangsu has informed A-Cap it is unable to continue to provide any ongoing financial and capital markets support. Jiangsu has formed a view the uranium commodity market will not recover within a medium 5-year term to support any project development and construction decision by A-Cap. Jiangsu has resolved to mitigate its financial exposure to the mining sector investment and withdraw from its A-Cap investment, its related sunk costs and reporting of investment impairment losses;
- (e) Shenke and A-Cap have entered into an unsecured loan agreement on 24 December 2019 which provides Shenke will advance \$500,000 to A-Cap for a 12-month term on or before 15 January 2020 to support its ongoing working capital, corporate and project capital requirements and meet the board's going concern assessment. A-Cap and its substantial shareholders and Shenke will continue to seek new share capital raisings to fund ongoing capital requirement for working capital, corporate and project exploration and feasibility activities;
- (f) A-Cap capital market activities are supported by an engagement of DGWA Boutique Investment Bank Germany (DGWA) in May 2019. DGWA has introduced A-Cap to its investment and minerals sector networks over 2 roadshows in the past 6 months. A-Cap is preparing for follow up meetings in Germany and Europe with potential private placement investors who are aligned with the A-Cap strategy and Shenke introduction as a substantial shareholder;

- (g) Jiangsu released an exchange announcement to the New Third Board on 23 December 2019 confirming Jiangsu shareholder approval of the off-market share transfer subject to following material terms and conditions:
- i. The transfer of Jiangsu entire shareholding interest held in A-Cap covering 357,786,934 ordinary fully paid shares representing a current substantial interest of 41.04% equity interest in all of A-Cap issued ordinary shares for nil (A\$0.00) consideration;
 - ii. Shenke undertakes to release the right pledge guarantee provided by Jiangsu to the Industrial and Commercial Bank of China Co., Ltd. Shanghai Hongqiao Business District Sub-branch (ICBC) held for US\$5 million within six months of the date of legal and binding effect being completion of all necessary regulatory, board and shareholder approvals by Jiangsu, Shenke and A-Cap in respect to the off-market share transfer. Following all necessary regulatory, board and shareholder approvals the off-market share transfer is subject to a completion condition requiring Shenke to satisfy performance by any of the following ICBC right pledge guarantee release options:
 - a) providing a cash deposit to replace Jiangsu existing security deposit held by ICBC against A-Cap's borrowings from ICBC for US\$5 million;
 - b) providing A-Cap with all the cash funds required to repay the principal and interest of its ICBC loan for US\$5 million in advance of the loan repayment dates; and
 - c) other ways to facilitate the release of Shenke security deposit held by ICBC against A-Cap's borrowings from ICBC for US\$5 million including co-operating with A-Cap and its substantial shareholders to raise additional capital.
 - iii. A-Cap obtains all necessary regulatory, board and shareholder approvals to conditionally approve the off-market share transfer between Jiangsu (the transferor) and Shenke (the transferee) in respect to 357,786,934 ordinary fully paid A-Cap shares;
 - iv. The off-market share transfer will be held in escrow by A-Cap pending completion of all terms and conditions and approvals necessary to complete the off-market share transfer of 357,786,934 ordinary fully paid A-Cap shares; and
 - v. If the off-market share transfer fails to meet the terms and conditions of completion within twelve months of signing the off-market share transfer, the transfer will no longer take effect unless Jiangsu and Shenke agree otherwise;
- (h) there is no evidence that either party to the Transaction or any other person has an intention to make a takeover bid for shares in the Company at the price at which the shares are proposed to be purchased under the Transaction (ie \$nil (\$0.00) per share); and
- (i) major shareholders eligible to vote on Resolutions 1 to 3 (inclusive) have agreed the terms of the Proposed Transaction and, not being able to identify any material negative factors associated with it, the Independent Directors support and recommend the transaction rather than Jiangsu's shares disposed of by alternative means.

In respect of the proposed appointment of directors (Resolutions 2 and 3), the Independent Directors consider that:

- (a) Mr Jiandong He and Mr Meng Weijun will, subject to shareholder approval and completion of the Proposed Transaction, represent a Shenke substantial shareholder equity interest of 41.04% of all issued voting shares in the Company;
- (b) input from Mr Jiandong He and Mr Meng Weijun (following their appointment to the A-Cap board) and the shareholder support from Shenke in its business of wholesale and distribution of engineering equipment and bearings to global markets is aligned to the mining sector and is likely to provide more stability in the capital markets with a substantial shareholder domiciled and operating from Singapore; and
- (c) the proposed retirement Mr Angang Chen and Mr Chenghu Zhu as a directors of the Company following shareholder approval of the appointment of Mr Jiandong He and Mr Meng Weijun as directors of A-Cap in mid-February 2020 is considered supportive to the Proposed Transaction and its completion. Additionally, the board has reviewed its board member composition, skills, networks and experience and considers that the new director appointments will be aligned to and will advance the Company's ongoing capital markets activities and board oversight over projects exploration, development and feasibility studies.

14. **IS THE COMPANY PAYING THE COSTS ASSOCIATED WITH THE APPROVING THE PROPOSED TRANSACTION?**

No.

Shenke will reimburse the Company for the costs incurred in relation to the preparations for the meeting and associated expenses.

15. **WHAT ARE THE POTENTIAL DISADVANTAGES IN APPROVING THE PROPOSED TRANSACTION**

- (a) The off-market share transfer with A-Cap shareholder approval of Resolution 1 will be held in escrow pending performance and completion of all conditions to the off-market transfer between Jiangsu and Shenke set-out in point 12 (g) above. None of the 357,786,934 fully paid ordinary shares shall be able to be traded on the ASX whilst held in escrow and be otherwise dealt contractually, secured or obligated without agreement between Jiangsu and Shenke;
- (b) There is a risk that the terms of the Proposed Transaction are private between Jiangsu and Shenke and that the Company is aware they contain the terms on which the ICBC security will be replaced. In order to ensure this happens the Board has made its approval of the Proposed Transaction conditional on Shenke agreeing to the escrow and will enter into a deed with Shenke for this purpose. If the off-market share transfer fails to meet the terms and conditions of completion within twelve months of signing the off-market share transfer, the transfer will no longer take effect unless Jiangsu and Shenke agree otherwise;
- (c) In some cases, where there are two or more major shareholders in a listed company, the share price might reflect a certain premium based on an assumption that one of them will ultimately seek to own all of the shares in the company. Put another way, if the Proposed Transaction is approved, the share market might perceive that there is no longer likely to be a competition between major shareholders for control of the company and the market price of the shares could fall accordingly; and
- (d) On the other hand, there is nothing to suggest that either of the shareholders concerned have the intention to make a takeover bid for all the shares in the

Company. Substantial shareholders are supportive to introduce new shareholders and capital into A-Cap.

16. **ARE THERE ANY OTHER CONTRACTS OR ARRANGEMENTS THAT ARE CONNECTED WITH THE PROPOSED TRANSACTION?**

As far as the Independent Directors are aware:

- (a) there is no other contract or proposed contract between Jiangsu and Shenke or any of their respective associates which is conditional upon, or directly or indirectly dependent on, shareholders agreement to the Proposed Transaction; and
- (b) there is no proposal whereby any property will be transferred between the Company and Jiangsu or Shenke or any person associated with any of them.

17. **WHEN WILL THE PROPOSED TRANSACTION BE COMPLETED?**

The agreement entered into between Jiangsu and Shenke requires completion of the sale and purchase of the shares to take place within six months after the Proposed Transaction is approved by shareholders.

18. **WHAT HAPPENS IF SHAREHOLDERS DO NOT APPROVE THE PROPOSED TRANSACTION?**

The agreement entered into between Jiangsu and Shenke provides that if the Proposed Transaction is not approved, the agreement will be terminated or rescinded and Jiangsu will be free to deal with its shares as it sees fit.

19. **INTENTIONS OF MR JIANDONG HE AND MR MR MENG WEIJUN IN RELATION TO THE COMPANY**

Completion of the Proposed Transaction will result in Mr Jiandong He having a relevant interest in a total of 357,786,934 ordinary fully paid shares in the Company which will give the director voting power of 41.04%. For most practical purposes, this will give Mr Jiandong He a substantial controlling interest in the Company.

Subject to shareholder approval of Resolutions 2 and 3 respectively, Mr Jiandong He and Mr Mr Meng Weijun will join the A-Cap board with effect from the approval of resolutions to appoint them, which will likely be in mid-February 2020.

Mr Jiandong He as beneficial owner of Shenke has informed the Company that:

- (a) he does not currently propose to participate in any future capital raising and acquire additional shares in the Company however he, with the support of Mr Mr Meng Weijun, will support the A-Cap's ongoing capital market and fund raising activities;
- (b) he considers it is in the best interest of the Company for Mr Jiandong He and Mr Meng Weijun to join the A-Cap board in February 2020. Both Mr Jiandong He and Mr Meng Weijun propose to join the A-Cap board to work collaboratively with all A-Cap board members and Shenke to assist in the satisfaction of the conditions to the Proposed Transaction as well as providing additional board networks and experience to advance the Company's ongoing capital markets activities;
- (c) he has no present intention to assume an executive role or change the business of the Company, but will work with the other directors with a view to maximising the financial performance of the Company;
- (d) he has no intention to change the Company's financial or dividend policies;

- (e) he has no intention to alter the future employment of the present employees of the Company;
- (f) he has no intention to otherwise redeploy the fixed assets of the Company. However, all aspects of the Company will be reviewed to ensure that shareholder value is enhanced to the maximum.

20. **ADDITIONAL INFORMATION**

The Independent Directors are not aware of any information material to the making of a decision concerning the Proposed Transaction that has not been set out in this document.

GLOSSARY

ASIC means the Australian Securities and Investments Commission

Company means A-Cap Energy Limited; ACN:104 028 542

Independent Directors means the following directors of the Company

- i. Mr Paul Ingram;
- ii. Mr Michael Liu;
- iii. Mr John Fisher-Stamp; and
- iv. Mr Mark Syropoulo.

Name of Buyer means Singapore Shenke International Investment Pte.Ltd, UEN: 201402514Z.

Name of Seller means Jiangsu Shengan Resources Group Co., Ltd, Company Number: 913209007365155768.

Proposed Transaction means the proposed purchase by Shenke from Jiangsu of 357,786,934 ordinary fully paid shares in the Company at \$nil (\$0.00) per share, conditional, among other things, on the approval of shareholders in the Company in accordance with the Corporations Act.