

# NOTICE OF ANNUAL GENERAL MEETING

Accompanied by an Explanatory  
Statement, Independent Expert's Report &  
Proxy Form

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This *notice of annual general meeting, explanatory statement and proxy form* should be read in their entirety.

If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional advisor prior to voting.

The Independent Expert reporting on *resolution 6* concludes that the proposed transaction is NOT FAIR BUT REASONABLE to non-associated shareholders of the Company.

If you wish to discuss this *notice of annual general meeting* or the accompanying documents, please do not hesitate to contact the Company Secretary on +61 (0) 8 6377 8043.

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Annual General Meeting to be held at the Kings Park Room, Quest West Perth, 54 Kings Park Road, West Perth, Western Australia on 10 October 2016, commencing at 10.30am WST

## Lithex Resources Limited

ACN 140 316 463

*to be renamed Ultracharge Limited*

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## Key dates

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**8 October  
2016** snapshot date for eligibility to vote

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**8 October  
2016** last day for receipt of *proxy forms* \*

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**10 October  
2016** *annual general meeting*

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**11 November  
2016** completion of *acquisition* and issue and allotment of new securities (anticipated)

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**25 November  
2016** re-quotation of the *company's* securities on *ASX* (anticipated)

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\* *proxy forms* received after 10.30am WST will be disregarded.

# Notice of Annual General Meeting

Notice is hereby given that the *annual general meeting* of **Lithex Resources Limited** ACN 140 316 463 (*company*) will be held at the Kings Park Room, Quest West Perth, 54 Kings Park Road, West Perth, Western Australia, commencing at 10.30am WST on 10 October 2016.

The *explanatory statement*, which accompanies and forms part of this *notice*, describes the various matters to be considered.

Terms used in this *notice*, unless the context otherwise requires, have the meanings given to them in the *glossary* set out in the *explanatory statement*.

## Agenda

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### Annual Report

To receive and consider the *annual report* of the *company* for the year ended 30 June 2016 which includes the *financial report* of the *company*, the *declaration of directors*, the *directors' report*, the *remuneration report* and the *auditor's report*.

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#### *resolution* Adoption of remuneration report

- 1** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the company's annual financial report for the financial year ended 30 June 2016.*

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#### *resolution* Election of Mr David Wheeler as a director

- 2** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, for the purposes of article 6.3(j) of the constitution, and for all other purposes, Mr David Wheeler, who was appointed as a director during the course of the year and who retires in accordance with the requirements of the constitution being eligible and offering himself for re-election, be re-elected as a director.*

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**resolution**    **Re-election of Ms Paula Cowan as a director**

**3** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, for the purposes of article 6.3(c) of the constitution, and for all other purposes, Ms Paula Cowan, who retires by rotation in accordance with the requirements of the constitution being eligible and offering herself for re-election, be re-elected as a director.*

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**resolution**    **Approval for change to nature and scale of activities**

**4** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 11.1.2, and for all other purposes, approval is given for the company to make a significant change to the nature and scale of its activities as set out in the explanatory statement.*

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**resolution**    **Approval for the issue of *consideration shares* to the vendors**

**5** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1, and for all other purposes, approval is given for the company to issue 485,900,000 consideration shares to the vendors on the terms and conditions set out in the explanatory statement.*

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**resolution**    **Approval for the issue of *consideration shares* to substantial holder**

**6** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 10.1, and for all other purposes, approval is given for the company to issue 4,500,000 consideration shares to Mr Jason Peterson, a substantial holder in the company and a vendor (or his nominee), on the terms and conditions set out in the explanatory statement.*

**Independent expert's report:** *shareholders* should carefully consider the *independent expert's report* prepared by RSM for the purposes of *shareholder* approval in relation to *resolution 6*. The *independent expert's report* comments on the fairness and reasonableness of the issues under that resolution to non-associated *shareholders*. The *independent expert* has determined that those issues are NOT FAIR BUT REASONABLE to non-associated *shareholders*.

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**resolution**    **Approval for the issue of *offer shares***

**7**    To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1, and for all other purposes, approval is given for the company to issue up to 70,000,000 offer shares at an issue price of \$0.05 per offer share, to raise up to \$3,500,000, on the terms and conditions set out in the explanatory statement.*

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**resolution**    **Approval for the issue of *shares to CPS***

**8**    To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1 and for all other purposes, approval is given for the company to issue 24,295,000 shares to CPS or its nominees(s) on the terms and conditions set out in the explanatory statement.*

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**resolution**    **Approval for the issue of *performance rights to the incoming service providers***

**9**    To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1 and for all other purposes, approval is given for the company to issue up to 60,000,000 performance rights to the incoming service providers (or their respective nominees) on the terms and conditions set out in the explanatory statement.*

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**resolution**    **Approval for the issue of the *offer options to Armada Capital***

**10**    To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1, and for all other purposes, approval is given for the company to issue 50,000,000 offer options to Armada Capital (or its nominees) on the terms and conditions set out in the explanatory statement.*

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**resolution**    **Approval for the issue of the *transaction options to Armada Capital***

**11**    To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1, and for all other purposes, approval is given for the company to issue 20,000,000 transaction options to Armada Capital (or its nominees) on the terms and conditions set out in the explanatory statement.*

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**resolution** Appointment of Mr Kobi Ben-Shabat as a *director*

**12** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of article 6.2(c) of the constitution, and for all other purposes, Mr Kobi Ben-Shabat be appointed as a director on and from completion.*

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**resolution** Appointment of Mr Yuri Nehushtan as a *director*

**13** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of article 6.2(c) of the constitution, and for all other purposes, Mr Yuri Nebushtan be appointed as a director on and from completion.*

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**resolution** Appointment of Mr John Paitaridis as a *director*

**14** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of article 6.2(c) of the constitution, and for all other purposes, Mr John Paitaridis be appointed as a director on and from completion.*

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**resolution** Appointment of Mr Doron Nevo as a *director*

**15** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of article 6.2(c) of the constitution, and for all other purposes, Mr Doron Nevo be appointed as a director on and from completion.*

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**resolution** Change of *company's* name

**16** To consider and, if thought fit, pass with or without amendment the following resolution as a **special resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of section 157(1) of the Corporations Act, and for all other purposes, and with effect from the day on which ASIC alters the details of the company's registration:*

- 1. the company change its name from "Lithex Resources Limited" to "Ultracharge Limited"; and*
  - 2. the constitution be amended by deleting in clause 1 of Schedule 1 the words "“Company” means the company named Lithex Resources Limited (ACN 140 316 463) whatever its name may be from time to time.” and substituting ““Company” means Ultracharge Limited ACN 140 316 463, or such other name as may be adopted from time to time.”*
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**resolution**   **Approval of employee incentive scheme**

**17** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, for the purpose of listing rule 7.2 Exception 9(b), sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for an employee incentive scheme, a summary of which is set out in the explanatory statement, and the issue of securities thereunder, as an exception to listing rule 7.1.*

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**resolution**   **Approval of increase of directors' remuneration**

**18** To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, in accordance with listing rule 10.17 and article 6.5 of the constitution, the total aggregate amount of remuneration that may be paid to the company's non-executive directors in any financial year be increased by \$100,000, from \$250,000 to a maximum of \$350,000.*

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**By order of the Board of directors**

**Peter Webse**  
Company Secretary

9 September 2016



# Proxy appointment, voting and meeting instructions

## Lodgement of a proxy form

The *proxy form* (and any power of attorney or other authority, if any, under which it is signed) or a copy or facsimile which appears on its face to be an authentic copy of the *proxy form* (and the power of attorney or other authority) must be lodged with the *company* no later than **10.30am WST on 8 October 2016** being not later than 48 hours before the commencement of the *annual general meeting*. Any *proxy form* received after that time will not be valid. *Proxy forms* may be lodged:

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**by hand** Automic Registry Services  
Suite 310, 50 Holt Street  
Surry Hills NSW 2010

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**by mail** Automic Registry Services  
PO Box 2226  
STRAWBERRY HILLS NSW 2012

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## Appointment of a proxy

A member of the *company* entitled to attend and vote at the *annual general meeting* is entitled to appoint a proxy. The proxy may, but need not be, a *shareholder* of the *company*.

If you wish to appoint the *chairman* of the *meeting* as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the *chairman* of the *meeting*, please write the name of that person. If you leave this section blank, or your named proxy does not attend the *meeting*, the *chairman* of the *meeting* will be your proxy.

You are entitled to appoint up to two persons as proxies to attend the *meeting* and vote on a poll. If you wish to appoint a second proxy, an additional *proxy form* may be obtained by telephoning the company secretary on +61 (0) 8 6377 8043 or you may photocopy the *proxy form*.

To appoint a second proxy, you must on each *proxy form* state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both *proxy forms* do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

### Corporate shareholders

Corporate *shareholders* should comply with the execution requirements set out on the *proxy form* or otherwise with the provisions of section 127 of the *Corporations Act*. Section 127 of the *Corporations Act* provides that a company may execute a document without using its common seal if the document is signed by:

1. two directors of the company;
2. a director and a company secretary of the company; or
3. for a proprietary company that has a sole director who is also the sole company secretary – that director.

### Corporate representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the *Corporations Act*, in which case the *company* will require a certificate of appointment of the corporate representative executed in accordance with the *Corporations Act*. The certificate of appointment must be lodged with the *company* before the *annual general meeting* or at the registration desk on the day of the *annual general meeting*.

### Votes on resolutions

You may direct your proxy how to vote on a *resolution* by placing a mark in one of the boxes opposite the *resolution*. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on the *resolutions* by inserting the percentage or number of *shares* you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the *resolutions*, your proxy may vote as he or she chooses. If you mark more than one box on a *resolution* your vote on the *resolution* will be invalid.

### Voting entitlement (snapshot date)

For the purposes of determining voting and attendance entitlements at the *annual general meeting*, *shares* will be taken to be held by the persons who are registered as holding the *shares* at **10.30am WST on 8 October 2016**. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the *annual general meeting*.

### Voting exclusion statements

The *Corporations Act* and the *Listing Rules* require that certain persons must not vote, and the *company* must disregard any votes cast by certain persons, on some of the *resolutions* to be considered at the *meeting*.

However, the *company* need not disregard a vote if it is cast by a person as a 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 a proxy for a person who is entitled to vote, in accordance with a direction on the *proxy form* to vote as the proxy decides.

The company will disregard any votes cast on a resolution as set out in the table below:

| Resolution | Nature of resolution  | Persons excluded from voting  |
|------------|---|---|
| 1          | Adoption of remuneration report   | <p>a. a member of the <i>key management personnel</i> whose remuneration details are included in the <i>remuneration report</i>; or</p> <p>b. a <i>closely related party</i> of such member.</p> <p>However, a person described above may cast a vote on this <i>resolution</i> if the vote is not cast on behalf of a person described in paragraphs a. or b. above and either:</p> <p>a. the person does so as a proxy appointed in writing that specifies how the proxy is to vote on this <i>resolution</i>; or</p> <p>b. the person is the <i>chairman</i> and the appointment of the <i>chairman</i> as proxy:</p> <p>c. does not specify the way the proxy is to vote on this <i>resolution</i>; and</p> <p>d. expressly authorises the <i>chairman</i> to exercise the proxy even if this <i>resolution</i> is connected directly or indirectly with the remuneration of the <i>key management personnel</i>.</p> |
| 4          | Approval for change to nature and scale of activities                       | Any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary <i>securities</i> , if the <i>resolution</i> is passed, and any <i>associates</i> of those persons.  |
| 5          | Approval for the issue of <i>consideration shares</i> to the <i>vendors</i> | Any <i>Ultracharge vendor</i> or other person who may receive <i>consideration shares</i> , and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary <i>securities</i> , if the <i>resolution</i> is passed, and any <i>associates</i> of those persons.  |
| 6          | Approval for the issue of <i>consideration shares</i> to substantial holder | Mr Jason Peterson (or his nominee) and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary <i>securities</i> , if the <i>resolution</i> is passed, and any <i>associates</i> of those persons.   |
| 8          | Approval for the issue of <i>shares</i> to <i>CPS</i>                       | <i>CPS</i> or its nominee(s) and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary <i>securities</i> , if the <i>resolution</i> is passed, and any <i>associates</i> of those persons.   |

|    |  |   |
|----|--|---|
| 9  | Approval for the issue of <i>performance rights</i> to the <i>incoming service providers</i> | Any <i>incoming service provider</i> or other person who may receive <i>performance rights</i> , and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the <i>resolution</i> is passed, and any <i>associates</i> of those persons. |
| 10 | Approval for the issue of the <i>offer options</i> to <i>Armada Capital</i>                  | <i>Armada Capital</i> or its nominee(s), and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary <i>securities</i> , if the <i>resolution</i> is passed, and any <i>associates</i> of those persons.   |
| 11 | Approval for the issue of the <i>transaction options</i> to <i>Armada Capital</i>            | <i>Armada Capital</i> or its nominee(s), and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary <i>securities</i> , if the <i>resolution</i> is passed, and any <i>associates</i> of those persons.   |
| 17 | Approval of employee incentive scheme  | Any <i>director</i> who is eligible to participate in the employee incentive scheme, and any <i>associates</i> of those persons.  |
| 18 | Approval of increase of directors' remuneration  | Any <i>director</i> and any <i>associates</i> of those persons.   |

# Explanatory statement

This *explanatory statement* has been prepared for the information of *shareholders* in relation to the business to be conducted at the *annual general meeting*.

The purpose of this *explanatory statement* is to provide *shareholders* with all information known to the *company* which is material to a decision on how to vote on the *resolutions* in the accompanying *notice of annual general meeting*.

This *explanatory statement* should be read in conjunction with the *notice of annual general meeting*.

Italicised terms in this *explanatory statement* and in the *notice* are defined in the *glossary* in *Schedule 1*.

**Other than *resolutions 1 to 3 and 17 and 18*, all of the proposed *resolutions* relate in some way (directly or indirectly) to the proposed *acquisition* by the *company* of *Ultracharge*. A summary of the proposed transactions, including the business of *Ultracharge* and the effect of the proposed transactions on holders of *existing shares*, is set out in *Schedule 2*.**

Information relevant to particular *resolutions* is set out below. There is additional information relevant generally to the *acquisition* and the proposed transactions the subject of this *notice* set out in *Schedule 3*.

## 1. ANNUAL REPORT AND ADOPTION OF REMUNERATION REPORT

### 1.1. Annual report

1.1.1. *Shareholders* will be offered the opportunity to discuss the *annual report* at the *meeting*. Copies of the report can be found on the *company's* website at [www.lithexresources.com.au](http://www.lithexresources.com.au) or by contacting the *company* on (08) 6377 8043.

1.1.2. There is no requirement for *shareholders* to approve the *annual report*. *Shareholders* will be offered the following opportunities:

- (a) discuss the *annual report* for the financial year ended 30 June 2016;
- (b) ask questions or make comment on the management of the *company*;
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the *auditor's report*.

- 1.1.3. In addition to taking questions at the *meeting*, written questions to the *chairman* about the management of the *company*, or to the *company's* auditor about:
- (a) the preparation and the content of the *auditor's report*;
  - (b) the conduct of the audit;
  - (c) accounting policies adopted by the *company* in relation to the preparation of the financial statements; and
  - (d) the independence of the auditor in relation to the conduct of the audit,
- may be submitted no later than 5 business days before the *meeting* to the *company secretary* at the *company's* registered office.

## 1.2. Adoption of remuneration report

- 1.2.1. Section 250R(2) of the *Corporations Act* provides that the *company* is required to put the *remuneration report* to the vote of *shareholders*. The *directors' report* contains a *remuneration report* which sets out the remuneration policy for the *company* and reports the remuneration arrangements in place for the executive and non-executive directors.
- 1.2.2. Section 250R(3) of the *Corporations Act* provides that this *resolution* is advisory only and does not bind the *directors* of the *company*. Of itself, a failure of *shareholders* to pass this *resolution* will not require the *directors* to alter any of the arrangements in the *remuneration report*. However, the *directors* take the discussion at the meeting and the outcome of the vote into account when considering the *company's* remuneration practices.
- 1.2.3. The *chairman* will allow a reasonable opportunity for *shareholders* as a whole to ask about, or make comments on the *remuneration report*.
- 1.2.4. If at least 25% of the votes cast are voted against adoption of the *remuneration report* at two consecutive annual general meetings, the *company* will be required to put to *shareholders* at the second annual general meeting a resolution proposing that another general meeting be held within 90 days, at which all of the *company's directors* (other than the managing *director*) would go up for re-election.
- 1.2.5. At the Company's 2016 Annual General Meeting the remuneration report was approved by over 75% of *shareholders*.

## 2. ELECTION OF MR DAVID WHEELER AS A DIRECTOR

### 2.1. Introduction

- 2.1.1. Clause 6.2(b) of the *constitution* allows the *directors* to appoint at any time a person to be a *director* either to fill a casual vacancy or as an addition to the existing *directors*, but only where the total number of *directors* does not at any time exceed the maximum number specified by the *constitution* of ten.
- 2.1.2. Pursuant to clause 6.3(j) of the *constitution*, any *director* so appointed holds office only until the next following annual general meeting and is then eligible for re-election by *shareholders* but shall not be taken into account in determining the *directors* who are to retire by rotation (if any) at that meeting.
- 2.1.3. Mr David Wheeler, having been appointed as a Non-Executive Director on 1 December 2015, will retire as a *director* in accordance with clause 6.3(j) of the *constitution* and being eligible, seeks re-election from *shareholders*.

### 2.2. Background and qualification

A profile of Mr Wheeler is contained in item 4.1 of *Schedule 2*.

### 2.3. Directors' recommendation

The current *directors* of the *company* support the election of Mr Wheeler as a *director* and unanimously recommend shareholders vote in favour of *resolution 2*.

## 3. RE-ELECTION OF MS PAULA COWAN AS A DIRECTOR

### 3.1. Introduction

- 3.1.1. Clause 6.3(c) of the *constitution* requires that at the *company's* annual general meeting in every year, one-third of the *directors* for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no *director* (except a managing director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

- 3.1.2. The *directors* to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became *directors* on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.
- 3.1.3. A Director who retires by rotation under clause 6.3(c) of the *constitution* is eligible for re-election.
- 3.1.4. Ms Paula Cowan and Mr Giuseppe Graziano were both elected at the *company's* last annual general meeting, although Mr Graziano retired by rotation at that meeting and was re-elected, whereas Ms Cowan was elected for the first time following her appointment during the year. Ms Cowan retires by rotation at this *meeting* and, being eligible, seeks re-election.

## 3.2. Background and qualification

A profile of Ms Cowan is contained in item 4.2 of *Schedule 2*.

## 3.3. Directors' recommendation

The current *directors* of the *company* support the re-election of Ms Cowan as a *director* and unanimously recommend shareholders vote in favour of *resolution 3*.

# 4. APPROVAL FOR CHANGE TO NATURE AND SCALE OF ACTIVITIES

## 4.1. Background

- 4.1.1. *Resolution 4* seeks *shareholder* approval for the change to the nature and scale of the *company's* activities that will occur as a consequence of the *acquisition* of *Ultracharge*.
- 4.1.2. The *company* has entered into the *heads of agreement* to effect the *acquisition*. As already noted, details of the proposed *acquisition* are set out in *Schedule 2*. The *acquisition* is subject to the conditions precedent set out in item 3.2(c) of *Schedule 2*.
- 4.1.3. *Resolution 4* takes effect subject to the passing of all other *transaction resolutions*.

## 4.2. Requirement for shareholder approval

- 4.2.1. *Listing rule 11.1* provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must:
- (a) provide full details to *ASX* as soon as reasonably practicable;



- (b) provide *ASX* with information regarding the change and its effect on future potential earnings, and any additional information *ASX* asks for;
- (c) if required by *ASX*, obtain the approval of its shareholders and comply with any *ASX* requirements in respect of the notice of the relevant general meeting; and
- (d) if required by *ASX*, meet the requirements of Chapters 1 and 2 of the *listing rules* as if the entity were applying for admission to the official list of *ASX*.

4.2.2. *ASX* has indicated to the *company* that it has exercised its discretion to require the *company* to seek *shareholder* approval for the change in nature and scale of activities that will occur as a result of the *acquisition* under *listing rule 11.1.2* and that the *company* must comply with *ASX* requirements in respect of this *notice*.

4.2.3. *ASX* has also indicated to the *company* that the *acquisition* effectively constitutes a listing of *Ultracharge* which consequently requires the *company*, in accordance with *listing rule 11.1.3*, to comply with the admission requirements in Chapters 1 and 2 of the *listing rules* as if the *company* were applying for admission to the official list of *ASX*, including any *ASX* requirements to treat certain *securities* as restricted securities for the purposes of the *listing rules*.

### 4.3. Waiver of 20 cent rule

4.3.1. As already noted, the *company* will need to meet the requirements of Chapters 1 and 2 of the *listing rules* as if the *company* were applying for admission to the official list of *ASX*. Those *listing rules* include requirements that:

- (a) the main class of a company's *securities* for which *quotation* is sought must have an issue price of at least \$0.20 in cash (*listing rule 2.1*, Condition 2); and
- (b) the exercise price for any options on issue must be at least \$0.20 in cash (*listing rule 1.1*, Condition 11).

4.3.2. The transactions effected by the *resolutions* at this *meeting* will result in *shares* and *options* being issued which are not in compliance with the *listing rules* referred to in Section 1.3.1 above. The terms of the *offer* involve the issue of *shares* at a price which will be below \$0.20, and further, the *offer options* and the *transaction options* will be exercisable at a price less than \$0.20.

4.3.3. The *company* has sought and received a waiver from *ASX* of *listing rule 2.1* Condition 2 and *listing rule 1.1* Condition 11 to allow the *company* to issue the *offer shares*, the *offer options* and the *transaction options* as proposed in this *notice* and *explanatory statement* (in each case for an issue price or exercise price less than \$0.20).

#### 4.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 4* for the reasons set out in this *explanatory statement*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

## 5. APPROVAL FOR THE ISSUE OF CONSIDERATION SHARES TO THE VENDORS

### 5.1. Background

- 5.1.1. In consideration for the *acquisition* of 100% of the issued capital in *Ultracharge*, the *company* has agreed conditionally to issue the *consideration shares* to the *vendors*. One of the conditions to the *acquisition* and the issue of the *consideration shares* is the passing of the other *transaction resolutions*.
- 5.1.2. All of the *consideration shares* to be issued to the *vendors* will be issued under the *prospectus*. More detail in respect of the *acquisition*, including details of the *consideration shares*, and the *Ultracharge* securities in consideration for which the *consideration shares* are to be issued, is included in *Schedule 2*.
- 5.1.3. *Resolution 5* takes effect subject to the passing of all other *transaction resolutions*.

### 5.2. Requirement for shareholder approval

*Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period, without the approval of shareholders. The *consideration shares* are equity securities for the purposes of the *listing rules*. The effect of *resolution 5* will be to allow the *company* to issue the *consideration shares* to the *vendors* during the 3 months following the *meeting* (or longer if *ASX* allows), without using the *company's* 15% annual placement capacity.

### 5.3. Required information

Pursuant to *listing rule 7.3*, the following information is provided in respect of *resolution 5*:

- (a) The maximum number of *consideration shares* to be issued to the *vendors* is 485,900,000 *shares*;

- (b) the *consideration shares* will be issued at *completion*, the date of which will be no more than 3 months after the date of the *meeting* (or such later date permitted by any *ASX* waiver or modification of the *listing rules*) and it is intended to issue all *consideration shares* on the same date;
- (c) the *consideration shares* to be issued will be issued for nil cash consideration, although the *vendors* will provide other consideration for the issue of the *consideration shares*, namely their respective *Ultracharge shares*;
- (d) the *consideration shares* to be issued under *resolution 5* will be issued to the *vendors* (more detail on the allocation of the *consideration shares* between *vendors* is included in *Schedule 2*); none of the *vendors* are *related parties* of the *company* except to the extent that they may become *related parties* of the *company* by reason of the *acquisition*;
- (e) the *consideration shares* to be issued will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's* *existing shares*; and
- (f) no funds will be raised by the issue of *shares* under *resolution 5*.

#### 5.4. Fractional entitlements

The allocation of *consideration shares* to the *vendors* is based on their holdings of *Ultracharge shares*. Not all *vendors'* entitlements to *consideration shares* will be a number that is a whole number. Consequently, it is possible that the total number of *consideration shares* to be issued will not be exactly the number set out in paragraph 2.3(a) above. Any fractional entitlements of *vendors* in the course of allocation of *consideration shares* will be rounded to the nearest whole number so that the number of *consideration securities* will not exceed the amount shown in paragraph 2.3(a) above.

#### 5.5. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 5*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

## 6. APPROVAL FOR THE ISSUE OF CONSIDERATION SHARES TO SUBSTANTIAL HOLDER

### 6.1. Background

- 6.1.1. In addition to the background information set out in *section 2.1* in respect of the proposed issue of *consideration shares* under *resolution 5*, further information is provided hereunder in respect of *consideration shares* to be issued to Mr Jason Peterson, a substantial holder in the *company* and a *vendor* (or his nominee).
- 6.1.2. *Resolution 6* takes effect subject to the passing of all other *transaction resolutions*.

### 6.2. Requirement for shareholder approval

- 6.2.1. *Listing rule 10.1* provides that an entity must not, without the approval of shareholders but subject to certain exceptions, acquire a “substantial asset” from, or dispose of a substantial asset to, a substantial holder in the entity, if the person and the person’s associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities in the entity.
- 6.2.2. A “substantial asset” is an asset that has a value in excess of 5% of the entity’s equity interests as set out in the latest accounts given to ASX under the listing rules. In the context of the company, that threshold is approximately \$67,500.
- 6.2.3. Mr Jason Peterson is a substantial holder in the *company* for the purposes of the *listing rules* as he has held, during the past 6 months, a relevant interest in 11.54% of the total votes attached to the *company’s* securities. His relevant interest is comprised of the holdings of:
- (a) Celtic Capital Pty Ltd;
  - (b) Professional Payment Services Pty Ltd; and
  - (c) Jason Peterson and Lisa Peterson, as trustees of the J & L Peterson Superannuation Fund (*the Petersons*).
- 6.2.4. *The Petersons* are also shareholders in *Ultracharge*, and as *vendors* will be entitled to receive 4,500,000 *consideration shares* as consideration for their *Ultracharge* shareholding. The value of the *consideration shares* to be issued to *the Petersons* (or their nominee), based on the issue price of *offer shares*, exceeds that of the threshold set out in *section 6.2.2*; accordingly, the *consideration shares* to be issued to *the Petersons* are a substantial asset for the purposes of *listing rule 10.1*.

- 6.2.5. The *consideration shares* the subject of *resolution 5* are inclusive of the *consideration shares* to be issued to *the Petersons* (or their nominee) if this *resolution 6* is approved.

## 6.3. Required information

Pursuant to listing rule 10.10, the *notice*:

- (a) includes a voting exclusion statement in respect of this *resolution 6* whereby Mr Peterson and his *associates* are prohibited from voting on this *resolution*; and
- (b) is accompanied by the *independent expert's report* which includes a finding that the issue of *consideration shares* to *the Petersons* (or their nominee) is NOT FAIR BUT REASONABLE to non-associated *shareholders*. Further information in respect of the independent expert's findings is included at item 11 of *schedule 2*. The *independent expert's report* accompanies this *explanatory statement* as Annexure A.

## 6.4. Directors' recommendation

- 6.4.1. The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 6*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

# 7. APPROVAL FOR THE ISSUE OF OFFER SHARES

## 7.1. Background to proposed offer

- 7.1.1. *Resolution 7* seeks *shareholder* approval for the issue of *offer shares*. The issue of *offer shares* will be undertaken via the *prospectus* and will raise up to \$3,500,000.
- 7.1.2. As noted in *Schedule 2*, the *acquisition* is conditional on the *company* raising up to \$3,500,000 pursuant to the *offer*, with a minimum subscription amount of \$2,500,000. Further details of the *offer* are set out in *Schedule 2*.
- 7.1.3. *Resolution 7* takes effect subject to the passing of all other *transaction resolutions*.

## 7.2. Requirement for shareholder approval

- 7.2.1. *Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period, without the approval of shareholders. The *offer shares* are equity securities for the purposes of the *listing rules*. The effect of *resolution 7* will be to allow the *company* to issue the *offer shares* pursuant to

the *offer* during the 3 months following the *meeting* (or longer if *ASX* allows), without using the *company's* 15% annual placement capacity.

### 7.3. Required information

Pursuant to *listing rule 7.3*, the following information is provided in respect of this *resolution*:

- (a) the maximum number of *offer shares* to be issued is 70,000,000 *shares*;
- (b) the *offer shares* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any *ASX* waiver or modification of the *listing rules*) and it is intended that the issue of all *offer shares* pursuant to the *offer* will occur on the same date;
- (c) the issue price of each *offer share* will be \$0.05;
- (d) the *offer shares* are proposed to be issued to the general public pursuant to a public offer by way of the *prospectus* for the purposes of *listing rule 1.1* Condition 3; none of the subscribers to the *offer* will be *related parties* of the *company*, and the successful applicants will be determined by the *board* in its sole discretion;
- (e) the *offer shares* to be issued will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's* existing *shares*; and
- (f) the *company* intends to use the funds raised from the *offer* towards its budgeted expenditure as set out in item 13 of *Schedule 2*.

### 7.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 7*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

## 8. APPROVAL FOR THE ISSUE OF SHARES TO CPS

### 8.1. Background

- 8.1.1. As noted in *Schedule 2*, the *company* entered into a mandate agreement with *CPS*, the terms of which included a requirement that the *company* issue *shares* to *CPS* or its nominee(s) in the event that the *company* concluded a successful transaction in the nature of the *acquisition*. *Resolution 8* seeks *shareholder* approval for the issue of those

*shares*. Details of the services provided by CPS to the *company* are set out in item 3.3 in *Schedule 2*.

8.1.2. *Resolution 8* takes effect subject to the passing of all other *transaction resolutions*.

## 8.2. Requirement for shareholder approval

8.2.1. *Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period, without the approval of shareholders. The *shares* to be issued to CPS are equity securities for the purposes of the *listing rules*. The effect of *resolution 8* will be to allow the *company* to issue *shares* to CPS during the 3 months following the *meeting* (or longer if ASX allows), without using the *company's* 15% annual placement capacity.

## 8.3. Required information

8.3.1. Pursuant to *listing rule 7.3*, the following information is provided in respect of this *resolution*:

- (a) the maximum number of *shares* to be issued to CPS or its nominee(s) is 24,295,000;
- (b) the *shares* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any ASX waiver or modification of the *listing rules*) and it is intended to issue all *shares* to CPS on the same date;
- (c) the *shares* to be issued will be issued for nil cash consideration, although CPS has provided other consideration for the issue of the *shares*, namely facilitation of the *acquisition* as set out in item 3.3 in *Schedule 2*;
- (d) the *shares* to be issued under *resolution 8* will be issued to CPS or its nominee(s) and will not be issued to any person who is a *related party* of the *company*;
- (e) the *shares* to be issued will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's* existing *shares*; and
- (f) no funds will be raised by the issue of *shares* under *resolution 8*.

## 8.4. Directors' recommendation

8.4.1. The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 8*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.



## 9. APPROVAL FOR THE ISSUE OF PERFORMANCE RIGHTS TO THE INCOMING SERVICE PROVIDERS

### 9.1. Background

As noted in *Schedule 2*, *Ultracharge* has entered into obligations with the *incoming service providers* which require *Ultracharge* to procure the issue of up to 60,000,000 *performance rights* to the *incoming service providers* to incentivise those parties to provide services to the *company* and *Ultracharge* following *completion*. *Resolution 9* seeks *shareholder* approval for the issue of those *performance rights*.

9.1.1. *Resolution 9* takes effect subject to the passing of all other *transaction resolutions*.

### 9.2. Requirement for shareholder approval

9.2.1. *Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period, without the approval of shareholders. The *performance rights* are equity securities for the purposes of the *listing rules*. The effect of *resolution 9* will be to allow the *company* to issue the *performance rights* to the *incoming service providers* during the 3 months following the *meeting* (or longer if *ASX* allows), without using the *company's* 15% annual placement capacity.

9.2.2. The *incoming service providers* include the *proposed directors* who are related parties of the *company* pursuant to section 228(6) of the *Corporations Act*. The *company* has considered whether shareholder approval should also be obtained under:

- (a) *listing rule 10.11* which requires shareholder approval for issues of equity securities to related parties unless an exception in *listing rule 10.12* applies; and/or
- (b) section 208 of the *Corporations Act* which requires shareholder approval for the giving of a financial benefit to a related party unless an exception under Division 2 of Chapter 2E of the *Corporations Act* applies.

9.2.3. Exception 6 of *listing rule 10.12* excepts issues of equity securities to related parties in circumstances where the person is a related party by reason only of the transaction which is the reason for the issue of the securities and the application to it of section 228(6). As the grant of the *performance rights* and the appointment of the *proposed directors* are conditional on completion of the *acquisition*, the *directors* consider that



exception 6 of *listing rule* 10.12 applies and shareholder approval for the grant of the *performance rights* is not required for the purposes of *listing rule* 10.11.

- 9.2.4. Section 210 of the *Corporations Act* provides that shareholder approval is not needed to give a financial benefit where the benefit is given on terms that would be reasonable in the circumstances if the entity and the related party were dealing at arm's length, or on terms that are less favourable to the related party than these terms. As the obligation to issue the *performance rights*, and the terms of issue of those *performance rights*, were negotiated as part of the commercial negotiations which led to the execution of the *heads of agreement*, and the *company's* obligations in respect of the *performance rights* would be identical regardless of whether they are issued to related parties or non-related parties, the *directors* consider that the arm's length exception in section 210 of the *Corporations Act* applies and shareholder approval for the grant of the *performance rights* is not required for the purposes of the *Corporations Act*.

### 9.3. Required information

- 9.3.1. Pursuant to *listing rule* 7.3, the following information is provided in respect of this *resolution*:
- (a) the maximum number of *performance rights* to be issued is 60,000,000;
  - (b) the *performance rights* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any *ASX* waiver or modification of the *listing rules*) and it is intended to issue all *performance rights* on the same date;
  - (c) the *performance rights* will be issued for nil cash consideration;
  - (d) the *performance rights* to be issued under *resolution* 9 will be issued to the *incoming service providers* (more detail on the allocation of the *performance rights* between *incoming service providers* are set out in item 3.4 in *Schedule* 2);
  - (e) the *ordinary shares* to be issued on vesting of the *performance rights* will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's* existing *shares*;
  - (f) the *performance rights* to be issued will be on the terms set out in *Schedule* 6; and
  - (g) no funds will be raised by the issue of *performance rights* or on the issue of *shares* on vesting of *performance rights*.

### 9.4. Directors' recommendation

- 9.4.1. The *directors* unanimously recommend that *shareholders* vote in favour of *resolution* 9. *Shareholders* should refer to the information set out in *Schedule* 2 in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

# 10. APPROVAL FOR THE ISSUE OF THE OFFER OPTIONS TO ARMADA CAPITAL

## 10.1. Background

- 10.1.1. *Resolution 10* seeks *shareholder* approval for the issue of 50,000,000 *offer options* on the terms set out in *Schedule 7* to Armada Capital in consideration for its services to the *company* in respect of the *offer*.
- 10.1.2. *Resolution 10* takes effect subject to the passing of all other *transaction resolutions*.

## 10.2. Requirement for shareholder approval

- 10.2.1. *Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period, without the approval of shareholders. The *offer options* are equity securities for the purposes of the *listing rules*. The effect of *resolution 10* will be to allow the *company* to issue the *offer options* to Armada Capital or its nominee(s) during the 3 months following the *meeting* (or longer if *ASX* allows), without using the *company's* 15% annual placement capacity.

## 10.3. Required information

- 10.3.1. Pursuant to *listing rule 7.1*, the following information is provided in respect of this *resolution*:
- (a) the maximum number of *offer options* to be issued is 50,000,000;
  - (b) the *offer options* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any *ASX* waiver or modification of the *listing rules*) and it is intended to issue all *offer options* on the same date;
  - (c) the *offer options* to be issued will be issued for nil cash consideration;
  - (d) the *offer options* to be issued under *resolution 10* will be issued to Armada Capital or its nominee(s) and will not be issued to any person who is a *related party* of the *company*;
  - (e) the *ordinary shares* to be issued on exercise of the *offer options* will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's* existing *shares*;
  - (f) the *offer options* to be issued will be on the terms set out in *Schedule 7*; and

- (g) no funds will be raised by the issue of *offer options*; however, if all *offer options* are exercised the *company* will receive \$3,125,000, being 50,000,000 multiplied by the exercise price of the *offer options*.

## 10.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 10*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

# 11.

## APPROVAL FOR THE ISSUE OF THE TRANSACTION OPTIONS TO ARMADA CAPITAL

### 11.1. Background

- 11.1.1. *Resolution 11* seeks *shareholder* approval for the issue of 20,000,000 *transaction options* on the terms set out in *Schedule 8* to *Armada Capital* in consideration for its services to the *company*.
- 11.1.2. *Resolution 11* takes effect subject to the passing of all other *transaction resolutions*.

### 11.2. Requirement for shareholder approval

*Listing rule 7.1* provides that a company must not, subject to certain exceptions, issue or agree to issue more equity securities during any 12-month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period, without the approval of shareholders. The *transaction options* are equity securities for the purposes of the *listing rules*. The effect of *resolution 11* will be to allow the *company* to issue the *transaction options* to *Armada Capital* or its nominee(s) during the 3 months following the *meeting* (or longer if *ASX* allows), without using the *company's* 15% annual placement capacity.

### 11.3. Required information

- 11.3.1. Pursuant to *listing rule 7.1*, the following information is provided in respect of this *resolution*:
- (a) the maximum number of *transaction options* to be issued is 20,000,000;

- (b) the *transaction options* will be issued no later than 3 months after the date of the *meeting* (or such later date permitted by any *ASX* waiver or modification of the *listing rules*) and it is intended to issue all *transaction options* on the same date;
- (c) the *transaction options* will be issued for nil cash consideration;
- (d) the *transaction options* to be issued under *resolution 11* will be issued to *Armada Capital* or its nominee(s) and will not be issued to any person who is a *related party* of the *company*;
- (e) the *ordinary shares* to be issued on exercise of the *transaction options* will be fully paid ordinary shares in the capital of the *company* issued on the same terms and conditions as the *company's existing shares*;
- (f) the *transaction options* to be issued will be on the terms set out in *Schedule 8*; and
- (g) no funds will be raised by the issue of *transaction options*; however, if all *transaction options* are exercised the *company* will receive \$1,000,000 (being 20,000,000 multiplied by the exercise price of the *transaction options*).

#### 11.4. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 11*. *Shareholders* should refer to the information set out in *Schedule 2* in respect of the proposed *acquisition* and its impact on the *company* in determining how to vote.

## 12. APPOINTMENT OF MR KOBI BEN-SHABAT AS A DIRECTOR

### 12.1. Introduction

- 12.1.1. Under the terms of the *heads of agreement*, Mr Kobi Ben-Shabat is to be appointed as a *director* effective from *completion*. Mr Ben-Shabat has consented to act as a *director*.
- 12.1.2. Article 6.2(c) of the *constitution* provides that the *company* in general meeting may by ordinary resolution appoint any person as a *director*.
- 12.1.3. Accordingly, *resolution 12* seeks *shareholder* approval for the appointment of Mr Ben-Shabat.
- 12.1.4. *Resolution 12* takes effect subject to the passing of all other *transaction resolutions*.

## 12.2. Background and qualifications

- 12.2.1. Kobi Ben-Shabat was educated in Israel's Ruppin Academic Centre in Business and Administration and concluded his tertiary studies with an MBA in Marketing and Information Technology from the University of Manchester in 2000.
- 12.2.2. After working for various US based technology companies, Mr Ben-Shabat was seconded to Australia where he was instrumental in the growth of the region's IP Surveillance and Security industry. After noticing a market opportunity Kobi established Open Platform Systems Limited (OPS). OPS swiftly became recognised as the predominant player in its technology space and became a "pain point" for the region's long established tier one providers. Australia's Business Review Weekly magazine recognised OPS in its annual BRW Fastest Growing Companies index three years consecutively. OPS was acquired by Hills Ltd (ASX listed) in April 2014. Kobi Ben-Shabat has extensive experience with sales and senior management with a particular emphasis on emerging markets and technologies.
- 12.2.3. Mr Ben-Shabat is the current chief executive officer of *Ultracharge*. It is proposed that Mr Ben-Shabat be appointed managing director of the *company* with effect from *completion*.

## 12.3. Directors' recommendation

The current *directors* of the *company* support the election of Mr Ben-Shabat as a *director* and unanimously recommend shareholders vote in favour of *resolution 12*.

# 13. APPOINTMENT OF MR YURI NEHUSHTAN AS A DIRECTOR

## 13.1. Introduction

- 13.1.1. Under the terms of the *heads of agreement*, Mr Yuri Nehushtan is to be appointed as a *director* effective from *completion*. Mr Nehushtan has consented to act as a *director*.
- 13.1.2. Article 6.2(c) of the *constitution* provides that the *company* in general meeting may by ordinary resolution appoint any person as a *director*.
- 13.1.3. Accordingly, *resolution 13* seeks *shareholder* approval for the appointment of Mr Nehushtan.
- 13.1.4. *Resolution 13* takes effect subject to the passing of all other *transaction resolutions*.

## 13.2. Background and qualifications

- 13.2.1. Yuri Nehushtan is a lawyer and Member of the Israeli Bar Association since November 1991. He is the Managing Partner of Nehushtan, Zafran, Scharf, Jaffe & Co. Law offices, a boutique law firm specialising in commercial litigation and labour law.
- 13.2.2. Mr Nehushtan gained a Law Degree at the Hebrew University in Jerusalem (1985-1989) and a Master's Degree in the London School of Economics (1990) with a focus on banking, finance and securities law. He has extensive experience in commercial and corporate law, with a focus on large and complex legal disputes, including corporate, securities, contract and commercial disputes, class actions, arbitrations and alternative dispute resolution.
- 13.2.3. It is proposed that Mr Nehushtan be appointed as non-executive *director*.

## 13.3. Directors' recommendation

The current *directors* of the *company* support the election of Mr Nehushtan and unanimously recommend shareholders vote in favour of *resolution 13*.

# 14. APPOINTMENT OF MR JOHN PAITARIDIS AS A DIRECTOR

## 14.1. Introduction

- 14.1.1. Under the terms of the *heads of agreement*, Mr John Paitaridis, an Australian resident, is to be appointed as a *director* effective from *completion*. Mr Paitaridis has consented to act as a *director*.
- 14.1.2. Article 6.2(c) of the *constitution* provides that the *company* in general meeting may by ordinary resolution appoint any person as a *director*.
- 14.1.3. Accordingly, *resolution 14* seeks *shareholder* approval for the appointment of Mr John Paitaridis.
- 14.1.4. *Resolution 14* takes effect subject to the passing of all other *transaction resolutions*.

## 14.2. Background and qualifications

- 14.2.1. As the managing director of Optus Business, Mr Paitaridis leads Optus' enterprise, business and government organisation. With 25 years' industry experience, he is

accountable for all aspects of sales, marketing, products, operations and service delivery.

- 14.2.2. Mr Paitaridis joined Optus Business in 2012, bringing a deep understanding of the telecommunications and ICT needs of enterprise and government customers. Previously, he was an executive at Telstra.
- 14.2.3. Mr Paitaridis has extensive experience managing businesses in international markets including almost 10 years based in Europe and Asia. A seasoned senior executive, John has a strong track record of driving growth in sales, revenue and profitability as well as building high performance teams.
- 14.2.4. Mr Paitaridis holds a Bachelor of Economics degree and is a graduate member of the Australian Institute of Company Directors. In 2012, he was appointed as a member of the Australian Information Industry Association's (AIIA) board of directors and in 2014 was appointed deputy chair of the AIIA board.
- 14.2.5. It is proposed that Mr Paitaridis be appointed as non-executive *director*.

### 14.3. Directors' recommendation

The current *directors* of the *company* support the election of Mr Paitaridis and unanimously recommend shareholders vote in favour of *resolution 14*.

## 15. APPOINTMENT OF MR DORON NEVO AS A DIRECTOR

### 15.1. Introduction

- 15.1.1. Under the terms of the *heads of agreement*, Mr Doron Nevo is to be appointed as a *director* effective from *completion*. Mr Nevo has consented to act as a *director*.
- 15.1.2. Article 6.2(c) of the *constitution* provides that the *company* in general meeting may by ordinary resolution appoint any person as a *director*.
- 15.1.3. Accordingly, *resolution 15* seeks *shareholder* approval for the appointment of Mr Doron Nevo.
- 15.1.4. *Resolution 15* takes effect subject to the passing of all other *transaction resolutions*.

### 15.2. Background and qualifications

- 15.2.1. Mr Nevo is president and chief executive officer of KiloLambda Technologies Ltd., an optical nanotechnology company, which he co-founded in 2001. From 1999 to



2001, Mr Nevo was involved in fundraising activities for Israeli-based start-up companies. From 1996 to 1999, Mr. Nevo served as president and chief executive officer of NKO, Inc., having established NKO in early 1995 as a start-up subsidiary of Clalcom, Ltd. NKO designed and developed a full scale, carrier grade, IP telephony system and established its own IP network. From 1992 to 1996, Mr. Nevo served as president and chief executive officer of Clalcom Ltd having established Clalcom in 1992 as a telecom service provider in Israel. He also served as a director of Etgar - Portfolio Management Trust Co. and of a number of private companies.

15.2.2. Mr Nevo holds a B.Sc. in Electrical Engineering from the Technion - Israel Institute of Technology and a M.Sc. in Telecommunications Management from Brooklyn Polytechnic.

15.2.3. Mr Nevo has served as a director of NASDAQ-listed AudioCodes Ltd since 2000.

15.2.4. It is proposed that Mr Nevo be appointed as non-executive *director*.

### 15.3. Directors' recommendation

The current *directors* of the *company* support the election of Mr Nevo and unanimously recommend shareholders vote in favour of *resolution 15*.

## 16. CHANGE OF COMPANY'S NAME

### 16.1. Background

16.1.1. Pursuant to section 157(1)(a) of the *Corporations Act*, the *company* may change its name by special resolution. *Resolution 16* seeks *shareholder* approval for the change of the *company's* name to "Ultracharge Limited".

16.1.2. The proposed new name is designed to reflect the new direction anticipated by the *acquisition* and reflects the core feature of the technology and intellectual property underlying the company's future activities.

16.1.3. This *resolution* takes effect subject to the passing of all other *transaction resolutions* and the registration of the change of name by ASIC. If *resolution 16* is passed and takes effect, the *company* will lodge a copy of the special resolution with ASIC in order to effect the change.

### 16.2. Directors' recommendation

The *directors* unanimously recommend that *shareholders* vote in favour of *resolution 16*.



# 17. APPROVAL OF EMPLOYEE INCENTIVE SCHEME

## 17.1. Background

17.1.1. The *directors* consider that it is desirable to establish an employee incentive scheme pursuant to which employees may be offered the opportunity to be granted rights (***employee rights***) to acquire *shares* in the *company*. Accordingly, subject to the *acquisition* completing, the *directors* propose to adopt the employee incentive rights plan (***plan***).

17.1.2. The purpose of the *plan* is to:

- (a) reward employees and consultants of the *company*;
- (b) assist in the retention and motivation of employees and consultants of the *company*; and
- (c) provide an incentive to employees and consultants of the *company* to grow shareholder value by providing them with an opportunity to receive an ownership interest in the *company*.

## 17.2. Requirement for shareholder approval

17.2.1. Approval is sought under *listing rule* 7.2 (Exception 9(b)) which exempts issues of securities under an employee incentive scheme from the operation of *listing rule* 7.1 provided that, within three years before the date of issue, shareholders have approved the issue of securities under the employee incentive scheme. In the absence of such approval, the issue can still occur but is counted as part of the 15% limit during a 12-month period that applies under *listing rule* 7.1.

## 17.3. Required information

The following information is provided to *shareholders* for the purpose of *listing rule* 7.2 Exception 9(b):

- (a) this is the first approval sought under *listing rule* 7.2 Exception 9(b) with respect to the *plan*, and accordingly, no *employee rights* have previously been issued under the *plan*;
- (b) a summary of the terms of the *plan* is set out in *Schedule 9*; and
- (c) a voting exclusion statement for *resolution 17* is included in the notice of annual general meeting preceding this *explanatory statement*.

## 17.4. Directors' recommendation

As the *directors* have an interest in the outcome of *resolution 17*, they consider it would not be appropriate to make a recommendation to *shareholders* as to how to vote in relation to *resolution 17*.

# 18.

## APPROVAL OF INCREASE IN DIRECTORS' REMUNERATION

### 18.1. Background

18.1.1. Currently the non-executive *directors* are entitled to receive a combined maximum annual aggregate remuneration of \$250,000, noting the directors are entitled to apportion and distribute this aggregate non-executive *directors'* remuneration as they determine providing they do not exceed the aggregate amount previously approved by *shareholders*.

18.1.2. The non-executive *directors* received the following directors' fees for the financial year ending 30 June 2016 (such amounts being inclusive of any required superannuation payments):

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|                 |  |
|-----------------|--|
| <i>chairman</i> | \$25,666 (Mr Wheeler was appointed to the <i>board</i> in December 2015) |
|-----------------|--|

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|                                      |               |
|--------------------------------------|---------------|
| <i>other non-executive directors</i> | \$40,000 each |
|--------------------------------------|---------------|

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18.1.3. In addition, there may be occasions when the non-executive *directors* are required to perform services that fall outside the scope of their ordinary duties as *directors*. In the event that the non-executive *directors* are required to perform additional duties they are entitled, under the *constitution*, to be paid for the performance of these additional duties. However, payments for the performance of additional services must also fall within the aggregate amount of remuneration for non-executive *directors* that has been approved by *shareholders*.

18.1.4. *Shareholder* approval is sought to increase the total aggregate annual remuneration payable to non-executive directors of the *company* and its child entities from \$250,000 to a maximum aggregate amongst all non-executive *directors* of up to \$350,000 (to be divided between non-executive *directors* as the *board* determines).

18.1.5. The *board* considers that this increase in the total aggregate annual remuneration payable to non-executive *directors* is necessary to provide an ability to increase the remuneration payable to the current non-executive *directors* and any additional non-

executive *directors* who might join the *board*. Further details on the remuneration paid to non-executive *directors* are set forth in the Remuneration Report contained in the Directors' Report section of the Annual Report. The Company believes that all relevant information concerning *resolution 18* required in respect of *listing rule 10.17* is included in the text, and accompanying notes, of this resolution in the *Notice*.

## 18.2. Requirement for shareholder approval

In order for the total aggregate annual remuneration payable to non-executive directors to be increased, *listing rule 10.17* and article 5.5 of the *constitution* must be complied with. The *listing rules* and the *constitution* provide that the *company* must not increase the amount of remuneration payable to non-executive *directors* unless *shareholders* approve such an increase.

## 18.3. Required information

Pursuant to *listing rule 10.17*, the following information is provided in respect of the *resolution*:

- (a) the amount of the increase sought in the total aggregate annual remuneration payable to non-executive directors of the *company* and its child entities is \$100,000, being an increase from \$250,000 to \$350,000;
- (b) the total aggregate annual remuneration payable to non-executive directors of the *company* will be \$350,000; and
- (c) the following securities have been issued to non-executive *directors* of the *company* under *listing rules 10.11* with the approval of *shareholders* during the three years leading up to the date of this *meeting*:

| Non-executive director      | Date of approval | Securities issued to director or related entity  |
|-----------------------------|------------------|--|
| Jason Peterson <sup>1</sup> | 5 April 2016     | <ul style="list-style-type: none"><li>• 5,470,607 <i>shares</i></li><li>• 2,500,000 <i>options</i></li></ul> |
| David Wheeler               | 5 April 2016     | <ul style="list-style-type: none"><li>• 1,000,000 <i>options</i></li></ul>                                   |
| Joe Graziano                | 5 April 2016     | <ul style="list-style-type: none"><li>• 1,000,000 <i>options</i></li></ul>                                   |
| Paula Cowan                 | 5 April 2016     | <ul style="list-style-type: none"><li>• 1,000,000 <i>options</i></li></ul>                                   |

Notes:

- 1. Mr Peterson resigned as *director* on 1 December 2015 but, for the purposes of the *listing rules*, remained a related party of the *company* for a period of 6 months after his resignation.

## 18.4. Directors' recommendation

As the *directors* have an interest in the outcome of *resolution 18*, they consider it would not be appropriate to make a recommendation to *shareholders* as to how to vote in relation to *resolution 18*.

## Schedule 1 – Glossary

|   |   |
|---|---|
| <b><i>acquisition</i></b>                       | the acquisition by the <i>company</i> of 100% of the <i>securities</i> in <i>Ultracharge</i> from the <i>vendors</i> as contemplated in Schedule 2.   |
| <b><i>annual general meeting or meeting</i></b> | the annual general meeting of <i>shareholders</i> convened by the <i>notice of annual general meeting</i> , or any meeting adjourned thereof.   |
| <b><i>annual report</i></b>                     | the <i>directors' report</i> , the <i>financial report</i> and the <i>auditor's report</i> in respect of the financial year ended 30 June 2016.   |
| <b><i>Armada Capital</i></b>                    | Armada Capital Pty Ltd ACN 112 297 953  |
| <b><i>associate</i></b>                         | has the meaning given in Part 1.2, Division 2 of the <i>Corporations Act</i> , and shall be applied in accordance with the note to <i>listing rule 14.11</i> .  |
| <b><i>ASIC</i></b>                              | the Australian Securities and Investments Commission.   |
| <b><i>ASX</i></b>                               | ASX Limited ACN 008 624 691, or where the context requires, the Australian Securities Exchange which it runs.   |
| <b><i>auditor's report</i></b>                  | the auditor's report on the <i>financial report</i> .   |
| <b><i>board</i></b>                             | the board of directors of the <i>company</i> .  |
| <b><i>business day</i></b>                      | a day (other than a Saturday or a Sunday) on which banks in Perth, Western Australia are open for normal business.  |
| <b><i>chairman</i></b>                          | the chairman of the <i>board</i> , except and to the extent that references to the <i>chairman</i> specifically in respect of the conduct of the <i>meeting</i> shall be references to the chairman of the <i>meeting</i> (whether or not the chairman of the <i>board</i> ). |
| <b><i>closely related party</i></b>             | has the meaning given to that term in section 9 the <i>Corporations Act</i> .   |
| <b><i>collaboration agreement</i></b>           | has the meaning given in item 2.4 of Schedule 2.  |
| <b><i>company</i></b>                           | Lithex Resources Limited ACN 140 316 463, a public company incorporated and existing in Australia and listed on the <i>ASX</i> (to be renamed “Ultracharge Limited”).   |
| <b><i>company secretary</i></b>                 | the company secretary of the <i>company</i> .   |

|  |   |
|--|---|
| <b><i>completion</i></b>                 | completion of the sale and purchase of the <i>Ultracharge shares</i> .  |
| <b><i>consideration shares</i></b>       | 485,900,000 <i>ordinary shares</i> to be issued to the <i>vendors</i> on the terms set out in the <i>explanatory statement</i> .  |
| <b><i>constitution</i></b>               | the constitution of the <i>company</i> from time to time including as at the date of this <i>notice</i> , the document adopted at a general meeting of <i>shareholders</i> on 25 November 2014.   |
| <b><i>Corporations Act</i></b>           | the <i>Corporations Act 2001</i> (Cth).   |
| <b><i>court</i></b>                      | has the meaning given to the term “Court” (in capitalised form) in section 58AA of the <i>Corporations Act</i> .  |
| <b><i>CPS</i></b>                        | CPS Capital Group Pty Ltd ACN 088 055 636.  |
| <b><i>director</i></b>                   | a director of the <i>company</i> .  |
| <b><i>directors’ report</i></b>          | the annual directors’ report prepared under Chapter 2M of the <i>Corporations Act</i> for the <i>company</i> and its controlled entities.   |
| <b><i>dollar, \$, A\$ or AUD</i></b>     | the lawful currency for the time being of the Commonwealth of Australia.  |
| <b><i>existing shares</i></b>            | <i>shares</i> held by <i>shareholders</i> as at the date of this <i>notice</i> .  |
| <b><i>explanatory statement</i></b>      | this explanatory statement which accompanies and forms part of the <i>notice of annual general meeting</i> .  |
| <b><i>financial report</i></b>           | the annual financial report prepared under Chapter 2M of the <i>Corporations Act</i> for the <i>company</i> and its controlled entities.  |
| <b><i>glossary</i></b>                   | this glossary of terms.   |
| <b><i>heads of agreement</i></b>         | the binding agreement dated 11 May 2016 between the <i>company</i> and <i>Ultracharge</i> setting out the terms and conditions of the <i>acquisition</i> .  |
| <b><i>holding agent</i></b>              | the person appointed to hold the <i>consideration shares</i> beneficially for the <i>Ultracharge</i> shareholders pending delivery by the <i>Ultracharge</i> shareholders of stock certificates representing their <i>Ultracharge shares</i> or an affidavit of lost stock certificates reasonably acceptable to the holding agent. |
| <b><i>incoming service providers</i></b> | has the meaning given in item 3.4 of <i>schedule 2</i> .  |
| <b><i>independent expert or RSM</i></b>  | RSM Corporate Australia Pty Ltd ACN 050 508 024.  |

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| <b><i>independent expert's report</i></b>                | The report prepared by the <i>independent expert</i> , and accompanying the <i>notice of meeting</i> as Annexure A, in which the <i>independent expert</i> comments on the fairness and reasonableness of the issues under <i>resolution 6</i> to non-associated <i>shareholders</i> . |
| <b><i>key management personnel</i></b>                   | has the meaning given in the <i>listing rules</i> .  |
| <b><i>licence agreement</i></b>                          | has the meaning given in item 2.2 of <i>Schedule 2</i> .   |
| <b><i>listing rules</i></b>                              | the official listing rules of the <i>ASX</i> from time to time.  |
| <b><i>merger</i></b>                                     | has the meaning given in item 3.1 of <i>Schedule 2</i> .   |
| <b><i>merger facilitation fee</i></b>                    | has the meaning given in item 3.2 of <i>Schedule 2</i> .   |
| <b><i>merger option</i></b>                              | has the meaning given in item 3.2 of <i>Schedule 2</i> .   |
| <b><i>notice of annual general meeting or notice</i></b> | this notice of meeting.  |
| <b><i>NTU</i></b>  | Nanyang Technological University   |
| <b><i>offer</i></b>                                      | the offer contemplated in <i>resolution 7</i> and considered in section 7 of the <i>explanatory statement</i> .  |
| <b><i>offer options</i></b>                              | options to be issued to <i>Armada Capital</i> on the terms and conditions set out in <i>Schedule 7</i> .   |
| <b><i>offer shares</i></b>                               | <i>shares</i> issued pursuant to the <i>offer</i> .  |
| <b><i>options</i></b>                                    | options to acquire <i>shares</i> in the capital of the <i>company</i> .  |
| <b><i>performance rights</i></b>                         | rights to subscribe for <i>shares</i> , to be issued to the <i>incoming service providers</i> on the terms and conditions set out in <i>Schedule 6</i> .   |
| <b><i>plan</i></b>                                       | has the meaning given in section 17.1.1 of the <i>explanatory statement</i> .  |
| <b><i>proposed directors</i></b>                         | means each of Kobi Ben-Shabat, Yuri Nehushtan, John Paitaridis and Doron Nevo.   |
| <b><i>prospectus</i></b>                                 | a prospectus in compliance with the requirements of the <i>Corporations Act</i> and the <i>listing rules</i> to be prepared by the <i>company</i> as contemplated under this <i>notice of annual general meeting</i> and <i>explanatory statement</i> .                                |

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|--|--|
| <b><i>proxy form</i></b>                 | the proxy form accompanying this <i>notice of annual general meeting</i>   |
| <b><i>Quick Charge</i></b>               | Quick Charge Pte Ltd, a company registered in Singapore with unique entity number 201424899H and a wholly-owned subsidiary of <i>Ultracharge</i> until sold to an independent third party on 30 June 2016.   |
| <b><i>quotation</i></b>                  | official quotation as defined in the <i>listing rules</i> .  |
| <b><i>re-compliance</i></b>              | the reinstatement of <i>ordinary shares</i> in the <i>company</i> to <i>quotation</i> (other than any shares that may be designated “restricted securities” under the <i>listing rules</i> ) if required by <i>ASX</i> after the <i>company</i> re-complies with Chapters 1 and 2 of the <i>listing rules</i> to the <i>ASX</i> ’s satisfaction. |
| <b><i>related body corporate</i></b>     | has the meaning given to that term in sections 9 and 50 of the <i>Corporations Act</i> .   |
| <b><i>related party</i></b>              | has the meaning given to that term in sections 9 and 228 of the <i>Corporations Act</i> .  |
| <b><i>relevant interest</i></b>          | has the meaning given by sections 608 and 609 of the <i>Corporations Act</i> .   |
| <b><i>remuneration report</i></b>        | the remuneration report contained in the <i>directors’ report</i> .  |
| <b><i>research project agreement</i></b> | has the meaning given in item 2.3 of <i>Schedule 2</i> .   |
| <b><i>resolution</i></b>                 | a resolution set out in the <i>notice</i> .  |
| <b><i>schedule</i></b>                   | a schedule of the <i>explanatory statement</i> .   |
| <b><i>section</i></b>                    | (a) where used in respect of act of parliament, a section of that act; and<br>(b) otherwise, a section of the explanatory statement.   |
| <b><i>securities</i></b>                 | has the meaning given to that term in section 92 of the <i>Corporations Act</i> .  |
| <b><i>shares or ordinary shares</i></b>  | fully paid ordinary shares in the capital of the <i>company</i> .  |
| <b><i>shareholders</i></b>               | the holders of <i>ordinary shares</i> in the <i>company</i> from time to time.   |
| <b><i>transaction options</i></b>        | <i>options</i> to be issued to <i>Armada Capital</i> on the terms and conditions set out in <i>Schedule 8</i> .  |
| <b><i>transaction resolutions</i></b>    | <i>resolutions 4 to 15</i> as set out in the <i>notice</i> .   |



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***Ultracharge*** Ultracharge Ltd (Israel Register of Companies ID No. 515352367), a company incorporated and existing in Israel, and formerly known as Voltape Ltd.

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***Ultracharge option*** an option to acquire an *Ultracharge share*.

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***Ultracharge share*** an ordinary fully paid share in the capital of *Ultracharge*.

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***vendors*** all of the holders of *Ultracharge shares*.

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***WST*** Western Standard Time, being the time in Perth, Western Australia.

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## Schedule 2 – Details of proposed acquisition

### 1. ULTRACHARGE

#### 1.1. *Capital structure*

*Ultracharge's* capital structure is comprised of:

- (a) 1,572,122 *Ultracharge shares*; and
- (b) 162,000 *Ultracharge options*.

#### 1.2. *Business overview*

- (a) *Ultracharge* was incorporated in Israel in December 2015 and is party to the *licence agreement* and *research project agreement* with Nanyang Technological University (**NTU**) (summaries of which are set out in *items* 2.2 and 2.3 of this *schedule* respectively).
- (b) Under the *licence agreement*, *Ultracharge* holds an exclusive licence over intellectual property relating to a lithium-ion battery (**LIB**) utilising an elongated titanium dioxide-based nanotubular (**TiO<sub>2</sub>-NT**) anode invented by Professor Chen Xiaodong of NTU (***Ultracharge technology***). In reliance on the *Ultracharge technology*, Professor Chen demonstrated a working **TiO<sub>2</sub>-NT** anode, which has been reported by NTU to outperform graphite-based anodes (which are the current market standard for LIBs) in all major performance parameters including improved charging rates, longevity and safety. Further details with respect to the *Ultracharge technology* are set out in *item* 1.4 below.
- (c) On 13 August 2016, *Ultracharge* entered into the *collaboration agreement* with NEI Corporation (**NEI**) (a summary of which is set out in *item* 2.4 of this *schedule*). *Ultracharge* and NEI together made a proposal to the Israel-US Binational Industrial Research and Development Foundation (**BIRD Foundation**) under which the parties have requested a grant of funds from the *BIRD Foundation* for the ongoing development of the *Ultracharge technology* (***BIRD proposal***). Further details with respect to the proposed development of the *Ultracharge technology* is set out in *item* 1.7 of this *schedule* below.
- (d) *Ultracharge* is seeking a listing on *ASX* in order to raise funds with a view to accelerating the development and commercialisation of the *Ultracharge technology*. Following obtaining a listing on *ASX*, *Ultracharge* will initially seek to generate revenues through licensing the *Ultracharge technology* to one or more of the major players in the rechargeable battery market, while seeking to enhance the product development and commercialisation through collaboration with NEI and other collaboration partners and licensees.

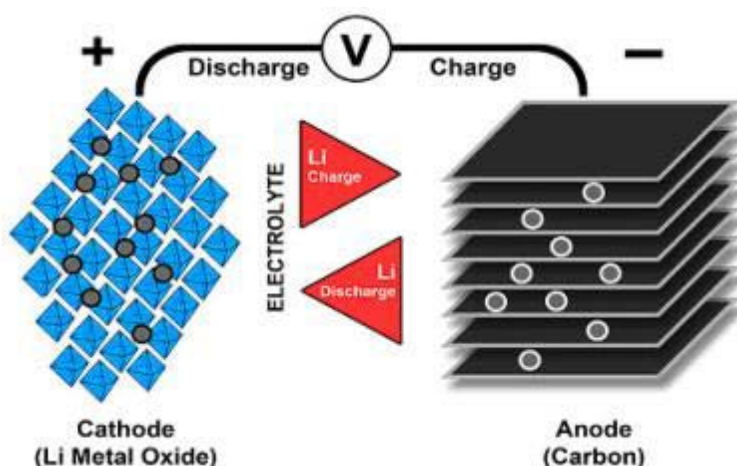
1.3. *Rechargeable battery industry overview*

- (a) The worldwide battery market in 2014 was estimated to be valued at approximately US\$60 billion. Of this market, it is estimated that rechargeable batteries made up approximately US\$18 billion.
- (b) *LIBs* are the current market leader for rechargeable batteries when measured by number of units sold, volume of energy provided and revenue. This is driven primarily through portable computers and other electronic devices such as smartphones and tablets.
- (c) The popularity of the *LIB* is due to the advantages offered over other rechargeable batteries, including:
  - (i) a lower weight to power capacity ratio;
  - (ii) a higher shelf-life; and
  - (iii) environmental benefits (such as recharge ability and reduced toxicity landfill).
- (d) However, *LIBs* in the market today also have a number of disadvantages, including:
  - (i) slow charging rates (1-2 hours);
  - (ii) poor cycle life (fewer than 1000 charging/discharging cycles), particularly in high current applications; and
  - (iii) safety concerns if overheated or overcharged.
- (e) The *proposed directors* are of the view that regulatory factors, such as increased use of green energy sources and increasing emphasis on boosting fuel efficiency and improved emissions standards, may also stimulate increased demand for use of *LIBs*.
- (f) The leading players currently involved in the *LIB* market include:
  - (i) Japan - Panasonic, Sony, TDK, Hitachi, NEC, Toshiba, GS Yuasa, and Mitsubishi Electric;
  - (ii) South Korea - Samsung SDI and LG Chem; and
  - (iii) China - BYD, Tianjin Lishen Battery, and Shenzhen BAK Battery.
- (g) In consumer electronics, Panasonic, Samsung SDI, and LG Chem are the top manufactures. This trio ships a variety of batteries for a wide range of applications.

- (h) Many of the other firms are more specialised, with TDK and Hitachi focusing on laminate and prismatic batteries respectively, as they bid to differentiate themselves as niche players. In recent years, South Korean firms have been aggressively winning market share in the consumer electronics market.

1.4. *Lithium-ion batteries*

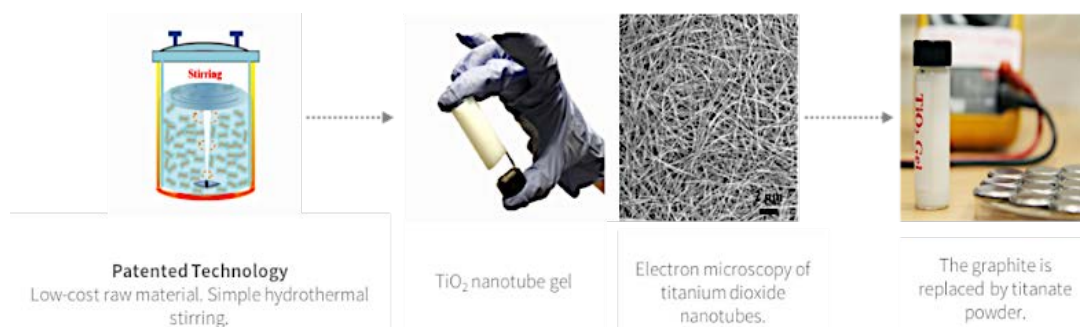
- (a) LIBs use a cathode (positive electrode), an anode (negative electrode) and electrolyte as conductor. A typical anode in existing LIBs consists of porous carbon or graphite. The cathode is a metal oxide - different lithiated metal oxides are used by battery manufacturers, each with unique performance characteristics. The electrolyte is composed of fluorine-based lithium salts dissolved in organic carbonate liquid mixtures.
- (b) While the battery is being charged, the lithium atoms from the positive electrode migrate as ions through the electrolyte toward the negative electrode, where they are deposited between carbon layers. This process is reversed during discharge. The image below illustrates this process.



- (c) When the cell charges and discharges, ions shuttle between the cathode and anode. On discharge, the anode undergoes oxidation, or loss of electrons, and the cathode sees a reduction, or a gain of electrons. Applying a charge reverses this movement to recharge the LIB.
- (d) A lithium-titanium oxide (**LTO**) anode has been used in commercially available LIBs to minimise some of the disadvantages of existing LIB technology. Such LIBs use LTO nanocrystals instead of the carbon/graphite anode. This results in a significant increase in the surface area of the anode, resulting in electrons being able to enter and leave the anode more rapidly, leading to faster recharging and enhanced battery life. However, LIBs using an LTO anode have lower energy density than those incorporating a graphite anode.

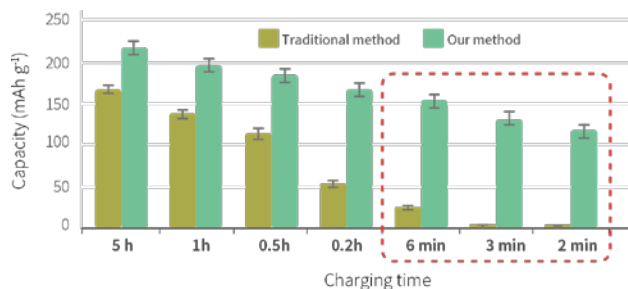
1.5. *Explanation of Ultracharge technology*

- (a) In reliance on the *Ultracharge technology*, Professor Chen demonstrated a working  $\text{TiO}_2\text{-NT}$  anode to replace the graphite/LTO anodes in commercially available *LIBs*. Initial testing undertaken by *NTU* on a proof-of-concept basis indicates that the *Ultracharge technology* will provide a number of benefits over existing *LIB* technologies.
- (b) The key to the *Ultracharge technology* is that the standard active material in the anode (graphite/LTO) is replaced with an elongated  $\text{TiO}_2\text{-NT}$  gel. *Ultracharge* is able to produce  $\text{TiO}_2\text{-NT}$  which are up to 30 micrometers in size (two orders of magnitude longer than previously achieved) by a simple process of mixing titanium dioxide with sodium hydroxide and stirring. Titanium dioxide is an abundant, cheap and safe material commonly used as a food additive and in sunscreen lotions to absorb harmful ultraviolet rays. Crucially, *Ultracharge's* patented production method makes the nanostructures long enough to be useful for building a battery anode.
- (c) Shaping the material into intercalating nanotubes inside the anode greatly reduces the distance that lithium ions need to travel in order to transfer their charge. Moreover, the nanotube structures also have a very large surface area of 130 square meters per gram, which significantly speeds up the chemical reactions that drive charging and discharging.

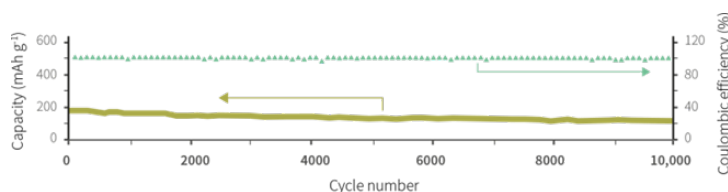


- (d) Based on the performance of commercially available *LIBs* and *Ultracharge's* proof-of-concept  $\text{TiO}_2\text{-NT}$  based *LIBs* (50mA pouch cells), utilising the *Ultracharge technology* offers the following key benefits over *LIB* technologies using graphite as the anode material:

**Rapid Charging:** Batteries that can be recharged to 70% capacity in just two minutes;



**Lifetime:** ability to endure between 10,000 charging cycles (around 10 times more than existing *LIBs* using graphite-based anodes), increasing longevity of *LIBs*.



**Enhanced safety:** As *LIBs* using the *Ultracharge technology* are free of carbon, they can avoid thermal runaway or overheating, which is a main cause of fire in traditional energy storage systems.

- (e) The key benefit of utilising the *Ultracharge technology* in proof of concept *LIBs* over commercially available *LIBs* using *LTO* as the anode material is that the *Ultracharge technology* produces *LIBs* with a higher energy density. *LIBs* using the *Ultracharge technology* have a high specific capacity (335mAh/g) compared with commercialized *LIBs* using *LTO* as the anode material (175 mAh/g). The specific capacity of *LIBs* utilising the *Ultracharge technology* is comparable to *LIBs* that utilise graphite anodes (372 mAh/g).
- (f) The cost of raw materials and the equipment expected to be required to produce the *TiO<sub>2</sub>-NT* anode material, indicate that that the cost of producing *LIBs* utilising the *Ultracharge technology* will be consistent with *LIBs* utilising *LTO* as the anode material. Further, the *Ultracharge technology* replaces only the active material in the anode (*TiO<sub>2</sub>-NT* gel instead of graphite/*LTO* powder used in current commercialised *LIBs*), while leaving all other components intact. With further development, *Ultracharge* expects that this will enable an ability for rapid integration into current *LIB* production lines.
- (g) Assuming the *Ultracharge technology* is successfully commercialised (refer to item 1.7 of this schedule for further details of the proposed commercialisation plan), *Ultracharge* expects that *LIBs* utilising the *Ultracharge technology* will be suitable in the same industries and products as existing *LIBs*.

- (h) As at the date of this *notice*, the *Ultracharge technology* has been developed to a “proof of concept” stage through the production of a 100mA capacity prototype *LIB*. In addition to the commercialisation activities set out in *item 7* below, *Ultracharge* and *NTU* will continue work to enhance the *Ultracharge technology* to fit a larger battery, with an estimated size of 2000mA based on the *Ultracharge technology* and otherwise using industry-standard cathode and electrolyte materials.
- (i) Further development plans include an increase in the energy density of *TiO<sub>2</sub>-NT LIB* (pouch cells) to >200 Wh/kg solution (compared to only <80 Wh/kg for similar *LTO* technologies).

The table below sets out comparisons of the energy density of existing rechargeable battery technologies:

| Battery Type   | Lead acid | Nickel Cadmium | Nickel Metal Hydride | Graphite / NMC (Lithium ion) | Titanate Oxide (Lithium ion) |
|----------------|-----------|----------------|----------------------|------------------------------|------------------------------|
| Energy Density | 40 Wh/kg  | 45 – 60 Wh/kg  | 80 Wh/kg             | 120-200 Wh/kg                | 70 – 80 Wh/kg                |

#### 1.6. *Intellectual property*

- (a) *Ultracharge* is a party to the *licence agreement* under which *Ultracharge* has been granted a licence to use, develop, manufacture, market, sublicense and exploit the inventions disclosed and claimed in the patent applications set out below and to commercialise the *Ultracharge technology* by developing licenced products based on the *TiO<sub>2</sub>-NT* gel anode technology.

| App No.           | Country        | Title  | Filing Date       |
|-------------------|----------------|--|-------------------|
| PCT/SG2014/000435 | National Phase | Elongated titanate nanotube, its synthesis method and its use  | 16 September 2014 |
| 61/878,456        | US PRV         | Synthesis of high aspect ratio titanate nanotubes and its environmental applications as free-standing multifunctional membrane | 16 September 2013 |
| 61/951,194        | US PRV         | Correlating aspect ratio of nanotubular structures with electrochemical performance for high-rate and long-life lithium-ion    | 11 March 2014     |



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|                  |        |   |                  |
|------------------|--------|---|------------------|
|                  |        | battery   |                  |
| 10201601358<br>R | SG PRV | Extraordinary capacity of TiO <sub>2</sub> nanotubes towards high power and high energy lithium-ion batteries | 23 February 2016 |

- (b) As at the date of the *notice*, *Ultracharge* is reliant on the *licence agreement* in order to conduct its business. However, *NTU* may only terminate the *licence agreement* in the event that *Ultracharge* is in breach and has not, after notice to cure the breach, done so prior to termination.
- (c) Under the terms of the *research project agreement* and *licence agreement*, *Ultracharge* is entitled to sole ownership of any intellectual property developed solely by *Ultracharge* as well as all research results and deliverables produced under the *research project agreement*. Likewise, under the *collaboration agreement* with *NEI*, *Ultracharge* will have the ownership rights in relation to any intellectual property developed in its own right, or joint ownership of any intellectual property developed jointly with *NEI*.
- (d) Following completion of the *acquisition*, *Ultracharge* expects that future patents will be applied for in its name (either solely or jointly with *NTU*, *NEI* or other development partners). If this occurs, *Ultracharge's* reliance on the *licence agreement* will be reduced, as it will acquire rights as sole or joint owner of the intellectual property so developed.
- (e) If the *licence agreement* were terminated in the short term, *Ultracharge* will seek other opportunities, using the experience and expertise available to it, to acquire rights to develop technology in the rechargeable battery sector.
- (f) If the *licence agreement* were terminated in the medium to long term, *Ultracharge* will seek other opportunities, using any intellectual property registered in its name together with the experience and expertise available to it, to continue to develop technology in the rechargeable battery sector.

1.7. *Business model and strategy*

- (a) *Ultracharge* has identified key industry sectors and applications for commercialisation of the *Ultracharge technology*. These include electric vehicles (plug-in hybrid electric vehicles and buses).
- (b) In addition to the existing *LIB* markets, *Ultracharge* has identified a number of markets that it considers could result in increased demand for *LIBs*. These include energy storage (for the grid and renewable energy sources), automobile manufacturers (particularly in the event that there is an increase in the use of hybrid and electric vehicles), consumer device vendors (such as smartphones, tablets and laptops) and industrial goods manufacturers, wind and solar energy storage, charging stations, yachts, forklifts, traffic signals and solar hybrid street



lighting. By way of example, Tesla and Panasonic have recently formed a joint venture in relation to battery production for the Tesla model 3 electric vehicle & its energy storage system.

- (c) *Ultracharge* considers that benefits associated with the *Ultracharge technology* such as improved charging rates, battery lifetime and cost efficiency may provide significant benefits in consumer electronics applications (such as smartphones, tablets and laptop computers). Critically, as the *Ultracharge technology* modifies only one component of existing *LIB* technology, *Ultracharge* understand that the *Ultracharge technology* can be integrated into existing manufacturing processes with relative ease and without substantial cost. This is a key milestone that *Ultracharge* will be seeking to meet following completion of the *acquisition*.
- (d) *Ultracharge* has been involved in initial discussions with a number of market participants with respect to development of the *Ultracharge technology*. These initial discussions have been positive with various market participants indicating that they may be willing to collaborate with *Ultracharge* or license the *Ultracharge technology* upon it being further developed. However, other than the *collaboration agreement*, no formal agreements have been negotiated.
- (e) The key development and commercialisation milestones that *Ultracharge* is aiming to achieve following completion of the *acquisition* are set out below:

**Kg-scale  $TiO_2$ -NT Production:** *Ultracharge's* primary development milestone will be to demonstrate cost-efficient kg-scale  $TiO_2$ -NT production. It is important that *Ultracharge* is able to attain high quality  $TiO_2$ -NT at a relatively high processing yield to ensure that *LIBs* utilising the *Ultracharge technology* are inexpensive and suitable for a variety of applications.

In order to meet this milestone, *Ultracharge* will seek to scale-up the production of  $TiO_2$ -NT on a staged basis from 0.025L reactor (as was illustrated by NTU) to 1L, 2L, 20L, 100L and up to 2500L reactors. Assuming *Ultracharge* is successful in scaling up the reactor capacity, it will then seek to scale up the efficiency of  $TiO_2$ -NT production at each stage of the reactor scale-up process.

*Ultracharge* will need to engage a chemical research centre in order to complete this scale-up process, and has been involved in initial discussions for this purpose. However, formal engagement is not expected to occur until completion of the *acquisition* and receipt of a response to the *BIRD proposal*.

**Integration of  $TiO_2$ -NT anode with high voltage cathodes:** This milestone will be managed primarily by *NEI*.

*NEI's* core competency is the production of advanced materials, particularly at the nanoscale. *NEI* produces and supplies specialty cathode, anode and electrolyte materials for *LIBs*. *NEI's* primary goal will be to test the *Ultracharge technology* with a number of different cathode and electrolyte materials to achieve

maximum energy density while retaining the other benefits associated with the *Ultracharge technology*.

**Commercialisation of *Ultracharge technology*:** Following the scale-up of the *Ultracharge technology* and completing the process of integrating the *Ultracharge technology* with optimal cathode and electrolyte materials, *Ultracharge* will consider the existing *LIB* market with a view to determining the best initial applications for *LIBs* utilising the *Ultracharge technology*.

It is initially anticipated that *Ultracharge* will focus on 1 or 2 applications to ensure that its resources are applied in an efficient manner. *Ultracharge* will then seek to produce commercial samples of the *TiO<sub>2</sub>-NT* anode in accordance with the specifications from identified clients for use as trial products.

**Automation of *TiO<sub>2</sub>-NT* production process:** During the final stages of its initial commercialisation and development processes, *Ultracharge* intends to scale-up from a 50mAh manually assembled *LIB* to a semi/fully automated production environment that produces *LIBs* with a 1Ah capacity.

In order to meet this milestone, *Ultracharge* will need to engage institutions that have automated or semi-automated in-house manufacturing capabilities. *Ultracharge* is hopeful that the other development activities (in particular, the integration activities undertaken with *NEI*) will assist in this automation process as testing will have been undertaken with respect to different applications of the *TiO<sub>2</sub>-NT* anode technology.

- (f) *Ultracharge* considers that the funds raised under the *public offer* will be sufficient to complete the development milestones set out above. However, the successful development of the *Ultracharge technology* in accordance with the timetable set out above will be contingent on various factors, including:
  - (i) engaging with *NEI* and other suitable development partners such as chemical research centres and manufacturers;
  - (ii) availability of staff and equipment at *NTU*, *NEI* and other development partners; and
  - (iii) the *Ultracharge technology* performing as anticipated.
- (g) In the event that funding is not approved by the *BIRD Foundation*, *Ultracharge* may need to reconsider its development and commercialisation activities. This may mean that *Ultracharge* is required to raise additional and may delay development and commercialisation of the *Ultracharge technology*. If additional funds are required, such funds may be raised through:
  - (i) additional equity offering to the public or private investors; or

- (ii) strategic partners who have an interest in the Ultracharge technology, by joint venture or similar arrangement.
- (h) In the event that *Ultracharge* is able to develop the *Ultracharge technology* on a commercial scale, *Ultracharge* aims to generate revenue through a variety of sources, including:
  - (i) licensing or sub-licensing its intellectual property interests in the *Ultracharge technology* for a fixed fee;
  - (ii) charging fees for annual support and maintenance contracts for sub-licensees of the *Ultracharge technology*;
  - (iii) entering into royalty arrangements with manufacturers who utilise the *Ultracharge technology*;
  - (iv) design services (such as customised/upgrade solutions per request based on enhancement and special development requests);
  - (v) direct sales of *LIBs* utilising the *Ultracharge technology* to customers or through third-party distributors; and
  - (vi) through designing, developing and marketing its own brand.

## 2. ULTRACHARGE'S MATERIAL AGREEMENTS

### 2.1. *Terms used*

In this *item 2*, the following defined terms have the following meanings:

- (a) ***field of application*** means any and all applications in the field of energy storage including but not limited to batteries and super capacitors.
- (b) ***licensed products*** means:
  - (i) patented licensed products; or
  - (ii) other licensed materials.
- (c) ***licensed technology*** means all licensed patents and licensed materials which are both listed in schedules of the *licence agreement*.
- (d) ***net sales*** means the amount actually received by or on behalf of Ultracharge and/or its affiliates for all sales, leases or other transfers of licensed products by or for Ultracharge, its affiliates and entities, less:
  - (i) customary trade, quantity or cash discounts and non-affiliated brokers or agents' commissions actually allowed and taken; and

- (ii) amounts repaid or credited by reason of rejection or return;
- (iii) to the extent separately stated on purchase orders, invoices or other documents of sale, taxes levied on and/ or other governmental charges made as to production, sale, transportation delivery or use, and
- (iv) reasonable charges for delivery or transportation provided by third parties, if separately stated.

*Net sales* also includes the fair market value of any non-cash consideration received by *Ultracharge* and its affiliates for the use, sale, lease, or transfer of *licensed products*.

- (e) ***other licensed materials*** means any product or service for use in the *field of application*, other than *patented licensed products*, that incorporates or that is or was developed in whole or in part through the use or application of any of the *licensed proprietary materials*.
- (f) ***patented licensed product*** means any product or service for use in the *field of application* which is covered by any claim of any patent within the licensed patents (treating for this purpose any pending patents as if they had been issued) in the country in which such product is made, used or sold.
- (g) ***royalty term*** means the later of:
  - (i) the last to expire of any *licensed patent* covering the *licensed product* in country of sale; or
  - (ii) after 15 years from the date of the first commercial sale of *licensed products*.
- (h) ***sub-license consideration*** means any consideration that Ultracharge or its affiliate receives from sub-licensees (such as payments, license fees etc.). In the case of non-cash consideration, the sub-license consideration will be calculated based on the fair market value of such consideration or transaction at the time of the transaction. Sub-license consideration will not include:
  - (i) any equity investments or loans made by a sub-licensee to Ultracharge or an affiliate, provided that such equity investments or loans are not made in consideration for the grant of any sub-license or option to obtain such sub-license; or
  - (ii) the amounts received from a sub-licensee for the performance research or development plan and budget agreed between Quick Charge or an affiliate of Quick Charge and such sub-licensee.
- (i) ***territory*** means worldwide.

2.2. *Exclusive licence agreement*

On 14 March 2016 *Quick Charge* entered into an exclusive licence agreement with NTU.

On 20 June 2016, *Ultracharge* and NTU entered into a deed of novation whereby Quick Charge's rights and obligations under its exclusive licence agreement with NTU were novated to *Ultracharge* (***licence agreement***). The material terms of the *licence agreement* are as follows:

- (a) **Scope of licence:** a perpetual, exclusive, worldwide, royalty bearing licence, with rights to sub-licence subject to the terms therein, under the *licensed technology* to market, sell, commercialise and exploit the *licensed products* in the *field of application* in the *territory*.
- (b) **Performance milestones:** *Ultracharge* shall exercise commercially reasonable efforts to enable the commercial sales of the *licensed products* within 2.5 years following the execution date. The license agreement further details what shall happen in the event such milestone is not met.
- (c) **Consideration:** upon the execution of the *licence agreement*, *Ultracharge* issued NTU 50,000 ordinary shares in *Ultracharge*.

- (d) Milestone payments:

| Milestone  | Singapore dollars |
|--|-------------------|
| a. Upon execution of the <i>licence agreement</i>  | 40,000            |
| b. Upon the finalisation of a first advanced non-laboratory scale prototype of the first <i>licensed product</i> | 50,000            |
| c. Upon the first commercial sale of the first <i>licensed product</i> .   | 50,000            |

- (e) **Royalty payments:** in addition to any milestone payment, *Ultracharge* will pay NTU royalties with respect to *net sales* during the royalty term, exclusive of any GST payable by *Ultracharge* on such royalties, in the following rates:
  - (i) 3.5% of net sales of patented *licensed products*; and
  - (ii) 2.5% of net sales of other *licensed products*.
- (f) **Sub-license consideration:** 15% of all *sub-license consideration*, exclusive of any GST payable by *Ultracharge* on such payments.
- (g) **Intellectual property:** all enhancements, modifications, improvements and directives of and to the *licensed technology* created or developed solely by

*Ultracharge*, without any intellectual input or contribution from *NTU*, shall be the sole and exclusive property of *Ultracharge*.

Subsequent to the execution of the *licence agreement*, *NTU* shall continue to be responsible for managing the filing, prosecution and maintenance of all *licensed patents*.

- (h) Infringement of *licensed patents*: during the term of the *licence agreement*, *Ultracharge* shall be responsible for, after consultation with *NTU*, taking steps it deems commercially appropriate to prevent or restrain any infringement by a third party of any of the *licensed patents* in the *field of application* and shall be responsible for all costs and fees incurred by *Ultracharge* in the taking of such steps.
- (i) Insurance: *Ultracharge* will maintain adequate public liability and product liability insurance coverage and will ensure that *NTU*'s interest is noted on the policy. *Ultracharge* will supply Nanyang with the copy of such insurance policy on request.
- (j) Term and termination: The term of the *licence agreement* starts as of its execution date and shall continue for the *royalty term* unless terminated:
  - (i) immediately by notice in writing by *NTU* for customary provisions of "cause"; or
  - (ii) by *Ultracharge* upon providing prior written notice of 30 days; or
  - (iii) by mutual agreement of the parties.
- (k) Dispute resolution: In the event of any dispute regarding the *licence agreement*, the parties will refer the matter to mediation in accordance with the rules and procedures of the Singapore Mediation Center and if such dispute has not been settled, then it will be resolved by arbitration in Singapore, in accordance with the arbitration rules of the Singapore International Arbitration Center.
- (l) Governing law and jurisdiction: the *licence agreement* shall be subject to the laws of the Republic of Singapore and the exclusive jurisdiction of the courts of Republic of Singapore.

### 2.3. *Research project agreement*

On 2 August 2016 *Ultracharge* entered into a research project agreement with *NTU* for the purpose of the continued development of the *licensed technology (research project agreement)*. The material terms of the *research project agreement* are as follows:

- (a) scope of work: The scope of work includes:
  - (i) demonstration of scale up from 50 mAh pouch cells to 1 Ah;

- (ii) validation of the performance of 1 Ah pouch cells in terms of ultrafast charging capabilities, cycle life, temperature tolerance, charging time and battery lifetime;
  - (iii) demonstration of a full coin cell; and
  - (iv) validation of the performances of PS-TiO<sub>2</sub> full cell battery cells in terms of ultrafast charging capabilities, cycle performance and lifetime.
- (b) term: the term of the *research project agreement* commenced on 28 June 2016 and shall continue for a period of two years, and may be extended by mutual written agreement.
- (c) termination: Either party may terminate the *research project agreement* in the event of:
- (i) a material breach which is either incapable of rectification or which is not rectified within 60 days of written notice given by the non-defaulting party, or
  - (ii) an insolvency event occurring in respect of the other party.

*Ultracharge* may terminate the *research project agreement* upon 60 days' prior written notice to *NTU* if *NTU* fails to meet specified milestones.

- (d) principal investigator: The project shall be supervised by Professor Chen Xiaodong.
- (e) funding: Ultracharge shall provide funding to *NTU* as follows:

| Description  | \$US             |
|--|------------------|
| Equipment (battery tester, autoclave, other materials)   | 250,000          |
| Manpower (5 research staff- 80,000 per year for 2 years) | 800,000          |
| Consumables (chemicals, etc.)                            | 140,000          |
| Facility usage fee                                       | 60,000           |
| 20% overhead charge on total direct project cost         | 250,000          |
| <b>Total amount</b>                                      | <b>1,500,000</b> |

- (f) Intellectual property: Ultracharge shall own all research results and all the IP rights and will grant *NTU* the right to use the research results for academic, development and other non- commercial purposes.



- (g) Publications: *NTU* shall have the right to publish any journal, thesis, results etc. derived from the *research project agreement*.
- (h) Warranties and disclaimers of liability: No party shall be liable to the other party for any loss of profits, productions, use, damages etc. suffered by the other party arising from any breach of the *research project agreement* whether or not the party has been advised of the possibility of such damage.
- (i) Assignment: No party may assign all or any of its rights or obligations, without the prior written consent of the other party.
- (j) Dispute resolution: In the event of any dispute regarding the *research project agreement*, the parties will refer the matter to mediation in accordance with the rules and procedures of the Singapore Mediation Center and if such dispute has not been settled, then it will be resolved by arbitration in Singapore, in accordance with the arbitration rules of the Singapore International Arbitration Center.
- (k) Governing law: The *research project agreement* shall be governed by the laws of the Republic of Singapore.

#### 2.4. *Collaboration agreement*

On 13 August 2016 ***Ultracharge*** entered into a collaboration agreement with NEI Corporation (***NEI***) with the objective of commercializing the *Ultracharge technology (collaboration agreement)*.

The material terms of the *collaboration agreement* are as follows:

- (a) Any intellectual property developed by a party (***IP***) shall be owned by the party whose personnel make or develop it, whether in performance of the *collaboration agreement* or not.
- (b) Any intellectual property developed jointly by the parties shall be considered joint intellectual property, and treated as such (***Joint IP***) and neither party shall in any way attempt to exclude the other party from a joint subject invention.
- (c) A party may not copy, modify, adapt or merge copies, translate, reverse engineer, de-compile, attempt to derive, decrypt, disassemble, or create derivative works of the other party's *IP*, or the *Joint IP*, including its source code, programming, algorithms, design structure, interoperability interfaces, concepts, construction methods underlying ideas, or file formats of, rent, lease, assign, transfer lend, sell, distribute, or sublicense such *IP*, without the explicit pre-approval in writing of the other party.
- (d) Either party shall be entitled to grant a royalty-bearing license to a third party to use, reproduce, display or distribute the *Joint IP* for commercial purposes.



The royalty by the licensing party to the third party shall be no less than 2% but no greater than 5% of the *Adjusted Gross Sales* derived from the sales of the *Joint IP*.

- (e) ***Adjusted Gross Sales*** refers to the cash consideration of the sale of any *Joint IP*, less the following qualifying costs;
  - (i) discounts, in amounts customary in the trade for quantity purchases;
  - (ii) credits or refunds, not exceeding the original invoice amount, for claims or returns;
  - (iii) transportation insurance premiums;
  - (iv) outbound transportation expenses; and/or
  - (v) sales, or use taxes, or duties imposed by a governmental agency.
- (f) The *collaboration agreement* shall be terminated upon the earliest of:
  - (i) the signing of a definitive agreement containing the terms set forth in the *collaboration agreement* as well as other customary provisions including, without limitation, mutually agreeable representations and warranties of the parties;
  - (ii) three months' prior written notice of one party to the other, though the obligations of compensation will remain in effect for a period of two years thereafter; or
  - (iii) breach by a party of its obligations.

## 2.5. *Executive services agreement*

With effect from 1 March 2016 *Ultracharge* entered into a consulting services agreement with Kobi Ben-Shabat for the performance of services as chief executive officer of *Ultracharge* (***services agreement***). The key terms of the *services agreement* are as follows:

- (a) **Fee**: With effect from *completion*, *Ultracharge* will pay Mr Ben-Shabat a monthly fee of US\$20,000 per month on the basis that Mr Ben-Shabat will work exclusively for *Ultracharge* on a full-time basis.
- (b) **Performance bonus**: Mr Ben-Shabat will be entitled to receive additional benefits on satisfaction of performance hurdles as set out in the table below:

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| Performance hurdle  | Performance bonus                      |
|---|--|
| 1. Completion of a capital raising of US\$2,000,000 by <i>Ultracharge</i> ; and<br>2. finalisation of the merger of <i>Ultracharge</i> with an ASX-listed entity                                  | US\$45,000                             |
| Demonstration of a working 1 Ah TiO <sub>2</sub> pouch cell within 12 months of <i>completion</i>   | 2,000,000 <i>shares</i> and US\$25,000 |
| Demonstration of a full cell coin battery based on PS-TiO <sub>2</sub> and LiMn <sub>2</sub> O <sub>4</sub> cathode materials and validation of performance within 24 months of <i>completion</i> | 5,000,000 <i>shares</i> and US\$45,000 |

(c) Shares: On *completion*, Mr Ben-Shabat shall be entitled, subject to shareholder approval, to receive 11,011,830 *shares* (as consideration for the 39,300 *Ultracharge options* specified in the *services agreement* to which he is entitled on the successful merger of the *company* and *Ultracharge* – the *shares* to be issued to Mr Ben-Shabat form part of the *consideration shares* the subject of *resolution 5*).

(d) Termination:

1. Mr Ben-Shabat may terminate the *services agreement* by giving not less than 90 days' notice.
2. *Ultracharge* may terminate the *services agreement*:
  1. without cause, by giving 12 months' notice; or
  2. with cause for misconduct or material breach of the *services agreement*, immediately.

(e) Other: The *services agreement* contains terms and conditions in respect of confidentiality, ownership of intellectual property and warranties that are customary for agreements of this nature.

### 3. BACKGROUND TO TRANSACTION

#### 3.1. *Transaction*

On 13 May 2016, the *company* announced the execution of a binding heads of agreement (***heads of agreement***) with *Ultracharge* for the acquisition of 100% of the issued capital in *Ultracharge*.

The acquisition of *Ultracharge* will be effected by way of agreements between the *company* and the *Ultracharge shareholders* who will sell 100% of the issued capital of *Ultracharge* in consideration of the *company* issuing the *consideration shares*, following which *Ultracharge* will be a wholly-owned subsidiary of the *company*.

3.2. *Heads of agreement*

The key terms of the *heads of agreement* are as follows:

- (a) **merger facilitation fee:** On execution of the *heads of agreement* the company paid *Ultracharge* A\$125,000 as the first tranche of a facilitation fee totalling A\$250,000 (***merger facilitation fee***). The second tranche payment (of A\$125,000) was paid following satisfaction or waiver of the conditions precedent described below in items 3.2(c)(i), 3.2(c)(ii) and 3.2(c)(vii);
- (b) **merger option:** as consideration for the merger facilitation fee, *Ultracharge* has agreed to procure the grant of an irrevocable option to the *company* for the acquisition of the relevant securities from the holders of *Ultracharge shares* in exchange for the issue of *consideration shares* (***merger option***);
- (c) **conditions precedent:** *completion* is conditional on:
  - (i) due diligence having been completed by *Ultracharge* and the *company* by 24 June 2016 (or such other date as agreed by LTX and *Ultracharge*, which has now been completed;
  - (ii) *Ultracharge* receiving confirmation from the Israeli Tax Authority, within 75 days following the date of payment of first tranche of the *merger facilitation fee*, that the structure of the *acquisition* will provide the *Ultracharge* shareholders with "roll-over" relief for the purposes of applicable Israeli taxation regulations, and will not otherwise have any material adverse taxation implications for the *Ultracharge* shareholders and that *Ultracharge* will not be required to withhold any part of the consideration payable to the *Ultracharge* shareholders; the *Ultracharge vendors* have now waived this condition;
  - (iii) the *company* having a total of A\$1,300,000 in free cash following the payment of the *merger facilitation fee*;
  - (iv) the *company* undertaking the *offer* and receiving valid non-revocable applications for at least the minimum amount of capital required by *ASX* to meet the re-compliance requirements of Chapters 1 and 2 of the *listing rules* (and which such minimum shall not include any amounts that shall be provided by *Ultracharge* following the effective date of the *merger*) at an issue price to be agreed between the *company* and *Ultracharge*;
  - (v) the *company* being satisfied in its sole discretion that all options to acquire *Ultracharge shares* will be exercised or cancelled on terms acceptable to the *company* and *Ultracharge* such that, at completion, the *company* shall acquire all *Ultracharge Shares* on issue and *Ultracharge* shall otherwise have no securities on issue or rights to acquire securities in existence;

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- (vi) the *company* receiving conditional approval by *ASX* to reinstate its *securities* and those conditions being satisfied to the reasonable satisfaction of the *company* and *Ultracharge*;
- (vii) the parties obtaining all necessary regulatory approvals (including *ASX* approvals and waivers and *ASIC* relief) to complete the *merger*, the expiration of any necessary statutory waiting periods and the filing of all *merger* notices and proposals required under applicable law;
- (viii) *Ultracharge* and/or the *holding agent* obtaining any relief from *ASIC* or any *ASX* waiver required to permit the *holding agent* to perform the functions contemplated in the *heads of agreement*;
- (ix) novation of the *licence agreement* and the *research project agreement* from Quick Charge to *Ultracharge* having occurred on terms reasonably satisfactory to *LTX* and *Ultracharge*; this condition has been satisfied;
- (x) subject to the condition precedent described in Section 3.2(c)(ix) having been satisfied, *Ultracharge* having disposed of its interest in Quick Charge; this condition has been satisfied;
- (xi) all *Ultracharge shareholders* having entered into an agreement or agreements with the *company* for the sale and purchase of 100% of the issued capital of *Ultracharge* in consideration of the issue of the *consideration shares*; and
- (xii) the *company* obtaining all requisite *shareholder* approvals pursuant to the *listing rules* (including but not limited to listing rule 11.1), the *Corporations Act* and the *constitution* to give effect to:
  - (1) the transactions contemplated by the *heads of agreement*; and
  - (2) the change of the *company's* name from “Lithex Resources Limited” to “Ultracharge Limited”;
- (d) **consideration:** the consideration payable to each *vendor* varies according to the number of *Ultracharge shares* or *Ultracharge options* they hold, but the *company* will be acquiring 1,572,122 *Ultracharge shares* and 162,000 *Ultracharge options* for the combined total consideration of 485,900,000 *shares*;
- (e) **further issues of securities:** subject to *completion* occurring, the *company* has also agreed to issue:
  - (i) 24,295,000 *shares* to *CPS* as consideration for services provided under a mandate (the subject of *resolution 8*);
  - (ii) 60,000,000 *performance rights* to the *incoming service providers* (the subject of *resolution 9*); and

(iii) 70,000,000 *options* in aggregate to *Armada Capital* (the subject of *resolutions* 10 and 11); and

(f) **warranties and indemnities:** the *heads of agreement* contain standard vendor warranties and indemnities customary for transactions of this nature, along with usual threshold and limitation of liability provisions.

### 3.3. *Facilitation*

(a) *CPS* has provided corporate advisory and facilitation services to the *company* in respect of both the *acquisition* and the proposed *offer*. The *shares* to be issued to *CPS* pursuant to *resolution 8* and the fees payable in respect of the *lead manager agreement* are in consideration of those services.

(b) *Armada Capital* has provided corporate advisory and facilitation services to the *company* in respect of both the *acquisition* and the proposed *offer*. The *transaction options* and *offer options* are to be issued to *Armada Capital* are in consideration of those services.

### 3.4. *Incoming service providers*

In accordance with the *heads of agreement*, the *company* has agreed to issue up to 60,000,000 *performance rights* to additional advisors, service providers and management of *Ultracharge* in order to incentivise those parties to continue providing services to *Ultracharge* following *completion* (***incoming service providers***). *Ultracharge* has identified the following persons as “incoming service providers” for the purposes of clause 4(d) of the *heads of agreement*:

| Incoming service provider | Performance rights |
|---------------------------|--------------------|
| Kobi Ben-Shabat           | 7,500,000          |
| Yuri Nehushtan            | 5,000,000          |
| Doron Nevo                | 5,000,000          |
| John Paitaridis           | 9,000,000          |
| Professor Gideon Grader   | 3,000,000          |
| Professor Chen Xiaodong   | 3,000,000          |
| Silver Horizon Pty Ltd    | 10,000,000         |
| Reblaze Singapore Pte Ltd | 10,000,000         |
| Dr Rachid Yazami          | 5,000,000          |

A further 2,500,000 *performance rights* may be issued by the *company* pursuant to its obligations under the *heads of agreement*.

3.5. *Retirement of existing directors*

Following completion of the *acquisition*, existing *directors* Paula Cowan and Joe Graziano will retire and be replaced by the proposed new *directors* to be appointed under *resolutions 12, 13, 14 and 15*. Details of the existing and proposed new *directors* follow.

## 4. EXISTING DIRECTOR PROFILES

4.1. *Mr David Wheeler*

Mr. Wheeler has more than 30 years of senior executive management, director and corporate advisory experience. He is a foundation director of Pathways Corporate, a boutique corporate advisory firm that undertakes assignments on behalf of family offices, private clients and ASX listed companies.

Mr Wheeler has engaged in business projects in the USA, UK, Europe, New Zealand, China, Malaysia, Singapore and the Middle East. David is a Fellow of the AICD. He is a director of ASX-listed companies Oz Brewing Ltd, TW Holdings Ltd, Castillo Copper Ltd, Premiere Eastern Energy Ltd, Antares Mining Ltd, Antilles Oil & Gas Ltd and Eumeralla Resources Ltd.

4.2. *Ms Paula Cowan*

Ms Cowan has a Batchelor of Commerce/Law (Hons), is a qualified chartered accountant and a graduate of the Australian Institute of Company Directors.

Ms Cowan is a finance professional with over 10 years' experience and is presently a director of Palisade Business Consulting, a consulting and secretarial advisory firm specialising in business advisory, consulting and back office support (finance and secretarial) to SME's and ASX-listed entities. Prior to that she held senior roles at accounting firms Korda Mentha and Ernst & Young.

Ms Cowan is currently also a non-executive director of ASX-listed The Carajas Copper Company Limited.

4.3. *Mr Joe Graziano*

Mr Graziano has 25 years' experience providing a wide range of business, financial and taxation advice to small cap unlisted and listed public companies and privately owned businesses in Western Australia's resource-driven industries, particularly mining, banking and finance, professional services and logistics.

Mr Graziano has the knowledge and experience in corporate advisory and strategic planning with companies and businesses going through a growth phase and restructuring those businesses to assist with the next phase of their growth and strategy. Mr Graziano also has experience in capital raisings, ASX compliance and

regulatory requirements. Mr Graziano has specific expertise in the mining services and resource exploration sectors, as well as in banking, finance, professional services businesses and privately owned businesses.

Mr Graziano is currently a non-executive director of ASX-listed companies Oz Brewing Ltd, Kin Mining NL and Castillo Copper Limited.

Mr Graziano has a Bachelor of Commerce from Murdoch University, is a chartered accountant and a graduate of the AICD.

## 5. PROPOSED DIRECTORS

The proposed new *directors* of the *company* after completion of the *acquisition* are Messrs Kobi Ben-Shabat, Yuri Nehushtan, John Paitaridis and Doron Nevo. Profiles of each proposed *director* are included in the *explanatory statement* under *sections* 12, 13, 14 and 15 respectively.

## 6. ADVANTAGES OF THE ACQUISITION

The *directors* are of the view that the following non-exhaustive list of advantages may be relevant to *shareholders'* decisions on how to vote on the proposed *resolutions*:

- (a) the *company* will be exposed to a new technology in a growing industry. Demand for *LIBs* is expected to increase significantly as the demand for electric vehicles increases. A key limiting factor to existing batteries is charge time and useful life. These are two areas that the *Ultracharge technology* claims to improve significantly in prototype form. If the *Ultracharge technology* is proved to work on a commercial scale, market acceptance could be significant. *Shareholders* have the ability to gain exposure to future opportunities the *Ultracharge* business offers;
- (b) the *offer* will add necessary funds for working capital for the ongoing operations and will assist with the commercialisation of the *Ultracharge technology*;
- (c) the appointment of the *proposed directors* will add relevant experience, skills and networks to the *board* to assist with the growth of the *company*;
- (d) the consideration for the *acquisition* is comprised of equity interests in the *company*, thereby conserving the *company's* cash for utilisation in developing the *LIB technology*;
- (e) the *company's* ability to raise funds and attract strategic investors may be enhanced;



- (f) the *acquisition* may encourage new investors in the *company* which may lead to increased liquidity of *shares* and greater trading depth than currently experienced by shareholders; and
- (g) the *company* may be exposed to further investment opportunities that it did not have prior to the *acquisition*.

## 7. DISADVANTAGES OF THE ACQUISITION

The *directors* are of the view that the following non-exhaustive list of disadvantages may be relevant to *shareholders'* decisions on how to vote on the proposed *resolutions*:

- (a) the *company* will be changing the nature and scale of its activities to include development and commercialisation of lithium ion battery technology which may not be consistent with the objectives of *shareholders*;
- (b) the *acquisition* will involve the issue of a substantial number of new *securities* which will have a dilutionary effect on the current holdings of *shareholders*;
- (c) the activities of *Ultracharge* have a different risk and reward profile than the *company* had historically. *Ultracharge* holds the rights to a non-commercial technology, although it does not own the *Ultracharge technology*. As such, there is significant risk of commercial failure if the *Ultracharge technology* cannot be demonstrated to work as currently indicated. Further, if the *company* cannot commercialise the *Ultracharge technology*, it is the right of *NTU* to terminate the agreement with the *company* after 2.5 years (or 4.5 years subject to extension payments); and
- (d) there are additional risk factors involved in the change in nature and scale of the *company's* activities and associated acquisition of *Ultracharge*. Some of those risks are set out in item 14 below.

## 8. OFFER

- 8.1. The *company* proposes to lodge the *prospectus* with *ASIC* during the period between the date of this *notice* and the meeting.
- 8.2. Under the *prospectus*, the *company* proposes to:
  - (a) raise up to \$3,500,000 by the issue of up to 70,000,000 *shares* at an issue price of \$0.05 per *share*;
  - (b) issue the *consideration shares* to the *vendors*; and
  - (c) issue *shares* to *CPS* or its nominee(s).



- 8.3. The issue of *shares* under the *prospectus* is conditional on:
- (a) all *transaction resolutions* being passed at the *annual general meeting*; and
  - (b) a minimum subscription of 50,000,000 *offer shares* to raise \$2,500,000 being achieved.

## 9. INDICATIVE TIMETABLE

- 9.1. The table below shows the expected timing for completion of the *acquisition* and the matters contemplated by the *resolutions*, subject to compliance with regulatory requirements. These dates are indicative only and are subject to change. The *directors* reserve the right to amend the timetable without notice.

|                          |  |
|--------------------------|--|
| <b>27 September 2016</b> | lodgement of <i>prospectus</i> with ASIC           |
| <b>27 September 2016</b> | <i>offer</i> opens                                 |
| <b>10 October 2016</b>   | <i>annual general meeting</i>                      |
| <b>28 October 2016</b>   | <i>offer</i> closes                                |
| <b>11 November 2016</b>  | completion of the proposed <i>acquisition</i>      |
| <b>11 November 2016</b>  | issue of all <i>shares</i>                         |
| <b>18 November 2016</b>  | satisfaction of ASX requirements for reinstatement |
| <b>25 November 2016</b>  | re-commencement of trading of <i>shares</i> on ASX |

## 10. EFFECT OF THE ACQUISITION ON THE COMPANY

### 10.1. *Pro forma statement of financial position*

Set out in Schedule 4 are the pro forma consolidated historical statement of financial position as at 30 June 2016 both for the minimum and maximum fundraising scenarios under the *offer*.

### 10.2. *Capital structure*

The capital structure of the *company* both before and following the *acquisition* and the associated issues of *securities* under the *resolutions* proposed at the *meeting* are shown in Schedule 5, both for the minimum and maximum fundraising scenarios under the *offer*.

## 11. INDEPENDENT EXPERT’S REPORT

(For the purposes of this item 11 of *schedule 2*, the term “proposed transaction” refers to the acquisition of Ultracharge by way of the issue of the *consideration shares* and the *performance shares*.)

In circumstances where shareholder approval is sought for certain control transactions under section 611 of the *Corporations Act* and otherwise under *listing rule 10.1* or *10.9*, an independent expert’s report is required to be provided to shareholders. The *company* does not consider that any approval is required under section 611 of the *Corporations Act* but is required under *listing rule 10.1*.

The *directors* have engaged the *independent expert* to provide the *independent expert’s report* to assist the non-associated *shareholders* in deciding how to vote on *resolution 6*.

The *independent expert* has concluded that the proposed transaction is NOT FAIR BUT REASONABLE to non-associated *shareholders*. When considering the proposed transaction, the *independent expert* included any impact the *transaction resolutions* would have on fairness and reasonableness. The independent expert considered all related resolutions, conditions and terms as part of the proposed transaction because, without them, the proposed transaction cannot complete.

The independent expert’s report accompanies the notice as Annexure A. In summary, the independent expert considers the proposed transaction to be:

- (a) “not fair” to the non-associated *shareholders* as the range of values of a *share* post the proposed transaction is lower than the range of values of a share pre the proposed transaction; but
- (b) “reasonable”, because the position of the non-associated shareholders if the proposed transaction is approved is more advantageous than the position if it is not approved.

## 12. INTENTIONS IF ACQUISITION DOES NOT PROCEED

In the event the *resolutions* do not pass and the *acquisition* does not proceed, the *company* will continue to evaluate opportunities for asset and business acquisitions to provide a return to *shareholders*.

## 13. EXPENDITURE PLAN AND USE OF FUNDS

- 13.1. The table below sets out the intended use of funds raised under the *public offer* together with existing cash reserves over 2 years following reinstatement to quotation of *shares* as follows:

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|   | minimum<br>subscription<br>\$2,500,000 | maximum<br>subscription<br>\$3,500,000 |
|---|--|--|
| Cash on hand of the <i>company</i> and <i>Ultracharge</i>           | 2,110,031                              | 2,110,031                              |
| Funds raised under the <i>public offer</i>                          | 2,500,000                              | 3,500,000                              |
| Funds to be raised by <i>Ultracharge</i> prior to <i>completion</i> | 1,190,886                              | 1,190,886                              |
| <b>Total funds available</b>  | 5,800,897                              | 6,800,897                              |
| Use of funds  |  |  |
| Research  | 1,572,000                              | 1,644,752                              |
| Development & manufacturing   | 1,281,004                              | 2,124,752                              |
| Sales and marketing expenses  | 389,000                                | 409,000                                |
| Business development  | 704,000                                | 704,000                                |
| Expenses associated with the <i>acquisition</i>                     | 411,840                                | 475,340                                |
| Working capital   | 1,443,053                              | 1,443,053                              |
| <b>Total use of funds</b>   | 5,800,897                              | 6,800,897                              |

- 13.2. “Cash on hand of the *company* and *Ultracharge*” represents cash held by the *company* and *Ultracharge* at 30 June 2016. The *company* and *Ultracharge* have incurred and expect to incur further costs within the ordinary course of their respective businesses and in association with the *acquisition* which will diminish this amount prior to *completion*.
- 13.3. On completion of the *acquisition*, the *board* believes the *company* will have sufficient working capital to achieve the objectives detailed in the table above.
- 13.4. The above table is a statement of current intentions as of the date of the *notice*. As with any budget, intervening events (including technology development success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The *board* reserves the right to alter the way funds are applied on this basis.

## 14. RISKS – CHANGE IN NATURE AND SCALE OF ACTIVITIES

*Shareholders* should be aware that if the *resolutions* are approved, the *company* will be changing the nature and scale of its activities which will, because of its nature, be subject to various risk factors. These risks are both specific to the industry in which the *company* operates and also relate to the general business and economic

environment in which the *company* will operate. An investment in the *company* is not risk-free and prospective new investors along with existing *shareholders* should consider the risk factors described below together with the information contained elsewhere in this *notice*. The following is not intended to be an exhaustive list of the risk factors to which the *company* will be exposed as a result of the proposed *acquisition* and changing the nature and scale of its activities.

Based on the information available, the principal risks facing the *company* upon completion of the proposed *acquisition* will be as follows:

14.1. *Risks related to change in nature and scale of activities*

- (a) **Re-quotation:** The acquisition of *Ultracharge* constitutes a significant change in the nature and scale of activities and the *company* needs to comply with Chapters 1 and 2 of the *listing rules* as if it were seeking admission to the official list of *ASX*. There is a risk that the *company* may not be able to meet the requirements of *ASX* for the re-quotation of its *shares* on *ASX*, which would result in all *offer* investors' funds being returned. It would also mean the *company's shares* would not be able to be traded on *ASX* until such time as those requirements can be met, if at all. It is a risk for existing *shareholders* who may be prevented from trading their *shares* should the *company* be suspended until such time as it does *re-comply* with the *listing rules*.
- (b) **Conditions precedent:** The proposed *acquisition* is subject to a number of conditions precedent, summarised in item 3.2 above. If these conditions are not satisfied or waived within the relevant time limits, the proposed *acquisition* may not proceed.

14.2. *Risks in respect of Ultracharge operations*

- (a) **Development and commercialisation of the *Ultracharge technology*.** The success of the *company* post-completion of the *acquisition* will depend upon *Ultracharge's* ability to develop and commercialise the *LIB* technology. A failure to successfully develop and commercialise the *LIB* technology could lead to a loss of opportunities and adversely impact on the *company's* operating results and financial position.

*Ultracharge* will seek to develop the *LIB* technology with organisations that provide chemical production industry services, which is specialised in *LIB* technology based on the technology that has been developed at *NTU* and been licenced exclusively to *Ultracharge*. If *Ultracharge* is successful in developing its *LIB* technology, there may be further additional risks associated with how the technology fits within industry standards and issues faced with production which may affect yields.

The global marketplace for most products is ever changing due to new technologies, new products, changes in preferences, changes in regulation and

other factors influencing market acceptance or market rejection. This market volatility and risk exists despite the best endeavours of market research, promotion and sales and licensing campaigns. There is a risk that if the *LIB* technology is not accepted by the market, *LIBs* will not be able to commercialise its products, which could adversely impact the *company's* operations.

- (b) **Competition and new technologies:** The industry in which *Ultracharge* is involved is subject to increasing domestic and global competition which is fast-paced and fast-changing. While the *company* will undertake all reasonable due diligence in its business decisions and operations, the *company* will have no influence or control over the activities or actions of its competitors, whose activities or actions may positively or negatively affect the operating and financial performance of the *company's* projects and business. For instance, new technologies could result in the *Ultracharge technology* not being differentiated to other similar offerings.

The size and financial strength of some of *Ultracharge's* competitors may make it difficult for it to maintain a competitive position in the technology market. In particular, *Ultracharge's* ability to acquire additional technology interests could be adversely affected if it is unable to respond effectively and/or in a timely manner to the strategies and actions of competitors and potential competitors or the entry of new competitors into the market. This may in turn impede the financial condition and rate of growth of the Company.

The key competition risk is in achieving appreciable market share and differentiation from its key competitors.

- (c) **Retention of key personnel:** There is a risk that, where there is a turnover of development staff who have knowledge of the technology and business, knowledge will be lost in the event that those staff resign or retire. This involves the risk that those staff will have information in respect of *Ultracharge's* intellectual property which has a commercial value to *Ultracharge* as well as an opportunity cost for replacement of those staff and subsequent training.

This risk is mitigated as *Ultracharge's* principal intellectual property is based on the *licence agreement* and future development hence the risk of staff leaving with essential intellectual property is low. In addition, all staff contracts contain express provisions with respect to ownership of intellectual property and restraints of trade to limit any potential loss suffered by *Ultracharge* to the maximum extent possible.

- (d) **Protection of intellectual property rights:** *Ultracharge* intends to pursue intellectual property protection in the form of patents for newly developed technologies. However, if the *company* fails to protect the intellectual property

rights of *Ultracharge* adequately, competitors may gain access to its technology which may harm its business.

Securing rights to intellectual property, and in particular patents, is an integral part of securing potential product value from the development of information technology. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to the *company* in every country in which the *Ultracharge technology* may eventually be sold. Accordingly, despite its efforts, the *company* may not be able to prevent third parties from infringing upon or misappropriating the intellectual property.

Market conditions depending, the *company* may be required to incur significant expenses in monitoring and protecting future intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the *company* and cause a distraction to management.

As *Ultracharge* licences its intellectual from third parties, there is an additional risk that these third parties fail to keep the patents licenced to *Ultracharge* valid, resulting in competitors being entitled to apply for patents in the same area.

In addition, unauthorised use of the “Ultracharge” brand in counterfeit products or services may not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

- (e) **Limited operating history:** Incorporated in December 2015, *Ultracharge* is a company with limited operating history. To date, *Ultracharge* has principally licenced and enhanced the development of its technology and has not commenced commercialisation. Given *Ultracharge’s* limited operating history, there can be no guarantee that *Ultracharge* will achieve commercial viability.
- (f) **Currency risk:** *Ultracharge* expects to derive a majority of its revenue will be in US dollars. *Ultracharge* will also be required to pay fees in the currency for Israel (shekel). Accordingly, changes in the exchange rate between the US dollar and the Australian dollar or the Israeli shekel and the Australian dollar would be expected to have a direct effect on the financial performance of *Ultracharge*.
- (g) **Licenced intellectual property:** Pursuant to the *licence agreement*, *Ultracharge* is licenced certain intellectual property for a fixed period of time. There is no guarantee that the *licence agreement* will not be terminated and as a result, other competitors may gain access to the intellectual property used by *Ultracharge* in

developing the *Ultracharge technology*. Breach of any licence agreements, or infringement of the licenced intellectual property by third parties, may have an adverse impact on *Ultracharge's* ability to develop its technology.

14.3. *General risk factors*

- (a) **Market conditions:** The shares are to be quoted on *ASX*, where the *share* price may rise or fall. The *company's shares* will carry no guarantee as to profitability, dividends, return of capital, or the price at which they may trade on *ASX*. The value of the *shares* will be determined by the share market and will be subject to a range of factors, many or all of which may be beyond the control of the *company* and the management team.
- (b) **Economic conditions:** The performance of the *company* is likely to be affected by changes in economic conditions. Profitability of the business may be affected by some of the matters listed below. The *directors* make no forecast in respect of:
  - (i) the future demand for the *company's* services;
  - (ii) general financial issues which may affect policies, exchange rates, inflation and interest rates;
  - (iii) deterioration in economic conditions, possibly leading to reductions in business spending and other potential revenue sources which could be expected to have a corresponding adverse impact on the *company's* operating and financial performance;
  - (iv) the strength of the equity and share markets in Australia and throughout the world;
  - (v) financial failure or default by the *company* or any other company which is or may become involved in a relationship with the *company*; and
  - (vi) industrial disputes in any jurisdiction which is relevant to the *company*.
- (c) **Government policies and legislation:** The *company* may be affected by changes to government policies and legislation.



## Schedule 3 – Additional information

### 1. SCOPE OF DISCLOSURE

- 1.1. The law requires this *explanatory statement* to set out all other information which is known to the *company* that is reasonably required to enable *shareholders* to decide whether or not it is in the *company's* interests to pass the *resolutions*.
- 1.2. The *company* is not aware of any relevant information that is material to a decision on how to vote on the *resolutions* other than as is disclosed in this *explanatory statement* or has been previously disclosed to *shareholders* by announcement to the *ASX*.

### 2. RECOMMENDATIONS, VOTING INTENTIONS AND INTERESTS OF EXISTING DIRECTORS

- 2.1. As at the date of the *notice*, the existing *directors* hold the following *relevant interests* in securities of the *company*:

|                     | David Wheeler | Paula Cowan | Joe Graziano |
|---------------------|---------------|-------------|--------------|
| <i>shares held</i>  | 2,070,000     | -           | 1,500,000    |
| <i>options held</i> | 2,000,000*    | 1,000,000   | 2,000,000*   |

\* There are 2,000,000 options held by Pathways Corporate Pty Ltd in total but both Messrs Wheeler and Graziano have an interest in the options.

- 2.2. As the exiting directors have an interest in the outcomes of *resolutions 17 and 18*, they make no recommendation in respect of those *resolutions*.
- 2.3. The existing directors recommend *shareholders* vote in favour of all other *resolutions*.

### 3. INDICATIVE VALUE OF NEW SHARES

- 3.1. The quantum of benefit to be received by holders of new *securities* proposed to be issued pursuant to *resolutions 5 to 11* will depend on the price at which *shares* may trade on *ASX*.

### 4. ASX ROLE

- 4.1. The fact that the *notice*, *explanatory statement* and other relevant document has been received or reviewed by *ASX* should not be taken as an indication of the merits of the *resolutions* or the *company* itself. *ASX* and its respective officers take no



responsibility for any decision a *shareholder* may take in reliance on any of that documentation.

## Schedule 4 – Pro forma consolidated statement of financial position

### 1. NOTES TO THE PRO FORMA STATEMENT

- 1.1. This section contains the pro forma statement of financial position for the *company* as a merged group with *Ultracharge*, reflecting the combined businesses of those entities. The pro forma statement of financial position is presented to provide shareholders with an indication of the merged group's consolidated financial position as if the proposed *acquisition* had been implemented as at 30 June 2016, and based on achieving the minimum subscription under the *public offer*.
- 1.2. As the proposed *acquisition*, if implemented, will be effected at a future date, the actual financial position of the merged group post-implementation will differ from that presented below.

### 2. BASIS OF PREPARATION

- 2.1. The financial information has been prepared in accordance with applicable accounting standards including the Australian equivalents of International Reporting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Material accounting policies have been adopted in the preparation of the historical and pro forma financial information shown below.

| Pro forma statement              | LTX<br>audited as at<br>30 June 2016 | Ultracharge<br>audited as at 30<br>June 2016 | Pro forma<br>adjustment | Pro forma<br>reviewed as at 30<br>June 2016 |
|----------------------------------|--------------------------------------|--|-------------------------|---|
| <b>CURRENT ASSETS</b>            |                                      |  |                         |   |
| Cash and cash equivalents        | 1,739,365                            | 374,815                                      | 2,375,000               | 4,489,180                                   |
| Receivables and prepayments      | 27,974                               | 26,965                                       |                         | 54,939                                      |
| <b>TOTAL CURRENT ASSETS</b>      | 1,767,339                            | 401,780                                      | 2,375,000               | 4,544,119                                   |
| <b>NON-CURRENT ASSETS</b>        |                                      |  |                         |   |
| Property, plant & equipment      | 1,046                                |  |                         | 1,046                                       |
| Intangible assets                | -                                    | 17,527                                       | -                       | 17,527                                      |
| Other non-current assets         | 1,046                                |  |                         | 1,046                                       |
| <b>TOTAL NON-CURRENT ASSETS</b>  | 1,046                                | 4,987,192                                    | -                       | 4,988,238                                   |
| <b>TOTAL ASSETS</b>              | 1,768,385                            | 5,388,971                                    | 2,375,000               | 9,532,356                                   |
| <b>CURRENT LIABILITIES</b>       |                                      |  |                         |   |
| Trade and other payables         | 17,268                               |  |                         | 17,268                                      |
| Other creditors                  | 70,000                               | 330,322                                      | -                       | 400,322                                     |
| <b>TOTAL CURRENT LIABILITIES</b> | 87,268                               | 330,322                                      | -                       | 417,590                                     |
| <b>TOTAL LIABILITIES</b>         | 87,268                               | 330,322                                      | -                       | 417,590                                     |
| <b>NET ASSETS</b>                | 1,681,117                            | 5,058,649                                    | 2,375,000               | 9,114,766                                   |

NOTICE OF ANNUAL GENERAL MEETING – Explanatory statement  
Schedule 4 – Pro forma consolidated statement of financial position  
Lithex Resources Limited ACN 140 316 463

|                     |                  |                  |                  |                  |
|---------------------|------------------|------------------|------------------|------------------|
| <b>EQUITY</b>       |                  |                  |                  |                  |
| Issued capital      | 9,850,645        | 4,102,737        | (3,491,922)      | 10,461,460       |
| Reserves            | 498,023          | 2,374,275        | 1,381,977        | 4,254,275        |
| Accumulated losses  | 9,850,645        | 4,102,737        | (3,491,922)      | 10,461,460       |
| <b>TOTAL EQUITY</b> | <b>1,681,117</b> | <b>5,058,649</b> | <b>2,375,000</b> | <b>9,114,766</b> |

1. Accounting for acquisition: The *acquisition* is deemed to be a reverse acquisition whereby *Ultracharge* is deemed to be the 'acquirer' for accounting purposes. Therefore, the equity balances of the *company* are eliminated on consolidation.
2. Accounting for acquisition: The value of the *consideration shares* should be the notional number of equity instruments that the *Ultracharge shareholders* would have had to issue to the *company* to give *shareholders* the same percentage ownership in the combined entity. This usually equates to the market capitalisation of the *company*. The pre-acquisition equity balances of the *company* are eliminated against this increase in share capital on consolidation and the balance is deemed to be the amount paid for the listed status of the *company* which goes to the income statement as a share based payment or cost of ASX listing (or accumulated losses in the pro forma).
3. The issue of 70,000,000 *offer shares* at an offer price of A\$0.05 each to raise A\$3,500,000 (US\$2,625,000) before costs pursuant to the *prospectus*, based on the minimum subscription level of 50,000,000 *shares* to raise A\$2,500,000 (US\$1,875,000) before costs. Costs of the *offer* are estimated to be 5% of the amount raised, which is to be offset against the contributed equity.
4. Costs of the *acquisition* are to be expensed through accumulated losses.
5. The issue of 60,000,000 *performance rights* to *incoming service providers* in consideration for services provided. The *performance rights* will vest on a 6-monthly basis in 4 equal instalments, with the first instalment vesting on the date that is 6 months from the grant date. Therefore, at transaction date, there will be nil expense.
6. The issue of 50,000,000 *offer options* to persons nominated by the company in consideration for those persons assisting with the *offer*. The *offer options* will have an exercise price of A\$0.0625 per *option*, and can be exercised at any time prior to the expiry date. The expiry date will be three years after issue of the *options*. As these relate to costs of the *acquisition* they have been expensed.
7. The issue of 20,000,000 *transaction options* to persons nominated by the company in consideration for those persons assisting with the *acquisition*. The *transaction options* will have an exercise price of A\$0.05 per *option*, and can be exercised at any time prior to the expiry date. The expiry date will be three years after issue of the *options*. As these relate to costs of the *acquisition* they have been expensed.

8. The issue of 24,295,000 *shares* to *CPS* in consideration for services provided regarding the *offer*. As these relate to costs of the *offer* they have been offset against contributed equity. As these relate to costs of the acquisition they have been expensed.

## Schedule 5 – Capital structure of the company after the acquisition

An indicative table showing the capital structure of the company after completion of the *acquisition* is shown below:

|  | <i>Minimum subscription</i> | <i>Maximum subscription</i> |
|--|-----------------------------|-----------------------------|
| <i>shares already on issue</i>   | 169,540,545                 | 169,540,545                 |
| <i>ordinary shares to be issued:</i>   |                             |                             |
| <i>to vendors</i>  | 485,900,000                 | 485,900,000                 |
| <i>to CPS</i>  | 24,295,000                  | 24,295,000                  |
| <i>under the offer</i>   | 50,000,000                  | 70,000,000                  |
| <i>total shares on issue</i>   | <b>729,735,545</b>          | <b>749,735,545</b>          |
| <i>options already on issue</i>  | 22,000,000                  | 22,000,000                  |
| <i>options to be issued to Armada Capital:</i>                               | 70,000,000                  | 70,000,000                  |
| <i>total options on issue</i>  | <b>92,000,000</b>           | <b>92,000,000</b>           |
| <i>performance rights to be issued to incoming service providers (up to)</i> | 60,000,000                  | 60,000,000                  |

## Schedule 6 – Terms and conditions of performance rights

|  |  |
|--|--|
| <b><i>vesting</i></b>                              | The <i>performance rights</i> will vest (following which the <i>performance rights</i> automatically convert into <i>shares</i> ) on a 6-monthly basis in 4 equal instalments with the first instalment vesting on the date that is 6 months from the date of grant.   |
| <b><i>conversion</i></b>                           | Each <i>performance right</i> will, on vesting, convert into one <i>share</i> .  |
| <b><i>consideration</i></b>                        | The <i>performance rights</i> will be issued in consideration for services provided by the <i>incoming service providers</i> and no consideration will be payable upon the conversion of the <i>performance rights</i> into <i>shares</i> .  |
| <b><i>share ranking</i></b>                        | All <i>shares</i> issued upon conversion of <i>performance rights</i> will upon issue rank <i>pari passu</i> in all respects with other <i>shares</i> .  |
| <b><i>listing of shares on ASX</i></b>             | The <i>company</i> will not apply for quotation of the <i>performance rights</i> on <i>ASX</i> . However, the <i>company</i> will apply for quotation of all <i>shares</i> issued on conversion of <i>performance rights</i> within the period required by <i>ASX</i> .  |
| <b><i>timing of issue of shares on vesting</i></b> | <p>Within 15 <i>business days</i> after the date that <i>performance rights</i> vest, the <i>company</i> will:</p> <ol style="list-style-type: none"> <li>issue the number of <i>shares</i> required under these terms and conditions in respect of the number of <i>performance rights</i> vested;</li> <li>if admitted to the official list of <i>ASX</i> at the time, apply for official quotation on <i>ASX</i> of <i>shares</i> issued pursuant to the vesting of the <i>performance rights</i>; and</li> <li>if required, give <i>ASX</i> a notice that complies with section 708A(5)(e) of the <i>Corporations Act</i>, or, if such a notice delivered is for any reason not effective to ensure that an offer for sale of the <i>shares</i> does not require disclosure to investors, the <i>company</i> must, no later than 20 <i>business days</i> after becoming aware of such notice being ineffective, lodge with <i>ASIC</i> a prospectus prepared in accordance with the <i>Corporations Act</i> and do all such things necessary to satisfy section 708A(11) of the <i>Corporations Act</i> to ensure that an offer for sale of the <i>shares</i> does not require disclosure to investors.</li> </ol> |
| <b><i>transfer of performance rights</i></b>       | A <i>performance right</i> is not transferable (including encumbering the <i>performance right</i> ).  |
| <b><i>participation in new issues</i></b>          | There are no participation rights or entitlements inherent in the <i>performance rights</i> and holders will not be entitled to participate in new issues of capital   |

---

offered to *shareholders* during the currency of the *performance rights* unless the *performance rights* have vested and been converted into *shares* before the record date of the new issue.

---

***adjustment for reconstruction*** If, at any time, the issued capital of the *company* is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of a *performance right* are to be changed in a manner consistent with the *Corporations Act* and the *listing rules* at the time of the reorganisation.

---

***dividend and voting rights*** A *performance right* does not confer upon the holder an entitlement to vote or receive dividends.

---



## Schedule 7 – Terms and conditions of offer options

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**entitlement** Each *offer option* will entitle the holder to subscribe for one *share*.

All *shares* issued upon the exercise of the *offer options* will rank equally in all respects with the *company's* existing *shares*.

---

**exercise price** Each *offer option* shall entitle the holder to acquire one *share* upon payment of the sum of \$0.0625 per *option* (**exercise price**) to the *company*.

---

**exercise of options** The *offer options* will expire at 5.00pm WST on the date which is 3 years after their issue (**expiry date**).

The *offer options* may be exercised, in whole or in part, at any time prior to the *expiry date*, by completing and delivering a duly completed form of notice of exercise to the registered office of the *company* together with the payment of the *exercise price* in immediately available funds for the number of *shares* in respect of which the *offer options* are exercised.

An *offer option* not exercised on or before the *expiry date* will lapse.

*Shares* allotted and issued pursuant to the exercise of *offer options* will be allotted and issued, and a holding statement or share certificate provided to the holders of *offer options* in respect of those *shares*, on the above terms and conditions not more than 15 *business days* after the receipt of a duly completed form of notice of exercise and the *exercise price* in immediately available funds in Australian dollars in respect of the *offer options* exercised.

---

**quotation** Application will not be made to *ASX* for official quotation of the *offer options*.

Provided the *company* is listed on *ASX* at the time, application will be made for official quotation of the *shares* issued upon exercise of *offer options* not later than 15 *business days* after the date of allotment.

If required, the *company* will give *ASX* a notice that complies with section 708A(5)(e) of the Corporations Act, or, if such a notice delivered is for any reason not effective to ensure that an offer for sale of the *shares* does not require disclosure to investors, the *company* must, no later than 20 *business days* after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the *Corporations Act* and do all such things necessary to satisfy section 708A(11) of the *Corporations Act* to ensure that an offer for sale of the *shares* does not require disclosure to investors.

---

**transfer** The *offer options* are transferable subject to any restriction or escrow arrangements imposed by *ASX* or under applicable Australian securities laws.

---

***participation and  
entitlements***

There are no participating rights or entitlements inherent in the *offer options* and holders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the *offer options*.

However, the *company* must give notice to the holders of *offer options* of any new issue before the record date for determining entitlements to the issue in accordance with the *listing rules* so as to give holders the opportunity to exercise their *offer options* before the date for determining entitlements to participate in any issue.

---

***reorganisation of  
share capital***

In the event of a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the *company*, all rights of holders of *offer options* shall be changed to the extent necessary to comply with the *Corporations Act* and the *listing rules* applying to a reorganisation of capital at the time of the reorganisation.

---

***bonus issue***

If, from time to time, before the expiry of the *offer options* the *company* makes a pro-rata issue of *shares* to *shareholders* for no consideration, the number of *shares* over which an *offer option* is exercisable will be increased by the number of *shares* which the *holder* would have received if the *offer option* had been exercised before the date for calculating entitlements to the pro-rata issue.

---

## Schedule 8 – Terms and conditions of transaction options

---

**entitlement** Each *transaction option* will entitle the holder to subscribe for one *share*.

All *shares* issued upon the exercise of the *transaction option* will rank equally in all respects with the *company's* then existing *shares*.

---

**exercise price** Each *transaction option* shall entitle the holder to acquire one *share* upon payment of the sum of \$0.05 per *transaction option* (**exercise price**) to the *company*.

---

**exercise of options** The *transaction options* will expire at 5.00pm WST on the date which is 3 years after their issue (**expiry date**).

The *transaction options* may be exercised, in whole or in part, at any time prior to the *expiry date*, by completing and delivering a duly completed form of notice of exercise to the registered office of the *company* together with the payment of the *exercise price* in immediately available funds for the number of *shares* in respect of which the *transaction options* are exercised.

A *transaction option* not exercised on or before the *expiry date* will lapse.

*Shares* allotted and issued pursuant to the exercise of *transaction options* will be allotted and issued, and a holding statement or share certificate provided to the holders of *transaction options* in respect of those *shares*, on the above terms and conditions not more than 15 *business days* after the receipt of a duly completed form of notice of exercise and the *exercise price* in immediately available funds in Australian dollars in respect of the *transaction options* exercised.

---

**quotation** Application will not be made to *ASX* for official quotation of the *transaction options*.

Provided the *company* is listed on *ASX* at the time, application will be made for official quotation of the *shares* issued upon exercise of *transaction options* not later than 15 *business days* after the date of allotment.

If required, the *company* will give *ASX* a notice that complies with section 708A(5)(e) of the *Corporations Act*, or, if such a notice delivered is for any reason not effective to ensure that an offer for sale of the *shares* does not require disclosure to investors, the *company* must, no later than 20 *business days* after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the *Corporations Act* and do all such things necessary to satisfy section 708A(11) of the *Corporations Act* to ensure that an offer for sale of the *shares* does not require disclosure to investors.

***transfer*** The *transaction options* are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

---

***participation and entitlements*** There are no participating rights or entitlements inherent in the *transaction options* and holders will not be entitled to participate in new issues of securities offered to shareholders during the currency of the *transaction options*.

However, the *company* must give notice to the holders of *transaction options* of any new issue before the record date for determining entitlements to the issue in accordance with the *listing rules* so as to give holders the opportunity to exercise their *transaction options* before the date for determining entitlements to participate in any issue.

---

***reorganisation of share capital*** In the event of a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the *company*, all rights of holders of *transaction options* shall be changed to the extent necessary to comply with the *Corporations Act* and the *listing rules* applying to a reorganisation of capital at the time of the reorganisation.

---

***bonus issue*** If, from time to time, before the expiry of the *transaction options* the *company* makes a pro-rata issue of *shares* to *shareholders* for no consideration, the number of *shares* over which a *transaction option* is exercisable will be increased by the number of *shares* which the *holder* would have received if the *transaction option* had been exercised before the date for calculating entitlements to the pro-rata issue.

---

## Schedule 9 – Summary of plan terms

### 1. ELIGIBILITY

- 1.1. Participants eligible to participate in the *plan* include directors, and full-time or part-time employees, casual employees or contractors of the *company*, or any of its subsidiaries and other *related bodies corporate* or any other person that ASIC declares is eligible to receive a grant of rights to acquire *shares* (***employee rights***) under the *plan* and who are declared by the *board* as eligible to receive grants of *employee rights* under the *plan* (***eligible participants***).
- 1.2. The *board* may, from time to time, in its absolute discretion, make a written offer to any *eligible participant* to apply for up to a specified number of *employee rights*, upon the terms set out in the *plan* and upon such additional terms and conditions as the *board* determines (***plan offer***).

### 2. TERMS OF EMPLOYEE RIGHTS

- 2.1. Each *employee right* will be granted to *eligible employees* under the *plan* for nil cash consideration.
- 2.2. Each *employee right* will entitle its holder to be issued with or transferred one fully paid *ordinary share* (upon vesting of that *employee right*), free of encumbrances.
- 2.3. *Employee rights* will not be listed for quotation on the *ASX*, however the *company* will apply for official quotation of *shares* issued upon the exercise of any vested *employee rights*.
- 2.4. The expiry date of an *employee right* shall be as determined by the *board* when a *plan offer* to participate in the *plan* is made.
- 2.5. Other than adjustments for bonus issues and reorganisation of the issued capital of the *company*, participants are not entitled to participate in any new issue of *securities* as a result of their holding *employee rights* during the currency of any *employee rights* and prior to vesting. In addition, *eligible participants* are not entitled to vote or receive dividends as a result of their holding *employee rights*.
- 2.6. Subject to the disposal restrictions set out in paragraph 5.2 below; following the issue of *shares* following the exercise of vested *employee rights*, *eligible participants* will be entitled to exercise all rights of a *shareholder* attaching to the *shares*.
- 2.7. If there is a reconstruction of the issued capital of the *company* prior to the expiry of any *employee rights*, the number of *employee rights* to which each *eligible participant* is entitled will be reconstructed in a manner determined by the *board* which complies with the provisions of the *listing rules*.

### 3. VESTING CONDITIONS

The *board* will determine the vesting conditions that must be satisfied by an *eligible participant* before an *employee right* vests in the holder. Any vesting conditions will be specified in the *plan offer* made by the *board* to the *eligible participant* and for the avoidance of doubt may include accelerated vesting where specified.

#### 4. VESTING

- 4.1. An *employee right* will vest where the vesting conditions are satisfied or waived by the *board*.
- 4.2. An *eligible participant* may exercise an *employee right* that is entitled to be exercised by lodging with the *company* a notice of exercise of the *employee right* and the certificate for the *employee right*.
- 4.3. The *board* may resolve to waive any of the vesting conditions applying to *employee rights*, including where:
- (a) an *eligible participant* dies or has total and permanent disability;
  - (b) an *eligible participant* ceases to be employed by the *company*, its subsidiaries or its related bodies corporate, or ceases to act as a *director*;
  - (c) an *eligible participant* suffers severe financial hardship;
  - (d) an *eligible participant* or an immediate family member of the eligible participant becomes terminally ill; or
  - (e) a change of control occurs or the *company* passes a resolution for voluntary winding up, or an order is made for the compulsory winding up of the *company*.

#### 5. DISPOSAL RESTRICTIONS

- 5.1. An *employee right* granted under the *plan* is only transferable, assignable or able to be otherwise disposed or encumbered with the consent of the *board*, or by force of law upon death or bankruptcy of the *eligible participant* (or their nominee).
- 5.2. An *eligible participant* must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure, to their *employee rights*. The *employee rights* will immediately lapse if the *eligible participant* breaches this rule.
- 5.3. Any *share* acquired by an *eligible participant* (or their nominee) on the exercise of an *employee right* must not be disposed of, or dealt with in any way until the earlier of:
- (a) the *eligible participant* ceasing to be an *eligible participant*;
  - (b) the *board* approving the release of the restriction in relation to those *shares* due to the *eligible participant* suffering severe financial hardship;
  - (c) there is a change in control of the *company*, or the *company* passes a resolution for voluntary winding up, or an order is made for the compulsory winding up of the *company*; or
  - (d) the seven-year anniversary of the date of grant of the *employee right*.

## 6. OVERRIDING RESTRICTIONS

- 6.1. No issue or allocation of *employee rights* and/or *shares* will be made to the extent that it would contravene the *constitution*, *listing rules*, the *Corporations Act* or any other applicable law. At all times *eligible participant* must comply with any share trading policy of the *company*.

## 7. LAPSE OF EMPLOYEE RIGHTS

- 7.1. An *employee right* will immediately lapse upon the first to occur of:
- (a) an unauthorised dealing in, or hedging of, the *employee right* occurring;
  - (b) a failure to meet the *vesting conditions*;
  - (c) a participant fails to exercise an *employee right* within the required time;
  - (d) the expiry date of an *employee right*;
  - (e) the participant ceases to be an *eligible participant*, unless the *board* exercises its discretion to vest the *employee right*;
  - (f) the *company* undergoes a change in control or a winding up resolution or order is made, and the *board* does not exercise its discretion to vest the *employee right*;
  - (g) a determination of the *board* that the *employee right* is to lapse due to fraud or dishonesty; or
  - (h) the day before the end of the 7-year anniversary of the date of grant of the *employee right*.



## ANNEXURE A – INDEPENDENT EXPERT’S REPORT



# LITHEX RESOURCES LIMITED

Financial Services Guide and Independent Expert's Report

September 2016

*We have concluded that the Proposed Transaction is Not Fair but Reasonable to the Non-Associated Shareholders*

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING



# FINANCIAL SERVICE GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services License, License No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

## Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

## General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

## Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## Remuneration or other benefits received by our employees

All our employees receive a salary.

## Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

## Complaints Resolution

### Internal complaints resolution process

As the holder of an Australian Financial Services License, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

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**RSM Corporate Australia Pty Ltd**

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8 September 2016  
Shareholders  
Lithex Resources Limited  
Level 1  
22 Lindsay Street  
PERTH WA 6000

Dear Shareholders

## INDEPENDENT EXPERT'S REPORT ("REPORT")

### 1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of Lithex Resources Limited ("Lithex" or "the Company") to be held on or around 30 September 2016, at which shareholder approval will be sought for (among other things) the acquisition of 100% of the issued capital of Ultracharge Ltd, formerly known as Voltape Ltd ("Ultracharge") ("Acquisition").
- 1.2 As consideration for Ultracharge, Lithex will issue:
- 485,900,000 fully paid ordinary Shares in the capital of Lithex ("Consideration Shares"); and
  - 60,000,000 performance rights to advisors, service providers and management of Ultracharge convertible over a period of time into ordinary Shares in Lithex ("Performance Rights").
- (together the "Proposed Transaction").
- 1.3 Lithex will also issue shares to advisors for the facilitation of the transaction in the amount of 5% of the consideration paid for the Acquisition, being 24,295,000 shares ("Facilitation Shares").
- 1.4 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").
- 1.5 The request for approval of the Proposed Transaction is included as Resolution 6 in the Notice. Resolution 6 is subject to the approval of Resolutions 4 to 15 inclusive, in the Notice (the "Transaction Resolutions"). We have restated these interdependent resolutions in Appendix E:

**THE POWER OF BEING UNDERSTOOD**  
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- 1.6 When considering the Proposed Transaction, we have included any impact the Transaction Resolutions will have on fairness and reasonableness. We have considered all related resolutions, conditions and terms as part of the Proposed Transaction because, without them, the Proposed Transaction cannot complete.
- 1.7 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.



## 2. Summary and conclusion

### Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Transaction is not fair but reasonable to the Non-Associated Shareholders of Lithex.

### Approach

- 2.2 In assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – *Content of Expert Reports* (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.3 The acquisition or disposal of a substantial asset to or from a related party by a public company is prohibited under ASX Listing Rule 10.1 unless shareholder approval is obtained. The effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 2.4 Therefore we have considered whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders by assessing and comparing:
- The Fair Value of a share in Lithex on a control basis pre the Proposed Transaction; with
  - The Fair Value of a share in Lithex on a non-control basis immediately post completion of the Proposed Transaction,

and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

- 2.5 Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair and reasonable” is set out at Section 4 of this Report.

### Fairness

- 2.6 Our assessed values of a Lithex share prior to and immediately after the Proposed Transaction are summarised in the table and figure below.

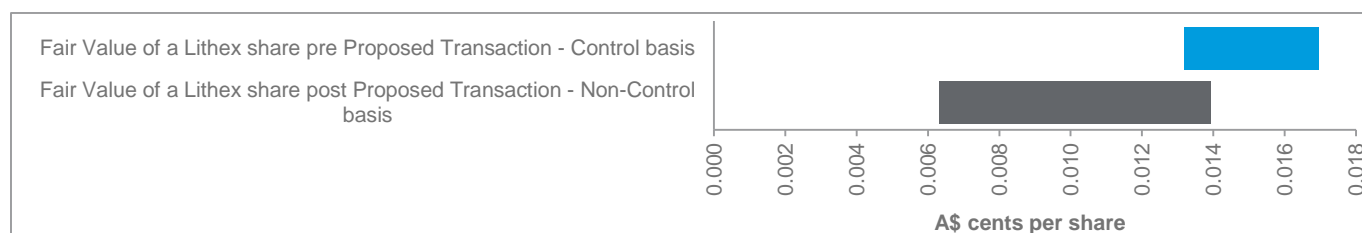
**Table 1 Assessed values of a Lithex share pre and post the Proposed Transaction**

| Assessment of fairness   | Ref | Value per Share |         |
|--|-----|-----------------|---------|
|  |     | Low             | High    |
|  |     | \$              | \$      |
| Fair value of a Lithex share pre the Proposed Transaction - Control basis      | 8   | \$0.013         | \$0.017 |
| Fair value of a Lithex share post the Proposed Transaction - Non control basis | 9   | \$0.006         | \$0.014 |

Source: RSM analysis

2.7 We have summarised the values included in the table above in the chart below.

**Figure 1 Lithex Share Valuation graphical representation**



Source: RSM analysis

2.8 The chart above indicates that the range of values post the Proposed Transaction are lower than the range of the values pre the Proposed Transaction.

2.9 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of ASX Listing Rule 10.1, we consider the Proposed Transaction to be not fair to the Non-Associated Shareholders of Lithex. We have reached this conclusion based on the analysis of pre and post Proposed Transaction values.

## Reasonableness

2.10 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.11 If the Proposed Transaction does not proceed the board will continue to seek alternative assets or businesses to add value to shareholders.

2.12 The key advantages of the Proposed transaction are:

- The Company will be exposed to a new industry with growth potential and value upside;
- The Capital Raising will provide sufficient funds for working capital in the short term;
- The Company's ability to raise funds and attract strategic investors may improve once the Acquisition is completed; and
- The acquisition may encourage new investors in the Company which may lead to increased liquidity and greater trading depth than currently experienced by Shareholders.

2.13 The key disadvantages of the Proposed Transaction are:

- The Non-associated Shareholders' interests in the Company will be significantly diluted. We note that no new shareholder will obtain control of Lithex;
- The nature and scale of the business operated by Lithex will change significantly, which may not suit all Shareholders; and
- The IP is not commercial and Ultracharge does not own the IP. As such, there is risk of failure to commercialise the IP and a risk that Ultracharge loses the right to access the IP.

- 2.14 We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of Lithex at this time.
- 2.15 In our opinion, the position of the Non-Associated Shareholders of Lithex if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Lithex

### 3. Summary of transaction

#### Overview

- 3.1 Lithex has entered into a binding Heads of Agreement to acquire 100% of the issued capital of Ultracharge by issuing the following securities to Ultracharge shareholders on a pro-rata basis:
- 485,900,000 fully paid Consideration Shares in the capital of Lithex; and
  - 60,000,000 Performance Rights to advisors, service providers and management of Ultracharge converting annually over a four year period on an equal basis into ordinary Shares in Lithex.
- 3.2 Lithex will also issue 24,295,000 Facilitation Shares and 20,000,000 unlisted options (“Facilitation Options”) to CPS Capital Group Pty Ltd (“CPS”) for facilitating the transaction. The terms of the Facilitation Options will include an exercise price that is a 25% premium to the capital raising price and an expiry date that is three years from the date of issue.
- 3.3 Lithex will issue 50,000,000 options (“Offer Options”) that will have an exercise price of \$0.0625 and an expiry date three years from the date of issue.
- 3.4 Lithex will issue 20,000,000 options (“Transaction Options”) that will have an exercise price of \$0.05 and an expiry date three years from the date of issue.
- 3.5 In connection with the Proposed Transaction, Lithex intends to conduct a capital raising under a full form prospectus to raise a minimum of \$2.5 million as required by the ASX to re-comply with Chapters 1 and 2 of the ASX Listing Rules (“Capital Raising”).

#### Key conditions of the Proposed Transaction

- 3.6 Completion of the Proposed Acquisition is subject to and conditional upon a number of conditions precedent, including:
- Lithex must have at least \$1.3 million in free cash;
  - All requisite shareholder approvals are obtained; and
  - Conditional listing approval being received from the ASX and re-compliance with Chapters 1 and 2 of the ASX listing rules.

#### Rationale for the Proposed Transaction

- 3.7 Lithex currently owns high risk exploration assets that require significant investment in order to assess their potential for holding commercial mineral deposits. Over the last few years, it has been difficult for exploration companies to raise funds required for exploration. This has led a number of exploration companies to acquire technology based assets.
- 3.8 By acquiring Ultracharge, Lithex will gain direct exposure to the growing rechargeable battery market through ownership of a new technology. In addition, investors are currently attracted to technology based investments. As such, the Directors expect the acquisition of Ultracharge to result in greater shareholders value than the retention and exploration of its existing assets.

## Impact of Proposed Transaction on Lithex's Capital Structure

3.9 The table below sets out a summary of the capital structure of Lithex prior to and post the Proposed Transaction, before the proposed capital raising.

**Table 2 Share structure of Lithex pre and post the Proposed Transaction**

|  | Prior to Proposed Transaction |             | Post Proposed Transaction |             |
|--|-------------------------------|-------------|---------------------------|-------------|
| <b>Pre-consolidated Shares on issue:</b>             |                               |             |                           |             |
| Non-associated Lithex Shareholders                   | 169,540,545                   | 100%        | 169,540,545               | 23%         |
| Ultracharge Shareholders                             | -                             |             | 485,900,000               | 67%         |
| Facilitator Shares                                   | -                             |             | 24,295,000                | 3%          |
| Capital Raising                                      | -                             |             | 50,000,000                | 7%          |
| <b>Total undiluted Shares on issue</b>               | <b>169,540,545</b>            | <b>100%</b> | <b>729,735,545</b>        | <b>100%</b> |
| <b>Options and performance shares:</b>               |                               |             |                           |             |
| Options currently on issue                           | 22,000,000                    | 100%        | 22,000,000                | 14%         |
| Performance rights issued to advisors and associates | -                             | 0%          | 60,000,000                | 39%         |
| Facilitation Options                                 | -                             | 0%          | 20,000,000                | 13%         |
| Transaction Options                                  |                               |             | 50,000,000                | 33%         |
| <b>Total Options and Performance Shares</b>          | <b>22,000,000</b>             | <b>100%</b> | <b>152,000,000</b>        | <b>21%</b>  |
| <b>Fully diluted position:</b>                       |                               |             |                           |             |
| Existing Share / Option holders                      | 191,540,545                   | 100%        | 191,540,545               | 22%         |
| New Share / Option holders                           | -                             | 0%          | 690,195,000               | 78%         |
| <b>Total diluted Shares on issue</b>                 | <b>191,540,545</b>            | <b>100%</b> | <b>881,735,545</b>        | <b>100%</b> |

Source: Company Estimates

3.10 As a result of the Proposed Transaction, the combined interests of Non-Associated Shareholders in Lithex will reduce to between 22% (diluted) and 23% (undiluted).

## 4. Scope of the report

### Corporations Act

- 4.1 ASX Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a related party of substantial shareholder or any of its associates without the approval of holders of the entity's ordinary securities.
- 4.2 A substantial holder is a shareholder that holds at least 10% of the issued capital of a company. Mr Jason Peterson is a substantial holder of Lithex, with an interest in 11.5% of the issued shares.
- 4.3 An asset is considered substantial "if its value; or the value of the consideration for it is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX". We have calculated the value of 5% of the equity interest of Lithex as at 31 December 2015 as approximately \$67,500. As a result of the Proposed Transaction, Mr Peterson will receive new shares in Lithex with a value in excess of \$67,500.
- 4.4 ASX Listing Rule 10.10 states that the notice for the shareholders' meeting required under ASX Listing Rule 10.1 must include a report on the transaction from an independent expert. The report must state, whether, in the expert's opinion, the transaction is fair and reasonable to the Non-Associated Shareholders.
- 4.5 Lithex is to hold a meeting of its shareholders where it will seek approval for the Proposed Transaction and the Company has engaged RSM, to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

### Basis of Evaluation

- 4.6 In determining whether the Proposed Transaction is "fair and reasonable" we have had regard to the views expressed by ASIC in RG 111.
- 4.7 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.8 RG 111 states that the expert's report should focus on:
  - the issues facing the security holders for whom the report is being prepared; and
  - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.9 RG 111.54 suggests that an expert should consider the broader aspects of a related party transaction and bear in mind if additional information should be provided to Non-Associated Shareholders where necessary. In the case of the related party transactions being considered in our Report, they are part of the broader Proposed Transaction, which is a control transaction. As such, we have considered our opinion on fairness and reasonableness based on the broader Proposed Transaction and have considered it as a control transaction.
- 4.10 Furthermore, RG 111 states that the expert's assessment of fair and reasonable should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is "fair and reasonable" as in a control transaction.

- 4.11 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
- Whether the value of a Lithex share prior to implementation of the Proposed Transaction (on a control basis) is less than the value of a Lithex share following implementation of the Proposed Transaction (on a non-control basis) - fairness; and
  - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction - reasonableness.
- 4.12 The other significant factors to be considered include:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
  - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 4.13 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this report.



## 5. Profile of Lithex Resources Limited

### Background

- 5.1 Lithex is a company listed on the ASX and is focussed on acquiring assets or businesses that could add value to shareholders. On 10 July 2014, Lithex entered into an agreement to acquire Mpire Media, however, this transaction did not complete. Since then, Lithex has considered a number of alternative transactions.
- 5.2 The Company has an exploration portfolio targeting various metals.
- 5.3 At 20 July 2016, the Company had a market capitalisation of \$10 million and \$2.1 million in cash.

### Exploration assets

- 5.4 Lithex holds two exploration projects. The Company has spent less than \$100,000 over the last two financial years on the exploration of the projects. The projects are summarised below:

| Project      | Tenements                        | Interest Held     | Location          | Description   |
|--------------|----------------------------------|-------------------|-------------------|---|
| Moolyella    | P45/2845<br>P45/2846<br>P45/2847 | 90%<br>90%<br>90% | Western Australia | <p>Moolyella is located in the East Pilbara Goldfield region and is approximately 23km east-north-east of Marble Bar. The tenements contain an old tailings deposit with uneconomic amounts of tin.</p> <p>The tenement is considered prospective for rare earths but Lithex has not undertaken any significant exploration of the Moolyella project over the last two years.</p> <p>There are no high value targets identified on the project.</p> |
| Furniss East | E70/4212                         | 100%              | Western Australia | <p>Furniss East is located east of Albany in the south of Western Australia.</p> <p>The tenement is considered prospective for base metals but Lithex has not undertaken any significant exploration of the Furniss East project over the last two years.</p> <p>There are no high value targets identified on the project.</p>   |

### Directors and management

- 5.5 The directors and key management of Lithex are summarised in the table below.

**Table 3 Lithex Directors**

| Name             | Title                  | Experience   |
|------------------|------------------------|--|
| Mr David Wheeler | Non-Executive Chairman | Mr Wheeler has more than 30 years of executive management experience, through general management, Chief Executive Officer and Managing Director roles across a range of companies and industries. He has worked on business projects in the USA, UK, Europe, New Zealand, China, Malaysia and the Middle East (Iran). Mr. Wheeler has been a Fellow of the Australian Institute of Company Directors (FAICD) since 1990. |
| Ms Paula Cowan   | Non-Executive Director | Ms Cowan provides accounting, secretarial and advisory advice to private and public companies, government and other stakeholders. Ms Cowan has over 10 years of experience in chartered accounting specialising in corporate advisory and reconstruction.  |
| Mr Joe Graziano  | Non-Executive Director | Mr Graziano has 25 years' experience providing a wide range of business, financial and taxation advice to small cap unlisted and listed public companies and privately owned businesses in Western Australia.  |

Source: Company

## Financial Performance

- 5.6 The following table sets out a summary of the financial performance of Lithex for the years ended 30 June 2014 and 30 June 2015, and the six months ended 31 December 2015.

**Table 4 Lithex Historical Financial Performance**

|                                     | 31-Dec-15        | 30-Jun-15        | 30-Jun-14          |
|-------------------------------------|------------------|------------------|--------------------|
|                                     | Reviewed         | Audited          | Audited            |
| Interest received                   | 1,889            | 50,175           | 31,284             |
| Other income                        | -                | 28,963           | 52,105             |
| General and administrative expenses | (33,483)         | (72,888)         | (44,945)           |
| Corporate and legal expenses        | (69,044)         | (288,808)        | (193,688)          |
| Directors fees                      | (60,000)         | (120,000)        | (128,871)          |
| Insurance expenses                  | (7,761)          | (14,605)         | (18,869)           |
| Employment expenses                 | -                | (4,126)          | (152,559)          |
| Occupancy expenses                  | -                | -                | (3,697)            |
| Exploration expenses                | (9,512)          | (31,618)         | (117,095)          |
| Impairment of tenement assets       | -                | -                | (1,284,220)        |
| Travelling expenses                 | -                | (1,337)          | (9,407)            |
| Loss on sale of assets              | -                | -                | (1,783)            |
| <b>Loss before income tax</b>       | <b>(177,911)</b> | <b>(454,244)</b> | <b>(1,871,745)</b> |
| Income tax benefit                  | -                | -                | -                  |
| <b>Loss after tax</b>               | <b>(177,911)</b> | <b>(454,244)</b> | <b>(1,871,745)</b> |

Source: Company Financials

- 5.7 The statement of financial performance above indicates the majority of costs over the last 24 months have been administrative and consulting fees. This is expected, given the stated position of Lithex to minimise exploration expenditure and seek alternative assets.

## Financial Position

5.8 The table below sets out a summary of the financial position of Lithex as at 31 December 2015, 30 June 2015 and 30 June 2014.

**Figure 2 Lithex Historical Financial Position**

|                                  | Ref: | 31-Dec-15<br>Reviewed | 30-Jun-15<br>Audited | 30-Jun-14<br>Audited |
|----------------------------------|------|-----------------------|----------------------|----------------------|
| <b>Current Assets</b>            |      |                       |                      |                      |
| Cash and cash equivalents        | 5.9  | 1,354,418             | 1,550,575            | 1,163,874            |
| Receivables and prepayments      |      | 15,862                | 20,812               | 12,576               |
| Other financial assets           |      | 9,028                 | -                    | 115,000              |
| <b>Total Current Assets</b>      |      | <b>1,379,308</b>      | <b>1,571,387</b>     | <b>1,291,450</b>     |
| <b>Non-Current Assets</b>        |      |                       |                      |                      |
| Property, plant and equipment    |      | 1,592                 | 2,138                | 3,274                |
| <b>Total Non-Current Assets</b>  |      | <b>1,592</b>          | <b>2,138</b>         | <b>3,274</b>         |
| <b>Total Assets</b>              |      | <b>1,380,900</b>      | <b>1,573,525</b>     | <b>1,294,724</b>     |
| <b>Current Liabilities</b>       |      |                       |                      |                      |
| Trade and other payables         |      | 11,849                | 11,230               | 112                  |
| Other creditors                  |      | 18,000                | 33,333               | 41,616               |
| <b>Total Current Liabilities</b> |      | <b>29,849</b>         | <b>44,563</b>        | <b>41,728</b>        |
| <b>Total Liabilities</b>         |      | <b>29,849</b>         | <b>44,563</b>        | <b>41,728</b>        |
| <b>Net Assets</b>                |      | <b>1,351,051</b>      | <b>1,528,962</b>     | <b>1,252,996</b>     |
| <b>Equity</b>                    |      |                       |                      |                      |
| Issued capital                   |      | 9,385,816             | 9,385,816            | 8,655,606            |
| Other reserves                   |      | 85,015                | 85,015               | 85,015               |
| Accumulated losses               |      | (8,119,780)           | (7,941,869)          | (7,487,625)          |
| <b>Total Equity</b>              |      | <b>1,351,051</b>      | <b>1,528,962</b>     | <b>1,252,996</b>     |

Source: Company Financials

5.9 Lithex's only asset or liability of any note is cash of \$1.4 million. This is reflective of a listed company seeking new assets or businesses.

## Capital Structure

5.10 Lithex has 169.5 million ordinary shares on issue. The top 20 shareholders of Lithex as at 22 July 2016 are set out below.

**Table 5 Lithex Top 20 shareholders**

| Rank                             | Name                                  | Total Units        | % Issued Share Capital |
|----------------------------------|---------------------------------------|--------------------|------------------------|
| 1                                | Citicorp Nominees Pty Limited         | 13,645,222         | 8.05%                  |
| 2                                | Mr Jason Peterson & Mrs Lisa Peterson | 11,309,365         | 6.67%                  |
| 3                                | Libertine Investments Pty Ltd         | 8,000,000          | 4.72%                  |
| 4                                | Celtic Capital Pty Ltd                | 5,954,750          | 3.51%                  |
| 5                                | Mr Andrew Peter Spinks                | 4,975,000          | 2.93%                  |
| 6                                | Mr Bin Liu                            | 3,289,469          | 1.94%                  |
| 7                                | King Fame Group Limited               | 2,939,200          | 1.73%                  |
| 8                                | RWH Nominees Pty Ltd                  | 2,938,033          | 1.73%                  |
| 9                                | JDK Nominees Pty Ltd                  | 2,912,500          | 1.72%                  |
| 10                               | RWH Nominees Pty Ltd                  | 2,261,967          | 1.33%                  |
| 11                               | Agens Pty Limited                     | 2,250,000          | 1.33%                  |
| 12                               | Bell Potter Nominees Ltd              | 2,220,617          | 1.31%                  |
| 13                               | Bark (NSW) Pty Ltd                    | 2,085,000          | 1.23%                  |
| 14                               | Mr Leonardo Santalucia                | 2,000,000          | 1.18%                  |
| 15                               | Vagabond Resources Pty Ltd            | 1,909,326          | 1.13%                  |
| 16                               | Mrs Melanie Therese Verheggen         | 1,750,000          | 1.03%                  |
| 17                               | Mr John Ceccon & Ms Maria Lynn Mclean | 1,600,000          | 0.94%                  |
| 18                               | Avonglade Enterprises Pty Ltd         | 1,500,000          | 0.88%                  |
| 19                               | McNeil Nominees Pty Limited           | 1,500,000          | 0.88%                  |
| 20                               | Pathways Corporate Pty Ltd            | 1,500,000          | 0.88%                  |
| <b>Total Top 20 Shareholding</b> |                                       | <b>76,540,449</b>  | <b>45.1%</b>           |
| Remaining shareholders           |                                       | 93,000,096         | 54.9%                  |
| <b>Total issued capital</b>      |                                       | <b>169,540,545</b> | <b>100.0%</b>          |

Source: Company

## Share price performance

5.11 The figure below sets out a summary of Lithex's closing share prices and traded volumes for the 12 months to 12 May 2016, which is the date that the share of the Company were suspended from trading on the ASX.

**Figure 3 Lithex daily closing share price and traded volumes**



Source: S&P Capital IQ/ ASX

5.12 In the 12 months prior to the announcement of the Proposed Transaction, Lithex's share price has gone from a low of \$0.017 to a high of \$0.073. Since January 2016, the share price has steadily increased, until the trading halt prior to the announcement of the Proposed Transaction. We note that there was an increase in volumes traded on 9 February 2016 and 12 February 2016. These dates are subsequent to an announcement of a capital raising, which investors may have interpreted as a sign that the Company was close to announcing a new transaction. Otherwise, there are no explanations for the increase in trading.

5.13 Lithex share price performance is discussed in more detail in Paragraph 8.11.

## 6. Profile of Ultracharge Ltd

### Background

- 6.1 Ultracharge was incorporated in December 2015. It holds an exclusive license and research agreement related to intellectual property for a lithium-ion battery technology that utilises a titanium dioxide-based nanotubular anode ("IP").
- 6.2 The right to grant a license over the IP is owned by Nanyang Technology University – NTUitive Pte Ltd ("NTU"). NTU is also Ultracharge's research partner under the terms of the research agreement.
- 6.3 The IP relates to the anode used in a lithium-ion battery. In layman terms, an anode provides a store of lithium ions in a battery. When a battery is put into a circuit, the electrons and lithium ions in an anode can move from the anode to a cathode, thereby generating energy for electronic equipment in the circuit. When a battery is being charged, electrons and lithium ions are transferring to the anode. The IP is a titanium dioxide based replacement for a graphite anode.
- 6.4 The IP has been used in a prototype battery where the battery has reportedly charged up to 70% of capacity in approximately 2 minutes and has been charged over 10,000 times. Although it has been noted that a full charge requires an hour of charging.
- 6.5 Ultracharge believe that the IP can be easily and quickly integrated into current battery production lines.

### Agreements

#### *License Agreement*

- 6.6 Ultracharge is party to a license agreement with NTU with the following key terms and conditions:
  - Ultracharge can use, develop, manufacture, market, sublicense, exploit and commercialise the IP by developing licensed products;
  - The license is an exclusive, perpetual, worldwide license. However, if commercial sales related to the IP are not achieved within 2.5 years or 4.5 years (subject to the payment of extension fees), the license agreement can be cancelled at NTU's discretion;
  - NTU was issued 5% of the equity in Ultracharge;
  - The following milestone payments will be made or have been made:
    - SGD 40,000 on execution of the license agreement;
    - SGD 50,000 upon finalisation of a first advanced non-laboratory scale prototype; and
    - SGD 50,000 upon the first commercial sale of the first licensed product.
  - A royalty of 3.5% of net sales is payable on any patented licensed product and a royalty of 2.5% of net sales is payable on any other licensed product;
  - Ultracharge will pay 15% of any sublicense income generated from the IP to NTU;
  - Any enhancements, modification, improvements and directives of the IP developed without the assistance of NTU will be the property of Ultracharge;

## Research Agreement

6.7 Ultracharge is party to a research agreement with NTU with the following terms and conditions:

- Research is for a two year period and is to focus on:
  - Demonstration of scale up from a 50 mAh pouch cells to 1 Ah;
  - Validation of the performance of 1 Ah pouch cells in terms of ultrafast charging capabilities, cycle life, temperature tolerance, charging time and batter lifetime;
  - Demonstration of a full coin cell; and
  - Validation of the performances of the IP in full cell battery cells in terms of ultrafast charging capabilities, cycle performance and lifetime.
- Ultracharge will provide US\$1.5 million in funding for research activities;
- Ultracharge will own all the intellectual property rights generated from the research;

## Financial Performance

6.8 The following table sets out a summary of the financial performance of Ultracharge for the period ended 31 December 2015 (“FY15”) and the six months ended 30 June 2016.

**Table 6 Ultracharge financial performance**

| SGD '000s                           | Ref | Unaudited<br>30-Jun-16 | Audited<br>31-Dec-15 |
|-------------------------------------|-----|------------------------|----------------------|
| Revenue                             |     | 4                      | -                    |
| Research and development expenses   |     | (357)                  | -                    |
| General and administrative expenses |     | (674)                  | (25)                 |
| <b>Net profit/(loss)</b>            |     | <b>(1,027)</b>         | <b>(25)</b>          |

Source: Ultracharge financial statements

- 6.9 Ultracharge was incorporated in December 2015. As such, the financial performance to 31 December 2015 reflects less than one months’ operations.
- 6.10 The financial performance for the six months ended 30 June 2016 reflects a small amount of development of the technology licensed by Ultracharge.

## Financial Position

- 6.11 The table below sets out a summary of the financial position of Ultracharge as at 31 December 2015 and 30 June 2016.

**Table 7 Ultracharge financial position**

| SGD '000s                        | Ref  | Unaudited<br>30-Jun-16 | Audited<br>31-Dec-15 |
|----------------------------------|------|------------------------|----------------------|
| <b>Current Assets</b>            |      |                        |                      |
| Cash and cash equivalents        |      | 278                    | 63                   |
| Other accounts receivable        |      | 20                     | -                    |
| <b>Total Current Assets</b>      |      | <b>298</b>             | <b>63</b>            |
| <b>Non-Current Assets</b>        |      |                        |                      |
| Intangible assets                | 6.13 | 3,686                  | -                    |
| Restricted deposits              |      | 13                     | -                    |
| <b>Total Non-Current Assets</b>  |      | <b>3,699</b>           | <b>-</b>             |
| <b>Total Assets</b>              |      | <b>3,997</b>           | <b>63</b>            |
| <b>Current Liabilities</b>       |      |                        |                      |
| Accrued expenses                 |      | 245                    | 25                   |
| <b>Total Current Liabilities</b> |      | <b>245</b>             | <b>25</b>            |
| <b>Net Assets</b>                |      | <b>53</b>              | <b>38</b>            |
| <b>Equity</b>                    |      |                        |                      |
| Equity                           |      | 3,752                  | 38                   |
| <b>Total Equity</b>              |      | <b>3,752</b>           | <b>38</b>            |

Source: Ultracharge

- 6.12 The increase in cash is the result of a fee payment by Lithex to Ultracharge.
- 6.13 Intangible assets is made up of securities issued and costs incurred in securing the license to use the IP. The value of the securities issued for the IP has been based on contracted share values for Ultracharge agreed after the Proposed Transaction was entered into and implies that the Proposed Transaction is in progress.

## Industry Background

- 6.14 Lithium based batteries are most commonly found in portable consumer devices such as mobile phones, tablets and laptops. As the cost of lithium batteries has declined over the last decade, they are also increasingly used in automotive applications. The key to creating market share and a viable product is charge time, battery stability and battery life.
- 6.15 The current lithium battery market size is estimated to be around US\$24 billion and is expected to grow to approximately US\$44 billion by 2019.
- 6.16 The market is competitive with many large, multinational companies developing and producing lithium-ion based batteries. Competitors include Panasonic, Samsung, Hitachi and Yuasa.



## 7. Valuation approach

### Valuation methodologies

- 7.1 In assessing the Fair Value of an ordinary Lithex share prior to and immediately following the Proposed Transactions, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:
- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
  - the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
  - the amount which would be available for distribution on an orderly realisation of assets;
  - the quoted price for listed securities; and
  - any recent genuine offers received.
- 7.2 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

#### *Market based methods*

- 7.3 Market based methods estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include;
- The quoted price for listed securities; and
  - Industry specific methods.
- 7.4 The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.
- 7.5 Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

#### *Income based methods*

- 7.6 Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:
- Capitalisation of maintainable earnings; and
  - Discounted cash flow methods.
- 7.7 The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.
- 7.8 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company’s cash flows at the end of the forecast

period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

#### *Asset based methods*

- 7.9 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
  - liquidation of assets method; and
  - net assets on a going concern basis.
- 7.10 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.11 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 7.12 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

### **Selection of Valuation Methodologies**

#### **Valuation of a Lithex share pre the Proposed Transaction (control basis)**

- 7.13 In assessing the value of a Lithex share prior to the Proposed Transaction, we have utilised the net assets on a going concern methodology.
- 7.14 We have also utilised the quoted market price methodology as a secondary valuation methodology. Lithex's Shares are listed on the ASX which means there is a regulated and observable market for its Shares. However, consideration must be paid to adequate liquidity and activity in order to rely on the quoted market price method.
- 7.15 In our opinion, the DCF methodology cannot be used as future revenue and expenses cannot be forecast with sufficient reasonable basis to meet the requirements of RG111; and
- 7.16 The FME methodology is not appropriate as Lithex does not have a history of profits.

#### **Valuation of a Lithex share post the Proposed Transaction (non-control basis)**

- 7.17 In assessing the value of Lithex post the Proposed Transaction, we have used the pre Proposed Transaction value and included the impact of the Proposed Transaction assuming it proceeds. In particular, we have made the following adjustments:
- Eliminated any value attributable to the shell company status of Lithex;
  - Included the value of Ultracharge's net assets incorporating a cost based methodology and a comparable transaction based methodology for its IP agreements;
  - Included cash raised from the capital raising which is a condition of the Proposed Transaction;

- Included any dilution from the issue of Shares; and
- Included specific costs associated with the Proposed Transaction.

7.18 We have then assessed the value of a Lithex share post the Proposed Transaction on a non-controlling basis by adjusting for minority discount.

## 8. Valuation of Lithex Resources Limited Prior to the Proposed Transaction

- 8.1 As stated at paragraphs 7.13 and 7.14, we have assessed the value of a Lithex share prior to the Proposed Transaction on a net assets on a going concern basis and have also considered the quoted price of its listed securities. In both valuations, we have included a premium for control.

### Net asset on a going concern valuation

- 8.2 We have assessed the value of a Lithex share on a control basis to be between \$0.013 and \$0.017, prior to the Proposed Transaction, based on the net assets on a going concern valuation methodology, as summarised in the table below.

**Table 8 Assessed fair value of a Lithex share - net assets basis**

|                                    | Ref  | 31-Dec-15<br>\$  | Low<br>\$        | High<br>\$       |
|------------------------------------|------|------------------|------------------|------------------|
| Cash                               | 8.5  | 1,354,418        | 1,739,364        | 1,739,364        |
| Value of company as a listed shell | 8.6  | -                | 500,000          | 1,000,000        |
| Exploration Assets                 | 8.7  | -                | -                | 140,000          |
| Other assets and liabilities       |      | (3,367)          | (3,367)          | (3,367)          |
| <b>Net assets</b>                  |      | <b>1,351,051</b> | <b>2,235,997</b> | <b>2,875,997</b> |
|                                    |      |                  |                  |                  |
| Actual number of Shares on issue   | 5.10 |                  | 169,540,545      | 169,540,545      |
|                                    |      |                  |                  |                  |
| <b>Value per share (undiluted)</b> |      |                  | <b>0.013</b>     | <b>0.017</b>     |

Source: RSM estimates

- 8.3 Our assessment has been based on the audited net assets of Lithex as at 31 December 2015 of approximately \$1.4 million as per the Company's financial statements. We have been advised that, except for normal operating costs and the adjustments listed below, there has been no significant change in the net liabilities of Lithex since 31 December 2015.
- 8.4 In order to calculate the current market value of Lithex's Shares, we have made a number of adjustments to the carrying values of net assets included in the Statement of Financial Position. These adjustments are set out below.
- Cash*
- 8.5 Cash has been adjusted to reflect the estimated cash position of Lithex as at 30 June 2016.
- Value of a listed shell*
- 8.6 In considering the value of the listed shell we have reviewed similar recent transactions and the typical values attributed to shells by advisors. We have also considered comparable dormant listed companies and concluded that the value of a shell is between \$0.5 million and \$1.0 million based on recent data.
- Exploration Expenditure*
- 8.7 Lithex wrote down the value of its exploration assets to \$nil in the 30 June 2014 financial statements. Following the write down, Lithex has reported that it is attempting to spend a minimal amount on the assets while maintaining their good standing. The Company has not undertaken any successful exploration since writing the asset down. As such, we consider the low value of the exploration assets to be \$nil.

- 8.8 We note, however, that Lithex has had previous discussions with potential acquirers to purchase the Furniss East project for approximately \$25,000. Also, a tenement that surrounds the Moolyella project was purchased in February 2016 by Exterra Resources Limited (“Exterra”). The terms of the purchase of the tenement surrounding the Moolyella project included a \$5,000 cash payment for an option to purchase the tenement and the issue of 5 million Exterra shares upon exercise of the option. Based on the share price of Exterra at the time of the transaction, 5 million shares was valued at \$110,000.
- 8.9 Based on recent discussions and comparable transactions, we consider that the high value of the Furniss East project is \$25,000 and the high value of the Moolyella project is \$115,000. As such, the total value of the exploration assets is \$140,000.

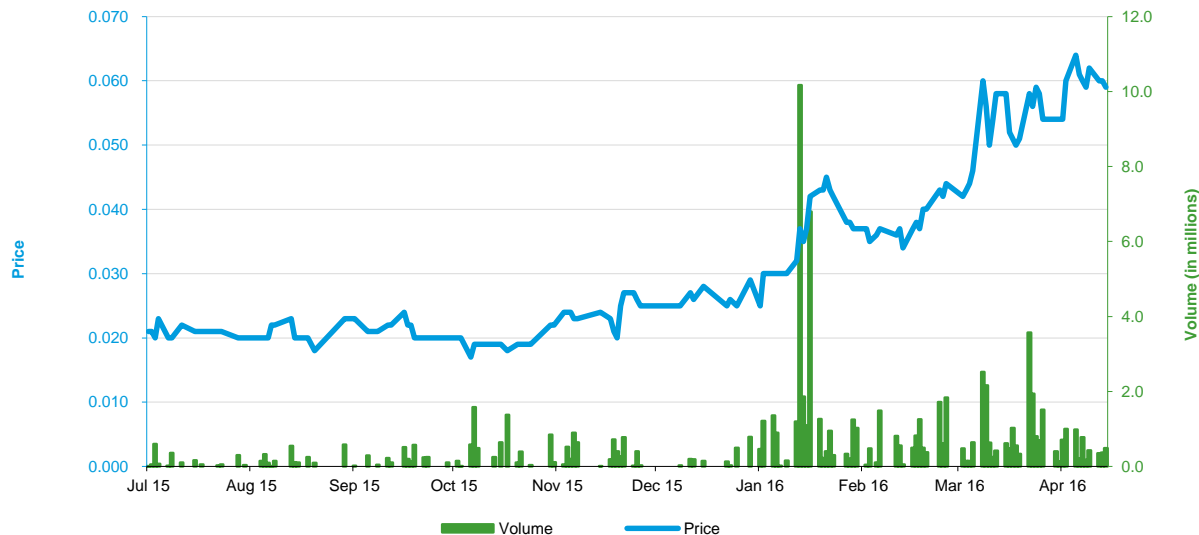
### Quoted Price of Listed Securities (secondary method)

- 8.10 In order to provide a comparison and cross check to our net assets valuation of Lithex, we have considered the recent quoted market price for Lithex’s Shares on the ASX prior to the announcement of the Proposed Transaction.

#### Analysis of recent trading in Lithex Shares

- 8.11 The figure below sets out a summary of Lithex’s closing share price and volume of Lithex Shares traded in the 12 months to 11 May 2016, the last trading prior to the announcement of the Proposed Transaction. The assessment only reflects trading prior to the announcement of the Proposed Transaction in order to avoid the influence of any movement in price that may have occurred as a result of the announcement.

**Figure 4 Lithex share price volume graph**



Source: S&P Capital IQ

- 8.12 During the 12 month period prior to the announcement of the Proposed Transaction Lithex’s Shares traded at between a low of \$0.017 and a high of \$0.073 per share. The share price of Lithex has been on an upward trend since November 2015. Trade volumes peaked at 10.2 million on 9 February 2016, following the release of a prospectus to raise \$0.8 million at \$0.024 per share. On 15 February 2016, the prospectus closed having raised the full \$0.8 million. Given the Company’s openly communicated intention to complete a transaction, we consider that the trading in Lithex shares following the capital raising could reflect speculation that a transaction was imminent.

- 8.13 To provide further analysis of the quoted market prices for Lithex's Shares, we have considered the VWAP over a number of trading day periods ending 11 May 2016. An analysis of the volume in trading in Lithex's Shares for the 1, 10, 30, 60, 90, 180 and 360 day trading periods is set out in the table below

**Table 9 Traded volumes of Lithex Shares to 11 May 2016**

| # of Days                           | 1 Day | 5 Day   | 10 Day  | 30 Day   | 60 Day   | 90 Day   | 120 Day  | 180 Day  |
|-------------------------------------|-------|---------|---------|----------|----------|----------|----------|----------|
| VWAP                                | 0.060 | 0.060   | 0.059   | 0.057    | 0.050    | 0.044    | 0.042    | 0.039    |
| Total Volume (000's)                | 485.3 | 1,804.4 | 5,481.4 | 24,448.9 | 42,006.1 | 69,246.5 | 75,749.9 | 86,044.0 |
| Total Volume as a % of Total Shares | 0.28% | 1.02%   | 3.11%   | 13.86%   | 23.81%   | 39.75%   | 43.55%   | 49.47%   |
| Low Price                           | 0.058 | 0.058   | 0.051   | 0.043    | 0.034    | 0.025    | 0.019    | 0.017    |
| High Price                          | 0.061 | 0.064   | 0.065   | 0.073    | 0.073    | 0.073    | 0.073    | 0.073    |

- 8.14 The table above indicates a moderate volume and liquidity in Lithex Shares immediately prior to the announcement of the Proposed Transaction. We note that there was a short period between the 30 and 90 day VWAP period where concentrated trading occurred over two separate days.

#### **Value of a Lithex Share on a non-control minority basis**

- 8.15 In our opinion, the weighted average share price of Lithex over the last 60 days is reflective of the underlying value of a Lithex share. As such, we consider a range of values of between \$0.050 and \$0.060 (1 – 60 day VWAP) reflects the quoted market price valuation of a Lithex share on a minority basis prior to the Proposed Transaction.

#### **Valuation of a Lithex share on a control basis**

- 8.16 Our valuation of a Lithex share, on the basis of the recent quoted market price including a premium for control is between \$0.063 and \$0.081, as summarised in the table below.

**Table 10 Assessed value of a Lithex share – Quoted Price of Listed Securities**

|  | Ref. | Low            | High           |
|--|------|----------------|----------------|
| Minority interest value of Lithex share at 11 May 2016 | 8.15 | \$0.050        | \$0.060        |
| Add premium for control                                |      | 25%            | 35%            |
| <b>Quoted market price controlling value</b>           |      | <b>\$0.063</b> | <b>\$0.081</b> |

#### **Key Assumptions**

##### *Control Premium*

- 8.17 The value derived at paragraph 8.16 is indicative of the value of a marketable parcel of shares assuming the Shareholder does not have control of Lithex. RG 111.11 states that when considering the value of a company's Shares the expert should consider a premium for control. If the Proposed Transaction is successful, Ultracharge shareholders will hold an interest of at least 67% in the issued capital of Lithex. Therefore, as explained in Section 4, our assessment of the fair value of a Lithex share must include a premium for control.
- 8.18 In selecting a control premium we have given consideration to the RSM 2013 Control Premium Study and recent updates. The study performed an analysis of control premiums paid over a 7-year period to 31 December 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving

Australian companies was in the range of 25% to 35%. In valuing an ordinary Lithex Share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in the range of 25% to 35%.

## Valuation summary and conclusion

8.19 A summary of our assessed values of an ordinary Lithex share on a control basis pre the Proposed Transaction, derived under the two methodologies, is set out in the table below.

**Table 11 Lithex share valuation summary**

|                            | Ref  | Low            | High           |
|----------------------------|------|----------------|----------------|
| Sum of parts               | 8.2  | \$0.013        | \$0.017        |
| Quoted market value        | 8.16 | \$0.063        | \$0.081        |
| <b>Preferred valuation</b> |      | <b>\$0.013</b> | <b>\$0.017</b> |

Source: RSM estimates

8.20 In our opinion, we consider that the sum of parts valuation methodology provides a better indicator of the fair value of a Lithex share as we consider our analysis of the trading of Lithex's Shares prior to the announcement of the Proposed Transaction indicates that the market was factoring a transaction. Prior to an unexplained increase in Lithex's share price, it shares were trading around \$0.020. Further, we note that the most recent capital raising undertaken by Lithex was at \$0.024 per share in February 2016.

8.21 Therefore, in our opinion, the fair value of a Lithex share prior to the Proposed Transaction is between \$0.013 and \$0.017 on a controlling basis.

## 9. VALUATION OF LITHEX FOLLOWING THE PROPOSED TRANSACTION

- 9.1 We summarise our valuation of a Lithex share subsequent to the Proposed Transaction on a sum of parts basis and incorporating the net assets on a going concern in the table below.

**Table 12 Assessed value of Lithex post the Proposed Transaction**

|   | Ref  | Low Value<br>\$    | High Value<br>\$   |
|---|------|--------------------|--------------------|
| Sum of parts value of Lithex pre Proposed Transaction | 8.2  | 2,235,997          | 2,875,997          |
| Less: shell value                                     | 9.5  | (500,000)          | (1,000,000)        |
| Plus: net proceeds from the Capital Raising           | 9.4  | 2,500,000          | 2,500,000          |
| Plus: value of Ultracharge                            | 9.6  | 2,408,000          | 10,278,000         |
| <b>Undiluted value of Lithex</b>                      |      | <b>6,643,997</b>   | <b>14,653,997</b>  |
| Current shares on issue                               | 3.9  | 169,540,545        | 169,540,545        |
| Shares issued to Ultracharge shareholders             | 3.9  | 485,900,000        | 485,900,000        |
| Facilitator Shares                                    | 9.24 | 24,295,000         | 24,295,000         |
| Capital Raising                                       | 9.4  | 50,000,000         | 50,000,000         |
| Performance Rights                                    | 9.25 | 60,000,000         | 60,000,000         |
| <b>Total shares after Proposed Transaction</b>        |      | <b>789,735,545</b> | <b>789,735,545</b> |
| Post-consolidation value per share                    |      | \$0.008            | \$0.018            |
| Discount for minority interest                        | 9.26 | \$(0.002)          | \$(0.004)          |
| <b>Minority value per share (undiluted)</b>           |      | <b>\$0.006</b>     | <b>\$0.014</b>     |

Source: RSM analysis

- 9.2 We consider that the minority value of a Lithex share post the Proposed Transaction is between \$0.006 and \$0.014.
- 9.3 We have adjusted the net asset value and shares on issue of Lithex for the following.

### Capital Raising

- 9.4 We have included the condition precedent capital raising that requires Lithex to raise at least \$2.5 million (before costs). We have deducted costs of \$250,000 for the capital raising and transaction costs. We have assumed the capital raising will be undertaken at \$0.05, which will result in the issue of 50 million shares.

### Shell Value

- 9.5 We have eliminated the shell value from the net asset value of Lithex prior to the Proposed Transaction because we assume that a Company with the intention of developing a new asset would not retain a shell value.



## Value of Ultracharge

- 9.6 We have calculated the value for Ultracharge under a number of scenarios. A summary of these values is set out below:

**Table 13 Summary of values for Ultracharge**

|                              | Ref. | Low                | High                |
|------------------------------|------|--------------------|---------------------|
| Net asset value              | 9.10 | \$3,752,000        | \$3,752,000         |
| Comparable transaction value | 9.14 | \$2,408,000        | \$10,278,000        |
| <b>Preferred valuation</b>   |      | <b>\$2,408,000</b> | <b>\$10,278,000</b> |

Source: RSM analysis

- 9.7 Given the early stage of Ultracharge's licensed technology, our valuation methodologies have resulted in a wide range of values. When selecting our preferred valuations, we have relied on the comparable transaction methodology. We have not relied on the net asset value because the net assets of Ultracharge are based on unaudited financial statements and the values attributable to the intangible assets held by Ultracharge are derived in part by the existence of the Proposed Transaction, rather than a reflection of the original licensing of the IP.
- 9.8 In our opinion, the comparable transaction methodology captures the early stage of the IP licensed by Ultracharge and also captures speculation that the IP could be commercialised in the future. As such, our preferred range of values is between \$2.4 million and \$10.3 million.
- 9.9 Details of the values calculated under each methodology our set out below.

### **Methodology 1: Net asset value of Ultracharge**

- 9.10 We have assessed the value of Ultracharge on a net assets on a going concern basis as summarised in the table below.

**Table 14 Net asset value of Ultracharge**

|                              | Ref: | Low Value<br>\$  | High Value<br>\$ |
|------------------------------|------|------------------|------------------|
| Cash                         |      | 278,000          | 278,000          |
| Other assets and liabilities |      | (212,000)        | (212,000)        |
| Intangible assets            |      | 3,686,000        | 3,686,000        |
| <b>Equity value</b>          |      | <b>3,752,000</b> | <b>3,752,000</b> |

Rounded to nearest \$'000

Source: RSM analysis

- 9.11 Our assessment of the value of other assets and liabilities has been based on the unaudited net assets of Ultracharge as at 30 June 2016.
- 9.12 We note that the value of the intangible assets relates to the IP and has been calculated based on the payments made by Ultracharge to acquire the IP originally held by Quickcharge. These payments include securities issued in Ultracharge. The acquisition of Quickcharge and the underlying IP occurred during the same period that Lithex and Ultracharge are also considering the Proposed Transaction. As such, any

payments including Ultracharge's securities whilst it is in negotiation with Lithex could imply some value of the listed company.

- 9.13 We note that these payments are not a reflection of the terms agreed by Quickcharge to license the IP from the NTU.

### **Methodology 2: Comparable transaction value of Ultracharge**

- 9.14 We have considered the comparable transaction valuation methodology as a secondary method for valuing Lithex. The use of the comparable transaction methodology implies that the value of the license agreements to exploit the IP is reflected in the value of transactions involving similar types of technology. In order to assess comparable transactions, we have considered the purchase of controlling interests in comparable companies.

- 9.15 The process that we have followed to identify broadly comparable companies for our valuation includes the following steps:

- Identify companies operating in the lithium-ion battery market;
- Shortlist the companies operating in the lithium-ion battery market having regard to:
  - Nature of operations – we generally considered only those companies with low levels of diversified trading and a key focus on lithium-ion batteries; and
  - Value – we considered only companies with values below \$1 billion.
- For control transactions, calculate the enterprise value of the underlying business that has been acquired;
- Extrapolate the value of Ultracharge from the broadly comparable companies having regard to a number of company specific factors in relation to Ultracharge.

- 9.16 Details of the comparable companies and transactions are included at Appendix D to this report.

- 9.17 The table below summarises recent comparable transactions:

**Table 15 Comparable transactions**

| Target Name   | Acquirer   | Transaction Date | Interest Acquired | Transaction Value | Implied Enterprise Value | Revenue    |
|---|--|------------------|-------------------|-------------------|--------------------------|------------|
| United Copper Foils (Huizhou) Ltd.                      | Guiyang Financial Holding Co., Ltd.                          | 17/09/2015       | 100%              | 440               | 440                      | 133        |
| SK (Chongqing) Lithium Battery Material Company Limited | FDG Kinetic Limited (SEHK:378)                               | 07/07/2015       | 100%              | 138               | 138                      | N/A        |
| Suzhou GreenPower New Energy Materials Co., Ltd.        | Suzhou Victory Precision Manufacture Co., Ltd. (SZSE:002426) | 15/09/2015       | 51%               | 135               | 266                      | 11         |
| Sinopoly Battery Limited                                | FDG Kinetic Limited (SEHK:378)                               | 20/04/2015       | 25%               | 125               | 502                      | 51         |
| Osaki Engineering Co., Ltd. (JASDAQ:6259)               | Osaki Electric Co. Ltd. (TSE:6644)                           | 11/05/2016       | 46%               | 22                | 32                       | 17         |
| Shaanxi Leaders Battery Co. Ltd.                        | Tesson New Energy (Shenzhen) Limited                         | 03/01/2016       | 100%              | 4                 | 4                        | N/A        |
| Creasefield Ltd   | Solid State plc (AIM:SOLI)                                   | 01/06/2016       | 100%              | 3                 | 3                        | 9          |
| Trineuron   | Leclanche SA (SWX:LECN)                                      | 29/07/2015       | 100%              | 2                 | 2                        | 12         |
| <b>Min</b>  |  |                  |                   |                   | <b>2</b>                 | <b>9</b>   |
| <b>Median</b>   |  |                  |                   |                   | <b>85</b>                | <b>15</b>  |
| <b>Average</b>  |  |                  |                   |                   | <b>173</b>               | <b>39</b>  |
| <b>Max</b>  |  |                  |                   |                   | <b>502</b>               | <b>133</b> |

Source: S&P Capital IQ

- 9.18 We note that revenue for SK (Chongqing) Lithium Battery Material Company Limited was not available but that it is a trading company. The table above indicates a wide range of values paid for comparable companies. This is due to differences in business models, products and market positions.
- 9.19 The wide range of business values indicates that there are no directly comparable transaction involving a business similar Ultracharge. We note that the comparable transactions involve companies providing market accepted battery technologies and that most of the companies are generating revenue.
- 9.20 Rather than use the values as upper and lower limits, we have used the range of values as a guide to the value that a purchaser might put on a business such as Ultracharge. In our opinion, because Ultracharge does not offer a commercial product, the low value of the business should reflect the low values included in the table, being \$2 million. We have considered an appropriate range when setting our high value. In our opinion, the value range for a business with a prototype technology that has been unproven commercially should be wide. This is because the potential upside from commercialising the technology is significant. Too narrow a range would not capture this potential. As such, we consider an appropriate high value to be \$10 million. In our opinion, the comparable transactions support a value of the Ultracharge agreements of between \$2 million and \$10 million.
- 9.21 In our opinion, this value range captures the potential for the licensed technology to provide a superior product to those already on the market, whilst capturing the uncertainty of commercialisation.
- 9.22 In order to arrive at a value for the shares in Ultracharge, we have added the value of Ultracharge's cash position to the value of the license agreements in the table below.

**Table 16 Equity value of Ultracharge**

|  | Ref | Low Value<br>A\$ | High Value<br>A\$ |
|--|-----|------------------|-------------------|
| Value of agreements based on comparable transactions |     | 2,130,000        | 10,000,000        |
| Cash held by Ultracharge                             |     | 278,000          | 278,000           |
| <b>Equity value of Ultracharge</b>                   |     | <b>2,408,000</b> | <b>10,278,000</b> |

Source: RSM estimates

- 9.23 The table above indicates a range of enterprise values between \$2.4 million and \$10.3 million.

## Facilitator Shares

- 9.24 Non-Associated Shareholders must approve the issue of 24,295,000 Lithex shares to advisors in order for the Proposed Transaction to be approved.

## Performance Rights

- 9.25 We have assumed that the 60 million Performance Rights that are issued as a result of the Proposed Transaction are included in the diluted capital structure of Lithex post the Proposed Transaction. We have assumed this because the terms of the Performance Rights are time based only so there is no restriction to the Performance Rights converting to shares over the course of time.

## Minority interest discount

- 9.26 In selecting a minority discount we have given consideration to our control premium applied in Paragraph 8.18 (and also applied when valuing a controlling interest in Ultracharge), where we established a range for a control premium of between 25% and 35%. The resulting corresponding minority discount range based on said control premiums is between 20% and 26%.

## Options

- 9.27 We have not included for the dilution of any options because, on the basis of our valuation methodology, they are not “in the money” and would not be exercised.

## 10. Is the Proposed Transaction Fair to Lithex Shareholders?

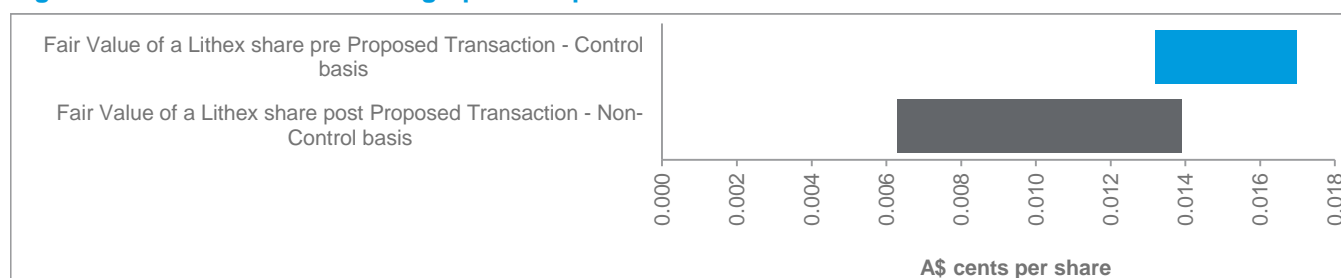
10.1 Our assessed values of a Lithex share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

**Table 17 Assessed values of an Lithex share pre and post the Proposed Transaction**

| Assessment of fairness   | Ref | Value per Share<br>Low<br>\$ | High<br>\$ |
|--|-----|------------------------------|------------|
| Fair value of a Lithex share pre the Proposed Transaction - Control basis      | 8   | \$0.013                      | \$0.017    |
| Fair value of a Lithex share post the Proposed Transaction - Non control basis | 9   | \$0.006                      | \$0.014    |

Source: RSM analysis

**Figure 5 Lithex Share valuation graphical representation**



Source: RSM estimates

10.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with ASX Listing Rule 10.1, we consider the Proposed Transaction to be not fair to the Non-Associated Shareholders of Lithex as the range of values of a Lithex Share post the Proposed Transaction is lower than the range of values of a Lithex Share pre the Proposed Transaction.

## 11. Is the Proposed Transaction Reasonable?

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of Lithex if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

### Future prospects of Lithex if the Proposed Transaction does not proceed

11.2 If the Proposed Transaction does not proceed then the Company will continue to seek new assets or businesses to add value to Shareholders. We note that a fee of \$250,000 was paid by Lithex and will not be recoverable if the Proposed Transaction does not proceed.

### Advantages and disadvantages

11.3 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceed, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

### Advantages of approving the Proposed Transaction

*Advantage 1 – The Company will be exposed to a new, growing industry*

11.4 The Company will be exposed to a new technology in a growing industry. Demand for lithium-ion batteries is expected to increase significantly as the demand for electric vehicles increases. A key limiting factor to existing batteries is charge time and useful life. These are two areas that the IP claims to improve significantly in prototype form. If the IP is proved to work on a commercial scale, we believe that the market acceptance could be significant. Shareholders have the ability to gain exposure to future opportunities the business offers.

11.5 When considering fairness, we have valued Ultracharge at between \$2.4 million and \$10.3 million. Our comparable transaction analysis indicates that commercial battery manufacturers can trade at values significantly higher than the values we have estimated. While we consider our values to appropriately reflect the stage of commercial development of the IP, some Shareholders may consider the potential upside to our valuation to reflect a positive position for Lithex.

*Advantage 2 – The Company has working capital to continue operations*

11.6 The Capital Raising that is a condition of the Proposed Transaction will add necessary funds for working capital for the ongoing operations and will assist with the commercialisation of the IP.

*Advantage 3 – The Company's ability to raise funds and attract strategic investors may be improved*

11.7 The Company's ability to raise additional funds and attract strategic investors may be improved once the Acquisition is completed and the Company pursues commercialisation of its technology. This depends greatly on demonstrating the commercial viability of the IP.

*Advantage 4 – Increase liquidity in the shares*

11.8 The Acquisition may encourage new investors in the Company which may lead to increased liquidity of Shares and greater trading depth than currently experienced by Shareholders.

## Disadvantages of approving the Proposed Transaction

### *Disadvantage 1 – Change in nature and scale of activities*

- 11.9 The Company will be changing the nature and scale of its activities to become a company in the battery technology industry. This may not be consistent with the objectives of all Shareholders.

### *Disadvantage 2 – Dilution on Non-Associated Shareholders*

- 11.10 The Proposed Transaction will result in the issue of Shares, Performance Rights and Options which will dilute Shareholder interests from 100% to 23% on an undiluted basis and 22% on a fully diluted basis.

### *Disadvantage 3 – Change in risk profile of the Company*

- 11.11 The activities of Ultracharge has a different risk and reward profile than the Company had historically. Ultracharge holds the rights to a non-commercial technology. It does not own the IP. As such, there is significant risk of commercial failure if the IP cannot be demonstrated to work as currently indicated. Further, if Lithex cannot commercialise the IP, it is the right of NTU to terminate the agreement with Lithex after 2.5 years or 4.5 years subject to extension payments.

## Alternative Proposal

- 11.12 We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of Lithex a greater benefit than the Proposed Transaction.

## Conclusion on Reasonableness

- 11.13 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Lithex.
- 11.14 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

**RSM FINANCIAL SERVICES AUSTRALIA PTY LTD**



**A GILMOUR**

Director



**G YATES**

Director



## APPENDICES



# A. DECLARATIONS AND DISCLAIMERS

## Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

## Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Corporate Australia Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

## Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Security. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

## Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Lithex Resources Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

## Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$25,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Lithex Resources Limited receives Shareholder approval for the Security, or otherwise.

## Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

## B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for Lithex for the years ended 30 June 2014 and 30 June 2015;
- Reviewed half yearly accounts of Lithex for the period to 31 December 2015;
- Audited financial statements for Ultracharge for the period ended 31 December 2015;
- Management accounts for Ultracharge and Lithex for the period ended 30 June 2016;
- Research Agreement with NTU;
- License Agreement with NTU;
- Heads of Agreement and Deed Variation between Lithex and Ultracharge;
- Ultracharge investor presentation;
- ASX announcements of Lithex;
- S&P Capital IQ database; and
- Discussions with Directors, Management and staff of Lithex.

## C. GLOSSARY OF TERMS

| Term or Abbreviation | Definition  |
|----------------------|---|
| \$                   | Australian Dollar   |
| Act                  | Corporations Act 2001 (Cth)   |
| Acquisition          | The acquisition of 100% of the issued capital of Ultracharge by the Company   |
| APES                 | Accounting Professional & Ethical Standards Board   |
| ASIC                 | Australian Securities & Investments Commission  |
| ASX                  | Australian Securities Exchange  |
| Capital Raising      | Proposal to raise at least \$2.5 million through the issue of Lithex shares at \$0.05 per share via a prospectus  |
| Company              | Lithex  |
| Consideration Shares | 485,900,000 fully paid ordinary shares in Lithex  |
| Control basis        | As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held   |
| CY##                 | Calendar year ended 31 December   |
| DCF                  | A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate   |
| Directors            | Directors of the Company  |
| EBIT                 | Earnings, Before, Interest and Tax  |
| EBITDA               | Earnings, Before, Interest, Tax, Depreciation and Amortisation  |
| Equity               | The owner's interest in property after deduction of all liabilities   |
| EV                   | Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities |
| Exterra              | Exterra Resources Limited   |
| Facilitation Options | 20,000,000 three year options to purchase Lithex shares at a 25% premium to the Capital Raising price.  |
| Facilitation Shares  | 24,295,000 Lithex shares issued to advisors, service providers and management   |
| Fair Value           | The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length         |
| FME                  | Future Maintainable Earnings  |
| FOS                  | Financial Ombudsman Service   |
| FSG                  | Financial Services Guide  |
| FY##                 | Financial year ended 30 June  |

|                             |  |
|-----------------------------|--|
| IER                         | This Independent Expert Report   |
| IP                          | Intellectual property related to lithium-ion battery technology that utilises a titanium dioxide based nanotubular anode.                            |
| Lithex                      | Lithex Resources Limited   |
| Non Associated Shareholders | Shareholders who are not a party, or associated to a party, to the Proposed Transaction  |
| Non control basis           | As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held |
| Notice                      | The notice of meeting to vote on the Proposed Transaction  |
| NPBT                        | Net Profit Before Tax  |
| NPAT                        | Net Profit After Tax   |
| NTU                         | Nanyang Technology University – NTUitive Pte Ltd   |
| Performance Rights          | 60,000,000 performance rights converting into Lithex shares  |
| Proposed Transaction        | It has the meaning given to the term in paragraph 1.2 of this Report   |
| Regulations                 | Corporations Act Regulations 2001 (Cth)  |
| Report                      | This Independent Experts Report prepared by RSM dated 2 August 2016  |
| RG 111                      | ASIC Regulatory Guide 111 Contents of Expert's Reports   |
| RSM                         | RSM Corporate Australia Pty Ltd  |
| S&P Capital IQ              | An entity of Standard and Poors which is a third party provider of company and other financial information   |
| Transaction Options         | 50,000,000 three year options to purchase Lithex shares at \$0.05  |
| Ultracharge                 | Ultracharge Limited, formerly known as Voltape Limited   |
| VWAP                        | Volume weighted average share price  |

## D. COMPARABLE COMPANIES

| Target   | Description   |
|--|---|
| Osaki Engineering Co., Ltd.<br>(JASDAQ:6259)     | Osaki Engineering Co., Ltd. designs, fabricates, develops, and sells LCD, plasma display panel, IC card/IC tag, semiconductor, and laborsaving equipment in Japan. The company offers flat panel display related products, including chip on glass and flexible printed circuit on glass (FOG) bonder, printed circuit board bonder, anisotropic conductive film particle measurement, resin dispensing and curing, and electrode cleaning equipment; and energy related products comprising ultrasonic bonder, wind-around and cell pressing, power collector wiring, isolation film wind-up, can inserter, lithium ion battery (LiB) dimension and thickness measurement, and LiB sorter equipment. It also provides lighting related products, such as flip chip bonder, dispensing equipment, FOG bonder for organic electro luminescence, electrode bonding, optical film lamination, die bonder, sealing equipment, slitter, and light emitting display characteristic inspection equipment; and sensor device related products that include chip on film bonder, chip on film bonder, micro pressurizing bonder, trimming equipment, camera module assembling, cleaning equipment, inter lead bonding bonder, tiling equipment, glass coupling equipment, UV laminating equipment, and laser marking equipment. In addition, the company offers high function device related products comprising ball bump flattener, and wafer coupling and optical axis alignment equipment; and other products, which include ball bump, lead frame, fine foreign particle, wire bond, characteristic, insulation, and visual inspection equipment, as well as other custom-made equipment. Osaki Engineering Co., Ltd. was founded in 1990 and is headquartered in Iruma, Japan. |
| Creasefield Ltd                                  | Creasefield Ltd. designs, manufactures, and supplies custom battery packs. It offers a range of cells and batteries that include UBA5 battery analyzers, which are battery testers for various chemistry types; a range of lithium ion battery packs; flowmeter batteries, a range of alkaline and lithium batteries developed for use with ABB Aquamaster loggers; and ALM batteries designed to replace lead acid. The company supports projects in industries, including commercial aerospace, oil and gas, water, subsea, safety, medical, rail, military, security, defense, government, and renewable energy; and involves in various technology transfers with the U.K. universities. It serves a range of market sectors in Europe, the Middle East, and the United States. The company was incorporated in 1978 and is based in Crewkerne, United Kingdom. As of June 1, 2016, Creasefield Ltd. operates as a subsidiary of Solid State plc.   |
| Shaanxi Leaders Battery Co. Ltd.                 | Shaanxi Leaders Battery Co. Ltd. manufactures lithium-ion batteries, battery packs, chargers and battery materials. The company was incorporated in 2009 and is based in China. Shaanxi Leaders Battery Co. Ltd. operates as a subsidiary of Shaanxi Shunqian Energy Technology Co. Ltd. As of January 28, 2016, Shaanxi Leaders Battery Co. Ltd. operates as a subsidiary of Tesson New Energy (Shenzhen) Limited.   |
| Suzhou GreenPower New Energy Materials Co., Ltd. | Suzhou GreenPower New Energy Materials Co., Ltd. engages in processing films and manufacturing new energy materials. The company's products include lithium-ion battery separators, solar ethylene-vinyl acetate encapsulation films, and (NPI) PI insulating films. It offers its products in China and internationally. The company was founded in 2009 and is based in Suzhou, China. As of November 30, 2015, Suzhou GreenPower New Energy Materials Co., Ltd. operates as a subsidiary of Suzhou Victory Precision Manufacture Co., Ltd.   |

|   |  |
|---|--|
| United Copper Foils (Huizhou) Ltd.                      | United Copper Foils (Huizhou) Ltd. engages in the manufacture of electrodeposited copper foils for copper foil, printed circuit board, and lithium ion battery industries. It offers shielded electrodeposited copper foils, electrodeposited copper foils for lithium ion batteries, VLP-HTE-HF electrodeposited copper foils, and S-HTE electrodeposited copper foils for printed circuit boards. The company also offers high temperature and high extensibility copper foils for use in multilayer printed circuit boards; high extensibility copper foils for use in flexible circuit boards; resistance to transfer copper foils for insulation; low profile copper foils and very low profile copper foils; glue copper foils for coarsening after processing; carrier copper foils for thickness support as the cathode metal foil; rolling copper foils for coarsening processing; electrolytic copper foils for lithium-ion secondary battery cathode carrier production; and electromagnetic shielding with copper foil for hospitals, communications, and military needs. United Copper Foils (Huizhou) Ltd. was incorporated in 1992 and is based in Huizhou, China. United Copper Foils (Huizhou) Ltd. operates as a subsidiary of China-Kinwa High Technology Co.,Ltd and Shanghai China Kinwa Science and Technology Develop Co., Ltd. As of November 24, 2015, United Copper Foils (Huizhou) Ltd. operates as a subsidiary of Guiyang Financial Holding Co., Ltd. |
| SK (Chongqing) Lithium Battery Material Company Limited | SK (Chongqing) Lithium Battery Material Company Limited manufactures cathode materials for nickel-cobalt-manganese lithium-ion batteries. The company is based in Chongqing Province, China. SK (Chongqing) Lithium Battery Material Company Limited operates as a subsidiary of SK China Co., Ltd.  |
| SUNWODA Electronics Co., Ltd. (SZSE:300207)             | SUNWODA Electronics Co., Ltd. engages in the research, design, manufacture, and sale of lithium-ion battery modules for the IT industry worldwide. The company's lithium-ion battery modules include digital device batteries, laptop batteries, power lithium-ion battery modules, and battery management system products for mobile phones, mp3/mp4 products, digital cameras, laptops, netbooks, electronic paper books, power-driven tools, industrial mobile lighting, medical equipment, etc., as well as for electric bicycles, electric cars, and energy storage solutions. It also offers portable power products comprising backup batteries, power packs, power banks, power banks with e-cigarette lighters, and mirror power banks; mobile phone and tablet PC cases; dome switches; and precision mechanical products. The company was founded in 1997 and is headquartered in Shenzhen, China.  |
| Sinopoly Battery Limited                                | Sinopoly Battery Limited manufactures and sells lithium-ion batteries and related products for automobiles. The company was incorporated in 2010 and is based in Wanchai, Hong Kong. Sinopoly Battery Limited operates as a subsidiary of Union Grace Holdings Limited.  |
| Trineuron   | Trineuron engineers and produces lithium-ion batteries, chargers, management electronics, and software. It serves eIndustry and eMotive markets. The company is based in Malle, Belgium. As of July 29, 2015, Trineuron operates as a subsidiary of Leclanche SA.  |

Source: S&P Capital IQ

## E. TRANSACTION RESOLUTIONS

### Resolution 4: Approval for change to nature and scale of activities

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 11.1.2, and for all other purposes, approval is given for the company to make a significant change to the nature and scale of its activities as set out in the explanatory statement.*

### Resolution 5: Approval for the issue of *consideration shares to vendors*

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1, and for all other purposes, approval is given for the company to issue 485,900,000 consideration shares to the vendors on the terms and conditions set out in the explanatory statement.*

### Resolution 6: Approval for the issue of *consideration shares to substantial holder*

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 10.1, and for all other purposes, approval is given for the company to issue 4,500,000 consideration shares to Mr Jason Peterson, a substantial holder in the company and a vendor (or his nominee), on the terms and conditions set out in the explanatory statement.*

### Resolution 7: Approval for the issue of *offer shares*

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1, and for all other purposes, approval is given for the company to issue up to 70,000,000 offer shares at an issue price of \$0.05 per offer share, to raise up to \$3,500,000, on the terms and conditions set out in the explanatory statement.*

### Resolution 8: Approval for the issue of *shares to CPS*

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1 and for all other purposes, approval is given for the company to issue 24,295,000 shares to CPS or its nominees(s) on the terms and conditions set out in the explanatory statement.*

**Resolution 9: Approval for the issue of *performance rights to the incoming service providers***

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1 and for all other purposes, approval is given for the company to issue up to 60,000,000 performance rights to the incoming service providers (or their respective nominees) on the terms and conditions set out in the explanatory statement.*

**Resolution 10: Approval for the issue of *offer options to Armada Capital***

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1, and for all other purposes, approval is given for the company to issue 50,000,000 offer options to Armada Capital (or its nominees) on the terms and conditions set out in the explanatory statement.*

**Resolution 11: Approval for the issue of *transaction options to Armada Capital***

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of listing rule 7.1, and for all other purposes, approval is given for the company to issue 20,000,000 transaction options to Armada Capital (or its nominees) on the terms and conditions set out in the explanatory statement.*

**Resolution 12: Appointment of Mr Kobi Ben-Shabat as a *director***

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of article 6.2(c) of the constitution, and for all other purposes, Mr Kobi Ben-Shabat be appointed as a director on and from completion.*

**Resolution 13: Appointment of Mr Yuri Nehushtan as a *director***

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of article 6.2(c) of the constitution, and for all other purposes, Mr Yuri Nehushtan be appointed as a director on and from completion.*



**Resolution 14: Approval of Mr John Paitaridis as a *director***

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of article 6.2(c) of the constitution, and for all other purposes, Mr John Paitaridis be appointed as a director on and from completion.*

**Resolution 15: Approval of Mr Doron Nevo as a *director***

To consider and, if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

*That, subject to each of the other transaction resolutions being passed, for the purposes of article 6.2(c) of the constitution, and for all other purposes, Mr Doron Nevo be appointed as a director on and from completion.*

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

RSM Australia Pty Ltd is a member of the RSM network and trades as RSM.  
RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU.

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Holder Number

## Security Holder Appointment of Proxy – Annual General Meeting

I/We being a Shareholder entitled to attend and vote at the Meeting, hereby appoint

(Name of Proxy)

OR

The Chair as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 10.30am (WST) on 10 October 2016 at Kings Park Room, Quest West Perth, 54 Kings Park Road, West Perth Western Australia and at any adjournment thereof.

### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1, 17 and 18 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 17 and 18 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**

Unless indicated otherwise by ticking the "for", "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

### VOTING ON BUSINESS OF THE MEETING

| Resolutions  | For                      | Against                  | Abstain                  | Resolutions  | For                      | Against                  | Abstain                  |
|--|--------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--------------------------|
| 1 Adoption of Remuneration Report  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 10 Approval for the Issue of the Offer Options to Armada Capital       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Election of Mr David Wheeler as a Director                                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 11 Approval for the Issue of the Transaction Options to Armada Capital | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Re-election of Ms Paula Cowan as a Director                                    | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 12 Appointment of Mr Kobi Ben-Shabat as a Director                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4 Approval for Change to Nature and Scale of Activities                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 13 Appointment of Mr Yuri Nehushtan as a Director                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5 Approval for the Issue of Consideration Shares to Vendors                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 14 Appointment of Mr John Paitaridis as a Director                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6 Approval for the Issue of Consideration Shares to Substantial Holder           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 15 Appointment of Mr Doron Nevo as a Director                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7 Approval for the Issue of Offer Shares   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 16 Change of Company's Name  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8 Approval for the Issue of Shares to CPS  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 17 Approval of Employee Incentive Scheme                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9 Approval for the Issue of Performance Rights to the Incoming Service Providers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 18 Approval of Increase of Directors' Remuneration                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDER(S):

**Individual or Shareholder 1**

Sole Director or  
Sole Director / Company Secretary

**Shareholder 2**

Director

**Shareholder 3**

Director / Company Secretary

## INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

### APPOINTING A PROXY

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll.

The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

**Note:** If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

### VOTING ON BUSINESS OF MEETING

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the number of votes that the proxy may exercise by writing the number of Shares next to the box marked for the relevant item of business.

Where a box is not marked the proxy may vote as they choose subject to the relevant laws.

Where more than one box is marked on an item the vote will be invalid on that item.

### SIGNING INSTRUCTIONS

- **Individual:** Where the holding is in one name, the Shareholder must sign.
- **Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

### ATTENDING THE MEETING

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

### LODGEMENT OF VOTES

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged by:

- a) **Hand Delivery** – to Automic Registry Services Suite 310, 50 Holt Street Surry Hills NSW 2010; or
- b) **Post** - to Automic Registry Services, PO Box 2226, Strawberry Hills NSW 2012;

**Proxy Forms received later than this time will be invalid**