A-CAP ENERGY LIMITED
AND ITS CONTROLLED ENTITIES
(FORMERLY A-CAP RESOURCES LIMITED)
ACN 104 028 542

HALF-YEAR REPORT
31 DECEMBER 2018

The interim financial report is to be read in conjunction with the financial report for the year ended 30 June 2018 and public announcements made on the ASX for the half year ended 31 December 2018

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The Directors present the financial report on the Consolidated Group consisting of A-Cap Energy Limited ("A-Cap", "the Company", formerly A-Cap Resources Limited) and the entities it controlled ("the Consolidated Group") at the end of, or during the half-year ended 31 December 2018.

DIRECTORS

The following persons were Directors of A-Cap Energy Limited during or since the end of the half-year and up to the date of this report:

Angang Shen	- Chairman
Paul Anthony Ingram	- Deputy Chairman
John Fisher-Stamp	
Michael Muhan Liu	
Jijing Niu	
Chenghu Zhu	

REVIEW OF OPERATIONS

A-Cap has progressed with its diversified minerals strategy focussing on cobalt and energy related resources during the period. On 28 September 2018 the Company entered into a binding term sheet with Blackham Resources Limited (ASX:BLK, Blackham) to acquire a 75% farm-in joint venture interest in the nickel, cobalt and associated metals of the Wiluna Cobalt Nickel Project (Wilconi Project) in Western Australia.

On 20 December 2018, the Company announced entering into a definitive Farm-in and Joint Venture Agreement (JVA) between A-Cap and Blackham, marking a significant milestone for the Company in implementing its diversified minerals strategy. The signed JVA was conditional upon satisfaction of a remaining Condition Precedent from the binding term sheet, being the finalisation of third-party agreements with three stakeholders. The Condition Precedent was satisfied on 29 January 2019, with the JVA becoming binding on the parties.

Chairman Mr Angang Shen extended a short-term accommodation loan facility following the end of the quarter, with the Company drawing down an amount of A$500,000 on 8 October 2018 to support working capital requirements. A US$3 million revolving credit facility with the Industrial and Commercial Bank of China Limited (ICBC) was approved on 24 October 2018. This amount represents an initial loan application with ICBC, with a further US$4 million available to be applied for at a later stage. This interim funding has facilitated the Company's implementation of its diversified minerals strategy. Other capital raising options are currently being considered.

Project optimisation and acid consumption studies for the Letlhakane Uranium Project (the LUP Project), aimed at de-risking the project by refining and optimising the metallurgical process, including evaluating ways to improve recovered uranium grade and reducing acid consumption, continued during the period.
A-Cap continues to attend to all compliance requirements prescribed by the Botswana Mines and Minerals Act 1999 associated with our mining licence.

DIVERSIFIED MINERALS STRATEGY

Wilconi Project – Blackham Resources Limited

The Company has a clean energy approach towards future energy requirements and is diversifying its minerals portfolio targeting cobalt opportunities on a global basis for cathode materials production and supply to the battery industry.

A-Cap will leverage off the studies completed on the heap leach acid mitigation studies at its Letlhakane Uranium project and apply them to Co – Ni laterite projects. Acid consumptions are generally a large proportion of the operating costs for these types of projects.

Project Overview

- The Company entered into a binding term sheet on 28 September 2018 (Effective Date) with Blackham Resources Limited ACN 119 887 606 (BLK) to acquire a 75 percent Farm-In Joint Venture Interest in the cobalt, nickel and associated metals of the Wiluna Cobalt Nickel Project (Wilconi Project) in Western Australia (refer ASX announcement dated 21 December 2018 for transaction terms and project information).
- Project highlights:
  - *The Wilconi project has significant past drilling to enable A-Cap to value its potential*
  - *The deposit lies in largely granted mining tenements*
  - *Infrastructure associated with Blackham's gold mining is in place*
  - *Environmentally safe with a long history of mining in the area*
  - *Past work was focussed solely on nickel with a cobalt by-product*
  - *A-Cap have remodelled the resource as a **cobalt target** with nickel as a by-product*
  - *New and innovative geophysics and metallurgical technology will be utilised during the feasibility work*
  - *The final Wilconi Project tenements list comprises twelve granted mining leases, eight granted exploration licences, one prospecting licence and one retention licence. The Project covers a total area of 800 square kilometres.*
  - *A-Cap plans to begin an aggressive drilling campaign early 2019 at Wilconi to bring existing inferred resources in line with the JORC 2012 standard, as well as step-out drilling to follow anomalous cobalt away from the currently defined zones.*
- The Wilconi Project will focus on cobalt and nickel materials supply to the global electric vehicle (EV) market through the establishment of key strategic and partner relationships. A-Cap's existing Botswana, Letlhakane Uranium U_3O_8 Project will continue to be advanced as a base load power generation energy related resource.
- On 20 December 2018, the definitive Farm-In and Joint Venture Agreement (JVA) was entered into between A-Cap and Blackham Resources Limited (Blackham), conditional upon the finalisation of third-party agreements with three stakeholders (Condition Precedent).
- The JVA Condition Precedent was satisfied on 29 January 2019, with the JVA becoming binding on the parties.

Due Diligence Studies

A-Cap has undertaken due diligence studies on the Wilconi Project, with initial block modelling demonstrating that an Exploration Target, calculated using cobalt equivalent wireframes, is approaching our target of approximately 60 to 70 million tonnes @ 0.08 - 0.1% cobalt. The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a mineral resource and it is uncertain if further exploration will result in the estimation of a mineral resource. This Exploration Target is based on extensive historical drilling and includes >45,000 assay results from >15,000 drill holes. The holes were drilled at 50 – 100m intervals along lines spaced 400m apart. The lines of holes, typically 1km and 2km long, were drilled across the mineralised trend which has a strike length of over 20km. To quantify the exploration target, historical drill hole geochemistry and lithology data was modelled using Micromine 3D mining software. The zone of cobalt mineralisation was modelled and grade – tonnage tables prepared from this data.

Project upside is substantial, with additional tonnes to be drilled into:

- Strike extensions of known Cobalt zones
- Deeply oxidised “keels” demonstrated by earlier historical drill intercepts (below)
  - PDW 238A 30m @ 0.13% Co from 64m
  - PDW 031 47.2m @ 0.09% Co from 61m
  - PDW 072 9.5m @ 0.11% Co from 75m

A-Cap completed a trial ground deep penetrating radar survey (DGPR) over the lateralised mineralisation in early December 2018. DGPR is a geophysical technique that uses a proprietary GPR technology which sends very short duration and very high amplitude pulses of electromagnetic energy into the ground using a transmitter, measuring the energy reflected from geological boundaries. This non-invasive technique produces detailed imaging of targets tens of meters deep. This exploration technique is particularly suited to the Wilconi deposits characteristics with respect to the layered aspects of the laterisation. The results of this survey are being interpreted with respect to the historical drilling and are expected to help target deeper zones and assist in the interpretation of geological continuity.

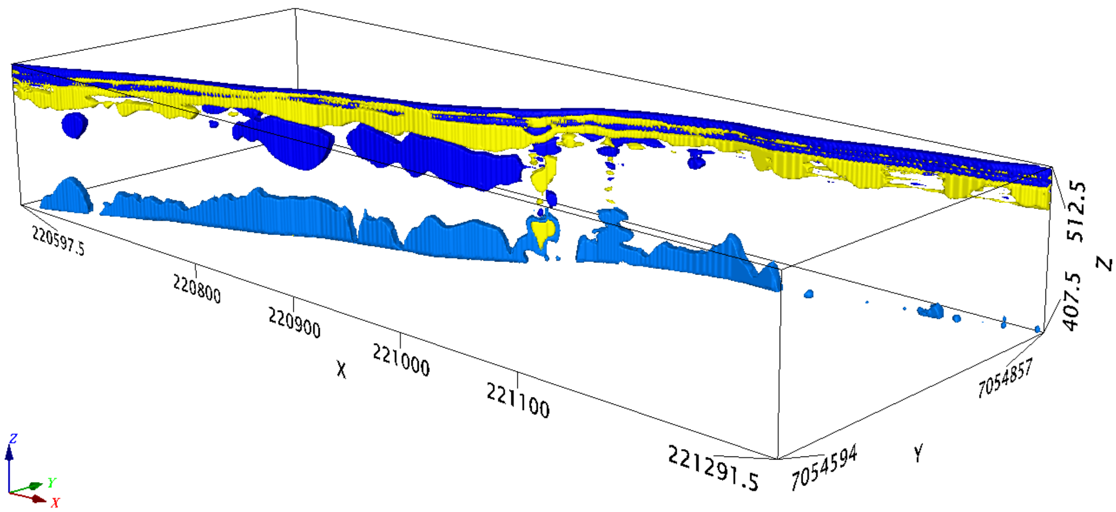

Figure 1 Preliminary sectional response of a GPR section completed across Wilconi mineralisation.

Proposed Exploration

A-Cap propose to infill the previous drill pattern to define JORC 2012 resources and reserves. A-Cap will also focus on the higher cobalt grades within the resource, where many cobalt rich zones were spread across the nickel intercepts. Drilling will be reverse circulation and planned to systematically step out from historical cobalt zones within the previously defined nickel laterite zone. In addition, the Company will concentrate on metallurgical studies from an early stage to determine the most efficient metallurgical techniques for the deposit. Work done over the years on A-Cap’s Letlhakane uranium deposit in Botswana has enabled the company to build a strong background with atmospheric acid leach studies. A-Cap will adopt the most efficient processing route to deliver a battery grade product to the end users, with a final product being a sulphate or hydroxide compound.

The Company is currently planning its exploration work and metallurgical sampling and, with the necessary approvals in place, project works activities will commence early in CY2019.

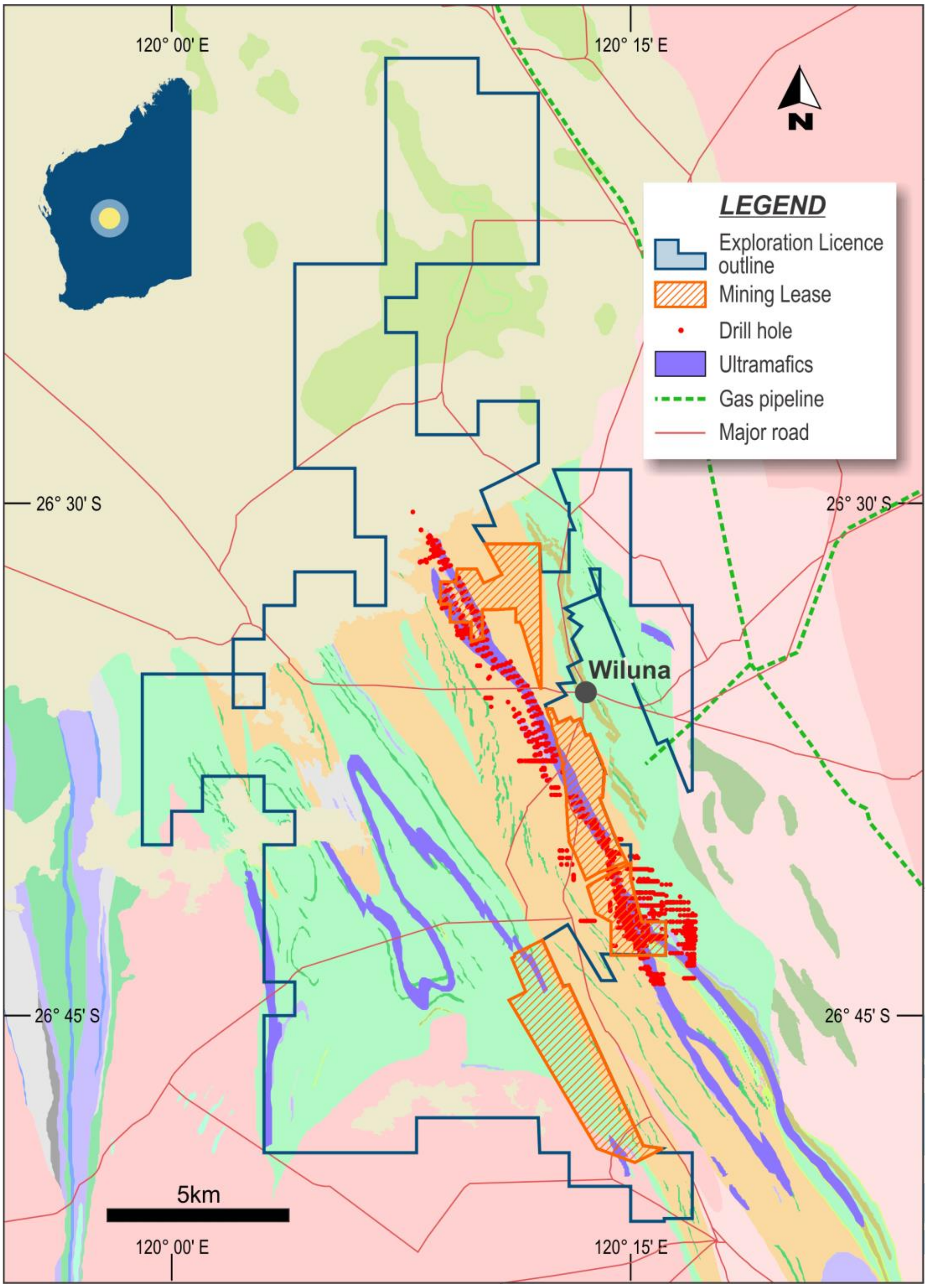

Figure 2 Geology of the Wiluna region showing the ultramafic rocks in purple and highlighting previous drilling for nickel laterite mineralisation that had intercepted anomalous cobalt.

Letlhakane Uranium Project

Project Overview

- The Letlhakane Uranium Project is one of the world's largest undeveloped Uranium Deposits.
- The project has the distinct advantage of having all the major infrastructure in place and is one of the few major undeveloped uranium projects in the world in the safe and stable jurisdiction of Botswana.
- A-Cap was granted a Mining Licence designated ML 2016/16L by the Ministry of Minerals, Energy and Water Resources over a portion of PL 45/2004 (Letlhakane) on 12 September 2016. The Mining Licence is valid for a period of 22 years.
- The Environmental Impact Statement (EIS) for the Letlhakane Uranium Project has been approved by the Botswana Department of Environment Affairs (DEA) in accordance with Section 12 (1a) of the Botswana Environmental Assessment Act, No.10, of 2011. The DEA formally approved the EIS on 13 May 2016 following a four-week public review process pursuant to the Environmental Act 2011.
- Provisional surface rights were granted on 6 June 2016 over the 144sqkm area covering the Letlhakane Uranium Project.
- Please refer to the Company's 2018 Annual Report for information relating to the Letlhakane Uranium Project's mineral resources and exploration results.

Acid Consumptions Studies

The encouraging results of the acid consumption studies completed during the second quarter 2018 (please refer to the June 2018 Quarterly Activities Report for the outcomes of the Acid Consumption Studies) indicated that savings of acid could be up to 26%, greatly improving OPEX. The potential OPEX savings stem from the large variation in acid consumption in the individual samples comprised of metallurgical column leach samples used for the mining licence technical study. Resolving these varying acid consumptions spatially, and then economically, in the mining schedules, prioritises the lower acid consumption areas to be mined first resulting in lower overall acid consumption.

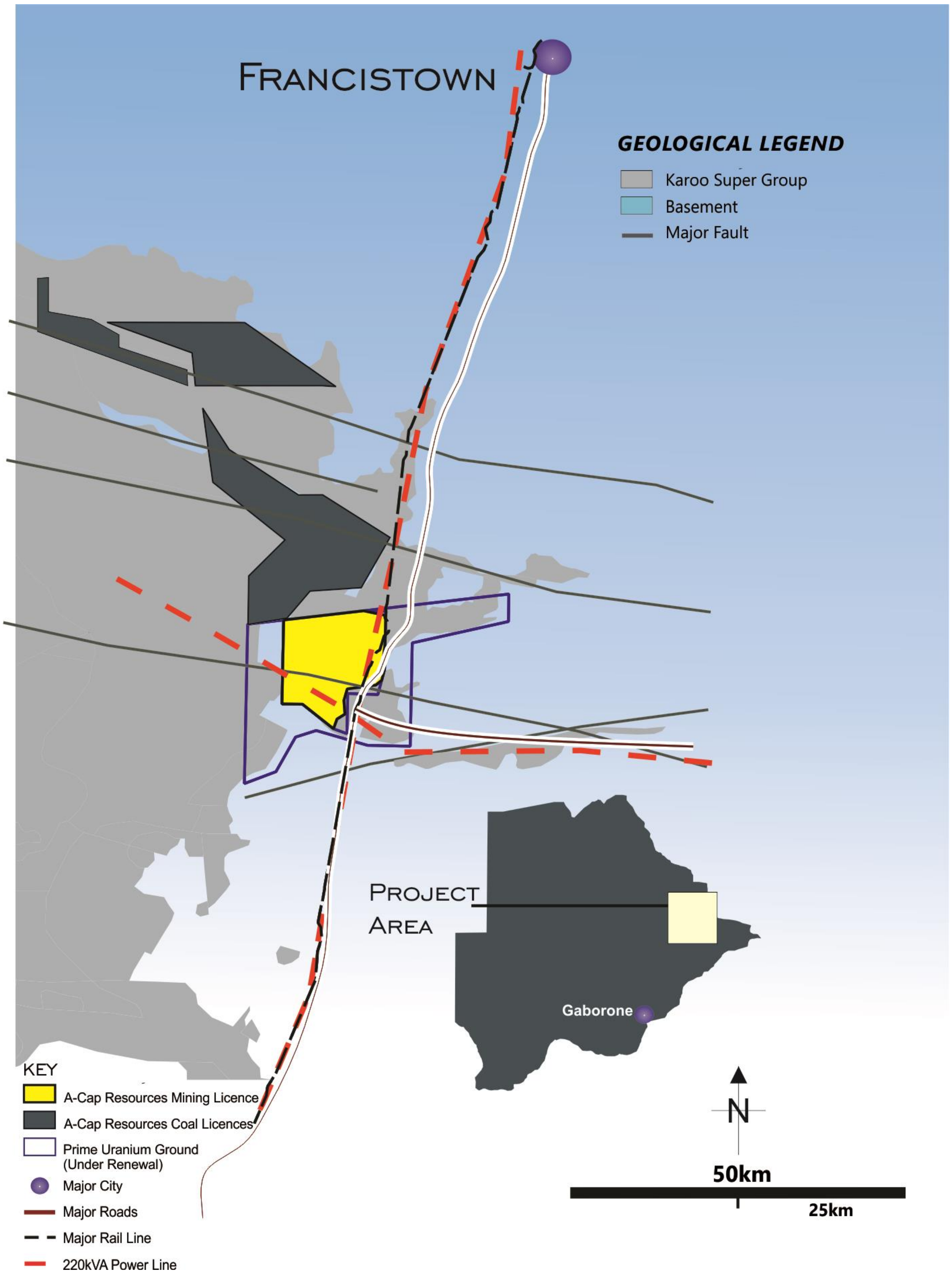

Figure 3: Map of A-Cap's Letlhakane Uranium Project

Marlborough Project – Castillo Copper Ltd

On 24 July 2018 it was announced that A-Cap had entered into a binding term sheet with Castillo Copper Limited (ASX:CCZ) which provides for a farm-in joint venture to explore and develop cobalt and nickel tenements in Queensland, Australia. The parties subsequently mutually agreed that the proposed Marlborough Project farm-in joint venture would not proceed (refer CCZ announcement dated 23 Jan-19).

Coal Projects

A-Cap's Coal projects consists of the Foley Coal Project (which comprises two PL's Foley PL125/2009 and Bolau PL138/2005) and the Mea Coal Project (PL134/2005). The Company is currently considering options to release value and monetise the coal tenement assets through joint venture participation, corporate re-organisation and assets sale.

Base Metals

The base metal tenements overlay the inferred extents of the Kaapvaal Craton. The Kaapvaal Craton in South Africa is host to a number of platinum and PGEs, iron ore and manganese mines. Whilst ensuring A-Cap continues to meet our commitments in preserving these prospecting licences, A-Cap is currently considering options to release value and monetise these base metals tenements through joint venture participation and corporate re-organisation. Notice was received from the Botswana Ministry of Mineral Resources, Green Technology and Energy Security that the base metal tenements were renewed from 1 January 2019 to 31 December 2020. The tenements were renewed under the name of A-Cap Resources Botswana (Pty) Ltd.'s wholly owned subsidiary, Pulse Resources (Pty) Ltd.

SCHEDULE OF INTEREST IN MINING TENEMENTS

Tenement	Location	Percentage Holding	Title Holder
Letlhakane ML 2016/16L	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Letlhakane PL 45/2004	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Mea PL 134/2005	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Bolau PL 138/2005	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Foley PL 125/2009	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi 002/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi 003/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi 004/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Werda 005/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Kokong 006/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Kokong 007/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Kokong 008/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Jwaneng 012/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Jwaneng 013/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd

CORPORATE

- On 19 July 2018 the Company withdrew its Non-Renounceable Rights Issue announced on 30 April 2018 to raise $4 million.
- On 25 July 2018 the Company announced entering into a binding Term Sheet with Castillo Copper Limited (ASX:CCZ) which provides for a farm-in joint venture to explore and develop cobalt and nickel tenements in Queensland, Australia. The parties subsequently mutually agreed that the proposed Marlborough Project farm-in joint venture would not proceed (refer CCZ announcement dated 23 Jan-19).
- On 27 September the Company lodged its 2018 financial report, corporate governance statement and appendix 4G with the ASX;

- On 28 September the Company entered into a binding term sheet with Blackham Resources Limited ACN 119 887 606 to acquire a 75 percent Farm-In Joint Venture Interest in the cobalt, nickel and associated metals of the Wiluna Cobalt Nickel Project (Wilconi Project) in Western Australia. The terms of the binding term sheet are detailed under the Diversified Minerals Strategy section.
- Chairman Mr Angang Shen extended a short-term accommodation loan facility to support the Company's working capital requirements, with an amount drawn down of A$500,000 on 8 October 2018. The loan is unsecured and at an interest rate of 10% p.a. The principal and interest are repayable 12 months from the drawdown date.
- A-Cap secured an ICBC US$3 million revolving loan facility, which was drawn down on 24 October 2018 (refer ASX announcement dated 24 Oct-18).
- The Company held its Annual General Meeting on 22 November 2018 at the Offices of Ashurst Brisbane, with all resolutions passed by a show of hands.
- On 26 November 2018 the Company changed its name from A-Cap Resources Limited to A-Cap Energy Limited.
- Following approval by shareholders, the Company issued 26 million performance rights to directors and 9 million unlisted options to employees and consultants on 18 December 2018 (refer to the Notice of Annual General Meeting dated 24 October 2018 for further information).
- On 20 December the Company entered into a definitive Farm-in and Joint Venture Agreement (JVA) with Blackham Resources which provides A-Cap to acquire a 75 percent Farm-in Interest in the cobalt, nickel and associated reserved minerals of the Wiluna Cobalt Project (Wilconi Project), Western Australia.
- On 21 December the Company entered into a Pause in Trading and subsequently a Trading Halt with regards to its announcement released on 20 December 2018. A clarification announcement was released on 21 December which lifted the Trading Halt.
- On 27 December 2018 the Company lodged Appendix 3Y's to disclose the change in directors' interests following the issue of performance rights on 18 December 2018.

EVENTS SUBSEQUENT TO REPORTING DATE

- The signed Blackham JVA was conditional upon satisfaction of a remaining Condition Precedent from the binding term sheet, being the finalisation of third-party agreements with three stakeholders. The Condition Precedent was satisfied on 29 January 2019, with the JVA becoming binding on the parties.

  Under the terms of the JVA, on 30 January 2019 A-Cap paid to Blackham an amount of A$2,900,000 to acquire an initial 20% interest in the Reserved Minerals located on the Wilconi Project Tenements and at the same time acquire the third-party exploration data on the project.
- On 15 February 2019 an application for a further US$2 million drawdown from the Company's revolving credit facility with the Industrial and Commercial Bank of China (ICBC) Shanghai Hongqiao Branch was approved. The drawdown is for working capital and operational purposes and was received on Tuesday 19 February 2019.

AUDITORS' DECLARATION

The auditors' independence declaration under section 307C of the Corporations Act 2001 is set out on page 11.

This report is made in accordance with a resolution of the Directors made on the 15th of March 2019.

Paul Ingram
Deputy Chairman

Dated this 15th day of March 2019
Perth, Australia

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF A-CAP ENERGY LIMITED AND ITS CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2018 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

— no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

N. S. Benbow
Director

Dated this 15th day of March, 2019

CHARTERED ACCOUNTANTS & ADVISORS
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Dec 2018	Dec 2017
		$	$
Revenue		-	-
Other income		-	12,746
Administration	7	(198,457)	(60,010)
Corporate	7	(810,935)	(255,382)
Employment entitlements	7	(744,906)	(422,067)
Loss on FX translation		(45,145)	(9,168)
Occupancy		(20,947)	(35,230)
Travel		(134,231)	(65,711)
Loss from ordinary activities before income tax expense		**(1,954,621)**	(834,822)
Income tax expense		-	-
Loss from ordinary activities after income tax expense attributable to the parent		**(1,954,621)**	(834,822)
Other Comprehensive income			
Items that may be reclassified subsequently to the profit or loss			
Exchange differences on translating foreign operations		**2,059,232**	(594,930)
Other comprehensive income / (loss) for the period		**104,611**	(1,429,752)
Total comprehensive income / (loss) for the half-year		**104,611**	(1,429,752)
Earnings per share:			
Basic / Diluted loss per share (cents per share)		**(0.22)**	(0.10)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	Dec 2018	Jun 2018
		$	$
Assets			
Current Assets			
Cash and cash equivalents		**3,737,979**	1,089,938
Trade and other receivables		**117,518**	81,241
Prepayments		**157,584**	69,449
Total Current Assets		**4,013,081**	1,240,628
Non-Current Assets			
Plant and equipment		**29,989**	44,006
Capitalised exploration and evaluation	**6**	**56,116,719**	53,533,200
Total Non-Current Assets		**56,146,708**	53,577,206
Total Assets		**60,159,789**	54,817,834
Current Liabilities			
Trade and other payables		**102,135**	37,151
Provision for employee entitlements		**77,716**	104,724
Loans		**500,000**	-
Total Current Liabilities		**679,851**	141,875
Non-Current Liabilities			
Provision for employee entitlements		**130,204**	115,757
Loans		**4,252,158**	-
Total Non-Current Liabilities		**4,382,362**	115,757
Total Liabilities		**5,062,213**	257,632
Net Assets		**55,097,576**	54,560,202
Equity			
Issued capital	**5**	**71,956,026**	71,523,263
Reserves		**9,135,351**	7,076,119
Accumulated losses		**(25,993,801)**	(24,039,180)
Total Equity		**55,097,576**	54,560,202

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Ordinary shares	Option reserve / Performance rights	Accumulated losses	Foreign currency translation reserve	Total
	$	$	$	$	$
At 1 July 2018	**71,523,263**	**-**	**(24,039,180)**	**7,076,119**	**54,560,202**
Loss for the period	-	-	(1,954,621)	-	(1,954,621)
Other comprehensive income	-	-	-	2,059,232	2,059,232
Total comprehensive income / (loss) for the year	**-**	**-**	**(1,954,621)**	**2,059,232**	**104,611**
Share-based payments					
vesting performance rights	-	403,706	-	-	403,706
Reversal of issue costs	29,057	-	-	-	29,057
At 31 December 2018	**71,552,320**	**403,706**	**(25,993,801)**	**9,135,351**	**55,097,576**

	Ordinary shares	Option reserve	Accumulated losses	Foreign currency translation reserve	Total
	$	$	$	$	$
At 1 July 2017	**71,552,319**	**131,999**	**(22,713,337)**	**5,596,640**	**54,567,621**
Loss for the period	-	-	(834,822)	-	(834,822)
Other comprehensive income	-	-		(594,930)	(594,930)
Total comprehensive loss for the year	**-**	**-**	**(834,822)**	**(594,930)**	**(1,429,752)**
Share-based payments					
Expired options		(131,999)	131,999	-	-
At 31 December 2017	**71,552,319**	**-**	**(23,416,160)**	**5,001,710**	**53,137,869**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF- YEAR ENDED 31 DECEMBER 2018

	Note	Dec 2018	Dec 2017
		$	$
Cash Flows from Operating Activities			
Payments to suppliers and employees	7	**(1,480,234)**	(794,857)
Interest / other income received		**-**	12,746
Net cash flows (used in) operating activities		**(1,480,234)**	(782,110)
Cash Flows from Investing Activities			
Purchase of plant and equipment		**(4,672)**	(218)
Proceeds from sale of assets		**-**	5,324
Exploration expenditure		**(603,599)**	(669,299)
Net cash flow (used in) investing activities		**(608,271)**	(664,193)
Cash Flows from Financing Activities			
Proceeds from loans and borrowings		**4,736,546**	-
Net cash flows from financing activities		**4,736,546**	-
Net increase/(decrease) in cash and cash equivalents		**2,648,041**	(1,446,303)
Cash and cash equivalents at beginning of period		**1,089,938**	3,933,829
Cash and cash equivalents at end of period		**3,737,979**	2,487,525

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Note 1 Basis of Preparation of Half-year Financial Report

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report any public announcements made by the Consolidated Group during the half-year reporting period in accordance with the continuous disclosure requirement of the Corporations Act 2001.

Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as noted below and the corresponding interim reporting period. All new accounting standards and amendments applicable for the first time this financial period have been adopted and have had no material impact on the Consolidated Group.

AASB 9 Financial instruments ("AASB 9")

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with transitional provisions of AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement ("AASB 139") bringing together all three aspects of the accounting for financial instruments; classification and measurement; impairment and hedge accounting. The Group's accounting policies have been updated to reflect the application of AASB 9 from 1 July 2018.

Measurement and classification

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. In this regard the Group has determined that the adoption of AASB 9 has impacted on the classification of financial instruments as follows:

Class of Financial Instrument	Measurement under AASB 139 (ie prior to 1 July 2018)	New measurement category under AASB 9 (ie from 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Borrowings	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 July 2018.

Impairment of financial assets

In relation to financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT (CONTINUED)

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, all balances are assessed to have low credit risk as they are held with reputable financial institutions. The Directors have assessed the requirements of AASB 9 and have determined there is no impact on the Group.

Basis of preparation

These condensed fair consolidated financial statements have been prepared on the basis of historical cost. Share-based payments pertaining to performance rights were valued using the Hoadley Employee Stock Option Model, with employee share options valued using the Hull-White Enhanced Stock Option Model. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise indicated.

Going concern

During the half year, the Consolidated Group generated a loss after tax of $1,954,621 and incurred net cash outflows from operations of $1,480,234. As at 31 December 2018, the Consolidated Group had $3,737,979 in cash and Net investment outflow for the half year attributable to its exploration program was $608,271.

The Consolidated Group anticipates future expenditure on its current rights of tenure to exploration and mining tenements up until the expiry of its current Prospecting Licences and on tenement renewals that have been applied for but not yet granted. In the event the Consolidated Group does not meet the minimum exploration expenditure the licences may be cancelled or not renewed. The Consolidated Group plans to continue to progress the Letlhakane Uranium Project's feasibility studies to ensure the project is capable of early production and continue to evaluate options to divest our coal assets.

The Consolidated Group has progressed with its diversified minerals strategy focussing on cobalt and energy related resources. On 20 December 2018, the Company announced entering into a definitive Farm-in and Joint Venture Agreement between A-Cap and Blackham. The joint venture represents a strategic opportunity for A-Cap to diversify its mineral portfolio into cathode materials production and supply to the battery industry. A-Cap's current Letlhakane Uranium Project located in Botswana, continues as a core strategy to ultimately supply uranium U_3O_8 product to nuclear facilities as prime fuel for base load power generation and its service to the battery industry markets and its consumers.

To achieve these objectives, the Consolidated Group's continuing viability, its ability to continue as a going concern and to meet its debts and commitments as they fall due, the Board of Directors of the Consolidated Group have considered the following:

- The Consolidated Group has a strong record of raising capital from existing and prospective investors;
- The Consolidated Group have the ability to implement cost reductions where appropriate and will continue to monitor any cost reductions already implemented;
- The Consolidated Group continues to investigate commercial options with regards to our coal assets;
- On 15 February 2019 an application for a further US$2 million drawdown from the Company's revolving credit facility with the Industrial and Commercial Bank of China (ICBC) Shanghai Hongqiao Branch was approved. The drawdown is for working capital and operational purposes and was received on Tuesday 19 February 2019.

Should the Consolidated Group not successfully achieve these assumptions as described above, it may be unable to realise its assets, nor acquit its liabilities, in accordance with its basis of preparation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities or contingent assets existing at the date of this report (2017: Nil). The Consolidated Group is not involved in any material, legal or arbitration proceedings and, so far as directors are aware, no such proceedings are pending or threatened against the Consolidated Group.

NOTE 3 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- On 23 January 2019, the Company and Castillo Copper Limited announced that the parties mutually agreed that the proposed Marlborough Project farm-in joint venture would not proceed.
- The signed Blackham Farm-In and Joint Venture Agreement (JVA) was conditional upon satisfaction of a remaining Condition Precedent from the binding term sheet, being the finalisation of third-party agreements with three stakeholders. The Condition Precedent was satisfied on 29 January 2019, with the JVA becoming binding on the parties.
- Under the terms of the JVA, on 30 January 2019 A-Cap paid to Blackham an amount of A$2,900,000 to acquire an initial 20% interest in the Reserved Minerals located on the Wilconi Project Tenements and at the same time acquire the third-party exploration data on the project.
- On 15 February 2019 an application for a further US$2 million drawdown from the Company's revolving credit facility with the Industrial and Commercial Bank of China (ICBC) Shanghai Hongqiao Branch was approved. The drawdown is for working capital and operational purposes and was received on Tuesday 19 February 2019.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the Consolidated Group, the results of these operations or the state of affairs of the Consolidated Group in subsequent years.

NOTE 4 CAPITAL AND LEASING COMMITMENTS

	Dec-18 $	Dec-17 $
Planned exploration expenditure on prospecting licences		
- not later than 12 months	**1,342,415**	4,155,826
- between 12 months and 5 years	**203,996**	2,880,000
	1,546,411	7,035,826

These estimated figures include amounts submitted to the Department of Geological Survey in Botswana in order to maintain the Consolidated Group's current rights of tenure to exploration and mining tenements up until the expiry of the leases. The Consolidated Group anticipates future expenditure on its current rights of tenure to exploration and mining tenements up until the expiry of its current Prospecting Licences and on tenement renewals and extensions that have been applied for but not yet granted, which are included in the above table. In the event the Consolidated Group does not meet the minimum exploration expenditure the licences may be cancelled or not renewed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 ISSUED CAPITAL

i) Ordinary shares

1 July to 31 December 2018	Number of Shares	Issue Price $	$
Beginning of the reporting period	**871,884,866**		**71,523,263**
Reversal of share issue costs			29,057
At the end of the reporting period	**871,884,866**		**71,552,320**

1 July 2017 to 31 December 2017	Number of Shares	Issue Price $	$
Beginning of the reporting period	**871,884,866**		**71,552,319**
At the end of the reporting period	**871,884,866**		**71,552,319**

NOTE 6 CAPITALISED EXPLORATION & EVALUATION

	Dec-18 $	Jun-18 $
At cost	**56,200,407**	**53,533,200**
Movements in carrying values		
Balance at beginning of year	53,533,200	50,580,159
Expenditure during the year	487,798	1,758,951
Foreign currency translation	2,095,721	1,194,090
Balance at end of year	**56,116,719**	**53,533,200**

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of uranium. Included in the expenditure during the year is depreciation of plant and equipment for the exploration activities amounting to $16,273.

NOTE 7 ADMINISTRATION, CORPORATE AND EMPLOYEE ENTITLEMENTS EXPENDITURE

- Administration expenditure of $198,457 for the period includes $73,656 of expenditure related to due diligence work undertaken in evaluating cobalt-nickel projects. These tenement acquisition costs relate to geological equipment hire, motor vehicle and travel expenses.

- Corporate expenditure of $810,935 for the period includes $491,098 of due diligence costs and joint venture transaction costs incurred in evaluating cobalt-nickel projects. The costs include geotechnical services of $56,009, professional fees of $225,650, geological consulting fees of $83,739, corporate filing fees of $25,700 and a payment to Blackham Resources of $100,000 pursuant to the terms of the signed Farm-In and Joint Venture Agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 ADMINISTRATION, CORPORATE AND EMPLOYEE ENTITLEMENTS EXPENDITURE (CONTINUED)

- Employee entitlements expenditure of $744,906 for the period includes an amount of $403,706 which relates to the valuation of performance rights Tranche 1 and Tranche 3 issued to directors of the Company as approved by shareholders at the 2018 Annual General Meeting (please refer to the Notice of Annual General Meeting Explanatory Memorandum ASX announcement date 24 October 2018).

The payments to suppliers and employees cash outflow of $1,480,234 on the Consolidated Statement of Cash Flows includes $523,301 of the administration, corporate and employee entitlements mentioned above.

NOTE 8 SEGMENT INFORMATION

Identification of reportable segments
The Consolidated Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The Consolidated Group only operates within one business segment being that of minerals exploration and mine development. The Chief Operating Decision Makers review the Monthly Directors Report on at least a monthly basis. The accounting policies adopted for internal reporting to the Chief Operating Decision Makers are consistent with those adopted in the financial statements. The reportable segment is represented by the primary statements forming this financial report.

NOTE 9 FAIR VALUE MEASUREMENT

The carrying amounts of all financial assets and liabilities in these financial statements approximate their fair values.

DIRECTORS DECLARATION

In accordance with a resolution of the directors of A-Cap Energy Limited, the Directors of the Company declare that:

1) The consolidated financial statements and notes, as set out on pages 12 to 20 are in accordance with the *Corporations Act 2001*, including:

    a. Complying with Accounting Standard AASB 134: *Interim Financial Reporting and Corporations Regulations 2001*; and
    b. Giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

2) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

Paul Ingram
Deputy Chairman

Dated this 15th day of March 2019
Perth, Western Australia

A-Cap Energy Limited

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of A-Cap Energy Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of A-Cap Energy Limited is not in accordance with the Corporations Act 2001 including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a net loss of $1,954,621 and a net cash outflow from operations of $1,480,234 during the half year ended 31 December 2018. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge it liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

CHARTERED ACCOUNTANTS & ADVISORS
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Melbourne VIC 3000
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williambuck.com

William Buck

Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

— giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and

— complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of A-Cap Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN: 59 116 151 136

N.S Benbow
Director

Dated this 15th day of March, 2019

A-CAP ENERGY LIMITED AND ITS CONTROLLED ENTITIES

Principal Place of Business	Level 1, 136 Stirling Hwy Nedlands WA 6009	
Registered Office	Level 38, 123 Eagle St Riverside Centre Brisbane QLD 4000	
Directors	Mr Angang Shen	(Chairman)
	Mr Paul Anthony Ingram	(Deputy Chairman, Independent Non-Executive Director)
	Mr John Fisher-Stamp	(Independent Non-Executive Director)
	Mr Michael Liu	(Independent Non-Executive Director)
	Mr Jijing Niu	(Non-Executive Director)
	Mr Chenghu Zhu	(Non-Executive Director)
Contact Details	Telephone (08) 9467 2612 Facsimile (08) 7200 7612 Email: info@a-cap.com.au Website: www.a-cap.com.au	
Company Secretary	Mr Nicholas Yeak	
Share Registry	Advanced Share Registry Services Limited 110 Stirling Highway Nedlands WA 6009 Telephone (08) 9389 8033 Facsimile (08) 9389 7871	
Bankers	Westpac Banking Corporation 109 St Georges Terrace Perth WA 6000	
Auditors	William Buck Level 20, 181 William St Melbourne VIC 3000	
Solicitors	Ashurst Level 38, 123 Eagle St Brisbane QLD 4000	
Stock Exchange	A-Cap Energy is listed on the Australian Securities Exchange (ASX code: ACB) and the Botswana Stock Exchange (BSE code: A-CAP).	