

Form 5057A Corporations Act 2001

Related party benefits - proposed notice, explanatory statement & accompanying documents

CF11 Related party benefits - applications

Document type Indicate in the appropriate box the type of document(s) included with this form.	Notice and material for meeting to approve financial benefit – ASIC form code 5057A Proposed notice of meeting Proposed explanatory statement Documents accompanying notice of meeting Other material document regarding proposal
Company details	Company/entity name Ambre Energy Limited ACN/ABN/ARBN/ARSN 114 812 074
Lodgement details	Who should ASIC contact if there is a query about this form?
1 2 (:37 231) ASIC - Brisbane	Jim Peterson ASIC registered agent number (if applicable) 296 Company name
	McCullough Robertson ACN/ABN/ARBN
	Telephone number 07 3233 8979 Postal address
	GPO Box 1855 Brisbane Qld 4001
	Email address (optional) jpeterson@mccullough.com.au

Signature	I certify that the information in this form is true and complete.
	Name
	SIEKACH MICHAEL JOHANNES VAN BAARLE
•	Capacity
	COMPANY SECRETAKY
	Entity name (if acting as an agent)
	Signature
	Sungs
	Date signed [Date Signed

Lodgement

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ANNEXURE A

NOTICE OF MEETING

AMBRE ENERGY LIMITED ACN 114 812 074

THIS IS ANNEXURE A, THE NOTICE OF MEETING, EXPLANATORY STATEMENT AND ACCOMPANYING DOCUMENT REQUIRED TO BE LODGED UNDER SECTION 218 OF THE CORPORATIONS ACT OF PAGES REFERRED TO IN FORM 5057A RELATED PARTY BENEFITS – PROPOSED NOTICE, EXPLANATORY STATEMENT AND ACCOMPANYING DOCUMENTS.

DATED 12/11/4014

SIERACH MICHAEL JOHANNES VAN BAARLE - COMPANY SECRETARY



Notice of annual general meeting

Ambre Energy Limited ACN 114 812 074

Notice is given that the annual general meeting of Ambre Energy Limited (Ambre Energy or Company) will be held at:

Location	Grant Thornton, Level 18 King George Central, 145 Ann Street, Brisbane, Queensland, Australia	
Date	22 December 2014	
Time	10am (Queensland time)	

This Notice and Explanatory Memorandum is first being provided to shareholders as of 27 November 2014.

Ordinary Business

Financial statements and reports

To receive and consider the Company's financial reports and the reports of the directors and the auditor for the financial year ended 31 December 2013.

Election of directors

To consider and, if in favour, to pass the following as ordinary resolutions:

1 'That Edek Choros, who retires by rotation in accordance with rule 16.1 of the Company's constitution, and being eligible, be re-elected as a director of the Company'

Information about the candidate appears in the accompanying Explanatory Memorandum.

Special Business

Approval under Chapter 2E Corporations act for the disposal of AENA to RCF V and RCF VI

To consider and, if in favour, to pass the following as an ordinary resolution:

2 'That, for the purposes of section 208 of the Corporations Act and for all other purposes, the acquisition by RCF V and RCF VI of shares in AENA on the terms set out in the Explanatory Memorandum, be approved.'

Approval for the buy-back of Ambre Energy Shares held by RCF V in connection with the disposal of AENA to RCF V and RCF VI

To consider and, if in favour, to pass the following as a special resolution:

- That, for the purpose of section 249D(1)(a) of the Corporations Act and for all other purposes:
 - (a) the terms of the Buy-back Agreement entered into on 11 November 2014, a copy of which is tabled at the meeting and signed by the chairman for identification purposes and details of which are set out in the Explanatory Memorandum; and
 - (b) the selective share buy-back of 121,625,000 Ambre Energy Shares from RCF V on the terms of the Buy-back Agreement,

be approved.



Dated [#insert date]
By order of the board
Michael van Baarle
Company Secretary

Notes

- (a) Members entitled to vote will be those members on the Company register at 7.00pm (Brisbane time) on 20 December 2014 (Record Date).
- (b) A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (c) The proxy need not be a member of the Company. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (d) If you wish to appoint a proxy and are entitled to do so, then complete and return the attached proxy form. You may revoke any proxy by delivering a revised proxy to the Company so it is received prior to 10am(Brisbane time) on 20 December 2014 or by attending the meeting.
- (e) Proxies are being solicited by the Company and its executive management and directors, none of whom will receive additional compensation for such efforts. All costs of the meeting, including preparation and mailing of the Notice and Explanatory Memorandum, will be borne by the Company.
- (f) A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (g) If you have any queries on how to cast your votes, please call the Company Secretary, Mr Michael van Baarle, on +61 (0)7 3009 9189 during business hours.



Explanatory memorandum

Ambre Energy Limited ACN 114 812 074

Capitalised terms used in the Notice and this Explanatory Memorandum have the meanings set forth in the attached Glossary.

Financial statements and reports

- The Corporations Act requires that the directors' report, the auditor's report and the financial report be laid before the annual general meeting. In addition the Company's constitution provides for these reports to be received and considered at the meeting.
- Neither the Corporations Act nor the Company's current constitution requires a vote of shareholders at the annual general meeting on the financial statements and reports. However shareholders will be given reasonable opportunity at the meeting to raise questions with respect to these reports.
- In addition to asking questions at the meeting, shareholders may address written questions to the Chairman about the management of the Company, or to the Company's Auditor which are relevant to:
 - (a) the content of the auditor's report to be considered at the meeting; or
 - (b) the conduct of the audit of the annual financial report to be considered at the meeting.

Any written questions must be submitted to the Company Secretary on or before 16 December 2014 by post to:

The Company Secretary Ambre Energy Limited GPO Box 3288 Brisbane QLD 4001 Australia

4 Copies of the Company's annual report may also be obtained by a request to the address listed above.

Election of Director - Resolution 1

Resolution 1 – Election of Edek Choros

Edek Choros founded Ambre Energy in June 2005 and was Chief Executive Officer and Managing Director until retiring from this role on 4 December 2013. With more than 25 years of geological and engineering experience, Edek has demonstrated an innate ability to identify and develop new project opportunities. Before forming Ambre Energy, Edek established the Millennium Coal Project in Queensland's Bowen Basin which was subsequently sold to a major mining company. His experience developing innovative and profitable ventures has contributed greatly to Ambre Energy becoming an emerging leader in US coal exports. Edek gained his qualifications as a geologist and mining engineer in Krakow, Poland before moving to Australia in 1989. He worked for the Electricity Trust of South Australia and as a private consultant in the coal mining industry before establishing Millennium Coal.

The majority of votes required to pass resolution 1

Resolution 1 is an ordinary resolution. That is, it must be passed by a simple majority of the votes cast by shareholders entitled to vote on the resolution. All shareholders as of the Record Date are entitled to vote on this resolution.



Directors' recommendation

7 The directors recommend you vote in favour of resolution 1.

Approvals related to the proposed disposal of AENA to RCF V and RCF VI – Resolutions 2 and 3

Background and description of the transaction

- The Company, through its subsidiary AE Minerals, currently holds 100% of the shares in AENA. The Company has entered into a transaction with RCF V and RCF VI under which:
 - (a) AE Minerals will transfer to RCF V 242,947 shares of the class A common stock of AENA in exchange for the Company buying back 121,625,000 Ambre Energy Shares held by RCF V; and
 - (b) AE Minerals will transfer 677,053 shares of the class A common stock of AENA to RCF VI in exchange for US\$18 million less (i) the amount required to repay the loan owing to RCF VI (US\$16.5 million) provided in connection with the repayment of the convertible note debt owing to KOSEP and KOSPO and (ii) any costs of AE Minerals or its affiliates incurred in connection with the transaction after 1 September 2014, offset by a portion of AE Minerals legal expenses that RCF VI has agreed to pay. On completion, RCF V and RCF VI will own 100% of the Class A common stock of AENA.
 - (c) AE Minerals will be issued 80,000 shares of a newly created class B non-voting common stock of AENA (representing a 8% economic interest in AENA) and the right to acquire from AENA a proportional share of any additional shares of capital stock of AENA acquired by RCF V, RCF VI or their affiliates until the shares of AENA are publically listed or AENA is sold (a "Liquidity Event").

In order to facilitate the transaction, RCF VI loaned the Company US\$16.5 million to permit the payment in full of the obligations of the Company to KOSEP and KOSPO under the redeemable convertible notes issued to them. This loan was made on 14 November, 2014 and bears interest at a rate of 2% per annum. Repayment of this loan will be made through a deduction to the purchase price to be paid by RCF VI. A summary of the terms of this loan is set out in Annexure A.

- 9 In addition to the above, under the transaction:
 - (a) the certificate of incorporation of AENA will be amended to re-capitalize the Company and authorize the issuance of the class B non-voting common stock with the terms summarised in Annexure A;
 - (b) The Company will assign the KOSEP and KOSPO master coal sale and purchase agreements to AENA.
 - (c) AE Minerals will enter into a stockholders agreement (the terms of which are summarised in Annexure A) with RCF VI which governs the ongoing relationship and rights and obligations of stockholders in AENA:
 - (d) AE Minerals will enter into a stock option agreement with AENA (the terms of which are summarised in Annexure A) which governs the right of AE Minerals to acquire from AENA a proportionate share of any capital stock subsequently issued by AENA to RCF V, RCF VI or their affiliates, until the occurrence of a Liquidity Event.
 - (e) the RCF Warrants will be cancelled;
 - the RCF Loan Agreement will be amended so that (i) the Company and any Ambre Energy Group member (following the transaction) are no longer guarantors under the RCF Loan Agreement, (ii) RCF V no longer has a contractual right to appoint directors to the board of the Company, and (iii) the conversion rights which allow RCF V to convert the loan outstanding under the RCF Loan Agreement into Ambre Energy Shares (approved at the Company's annual general meeting on 4 December 2013) will be terminated;



- (g) all loan balances arising prior to September 1, 2014 between members of the Ambre Energy Group and any member of the AENA Group will be forgiven; and
- (h) RCF V and RCF VI will, following the transaction, release any security that they currently hold over any members of the Ambre Energy Group and their assets.
- A summary of the key terms of the transaction documents (including the Stock Purchase Agreement, AENA Amended and Restated certificate of incorporation, AENA Stockholders Agreement, Loan Agreement and Stock Option Agreement) to implement the transaction is set out in Annexure A. Annexure B contains a diagram of the current structure of the Company and its subsidiaries and a diagram of the structure after the transaction is complete (including the Ambre Energy Group and AENA Group) and their respective assets.
- 11 The transfer of AENA to RCF V and RCF VI involves the disposal of the Company's US coal-related assets as follows:
 - (a) the Decker Mine and Black Butte Mine in the Powder River Basin, USA;
 - (b) the Big Horn Deposit in the USA;
 - (c) the Morrow Pacific Project (MPP) in Oregon, USA; and
 - (d) the Millennium Bulk Terminals-Longview (MBTL) Project in Washington State, USA.
- 12 Following the completion of the transaction, the assets of the Ambre Energy Group will comprise:
 - (a) 80,000 shares of the class B non-voting common stock of AENA (representing an economic interest of 8% of AENA) to be issued to AE Minerals at completion of the transaction;
 - (b) the oil shale leases in Utah, USA (the Company has entered into a contract to sell these oil shale leases for US\$4 million and expects the sale to complete before the end of calendar year 2014); and
 - (c) the Queensland coal tenements and farming properties.
- Further detailed information regarding these assets (and the proposed sale of the oil shale leases in Utah, USA) can be found in the Company's annual report.
- The funds raised from the sale of stock in AENA to RCF VI (US\$18 million) will be used, first, to repay a loan of US\$16.5 million advanced by RCF VI to AENA in November 2014 which enabled the Company to repay the convertible notes that were outstanding to KOSPO and KOSEP (Korean Lenders) and, secondly, for ongoing working capital. The Company expects to have about A\$800,000 in working capital following completion of the transaction (not including any funds received on sale of the oil shale leases in Utah, USA).
- Annexure C contains the audited balance sheet of the Company as at 31 December 2013 and a pro forma balance sheet of the Company after the transaction (based on the audited balance sheet as at 31 December 2013) which shows the effect of the buy-back of shares proposed under resolution 3 and the transaction as a whole.
- 16 The transaction will only proceed if resolutions 2 and 3 are approved at the annual general meeting.

Approval under Chapter 2E of the Corporations Act for the disposal of AENA to RCF V and RCF VI

17 Resolution 2 seeks shareholder approval for the transfer of 242,947 shares in AENA to RCF V and 677,053 shares in AENA to RCF VI.

Chapter 2E of the Corporations Act

18 Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit (which includes the transfers of the shares in AENA) to a related party of the Company, unless either:



- (a) the giving of the financial benefit, in this case, the transfer of AENA shares, falls within one of the nominated exemptions in Chapter 2E of the Corporations Act; or
- (b) prior Shareholder approval is obtained for the giving of the financial benefit.
- Section 228(1) of the Corporations Act defines a 'related party' for the purposes of Chapter 2E to include an entity that controls the Company.
- For the purposes of that section, it is the view of the Board that RCF V and RCF VI are potentially related parties of the Company.
- 21 With respect to RCF V, the Board believes that:
 - (a) RCF V's current shareholding in the Company (which amounts to Voting Power of 26.41%);
 - (b) the covenants given by the Company in the RCF Loan Agreement which allows RCF V to appoint two of five directors in the Company;
 - (c) the negative covenants given by the Company (and other members of the Ambre Energy Group) contained in RCF V's security arrangements and the RCF Loan Agreement; and
 - (d) the Company's current financial position and prospects of obtaining funding or an alternative transaction from any party other than RCF V,

means that RCF V may have sufficient practical influence over the Company that it could be concluded, under the broad interpretation in Chapter 2E of the Corporations Act, that it 'controls' the Company.

- Section 228(7) also states that an entity will be a related party of the Company if it 'acts in concert' with another related party of the Company on the understanding that the other related party will receive a benefit if the public company gives the entity a financial benefit. In the current circumstances, the Directors believe that RCF VI could be considered to be 'acting in concert 'with RCF V on the understanding that RCF V will receive a financial benefit under the transaction if the Company gives RCF VI a financial benefit under the transaction. Consequently, the Board believes that RCF VI is potentially also a related party of the Company.
- The proposed transfer of shares in AENA to RCF V and RCF VI constitutes the giving of a financial benefit meaning that, if RCF V and RCF VI are related parties of the Company, prior shareholder approval is required. That approval is sought under resolution 2.

Information about RCF

- Founded in 1998, Resource Capital Funds are private equity funds with mandates to make investments exclusively in the mining sector across a diversified range of mineral commodities and geographic regions. Since inception, Resource Capital Funds have supported approximately 131 mining companies (and several mining-services companies) involving projects located in 43 countries and relating to 29 commodities. RCF is currently investing its sixth fund, Resource Capital Fund VI L.P., with committed capital of US\$2.04 billion. RCF currently manages approximately US\$0.8 billion of assets (as of December 31, 2013) through its three other active private equity funds, Resource Capital Fund V L.P., Resource Capital Fund IV L.P. and Resource Capital Fund III L.P. RCF's committed capital is sourced primarily from US-based institutional investors.
- 25 RCF V currently holds 121,625,000 Ambre Energy Shares (which equates to Voting Power of 26.41% in the Company) and 25,000,000 warrants (exercisable at A\$1.00 per share) to acquire a further 25,000,000 Ambre Energy Shares. In addition:
 - (a) RCF V has lent AENA US\$50 million under the RCF Loan Agreement, and a further US\$5 million under a subsequent bridge loan agreement dated 27 May 2014;
 - (b) after agreeing terms with the Company for the purchase of the common stock of AENA, RCF VI provided AENA with letters of credit totalling US\$40 million which were given to the bond providers, first, as collateral for reclamation bonds totalling US\$66.66 million to enable AENA to acquire the



- remaining 50% interest in the Decker Mine and, secondly, to replace restricted cash of US\$7.5 million provided as collateral for previous reclamation bonds to enable that cash to be released to AENA for additional working capital; and
- (c) RCF VI has lent AENA US\$16.5 million to enable the Company to repay the convertible notes held by the Korean Lenders.
- The amount repayable by AENA for the loan from RCF V can be converted by RCF V into Ambre Energy Shares. At the annual general meeting on 4 December 2013, shareholders approved, under item 7 of section 611 of the Corporations Act, the acquisition of a Relevant Interest in shares by RCF V on conversion of the loan balance which results in RCF V's Voting Power increasing to up to 55%.
- The proposed transfer of shares in AENA to RCF V and RCF VI will not, of itself, change the number of Ambre Energy Shares on issue and therefore will not affect existing Shareholders' interests. However, the associated buy-back (described in paragraphs 38 to 41 below) will cause the Voting Power of all Ambre Energy shareholders (other than RCF V) to increase.

Valuation of the financial benefit

The financial benefit being given to RCF V and RCF VI is all of the Class A common stock of AENA. To value this financial benefit, it is useful to refer to the last independent valuation of the AENA assets conducted by accounting firm BDO as part of an independent expert's report dated 7 November 2013 (IER). The purpose of the report was to inform the directors and shareholders of the Company as to the fairness and reasonableness of the transaction approved by shareholders at the annual general meeting on 4 December 2013. A summary of the AENA assets and liabilities, and the values ascribed to them in the report is shown in the following table:

BDO Valuation Summary of AENA as at 7 November 2013

Business/Asset	Ownership Interest	Low (A\$m)	High (A\$m)
MBTL Project	62%	-	123.25
МРР	100%	134.39	174.72
International Coal Marketing and Trading	100%	50.63	86.38
Decker Mine	50%	15.07	26.77
Black Butte Mine	50%	113.80	113.80
Rosebud and Big Horn Deposits	100%	-	_
Total Assets		313.89	524.92
Less liabilities		114.40	114.40
Net valuation		199.49	410.52

- 29 Since the IER was prepared, certain developments have severely affected the assumptions on which the valuations were made, including:
 - (a) International thermal coal price. From a price of US\$90.55/metric ton on 31 July 2012, the benchmark Newcastle FOB price for 6000 kcal/kg NAR coal has continued to fall as follows:

31 July 2013:

US\$76.75/metric ton

29 July 2014:

US\$70.15/metric ton



This decline reflects what industry analyst firm Wood Mackenzie has described as a substantial oversupply of thermal coal in the seaborne market, despite continued growth in demand and volumes traded. Wood Mackenzie predicts this oversupply will not be rectified until 2019/2020. Further, there is uncertainty as to how much further prices will fall in the meantime, with the Newcastle benchmark having declined still further to US\$63.89 as at 31 October 2014.

This has had a negative impact on the value of virtually all of the AENA assets, but particularly the International Coal Marketing and Trading business, and the MPP whose projected operating costs per ton are significantly higher than the MBTL Project.

A comparison of the reduction in the market capitalisation during the last 3 years of the following listed coal companies is indicative of the impact of the falling coal price on the sector:

Company	Market capitalisation			
	31 Oct 2011	31 Oct 2012	31 Oct 2013	31 Oct 2014
Coalspur Limited	A\$1.05B	A\$558.2M	A\$121.9M	A\$12.2M
Arch Coal, Inc.	US\$3.61B	US\$1.69B	U\$\$895.8M	US\$443.7M
Peabody Energy Corporation	US\$10.90B	US\$7.49B	US\$5.378	US\$2.78B
Cloud Peak Energy, Inc.	US\$1.36B	US\$1.29B	US\$984.7M	US\$693.6M
Bandanna Energy Limited*	A\$310.6M	A\$131.6	A\$100.0M	A\$44.22M

^{*}currently in voluntary administration

(b) Permitting delays. On 18 August 2014, the Oregon Department of State Lands decided to deny a removal/fill permit for the construction of the proposed dock for the MPP at the Port of Morrow, as earlier foreshadowed by the Governor of Oregon. This permit denial is presently the subject of an appeal by AENA, but the uncertainty created by this action together with the delay in the commencement of exports (the IER assumed 1.75 Mt of coal would be exported in 2015) has significantly reduced the valuation of the MPP.

The valuation of the MBTL Project has also been negatively impacted by delays to the timetable for the completion of the Environmental Impact Statements required under both State and Federal laws. The forecast commencement of exports in 2017 (12.5 Mt) now seems highly unlikely.

- (c) US Clean Power Plan. On 2 June 2014, the US Environmental Protection Agency, under President Obama's Climate Action Plan, proposed their Clean Power Plan to reduce carbon emissions from power plants. While the plan has yet to be finalised, it is likely to place additional burdens on coal-fired power plants in the USA, and ultimately reduce demand for thermal coal. This has had a negative impact on the valuations of the Decker Mine and Black Butte Mine.
- (d) Additional Financial Accommodation. In addition to the liabilities noted in the above table, AENA has subsequently incurred further liabilities through various forms of financial accommodation, as follows:
 - letters of credit totalling US\$20 million provided by RCF V to AENA for the purpose of replacing restricted cash held by bond providers as collateral for mine reclamation bonds, thereby allowing an equivalent amount of cash to be released to AENA;
 - (ii) an unsecured advance to AENA of US\$5 million under a US\$10 million bridge loan facility provided by RCF V; and



- (iii) letter of credit for US\$7.5 million provided by RCF VI to AENA for the purpose of replacing restricted cash held by bond providers as collateral for mine reclamation bonds, thereby allowing an equivalent amount of cash to be released to AENA.
- The directors believe that these factors have all contributed to a significant reduction in the net value of AENA from that set out in the IER provided to shareholders in December 2013.
- 31 The consideration being provided by RCF V and RCF VI or otherwise flowing to members of the Ambre Energy Group in exchange for the financial benefit is in some cases difficult to value. The components are:
 - (a) US\$18 million in cash, from RCF VI
 - (b) 121,625,000 Ambre Energy Shares, from RCF V, which have an agreed value of U\$\$6,458,955
 - (c) Issue of 80,000 shares (an 8% economic interest) in the newly created Class B common stock of AENA
 - (d) cancellation of the RCF Warrants, from RCF V
 - (e) forgiveness of all loans from the AENA Group to the Ambre Energy Group
 - (f) release of all guarantee obligations and security granted to RCF V and RCF VI by members of the AEL Group in connection with their respective loan arrangements.
- The directors have considered the value of these components of consideration to the Company. In each directors' opinion (with Ross Bhappu abstaining), the value of these components is equal to or greater than the value of the AENA shares proposed to be transferred to RCF V and RCF VI. The directors have reached this conclusion with reference to the IER prepared in 2013 and taking into account the factors set out in paragraph 29 above.

Directors interests in the outcome of the resolution

No director, other than Ross Bhappu, has an interest in the resolution, other than in their capacity as shareholders on the same basis as all other shareholders. Ross Bhappu is a partner in the Resource Capital Funds group generally and has an interest in the proposed acquisition of AENA.

Directors' recommendation

- All of the Directors, other than Ross Bhappu who abstains from making a recommendation, recommend that all non-associated shareholders (all shareholders other than RCF V, RCF VI and their Associates) vote in favour of the resolution because:
 - (a) Since deferring an initial public offering of the Company's shares on the Australian Securities Exchange planned for mid-2012, the Company has struggled, in the face of a sharply deteriorating thermal coal market, to raise the capital required to fund the operations of AENA, that is, the development of its US port projects, the optimisation of its US coal mining assets, and the implementation generally of its US coal export strategy.
 - (b) During that time, the only source of capital the Company has been able to secure has been from its major shareholder, RCF V. This is the case despite various attempts to raise equity and debt from third parties, and more recently, to raise cash by trying to sell individual assets that are not required for the Company's core business. All of these attempts have ultimately been unsuccessful.
 - (c) As noted in paragraph 29(a) above, thermal coal market conditions have continued to deteriorate as each new cash injection from RCF V has been exhausted.
 - (d) In July 2014, as remaining cash reserves were once again being depleted, RCF V confirmed that it would not be able to provide any further funding to the Company.



- (e) The directors believe that in the current market, the Company will not be able to raise from other parties the additional capital needed to fund the operations of AENA while waiting for market conditions to improve.
- (f) The debts owing to RCF V under its most recent bridge loan and RCF VI in connection with repayment of the Korean Lenders will mature on 31 December 2014 and 28 February 2015 respectively. It is highly unlikely that AENA (or the Company) will be able to refinance or repay these debts on time. IF AENA fails to repay these debts on time, this will trigger a default under AENA's other finance facilities, including the RCF Loan;
- (g) If non-associated shareholders do not vote in favour of the transaction a termination fee of US\$1.5 million plus expenses will be payable to RCFV and RCFVI (collectively) under the terms of the Stock Purchase Agreement;
- (h) The directors believe that the consideration offered by RCF V and RCF VI for the common stock of AENA, that is, the payment of US\$18 million cash by RCF VI, the 121.5 million Ambre Energy Shares held by RCF V, the extinguishment of any guarantee or debt obligations or loan conversion rights to RCF V or RCF VI, and an ongoing free-carry interest in AENA, is not unreasonable in light of the substantial reduction in the value of the AENA assets which the directors believe has taken place, as set out in paragraph 30 above.
- (i) The sale of AENA to RCF V and RCF VI will enable the Company to extinguish all of its debts, but retain an ongoing, carry-free, interest in AENA which cannot be diluted by the issue of any further shares to the RCF V or RCF VI or their affiliates until after a liquidity event has crystallised the Company's right to class A common stock in AENA. The interest in AENA may be diluted by the issue of shares to a third party other than RCF V or RCF VI (or their affiliates).
- This recommendation is based on the information currently available to directors, including that contained in this Explanatory Memorandum.
- Each director, other than Ross Bhappu, as well as certain shareholders or their affiliates, including Jack Savage, Romit Bhattacharya, Craig Bouzarth, Michael van Baarle and David Usasz have provided a letter to the Company indicating that they intend to vote their shares in the Company in favour of resolution 2.

The majority of votes is required to pass resolution 2

Resolution 2 is an ordinary resolution. That is, it must be passed by a simple majority of the votes cast by shareholders entitled to vote on the resolution. All shareholders as of the Record Date, other than RCF V, RCF VI and their Associates, are entitled to vote on this resolution.

Approval for the buy-back of shares held by RCF V in connection with the disposal of AENA to RCF V and RCF VI — resolution 3

Overview of the selective share buy-back

- On 11 November 2014, the Company entered into a Buy-Back Agreement with RCF V under which the Company has, subject to obtaining approval for resolution 3, agreed to buy-back 121,625,000 Ambre Energy Shares (representing a 26.41% stake in the Company) (Buy-Back Shares) from RCF V in exchange for the transfer to RCF V of 242,947 shares in the A class common stock of the Company's subsidiary, AENA.
- The directors consider that the proposed buy-back is in the best interests of the Company and those shareholders entitled to vote on resolution 3 at the annual general meeting.
- If shareholder approval is given under resolution 3 (and resolution 2), at completion of the proposed sale of AENA to RCF V and RCF VI described above, RCF V will be transferred 242,947 shares in the Class A common stock of AENA and the Buy-Back Shares will be cancelled (in accordance with section 257H of the Corporations Act). This will reduce the total number of Ambre Energy Shares from 460,573,009 to 338,948,009.



In addition, the matters set out in paragraph 9 above will also occur as part of the broader transaction proposed with RCF V and RCF VI.

Benefits of the selective buy-back

- The directors consider that the selective buy-back is in the best interests of the Company as a whole and is fair and reasonable to the shareholders (other than RCF V) for the following reasons:
 - (a) the selective buy-back will be funded solely by the transfer of shares in AENA and will not result in a diminution of the cash position of the Company (although the value of the Company's assets will be reduced as set out in the pro forma statement of financial position contained in Annexure C)
 - (b) the directors have valued the shares in AENA at US\$6,458,955 and the directors consider that this represents a fair and reasonable price for the Buy-Back Shares considering the further matters that will occur in connection with the buy-back set out in paragraph 9 above;
 - (c) the selective buy-back (combined with the broader transaction with RCF V and RCF VI) will allow the Company to repay the loan advanced by RCF VI to the Company and used to repay the convertible note debt owing to the Korean Lenders, leaving the Company free of any significant debt obligations; and
 - (d) the selective buy-back will increase each Shareholder's (other than RCF V) percentage holding in the Company.

Legislative requirements

- The buy-back proposed is a selective buy-back. Under section 257A of the Corporations Act, the Company may only buy back its own shares if:
 - (a) the buy-back does not materially prejudice the Company's ability to pay its creditors; and
 - (b) the Company follows the procedures set out in Division 2 of Part 2J.1 of the Corporations Act.
- Section 257D of the Corporations Act requires that the terms of the Buy-Back Agreement be approved by a special resolution passed at a general meeting of the Company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their Associates.
- Accordingly, resolution 3 is a special resolution and neither RCF V nor any of its Associates are permitted to vote on the resolution.
- The directors consider that the proposed selective share buy-back will not materially prejudice the Company's ability to pay its creditors.

Potential disadvantages of the selective share buy-back

The directors consider that the selective share buy-back will not result in any material disadvantage to shareholders. However, in making their decision shareholders should consider that, following the buy-back (and completion of the sale of AENA to RCF V and RCF VI described in this Explanatory Memorandum generally) the Ambre Energy Group's interest in the North American coal assets described in paragraph 11 will be limited to its holding of 80,000 shares of the Class B common stock in AENA (conferring an 8% economic interest). Consequently, the Company's interest will change from a controlling interest to a minority, non-controlling interest in these assets.

What if the selective share buy-back does not proceed?

48 If the selective share buy-back does not proceed, the Buy-Back Shares will not be cancelled and RCF V will continue to hold 26.41% of the fully paid ordinary shares in the Company. In addition, the proposed sale of AENA to RCF V and RCF VI will not proceed and the transactions described in paragraphs 8 to 14 will not occur. In addition, AENA will be required to repay the debt owing to RCF V and a termination fee as described in



paragraphs 34(f) and 34(g) above. If AENA (or the Company) does not repay this debt owing to RCF when due, this will trigger a default under AENA's debt facilities, including the RCF Loan.

Financial implications of the buy-back

The selective share buy-back will reduce the value of the Company's assets in the manner described in the pro forma statement of financial position set out in Annexure C. There will be no impact on the cash position of the Company due to the buy-back. However, funds received from RCF VI in connection with the transfer of shares in the class A common stock of AENA to RCF VI will be used to repay the convertible debt owing to the Korean Lenders, leaving the Company free of any significant debt obligations. The Company also expects to have working capital of approximately A\$800,000 (not including any funds received from the proposed sale of the oil shale leases in Utah, USA) following completion of the transfer of AENA to RCF V and RCF VI (and repayment of the convertible issue debt and costs of the transaction).

Effect on control of the Company

- Following the buy-back (and the transactions connected with the sale of AENA to RCF V and RCF VI described in paragraph 9), RCF V will cease to have any Voting Power in the Company, and all other arrangements that could contribute to practical control will be terminated.
- 51 Following the buy-back the top five shareholders of the Company will be:

Shareholder	Number of shares	% Holding
Ambre Investments Pty Ltd ATF Choros Mining Trust (an entity associated with Edek Choros)	110,168,125	32.50%
Prometheus Energy Company, LLC	23,902,733	7.05%
Ritchie Opportunity 1, LLC	21,258,280	6.27%
Kurraba Investments Pty Ltd	16,000,000	4.72%
Peter Mitchell, Rebecca Mitchell, Peter Mitchell and Deidre Mitchell ATF Mitchell Family Superannuation Fund	14,000,000	4.13%

Following the selective share buy-back the proportionate shareholding of each Shareholder (other than RCF V) will increase by approximately 26.41%. For example a Shareholder with a 1% holding prior to the selective share buy-back would hold 1.26% after completion of the selective share buy-back. The directors believe that, this proportional increase in the holding of each Shareholder will not have a significant impact on the control of the Company.

Summary of the Buy-Back Agreement

53 A summary of the key terms of the selective buy-back are contained in Annexure A.

Taxation considerations

The directors consider that the selective buy-back has no taxation consequences which will materially impact the Company.

Other considerations

- Shareholders other than RCF V will not be eligible to sell into the selective buy-back.
- An off-market selective buy-back is governed by the Corporations Act.
- 57 Pursuant to section 257H of the Corporations Act:



- (a) all rights attaching the Buy-Back Shares were suspended when the Buy-Back Agreement was entered . into. This means that RCF V will be unable to vote or to receive dividends in respect of the Buy-Back Shares from the date of the Buy-Back Agreement;
- (b) the Company is prohibited from disposing of the Buy-Back Shares; and
- (c) the Buy-Back Shares will be cancelled and ASIC will be notified of the cancellation.

Directors' recommendation

- All of the directors, other than Ross Bhappu who abstains from making a recommendation, recommend that all non-associated Shareholders (all shareholders other than RCF V and its Associates) vote in favour of the resolution. This recommendation is based on the information currently available to directors, including that contained in this Explanatory Memorandum.
- Each director, other than Ross Bhappu, as well as certain shareholders or their affiliates, including Jack Savage, Romit Bhattacharya, Craig Bouzarth, Michael van Baarle and David Usasz have provided a letter to the Company indicating that they intend to vote their Ambre Energy Shares in favour of resolution 3.
- 60 The majority of votes is required to pass resolution 3
- Resolution 3 is a special resolution. That is, it must be passed by 75% of the votes cast by shareholders entitled to vote on the resolution. All shareholders as of the Record Date, other than RCF V and its Associates, are entitled to vote on this resolution.



Glossary

In this Notice and Explanatory Memorandum, the following words and expressions have the following meanings:

Term	Definition	
AE Minerals	means AE Minerals Pty Ltd ACN 145 616 833	
AENA	means Ambre Energy North America Inc.	
AENA Group	means AENA and its Subsidiaries (post completion of the buy-back and sale of AENA shares), collectively, as depicted in the diagram in Part B of Annexure B	
Ambre Energy Group	means the Company and its Subsidiaries (post completion of the buy-back and sale of AENA shares), collectively, as depicted in the diagram in Part B of Annexure B.	
Ambre Energy Shares	means fully paid ordinary shares in the Company	
ASIC	means the Australian Securities and Investments Commission	
Associate	has the meaning given in section 12 Corporations Act	
A\$	means Australian dollars	
Board	means the board of directors of Ambre Energy Limited	
Buy-back Agreement	means the agreement between the Company, AE Minerals Pty Ltd, RCF VI and RCF V for the proposed selective buy-back of Ambre Energy Shares by the Company from RCF V which is contained in the Stock Purchase Agreement and summarized in Annexure A.	
CFIUS	means the Committee on Foreign Investment in the United States	
Company or Ambre Energy	means Ambre Energy Limited ACN 114 812 074	
Corporations Act	means the Corporations Act 2001 (Cth)	
KOSEP	means Korea South East Power Co Ltd.	
KOSPO	means Korean Southern Power Co. Ltd.	
Liquidity Event	has the meaning set out in paragraph 8(c).	
RCF V	means Resource Capital Fund V L.P.	
RCF VI	means Resource Capital Fund VI L.P.	
RCF Conversion Rights	means the rights granted to RCF V under the RCF Loan Agreement to convert the RCF Loan into Ambre Energy Shares	
RCF Loan	means the secured loan of US\$50 million to Ambre North America from RCF V under the RCF Loan Agreement	
RCF Loan Agreement	means the amended and restated loan agreement between AENA (as borrower), the Company and certain members of the Ambre Energy Group (as guarantors and security providers) and RCF V (as lender)	
RCF Warrants	means the 25 million warrants held by RCF V	
Record Date	means 7.00pm on 20 December 2014, being the date on which shareholders must be on the Company register to be eligible to vote at the meeting	
Relevant Interest	has the meaning given in the Corporations Act	
Stock Purchase Agreement	means the stock purchase agreement summarised in Annexure A	
Subsidiary	has the meaning given in the Corporations Act	
US	means the United States of America	
US\$	means US dollars	
Voting Power	has the meaning given in the Corporations Act	



Annexure A – resolutions 2 and 3

Summary of the Transaction documents

In this Annexure, the following words and expressions have the following meanings in addition to the definitions set out in the Glossary:

AENA Stock Purchase Agreement/Buy-back Agreement

Parties	Ambre Energy Limited, AE Minerals Pty Ltd, Resource Capital Fund V L.P. and Resource Capital Fund VI L.P.	
Description of transaction	 Under the AENA Stock Purchase Agreement: (a) RCF V will acquire 242,947 shares of the class A common stock of AENA in exchange for the buy-back of 121,625,000 Ambre Energy Shares; and (b) RCF VI will acquire 677,053 shares in the class A common stock of AENA in exchange for US\$18 million (US\$16.5 million of which will be used to repay the debt owing to RCF VI advance to the Company for the purpose of repaying the Korean Lenders) less any amounts advanced to AE Minerals and its affiliates after September 1, 2014. RCF VI has also agreed to credit 50% of AE Minerals legal expenses against such advances, up to US\$350,000. 	
Representations and Warranties	Each of the Company and AE Minerals jointly and severally give representations and warranties as to: (a) their own status; and (b) various matters in relation to AENA and its business. The representations and warranties generally survive the closing of the transaction for a period of two years, with longer periods for certain fundamental representations. Liability for claims in respect of the representations and warranties is generally limited to 25% of the purchase price.	
Representations and Warranties from RCF V and RCF VI	RCF V and RCF VI give representations and warranties regarding their status and authority to enter into the transaction, which are subject to the same time and amount limitations as applicable to the Company's and AE Minerals' representations and warranties.	
Conduct prior to closing	The Company and AE Minerals are required, prior to closing the transaction, to ensure that AENA and its subsidiaries continue to conduct their business in the ordinary course consistent with past practice and use commercially reasonably efforts to maintain and preserve intact the business assets, relationship, prospects and goodwill of AENA and its subsidiaries.	
Non-solicitation	The Company and AE Minerals are restricted from encouraging, soliciting or negotiating any alternative to the proposed transaction, other than if to do so would, in the opinion of senior counsel, result in a breach of the fiduciary obligations of the directors of the Company.	



Conditions Precedent	Closing of the transaction is subject to a number of conditions including:	
	(a) determination that there are no unresolved national security concerns with respect to the transactions with that determination being made by CFIUS;	
	(b) receipt of certain consents, authorisations and approvals from government authorities and other third parties required to complete the transaction;	
	(c) certification from the U.S. Internal Revenue Service that no withholding is required with respect to the payment of the purchase price;	
	(d) the assignment of the KOSEP and KOSPO coal sale and purchase agreements to AENA;	
	(e) passing of resolutions 2 and 3 at the meeting;	
	(f) release of any encumbrance held by the Korean Lenders over the assets of members of the AENA Group or Ambre Energy Group;	
	(g) release of any security interest held by RCF V or RCF VI over members of the Ambre Energy Group; and	
	(h) release of the Company from any obligations under the reclamation bonds posted for U.S. operations.	
Indemnification	The Company and AE Minerals jointly and severally indemnify RCF VI and RCF V and their affiliates against any loss due to:	
	(a) breach of warranty or a breach of the agreement; and	
	(b) the aggregate amount of all losses which can be claimed against the Company and AE Minerals Pty Ltd under the indemnity is capped at 25% of the purchase price.	
Termination Fee	There is a termination fee of US\$1,500,000 in the event that the Company fails to close the transaction for any reason other than a material breach by RCF V or RCF VI, including if the Company fails to close the transaction due to shareholders failing to approve resolutions 2 and 3 at the meeting.	
Governing law	The agreement is governed in accordance with the laws of the State of Colorado, USA.	

Key terms of the AENA Certificate of Incorporation

Authorisation	The amended certificate of incorporation provides that there will be two classes of stock in AENA, class A common stock and class B non-voting common stock. The total number of shares of class A common stock that AENA has authority to issue is 50 million at a par value of US\$0.01 per share. The total number of class B non-voting common stock that the corporation has authority to issue is 4 million shares with a par value of US\$0.01 per share.
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Terms of the Class B Common Stock	The shares in class B common stock are non-voting. They are convertible into shares of Class A Common Stock on a one-to-one basis (subject to adjustment under certain conditions) on the occurrence of an initial public offering or the sale of all or substantially all of the stock or assets of AENA. The shares are entitled to dividends and other distributions made to the holders of the Common Stock out of cash or assets legally available for that purpose on an as converted basis. 80,000 shares of the Class B Common Stock will be held by AE Minerals at completion of the transaction, although it will have rights
	to acquire additional shares under certain conditions as set forth in the Stock Option Agreement described below.

Key terms of the Stockholders Agreement

Parties	The Stockholders Agreement will be entered into by AENA, AE Minerals, RCF V and RCF VI at the closing of the transaction.
Restrictions on Transfer	The agreement restricts the transfer of the stock of AENA without the approval of a majority of the Class A Common Stock and approval of the Board of Directors of AENA. If a stockholder receives an offer for its stock, it must first offer the stock to the other AENA stockholders on the same terms. If the other stockholders elect not to acquire the stock, it can then be sold to the purchaser on the same terms, within a specified time frame.
Drag-along/Tag-along Rights	If 51% or more of the outstanding common stock is to be sold, the selling stockholder can require the other stockholders to participate in the sale and to sell a proportionate amount of their shares on the same terms offered to the selling shareholder. Conversely, if 51% or more of the common stock is being sold by a stockholder, the other stockholders have the right to participate in the sale and to sell a proportionate amount of their shares on the same terms as offered to the selling shareholder.
Term of Agreement	The Stockholders Agreement terminates on the completion of an initial public offering, the closing of a transaction in which the stock of AENA becomes publicly listed, the date on which none of the parties continues to hold shares, or the dissolution of AENA.

Key terms of the RCF VI loan agreement

Summary	The Company and RCF VI entered into a loan agreement on 11 November 2014 whereby RCF VI advanced the funds necessary to pay off the obligations to the Korean power generation companies KOSEP and KOSPO under their convertible notes and obtain a full release of their security interests.				
Interest Rate	The loan bears interest at the rate of 2% per annum.				
Due Date	The due date of the loan is 28 February, 2015. The loan will be repaid at completion of the Stock Purchase Agreement from the purchase price payable by RCF VI to acquire its shares in AENA.				
Security	ty The loan is secured by the shares of AENA and all of its subsidiaries and jo				



venture interests and certain other assets of the AENA Group.

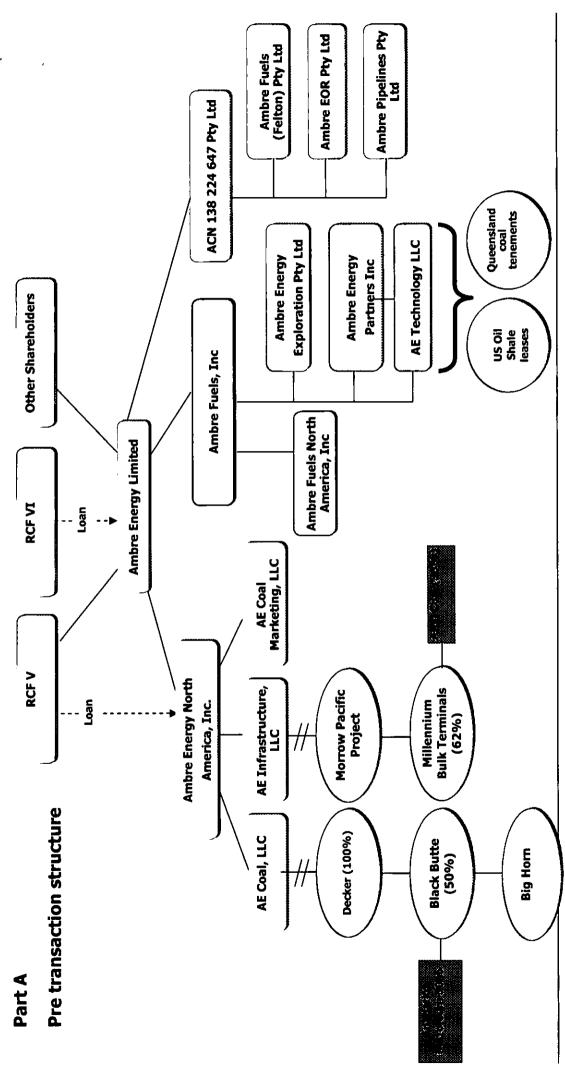
Key Terms of Stock Option Agreement

Right to Acquire Additional Shares	In the event that RCF V or RCF VI acquire additional shares of AENA, the Stock Option Agreement gives AE Minerals the right to acquire additional shares equal to 8% of the total number of new shares issued to RCF V, RCF VI and AE Minerals. If the shares are common stock, AE Minerals will acquire additional shares of Class B Common Stock. If they are any other class or series of AENA stock, AE Minerals will acquire shares of that class or series.		
Exercise Price	The exercise price of the additional shares will equal the par value, which is \$0.01 per share for the Class B Common Stock.		
Termination	The option rights will terminate on an initial public offering or the sale of all or substantially all of the stock or assets of AENA.		
Restrictions on Transfer	The option may not be transferred. Any shares issued on exercise of the option will be subject to the Stockholders Agreement. The shares issued will also be subject to transfer limitations under applicable securities laws.		



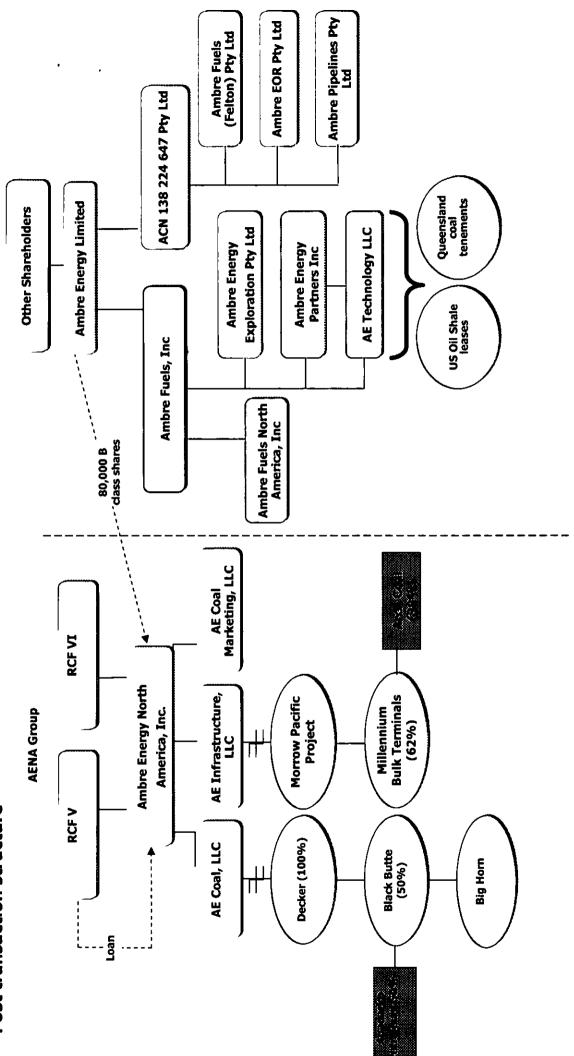
Annexure B – Resolutions 2 and 3

Structure diagrams showing the corporate structure of the Company and its subsidiaries before and after the transaction



ambreenergy 31607209v7 Ambre Energy Group

Post transaction structure



Annexure C - Resolutions 2 and 3

Pro forma statement of financial position

AMBRE ENERGY LIMITED ACN 114 812 074 PRO- FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOLLOWING AENA SALE

	Audited Dec 2013 \$*000	Note	Effect of transactions \$'000	Pro-forma \$'000
				3 • • •
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6,399	1,2	(5,476)	923
Trade and other receivables	1,702	2	(1,598)	104
Other current assets	3,421	2	(3,328)	93
	11,522			1,120
Assets classified as held for sale	1,595	4	4,000	5,595
TOTAL CURRENT ASSETS	13,117			6,715
NON-CURRENT ASSETS				
Investments in joint ventures	40,973	2	(40,973)	-
Other financial assets	•	3	1,957	1,957
Other financial assets	47,211	2	(47,211)	-
Property, plant and equipment	29,031	2	(28,707)	324
Intangible assets	34,541	2	(34,541)	•
Exploration and evaluation assets	4,000	4	(4,000)	-
Other non-current assets	220	2	(60)	160
TOTAL NON-CURRENT ASSETS	155,976			2,441
TOTAL ASSETS	169,093			9,156
CURRENT LIABILITIES				
Trade and other payables	4,653	2	(3,980)	673
Current tax liabilities				-
Employee defined benefit liability		_		•
Provisions	205	2	(205)	-
TOTAL CURRENT LIABILITIES	5,413			813
Employee entitlements	160		-	160
Other financial liabilities	70,213	2	(70,213)	-
Share of net liabilities of joint ventures	33,172	2	(33,172)	-
Provisions	10,190	2	(10,190)	-
TOTAL NON-CURRENT LIABILITIES	113,735			160
TOTAL LIABILITIES	119,148			973
NET ASSETS	49,945			8,183
EQUITY				
Issued capital	205,839	5	(6,459)	199,380
Reserves	25,606		-	25,606
Retained earnings	(217,404)			(216,803)
Parent interest	14,041			8,183
Non-controlling interest	35,904	2	(35,904)	-
TOTAL EQUITY	49,945			8,183
Note 1		\$		
RCF VI purchases 73.59% of common stock of	18,000			
AEL repays convertible notes and accrued inter	(16,603)			
De-consolidation of AENA and subsidiaries bala	(6,213)			
Transaction costs and repayment of advances p	(660)			

Note 2

De-consolidation of AENA and subsidiaries balances at 31 Dec 13

Note 3

AEL's 8% non-voting class B shares in AENA at acquisition date

Note 4

Oil Shale assets available for sale following AENA sale

Note 5

RCF V purchases 26.41% of common stock of AENA by agreeing to cancelling its 26.41% shareholding in AEL

(5,476)