
MARGOSA GRAPHITE LIMITED

ACN 145 267 303

ADDENDUM TO NOTICE OF GENERAL MEETING

The Company hereby gives notice to shareholders of the Company (**Shareholders**) that, in relation to the Notice of General Meeting dated 12 April 2021 (**Notice of Meeting**) in respect of a general meeting of Shareholders to be held at 2 / 2 Centro Avenue, Subiaco WA 6008 on 6 May 2021 at 11.00am (**Meeting**), certain information in the Notice of Meeting is updated as set out below.

Definitions in the Notice of Meeting have the same meaning in this Addendum unless otherwise updated in this Addendum.

Following the calling of the Meeting, the Board of Directors have reviewed the proposed securities that were proposed to be issued to each of the Directors and the Board has determined not to issue the Related Party Performance Rights to Directors.

The purpose of this Addendum is to update Resolutions 1 – 4 to remove the references to the issues of Related Party Performance Rights, that were originally the subject of Resolutions 1 - 4, and related information in the Notice of Meeting.

For the avoidance of doubt, the Board has resolved to continue with the proposed issues of Shares to Directors subject to Shareholder approval being obtained.

This Addendum is supplemental to the Notice of Meeting and should be read in conjunction with the Notice of Meeting. Apart from the amendments set out below, all Resolution and the Explanatory Statement in the original Notice of Meeting remain unchanged.

Replacement Proxy Form

The Company advises that there has been a change to the Proxy Form previously despatched to Shareholders and the replacement Proxy Form is annexed to this Addendum (**Replacement Proxy Form**).

To ensure clarity of voting instructions by Shareholders on the Resolutions to be considered at the Meeting, Shareholders are advised that:

- (a) If you have already completed and returned the Proxy Form which was annexed to the original Notice and **you wish to change your original vote, you must complete and return the Replacement Proxy Form** annexed to this Addendum.
- (b) If you have already completed and returned the Proxy Form which was annexed to the original Notice and **you do not wish to change your original vote, you do not need to take any action** as the earlier submitted Proxy Form will be accepted by the Company for Resolutions 1-5.
- (c) If you have not yet completed and returned a Proxy Form and you wish to vote on the Resolutions in the Notice as supplemented by the Addendum, please complete and return the Replacement Proxy Form annexed to this Addendum.

For the avoidance of doubt the original Proxy Forms will still be valid in order to vote on all Resolutions.

By this Addendum, the Notice is amended as follows:

(a) Replace Resolutions 1 - 4 with the following:

1. RESOLUTION 1 – ISSUE OF SHARES 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 475,000 Shares to Mr John Shackleton (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

2. RESOLUTION 2 – ISSUE OF SHARES 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 300,000 Shares to Mr Varuna Nilanjeewa Mallawarachchi (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

3. RESOLUTION 3 – ISSUE OF SHARES 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 300,000 Shares to Mr Peter Thomas Cunningham (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

4. RESOLUTION 4 – ISSUE OF SHARES 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 300,000 Shares to Mr Peter James Venn (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

For the avoidance of doubt the Voting Prohibition Statements for each Resolution remain unchanged.

(b) Replace Section 1 of the Explanatory Statement with the following:

1. RESOLUTIONS 1 TO 4 – ISSUE OF SHARES TO RELATED PARTIES

1.1 Background

In May 2020, Shareholders approved the issue of a number of Performance Rights to Messrs Shackleton, Mallawarachchi, Cunningham and Venn (**Related Parties**). The Performance Rights were issued in May 2020.

The Performance Rights issued included two classes, Class A and Class B with vesting conditions to be achieved by 30 September 2020 and 31 December 2020 respectively. The vesting conditions were not met within the time frames and therefore the Class A Performance Rights and Class B Performance Rights have lapsed.

The Board considers that the vesting conditions were not achieved within the initial time frames as a result of COVID-19 delays.

Given the significant amount of work involved in achieving these significant milestones, the Company still wishes to remunerate and reward the Related Parties for the work involved in meeting these significant milestones for the Company.

Accordingly, the Company is proposing, subject to shareholder approval, to issue the following Shares to the Related Parties:

Related Party	Shares
John Shackleton	475,000
Mr Mallawarachchi	300,000
Mr Cunningham	300,000
Mr Venn	300,000
Total	1,375,000

1.2 General

As per above, the Company has agreed, subject to obtaining Shareholder approval, to issue a total of 1,375,000 Shares (**Related Party Shares**) to the Related Parties or their nominees.

The purpose of the issue of the Related Party Shares to the Related Parties (or their nominees) is to further reward their performance as Directors in achieving significant performance milestones and further align the interests of Directors with Shareholders.

The Board considers the issue of the Shares to be a cost-effective reward for the Company to appropriately incentivise the continued performance of the Related Parties and is consistent with the strategic goals and targets of the Company.

1.3 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 Shares 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 the Related Party Shares, the Board has taken the conservative view that it is not in a position 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 Shares to the Related Parties.

1.4 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 issue of the Related Party Shares:

- (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 the Related Party Shares (being the nature of the financial benefit being provided) to be granted to each of the Related Parties is:
 - (i) 475,000 Related Party Shares to Mr Shackleton;
 - (ii) 300,000 Related Party Shares to Mr Mallawarachchi;
 - (iii) 300,000 Related Party Shares to Mr Cunningham;

- (iv) 300,000 Related Party Shares to Mr Venn;
- (c) the Related Party Shares 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 Shares will be issued on one date;
- (d) the Related Party Shares will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the Related Party Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the value of the Related Party Shares and the pricing methodology is set out in Schedule 2;
- (g) the relevant interests of the Related Parties in securities of the Company as at the date of this Notice are set out below:

Related Party	Shares	Performance Rights
John Shackleton ¹	5,254,998	800,000
Peter Venn ²	1,190,298	475,000
Peter Cunningham ³	750,000	475,000
Varuna Mallawarachchi ⁴	4,422,134	475,000

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 (FY21)	Previous Financial Year (FY20)
John Shackleton	\$50,000	\$50,000
Peter Venn	\$30,000	\$30,000
Peter Cunningham	\$30,000	\$30,000
Varuna Mallawarachchi	\$30,000	\$30,000

- (i) assuming all the Related Party Shares are issued a total of 1,375,000 Shares would be issued. This will increase the number of Shares on issue from 81,700,823 to 83,075,823 (assuming that no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 1.68%, comprising 0.58% by Mr Shackleton and 0.36% by each of Messrs Mallawarachchi, Cunningham and Venn;
- (j) the primary purpose of the grant of the Related Party Shares to the Related Parties is 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 issued Related Party Shares 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 Shares 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 Shares to the Related Parties, will align the interests of the Related Parties with those of Shareholders;

- (ii) the grant of the Related Party Shares 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 Shares 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 Shares 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 Shares 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 (l);
 - (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 Shares 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 Shares 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 (l);
 - (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 Shares 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 Shares 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 (l);
 - (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) and the current market practices when determining the number of Related Party Shares to be granted; 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.

(c) The definitions for the following words are deleted from the Glossary:

Eligible Participant

Feasibility Study

Primary Mine Access

Performance Rights or Related Party Performance Rights

Recognised Securities Exchange

Redundancy

Ridee Ganga Vein Graphite Deposit

Retirement

Severe Financial Hardship

Total and Permanent Disability

- (d) Replace Schedule 1 with the following:

SCHEDULE 1 – NOT USED

Not used.

- (e) Replace Schedule 2 with the following:

SCHEDULE 2 – VALUATION OF THE SHARES

The Related Party Shares 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 Shares 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 Shares	\$237,500	\$150,000	\$150,000	\$150,000

In respect of the Shares, the valuation per Share as at 19 March 2021 is \$0.50 per Share.

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

DATED: 28 April 2021

BY ORDER OF THE BOARD

**KELLY MOORE
COMPANY SECRETARY**

Should you wish to discuss the matters in this Addendum please do not hesitate to contact the Company Secretary on +61 (8) 6460 9243.