



ULTRACHARGE

ASX Release

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ULTRACHARGE TO UNDERTAKE SELECTIVE CAPITAL REDUCTION – WILL CANCEL APPROXIMATELY 17.2% OF UTR ISSUED CAPITAL

Highlights

- Ultracharge to undertake a selective reduction of capital to reduce the number of shares on issue by 129.2 million, representing approximately 17.2% of the issued capital of the Company.
- Cancellation to be made up of 40% of the consideration shares issued to certain vendors and to advisors as part of the Ultracharge acquisition.
- ASX has granted the necessary waiver to enable the selective reduction of capital to proceed.

UltraCharge Limited (**UTR** or the **Company**) is pleased to advise its plan to seek shareholder approval to undertake a selective reduction of capital, where the Company proposes to cancel 129.2 million shares representing approximately 17.2% of the issued capital (**Cancellation Shares**).

The holders of the Cancellation Shares were issued shares as part of the acquisition of Israel-registered UltraCharge Ltd. (**UltraCharge Israel**) (see Lithex Resources Limited's ASX announcement dated 13 May 2016).

The Cancellation Shares represent approximately 40% of the total shares issued to these vendors and advisors as part of this transaction.

The parties who have agreed to cancel their shares have done so on the basis they believe the current value of UTR and its securities is not aligned to the strong operational and technical milestones the Company has achieved.

“We have achieved significant technical and operational milestones in recent months, not least being the successful transfer of the underlying IP and technology from Singapore to Israel and successful reproduction and enhancements to the previously achieved test results in the new Israeli facility,” said UltraCharge Managing Director, Mr Kobi Ben-Shabat.

“As significant shareholders of the company, I and the fellow vendors decided to take proactive action to ensure the Company had a capital structure that would give all shareholders the greatest chance of generating meaningful value”, Mr Ben-Shabat added.

Background

The Company was recently reinstated to official quotation having re-complied with Chapters 1 and 2 of the ASX listing rules to facilitate the backdoor listing of UltraCharge Israel, an Israel-registered company developing valuable lithium-ion battery technology.



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The vendor consideration for the acquisition of UltraCharge Israel by the Company (**Acquisition**) was 485,900,000 shares (**Consideration Shares**).

The value of the Consideration Shares to the vendors of UltraCharge Israel (**UltraCharge Vendors**), based on the issue price (\$0.05) of shares under the public offer undertaken in conjunction with the Acquisition (**Public Offer**), was \$24,295,000.

At the time of entering into the binding heads of agreement with UltraCharge Israel on 13 May 2016, and at all relevant times until the re-quotations of shares on 21 December 2016, the Company's directors and corporate advisors were of the view that the Consideration Shares represented fair value for the business being acquired from the UltraCharge Vendors by way of the Acquisition.

However, as the Company was suspended from trading from the date of announcement of the proposed Acquisition until reinstatement, there was no opportunity for the market to provide price discovery or any signal as to whether or not the market considered that the Acquisition on the terms disclosed was likely to be value-accretive to the Company.

The Company's market performance since reinstatement has been disappointing for all relevant parties (including pre-existing shareholders, subscribers under the Public Offer and the UltraCharge vendors).

Feedback received by the current directors from corporate advisors and investors strongly indicates a market perception that the consideration paid to the UltraCharge Vendors (as represented by the Consideration Shares) may have been excessive, and preliminary soundings of key UltraCharge Vendors suggests that there is a recognition that the number of Consideration Shares issued to the UltraCharge Vendors may have been more than the market can comfortably bear. Consequently, they have indicated a preparedness to reduce their holdings of shares by way of the proposed selective capital reduction.

The Company has taken the view that only those UltraCharge Vendors who received a considerable number of Consideration Shares as a consequence of the successful completion of the Acquisition, and the issue of the Consideration Shares, should be the subject of a 40% reduction.

In addition, corporate advisors CPS Capital Group Pty Ltd, Armada Capital and Equities Pty Ltd and Cityscape Asset Pty Ltd (together, **Advisors**) each received shares as consideration for services provided under corporate advisory mandates in respect of the Acquisition. The Company understands that the Advisors have taken the view that it is in the Company's, and ultimately their clients', interests for them to materially support the Company's strategy by agreeing to participate in the proposed capital reduction.

Accordingly, there are 14 shareholders currently holding a total of 323,043,559 shares (representing approximately 43.1% of issued capital) will be the subject of the proposed capital reduction (**Cancellation Shareholders**).

All the shares issued to the Cancellation Shareholders are the subject of either restriction agreements entered into pursuant to listing rule 9.1 or voluntary escrow agreements entered into by the Company with particular Cancellation Shareholders.

The Company proposes to cancel approximately 129.2 million shares, comprised of 40% of each Cancellation Shareholder's holding and approximately 17.2% of the ordinary capital of the Company.



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Corporations Act requirements

The selective reduction of capital will occur in accordance with the requirements of section 256C of the Corporations Act, which in these circumstances requires:

- (a) a special resolution to be passed at a general meeting of the Company; and
- (b) a special resolution to be passed at a special meeting of the Cancellation Shareholders.

Subject to the necessary shareholder approvals being obtained, the Cancellation Shares will be then be cancelled for nil consideration.

Terms of waiver

ASX has granted the Company a waiver from listing rule 9.7 to the extent necessary to permit the Company to amend the restriction agreements between the Company and the Cancellation Shareholders such that the Company be permitted to cancel up to 129,217,424 Cancellation Shares held by the Cancellation Shareholders which were issued as consideration for the Acquisition, on the following conditions:

- 1.1 The Cancellation Shares are cancelled for nil consideration.
- 1.2 The Company announces the terms of the waiver to the market.
- 1.3 Shareholders of the Company, including the Cancellation Shareholders, approve a selective buy-back or a cancellation by way of a selective reduction of capital in relation to the Cancellation Shares in accordance with the Corporations Act.
- 1.4 The Company conducts the selective buy back or the cancellation by way of a selective reduction of capital in relation to the Cancellation Shares in accordance with the Corporations Act.
2. ASX has considered the application of listing rule 9.7 only and makes no statement as to the Company's compliance with other listing rules.

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