
MARGOSA GRAPHITE LIMITED

ACN 145 267 303

NOTICE OF GENERAL MEETING

TIME: 10:00am (WST)
DATE: 22 May 2020
PLACE: 5/531 Hay Street, Subiaco WA 6008

This Notice of General Meeting is an important document and requires your immediate attention. Please read it carefully. If you are in doubt as to what you should do, please consult your professional adviser.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders of Margosa Graphite Limited, to which this Notice of General Meeting relates, will be held at 10:00am (WST) on Friday 22 May 2020 at 5/531 Hay Street, Subiaco WA 6008.

Due to restrictions on physical meetings as a result of COVID-19, shareholders will not be permitted to attend the General Meeting in person and instead are invited to participate in the Meeting via weblink. Shareholders who wish to attend the General Meeting via weblink must register their attendance with the Company by 10am AWST the day prior to the General Meeting by emailing the Company Secretary at info@margosagraphite.com and including your Holder Name, Address and SRN. The Company will then provide you with the necessary details to participate in the General Meeting via the weblink.

The Company will provide further updates regarding this process through announcements on its website prior to the Meeting.

NO VOTING IN PERSON

Due to the COVID-19 social distancing restrictions, travel restrictions and other requirements imposed by the Federal and State governments, physical attendance at the General Meeting of Shareholders, and hence voting in person, will not be permitted. Attendance will only be available via weblink (and you must register your attendance with the Company as noted above) and voting will only be conducted via proxy. Accordingly, the Company encourages Shareholders to submit their proxy form which accompanies this Notice with the Chair appointed as their proxy.

VOTING BY A CORPORATION

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

VOTING BY PROXY

Each Shareholder is entitled to appoint a proxy and the proxy does not have to be a Shareholder. To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Given eligible shareholders may only vote by proxy (shareholders will not be permitted to vote on a show of hands or poll at the General Meeting), and a person appointed as a proxy, other than the chair, is unable to attend to vote, when a Shareholder appointed someone other than the chair as their proxy, the Company will rely on section 250BC of the Corporations Act.

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Margosa Graphite Limited will be held at 5/531 Hay Street, Subiaco WA 6008 at 10:00am (WST) on 22 May 2020.

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company on 20 May 2020 at 10.00am (WST).

Terms and abbreviations used in this Notice and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

1. RESOLUTION 1 – ISSUE OF PERFORMANCE RIGHTS TO RELATED PARTY - MR JOHN SHACKLETON

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 1,600,000 Performance Rights to Mr John Shackleton (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
- (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not Mr John Shackleton (or his nominee) or any of his associates, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

2. RESOLUTION 2 – ISSUE OF PERFORMANCE RIGHTS TO RELATED PARTY - MR VARUNA NILANJEEWA MALLAWARACHCHI

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 950,000 Performance Rights to Mr Varuna Nilanjeewa Mallawarachchi (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not Mr Varuna Nilanjeewa Mallawarachchi (or his nominee) or any of his associates, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

3. RESOLUTION 3 – ISSUE OF PERFORMANCE RIGHTS TO RELATED PARTY – MR PETER THOMAS CUNNINGHAM

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 950,000 Performance Rights to Mr Peter Thomas Cunningham (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not Mr Peter Thomas Cunningham (or his nominee) or any of his associates, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

4. RESOLUTION 4 – ISSUE OF PERFORMANCE RIGHTS TO RELATED PARTY - MR PETER JAMES VENN

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

“That, for the purposes of section 195(4) and section 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 950,000 Performance Rights to Mr Peter James Venn (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not Mr Peter James Venn (or his nominee) or any of his associates, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 28 April 2020

**BY ORDER OF THE BOARD
KELLY MOORE
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the General Meeting to be held at 5/531 Hay Street, Subiaco WA 6008 at 10.00am (WST) on 22 May 2020.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTIONS 1 TO 4 – ISSUE OF PERFORMANCE RIGHTS TO RELATED PARTIES

1.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 4,450,000 Performance Rights (**Related Party Performance Rights**) to Messrs Shackleton, Mallawarachchi, Cunningham and Venn (**Related Parties**) or their nominees on the terms and conditions set out below and in Schedule 1.

The vesting conditions attaching to the Performance Rights are as follows:

Class of Performance Right	Vesting conditions	Number of Performance Rights to John Shackleton	Number of Performance Rights to each of the other Related Parties
Class A	On or before 30 September 2020 the Company announces or reports to its shareholders the completion of a feasibility study in relation to any resource (as defined by the JORC Code 2012) concluding that Ridee Ganga Vein Graphite Deposit development is commercially viable (Feasibility Study); and; the Board has resolved to proceed with financing activities for the development of the Ridee Ganga Vein Graphite Deposit.	475,000	300,000
Class B	On or before 31 December 2020 the Company announces or reports to its shareholders the receipt and acceptance of the Company or one of its subsidiaries of an offer of unconditional finance, either debt and/or equity, for the commencement of development of primary mine access at the Ridee Ganga Vein Graphite Deposit.	325,000	175,000
Class C	On or before 31 May 2021, the Company announces or reports to its shareholders that the Company or one of its subsidiaries has entered one or more binding agreements with unrelated third parties for the unconditional purchase of a minimum of 5,000 tonnes per annum of graphite produced by the Company at its Ridee Ganga Vein Graphite Deposit	350,000	200,000
Class D	On or before 31 March 2022, the Company announces or reports to its shareholders a new JORC Code 2012 compliant Indicated Mineral Resource Estimate of at least 100,000 tonnes with a minimum grading of 75% TGC outside of the Ridee Ganga Vein Graphite Deposit.	450,000	275,000
	Total	1,600,000	950,000
	Aggregate total (4 Directors)		4,450,000

The full terms of the Performance Rights are set out in Schedule 1.

The purpose of the issue of the Related Party Performance Rights to the Related Parties (or their nominees) is to further motivate and reward their performance as Directors in achieving specified performance milestones within a specified performance period. The Board considers the granting of the Related Party Performance Rights to be a cost-effective reward for the Company to make to appropriately incentivise the continued performance of the Related Parties and is consistent with the strategic goals and targets of the Company.

1.2 Related Party Transactions Generally

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Related Party Performance Rights constitutes giving a financial benefit and Messrs Shackleton, Mallawarachchi, Cunningham and Venn are related parties of the Company by virtue of being Directors.

As each Director has a material personal interest in the proposed issues of Related Party Performance Rights, the Board is unable to form a quorum to determine if any of the exceptions at sections 210 to 216 of the Corporations Act apply to the proposed issues. Accordingly, as noted below, Shareholder approval pursuant to Chapter 2E of the Corporations Act and section 195(4) is sought for the issue of Related Party Performance Rights to the Related Parties.

1.3 Shareholder Approval (Chapter 2E of the Corporations Act)

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided in relation to the proposed grant of Related Party Performance Rights:

- (a) the related parties are Messrs Shackleton, Mallawarachchi, Cunningham and Venn and they are related parties by virtue of being Directors;
- (b) the maximum number of Related Party Performance Rights (being the nature of the financial benefit being provided) to be granted to each of the Related Parties is:
 - (i) 1,600,000 Related Party Performance Rights to Mr Shackleton, being 475,000 Class A Performance Rights, 325,000 Class B Performance Rights, 350,000 Class C Performance Rights and 450,000 Class D Performance Rights;
 - (ii) 950,000 Related Party Performance Rights to Mr Mallawarachchi being 300,000 Class A Performance Rights, 175,000 Class B Performance Rights, 200,000 Class C Performance Rights and 275,000 Class D Performance Rights;
 - (iii) 950,000 Related Party Performance Rights to Mr Cunningham being 300,000 Class A Performance Rights, 175,000 Class B Performance Rights, 200,000 Class C Performance Rights and 275,000 Class D Performance Rights;
 - (iv) 950,000 Related Party Performance Rights to Mr Venn being 300,000 Class A Performance Rights, 175,000 Class B Performance Rights, 200,000 Class C Performance Rights and 275,000 Class D Performance Rights;
- (c) the Related Party Performance Rights will be granted to the Related Parties no later than 3 months after the date of the Meeting and it is anticipated the Related Party Performance Rights will be issued on one date;
- (d) the Related Party Performance Rights will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Related Party Performance Rights are set out in Schedule 1;
- (f) the value of the Related Party Performance Rights and the pricing methodology is set out in Schedule 2;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares
John Shackleton ¹	3,592,355
Peter Venn ²	1,190,298
Peter Cunningham ³	750,000
Varuna Mallawarachchi ⁴	4,422,134

¹ Mr Shackleton's relevant interest comprises an indirect interest in 1,662,643 Shares through Montage Nominees Pty Ltd, 1,792,989 Shares through Noralee Pty Ltd <Shackleton Family a/c>, 749,364 Shares through Mystic Investments Pty Ltd <Kashnet Super Fund a/c>, 800,000 Shares through his spouse and 250,002 Shares through his dependants.

² Mr Venn's relevant interest comprises an indirect interest in 1,020,000 Shares as trustee for the Venn Family Trust and in 170,298 Shares through his spouse.

³ Mr Cunningham's relevant interest comprises an indirect interest in 500,000 Shares through Actdane Pty Ltd <Cunningham Super Fund a/c> and a direct interest in 250,000 Shares.

⁴ Mr Mallawarachchi's relevant interest comprises an indirect interest in 3,647,134 Shares through Venture First Pvt Ltd and 775,000 Shares.

- (h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
John Shackleton	\$50,000	\$50,421
Peter Venn	\$30,000	\$30,000
Peter Cunningham	\$30,000	\$30,000
Varuna Mallawarachchi	\$30,000	\$30,000

- (i) if the Related Party Performance Rights granted to the Related Parties vest, a total of 4,450,000 Shares would be issued. This will increase the number of Shares on issue from 74,491,310 to 78,941,310 (assuming that no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 5.97%, comprising 2.15% by Mr Shackleton and 1.28% by each of Messrs Mallawarachchi, Cunningham and Venn;

- (j) the primary purpose of the grant of the Related Party Performance Rights to the Related Parties is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors;

- (k) Mr Shackleton declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Performance Rights in the Company should Resolution 1 be passed. However, in respect of Resolutions 2, 3 and 4, Mr Shackleton considers the grant of the Related Party Performance Rights to Messrs Mallawarachchi, Cunningham and Venn reasonable in the circumstances and recommends that Shareholders vote in favour of those Resolutions for the following reasons:

- (i) the grant of Related Party Performance Rights to the Related Parties, in particular, the vesting conditions of the Related Party Performance Rights, will align the interests of the Related Parties with those of Shareholders;
- (ii) the grant of the Related Party Performance Rights is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
- (iii) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Performance Rights upon the terms proposed;

- (l) Mr Mallawarachchi declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Performance Rights in the Company should Resolution 2 be passed. However, in respect of Resolutions 1, 3 and 4, Mr Mallawarachchi considers the grant of the Related Party Performance Rights to Messrs Shackleton, Cunningham and Venn reasonable in the circumstances and recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (k);

- (m) Mr Cunningham declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted Related Party Performance Rights in the Company should Resolution 3 be passed. However, in respect of Resolutions 1, 2 and 4, Mr Cunningham considers the grant of the Related Party Performance Rights to Messrs Shackleton, Mallawarachchi and Venn reasonable in the circumstances and recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (k);

- (n) Mr Venn declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution on the basis that he is to be granted

Related Party Performance Rights in the Company should Resolution 4 be passed. However, in respect of Resolutions 1, 2 and 3, Mr Venn considers the grant of the Related Party Performance Rights to Messrs Shackleton, Mallawarachchi and Cunningham reasonable in the circumstances and recommends that Shareholders vote in favour of those Resolutions for the reasons set out in paragraph (k);

- (o) in forming their recommendations, each Director considered the experience of each other Related Party, the current value of Shares, the previous prices at which the Company has issued Shares (and the time that has passed since those issues), the current market practices when determining the number of Related Party Performance Rights to be granted as well as the vesting conditions and expiry date of those Related Party Performance Rights; and
- (p) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 1 to 4.

2. ENQUIRIES

Shareholders are required to contact the Company Secretary on +61 (8) 6460 9243 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

Associated Body Corporate means:

- (a) a related body corporate (as defined in the Corporations Act 2001 (Cth)) of the Company;
- (b) a body corporate which has an entitlement to not less than 20% of the voting shares of the Company; and
- (c) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

Board means the board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day and Boxing Day.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Margosa Graphite Limited (ACN 145 267 303).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the current directors of the Company.

Eligible Participant means:

- (a) a director (whether executive or non-executive) of any Group Company;
- (b) a full or part time employee of any Group Company;
- (c) a casual employee or contractor of a Group Company; or
- (d) a prospective participant, being a person to whom the Offer is made but who can only accept the Offer if an arrangement has been entered into that will result in the person becoming an Eligible Participant under (a), (b) or (c) above,

Explanatory Statement means the explanatory statement to the Notice.

Feasibility Study means is an analysis that takes all a project's relevant factors into account—including economic, technical, legal, and scheduling considerations—to ascertain the likelihood of completing the project successfully.

Group Company means the Company or any Associated Body Corporate.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

Ridee Ganga Vein Graphite Deposit means the Company's current graphite deposit located within EL219.

Performance Rights or **Related Party Performance Rights** means the performance rights to be issued on the terms set out at Schedule 1.

Primary Mine Access is the underground entrance developed for the purpose of transporting men, materials, and equipment underground to extract mineral and transport that mineral to the surface for sale.

Proxy Form means the proxy form accompanying the Notice.

Recognised Securities Exchange means a domestic financial market that have been licensed to operate in Australia by the relevant minister in accordance with Chapter 7 of the Corporations Act.

Redundancy means termination of the employment, office or engagement of a Relevant Person due to economic, technological, structural or other organisational change where:

- (a) no Group Company requires the duties and responsibilities carried out by the Relevant Person to be carried out by anyone; or
- (b) no Group Company requires the position held by the Relevant Person to be held by anyone.

Relevant Person means the holder (or their nominee).

Retirement means where a Relevant Person intends to permanently cease all gainful employment in circumstances where the Relevant Person provides, in good faith, a written statutory declaration to the board of the Company to that effect.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Severe Financial Hardship means that the Relevant Person is unable to provide themselves, their family or other dependents with basic necessities such as food, accommodation and clothing, including as a result of family tragedy, financial misfortune, serious illness, impacts of natural disaster and other serious or difficult circumstances.

Shareholder means a shareholder in the Company.

Total and Permanent Disability means that the Relevant Person has, in the opinion of the board of the Company, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Relevant Person unlikely ever to engage in any occupation with the Company or its Associated Bodies Corporate for which he or she is reasonably qualified by education, training or experience.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

The following is a summary of the key terms and conditions of the Performance Rights that are proposed to be issued by the Margosa Graphite Ltd (ACN 145 267 303) (**Company**):

- (1) (**Vesting Conditions**): Each class of Performance Rights will have the following vesting conditions attached to them:
- (i) **Class A**: on or before 30 September 2020, the Company announces or reports to its shareholders the completion of a Feasibility Study in relation to any resource (as defined by the JORC Code 2012) confirming that Ridee Ganga Vein Graphite Deposit development is commercially viable and the Board has resolved to proceed with financing activities for the development of the Ridee Ganga Vein Graphite Deposit (**Class A Performance Rights**);
 - (ii) **Class B**: on or before 31 December 2020, the Company announces or reports to its shareholders the receipt and acceptance of the Company or one of its subsidiaries of an offer of unconditional finance, either debt and / or equity, for the commencement of development of the primary mine access at the Ridee Ganga Vein Graphite Deposit (**Class B Performance Rights**);
 - (iii) **Class C**: on or before 31 May 2021, the Company announces or reports to its shareholders that the Company or one of its subsidiaries has entered one or more binding agreements with unrelated third parties for the unconditional purchase of a minimum of 5,000 tonnes per annum of graphite produced by the Company at its Ridee Ganga Vein Graphite Deposit (**Class C Performance Rights**); and
 - (iv) **Class D**: on or before 31 March 2022, the Company announces or reports to its shareholders a new JORC Code 2012 compliant Indicated Mineral Resource Estimate of at least 100,000 tonnes with a minimum grading of 75% TGC outside of the Ridee Ganga Vein Graphite Deposit (**Class D Performance Rights**).
- (each a **Vesting Condition**).
- (2) (**Notification to holder**): The Company shall notify the holder in writing when the Vesting Condition has been satisfied.
- (3) (**Lapse of a Performance Right**): A Performance Right will automatically lapse on the respective date set out at paragraph (1), if the respective Vesting Condition attached to the relevant Performance Right has not been satisfied by that date.
- (4) (**Vesting**): Subject to paragraph **Error! Reference source not found.**, Performance Rights, that have not lapsed, shall vest on the later to occur of:
- (i) the date that the Vesting Condition relating to that Performance Right has been satisfied; and
 - (ii) the date that the holder gives a notice to the Company, signed by the holder, confirming that the holder would like the Performance Rights to vest and by providing the Company with:
 - (A) the certificate for the Performance Rights or, if the certificate for the Performance Rights has been lost, mutilated or destroyed, a declaration to that effect, accompanied by an indemnity in favour of the Company against any loss, costs or expenses which might be incurred by the Company as a consequence of its relying on the declaration that the certificate has been lost, mutilated or destroyed; and
 - (B) the number of Performance Rights which are to vest.
- (5) (**Vesting Condition Exceptions**): Notwithstanding paragraph (4), the Board may in its absolute discretion (except in respect of (ii) below where Vesting Conditions are deemed to be automatically waived), by written notice to a holder, resolve to waive any of the Vesting Conditions applying to Performance Rights in the following circumstances:
- (i) any circumstances determined by the board of the Company at any time and notified to the holder which circumstances may relate to the holder;
 - (ii) a Change of Control occurring, as detailed and defined at paragraph (17); or
 - (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company,

- (6) **(Issue/transfer of Shares):** If the items specified in paragraph (4) are satisfied, the Company will, subject to the Corporations Act 2001 (Cth) (**Corporations Act**), the ASX Listing Rules (if the Company is admitted to the official list of the ASX) and any applicable offer:
- (a) within 10 Business Days of satisfaction of paragraph (4), issue or transfer to the holder the Shares credited as being fully paid in respect of which the Performance Rights are vested, together with any additional Shares an entitlement to which has arisen under these terms in consequence of the vesting of the Performance Rights;
 - (b) despatch a share certificate or enter the Shares in the holder's uncertificated holding, as the case may be, upon these terms and conditions and upon such additional terms and conditions as the Board determines; and
 - (c) cancel the certificate delivered pursuant to paragraph (4) and, if any Performance Rights which have not lapsed remain unvested, deliver to the Participant a replacement certificate reflecting the number of those Performance Rights which remain unvested.
- (7) **(Consideration):** The Performance Rights will be issued for nil consideration each and no consideration will be payable upon the vesting of the Performance Rights.
- (8) **(Conversion):** Subject to paragraph (18), upon vesting, each Performance Right will, at the election of the holder, convert into one Share.
- (9) **(Share ranking):** All Shares issued upon the vesting of Performance Rights will upon issue rank pari passu in all respects with other Shares.
- (10) **(Amendment for ASX Compliance):** The board of the Company may, for the purposes of facilitating or seeking admission to the official list of the ASX, amend or add to all or any of the terms or conditions of the Performance Rights that remain on issue at that time such as to preserve the commercial intent of the Performance Rights but to also ensure that they comply with the requirements of the ASX Listing Rules, and any amendment may be given such retrospective effect as is specified in the written instrument or resolution by which the amendment is made.
- (11) **(Application to ASX)** Should the Company be admitted to the official list of the ASX at any time prior to the expiry of the Performance Rights:
- (i) the Performance Rights will not be quoted on ASX; and
 - (ii) the Company must apply for the official quotation of a Share issued on conversion of a Performance Right on ASX within the time period required by the ASX Listing Rules.
- (12) **(Transfer of Performance Rights):** The Performance Rights are only transferable:
- (i) with the prior written consent of the board;
 - (ii) by force of law upon death to the holder's legal personal representative;
 - (iii) or upon bankruptcy to the holder's trustee in bankruptcy.
- With regards to item (i) above, the board will only provide prior written consent where a special circumstance applies, being:
- (i) the Relevant Person ceasing to be an Eligible Participant due to:
 - (i) death or Total or Permanent Disability of the Relevant Person; or
 - (ii) Retirement or Redundancy of the Relevant Person;
 - (iii) the Relevant Person suffering Severe Financial Hardship;
 - (ii) any other circumstance stated to constitute "special circumstances" in the terms of the relevant offer made to and accepted by the Relevant Person; or
 - (iii) any other circumstances determined by the board of the Company at any time (whether before or after the offer) and notified to the Relevant Person which circumstances may relate to the Relevant Person, a class of Relevant Person, including the Relevant Person or particular circumstances.
- (13) **(Participation in new issues)** A Performance Right does not entitle a holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

- (14) **(Reorganisation of capital)** If at any time the issued capital of the Company is reconstructed, all rights of a holder will be changed in a manner consistent with the applicable ASX Listing Rules (if the Company is admitted to the official list of the ASX) and the Corporations Act at the time of reorganisation.
- (15) **(Adjustment for bonus issue)** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares or other securities which must be issued on the conversion of a Performance Right will be increased by the number of Shares or other securities which the holder would have received if the holder had converted the Performance Right before the record date for the bonus issue.
- (16) **(Dividend and Voting Rights):** The Performance Rights do not confer on the holder an entitlement to vote (except as otherwise required by law) or receive dividends.
- (17) **(Change in Control):** Subject to paragraph (18), upon:
- (i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and:
 - (A) having received acceptances for not less than 50.1% of the Company's Shares on issue; and
 - (B) having been declared unconditional by the bidder; or
 - (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,
- (Change of Control)**, then, to the extent Performance Rights have not converted into Shares due to the non-satisfaction of the respective Vesting Condition, the Performance Rights will automatically vest into Shares on a one-for-one basis.
- (18) **(Deferral of conversion if resulting in a prohibited acquisition of Shares):** If the conversion of a Performance Right under paragraphs (4), (5), (7) or (17) would result in any person being in contravention of section 606(1) of the *Corporations Act 2001* (Cth) (**General Prohibition**) then the conversion of that Performance Right shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition:
- (i) holders may give written notification to the Company if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition;
 - (ii) the Company may (but is not obliged to) by written notice to a holder request a holder to provide the written notice referred to in paragraph (18)(i) within seven days if the Company considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.
- (19) **(No rights to return of capital)** A Performance Right does not entitle the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (20) **(Rights on winding up)** A Performance Right does not entitle the holder to participate in the surplus profits or assets of the Company upon winding up.
- (21) **(No other rights)** A Performance Right gives the holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (22) **(Subdivision 83AC-C):** Subdivision 83A-C of the Income Tax Assessment Act 1997 applies to the Performance Right.
- (23) **(Ceasing to be engaged by the Company):** If a holder's services agreement with the Company is terminated, the holder will continue to have legal ownership of all Performance Rights that remain unvested from the date of termination until the date which is 6 months from the date of termination. On the date which is 6 months from the date of termination, any Performance Rights that remain unvested will be forfeited by the holder and cancelled by the Company. For the avoidance of doubt, if any Performance Rights vest during the 6 month period, those Performance Rights will be converted into fully paid ordinary shares on a one-for-one basis.
- (24) **(Blackout Period, Takeover Restrictions and Insider Trading):** If the issue of Shares on vesting of a Performance Right would otherwise fall within a blackout period (being where the holder is prohibited from trading in the Company's securities by the Company's written policies), or breach the insider trading or takeover

provisions of the Corporations Act, the Company may delay the issue of the Shares until 10 Business Days following the expiration, as applicable, of the blackout period or the day on which the insider trading or takeover provisions no longer prevent the issue of the Shares.

- (25) **(ASX Imposed Escrow):** The holders of Performance Rights acknowledge that the Performance Rights and or Shares issued on the vesting of Performance Rights may be subject to ASX imposed escrow if the Company is admitted to ASX and the holder agrees to comply with any escrow restrictions imposed by the ASX Listing Rules.

SCHEDULE 2 – VALUATION OF PERFORMANCE RIGHTS

The Related Party Performance Rights to be issued to the Related Parties pursuant to Resolutions 1 to 4 have been valued by internal management.

Using the valuation methodology below and based on the assumptions set out below, the Related Party Performance Rights were ascribed the following value:

	MR JOHN SHACKLETON	MR VARUNA NILANJEEWA MALLAWARACHCHI	MR PETER THOMAS CUNNINGHAM	MR PETER JAMES VENN
Indicative value of each Related Party's Performance Rights	\$280,000	\$166,250	\$166,250	\$166,250

In respect of the Performance Rights, the value is measured using the valuation of Shares (\$0.35 per share as at 16 Apr 2020 and the probability of the Performance Rights being converted as the vesting conditions.

MR JOHN SHACKLETON	Class A	Class B	Class C	Class D
Underlying Share Value	\$0.35	\$0.35	\$0.35	\$0.35
Exercise Price	Nil	Nil	Nil	Nil
Valuation Date	16 Apr 2020	16 Apr 2020	16 Apr 2020	16 Apr 2020
Vesting Period (months)	5.5	8.6	13.7	23.8
Probability	50%	50%	50%	50%
Number of Performance Rights	475,000	325,000	350,000	450,000
Value per Performance Right	\$0.175	\$0.175	\$0.175	\$0.175
Indicative Value per Performance Right Tranche	\$83,125	\$56,875	\$61,250	\$78,750

MR VARUNA NILANJEEWA MALLAWARACHCHI	Class A	Class B	Class C	Class D
Underlying Share Value	\$0.35	\$0.35	\$0.35	\$0.35
Exercise Price	Nil	Nil	Nil	Nil
Valuation Date	16 Apr 2020	16 Apr 2020	16 Apr 2020	16 Apr 2020
Vesting Period (months)	5.5	8.6	13.7	23.8
Probability	50%	50%	50%	50%
Number of Performance Rights	300,000	175,000	200,000	275,000
Value per Performance Right	\$0.175	\$0.175	\$0.175	\$0.175
Indicative Value per Performance Right Tranche	\$52,500	\$30,625	\$35,000	\$48,125

MR PETER THOMAS CUNNINGHAM	Class A	Class B	Class C	Class D
Underlying Share Value	\$0.35	\$0.35	\$0.35	\$0.35
Exercise Price	Nil	Nil	Nil	Nil
Valuation Date	16 Apr 2020	16 Apr 2020	16 Apr 2020	16 Apr 2020
Vesting Period (months)	5.5	8.6	13.7	23.8
Probability	50%	50%	50%	50%
Number of Performance Rights	300,000	175,000	200,000	275,000
Value per Performance Right	\$0.175	\$0.175	\$0.175	\$0.175
Indicative Value per Performance Right Tranche	\$52,500	\$30,625	\$35,000	\$48,125

MR PETER JAMES VENN	Class A	Class B	Class C	Class D
Underlying Share Value	\$0.35	\$0.35	\$0.35	\$0.35
Exercise Price	Nil	Nil	Nil	Nil
Valuation Date	16 Apr 2020	16 Apr 2020	16 Apr 2020	16 Apr 2020
Vesting Period (months)	5.5	8.6	13.7	23.8
Probability	50%	50%	50%	50%
Number of Performance Rights	300,000	175,000	200,000	275,000
Value per Performance Right	\$0.175	\$0.175	\$0.175	\$0.175
Indicative Value per Performance Right Class	\$52,500	\$30,625	\$35,000	\$48,125

Note: The valuation noted above is not necessarily the price that the Related Party Performance Rights could be traded at and is not automatically the price for taxation purposes.