
MARGOSA GRAPHITE LIMITED

ACN 145 267 303

NOTICE OF GENERAL MEETING

TIME: 11:00am (WST)
DATE: 6 May 2021
PLACE: Unit 2, 2 Centro Avenue, 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 11:00am (WST) on 6 May 2021 at Unit 2, 2 Centro Avenue, Subiaco WA 6008.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

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 Unit 2, 2 Centro Avenue, Subiaco WA 6008 on 6 May 2021.

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 that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company on 4 May 2021 at 11.00am (WST).

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

AGENDA

ORDINARY BUSINESS

1. RESOLUTION 1 – ISSUE OF SHARES AND 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 475,000 Shares and 325,000 Class E 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 SHARES AND 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 300,000 Shares and 175,000 Class E 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 SHARES AND 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 300,000 Shares and 175,000 Class E 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 SHARES AND 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 300,000 Shares and 175,000 Class E 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.

5. RESOLUTION 5 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairperson of the Meeting for identification purposes.”

DATED: 12 APRIL 2021

**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 Unit 2, 2 Centro Avenue, Subiaco WA 6008 at 11.00am (WST) on 6 May 2021.

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 SHARES AND PERFORMANCE RIGHTS 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.

A summary of the Class A Performance Right and Class B Performance Rights and the relevant conditions that were issued to the Related Parties is set out below:

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

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

The vesting condition for Class A was subsequently achieved in December 2020 and the vesting conditions for Class B is expected to occur on or around September 2021.

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 securities to the Related Parties:

Related Party	Shares	Class E Performance Rights that will vest if 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 on or before 30 September 2021.
John Shackleton	475,000	325,000
Mr Mallawarachchi	300,000	175,000
Mr Cunningham	300,000	175,000
Mr Venn	300,000	175,000
Total	1,375,000	850,000

1.2 General

As per above, the Company has agreed, subject to obtaining Shareholder approval, to issue a total of 850,000 Class E Performance Rights (**Related Party Performance Rights**) and 1,375,000 Shares (**Related Party Shares**) to the Related Parties or their nominees

The full terms of the Class E 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 reward their performance as Directors in achieving significant performance milestones.

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 issue of the Shares and 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.

1.3 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 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 the Related Party Shares and Related Party Performance Rights, 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 Performance Rights 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 and the 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 the Related Party Shares and the Related Party Performance Rights (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 and 325,000 Class E Related Party Performance Rights to Mr Shackleton;
 - (ii) 300,000 Related Party Shares and 175,000 Class E Related Party Performance Rights to Mr Mallawarachchi;
 - (iii) 300,000 Related Party Shares and 175,000 Class E Related Party Performance Rights to Mr Cunningham;
 - (iv) 300,000 Related Party Shares and 175,000 Class E Related Party Performance Rights to Mr Venn;
- (c) the Related Party Shares and 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 Shares and Related Party Performance Rights will be issued on one date;
- (d) the Related Party Shares and the Related Party Performance Rights 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 terms and conditions of the Related Party Performance Rights are set out in Schedule 1;
- (g) the value of the Related Party Shares and the Related Party Performance Rights and the pricing methodology is set out in Schedule 2;
- (h) 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.

- (i) 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

- (j) assuming all the Related Party Shares are issued and the Related Party Performance Rights granted to the Related Parties vest, a total of 2,225,000 Shares would be issued. This will increase the number of Shares on issue from 81,700,823 to 83,925,823 (assuming that no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 2.72%, comprising 0.98% by Mr Shackleton and 0.58% by each of Messrs Mallawarachchi, Cunningham and Venn;
- (k) the primary purpose of the grant of the Related Party Shares and 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;
- (l) 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 and the 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 Shares and 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 Shares and the 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 Shares and 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 Shares and the Related Party Performance Rights upon the terms proposed;
- (m) 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 and the 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 Shares and 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 (l);
- (n) 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 and the 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 Shares and 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 (l);
- (o) 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 and the 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 Shares and 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 (l);
- (p) 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 Shares and the Related Party Performance Rights to be granted as well as the vesting conditions and expiry date of those Related Party Performance Rights; and

- (q) 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. RESOLUTION 5 – REPLACEMENT OF CONSTITUTION

2.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of shareholders.

The Constitution, being the rules by which the Company operates, should continue to evolve in line with the regulatory environment in which the Company operates.

Resolution 5 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act.

The Company also confirms that it is proposing to list on the official list of ASX and/or AIM later this year and to facilitate such listing the Company will need a constitution that is compliant with the listing rules of the respective exchange.

Rather than amending the existing Constitution for the multitude of specific revisions that are required for the existing Constitution to comply with the ASX or AIM listing rules, the Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution. The Proposed Constitution contains the necessary provisions to ensure that it is compliant with the Company being listed on ASX and AIM.

A copy of the Proposed Constitution is available for review by Shareholders at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

The Proposed Constitution is broadly consistent with the provisions of the existing constitution. Many of the proposed changes are administrative or minor in nature and expressly providing for statutory rights and listing rule requirements by mirroring these rights and requirements in provisions of the Proposed Constitution. The Directors believe these amendments are not largely material nor will they have any significant impact on Shareholders other than as disclosed. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

2.2 Summary of material proposed changes

Recognised Exchange

The Company's current Constitution is for a public unlisted company and therefore does not contain provisions which are specific to the Company being listed on ASX or AIM or the applicable rules of those exchanges. Therefore, in contemplation of the proposed listing or dual listing of the Company on ASX and/or AIM and to maintain flexibility for the Company, the new Constitution to be adopted contains a number of provisions which have been amended to include references to ASX, AIM and the applicable rules of those exchanges.

Restricted Securities (clause 2.12)

The Proposed Constitution complies with the recent changes to Listing Rule 15.12 which took effect from 1 December 2019. As a result of these changes, ASX will require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will permit the Company to issue restriction notices to holders of restricted securities in the form of the new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act for listed entities such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

Direct Voting (clause 13, specifically clauses 13.35 – 13.40)

The Proposed Constitution includes a new provision which allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing rights to appoint a proxy). Direct voting is a mechanism by which Shareholders can vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a Shareholder are taken to have been cast on the poll as if the Shareholder had cast the votes on the poll at the meeting. In order for direct voting to be available, Directors must elect that votes can be cast via direct vote for all or any resolutions and determine the manner appropriate for the casting of direct votes. If such a determination is made by the Directors, the notice of meeting will include information on the application of direct voting.

Closing date for Director nominations (clause 14.3)

On 19 December 2019, ASX amended Listing Rule 3.13.1 to provide that companies must release an announcement setting out the date of its meeting and the closing date for nominations at least 5 Business Days before the closing date for the receipt of such nominations. The closing date period under clause 14.3 of the Proposed Constitution has been reduced to at least 30 days (previously it was 30 Business Days) to allow the Company to issue the notification just prior to the notice of meeting which will reduce the risk of having to delay Shareholder meetings to comply with the Listing Rule requirement.

Non-Executive Directors' remuneration (clauses 14.7 and 14.8)

Clauses 14.7 and 14.8 of the Proposed Constitution provide that total aggregate remuneration payable to the non-executive Directors will not exceed the sum initially set by the Constitution and subsequently increased by ordinary resolution of Shareholders in a general meeting.

The initial maximum aggregate amount of fees payable to the non-executive Directors will be \$500,000.

The maximum aggregate amount of fees proposed to be paid to non-executive Directors per annum has been determined after reviewing similar companies listed on ASX and the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 5.

3. 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.

AIM means London Stock Exchange's Alternative Investment Market.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

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.

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

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.

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 means where 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.

Proposed Constitution has the meaning as per Section 2.1.

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.

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

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 Class E Performance Rights that are proposed to be issued by the Margosa Graphite Ltd (ACN 145 267 303) (**Company**):

- (1) **(Vesting Condition)**: on or before 30 September 2021, 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 (**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 date set out at paragraph (1), if the Vesting Condition has not been satisfied by that date.
- (4) **(Vesting)**: Subject to paragraph (17), Performance Rights, that have not lapsed, shall vest on the later to occur of:
 - (a) the date that the Vesting Condition has been satisfied; and
 - (b) 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:
 - (i) 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
 - (ii) 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:
 - (a) any circumstances determined by the board of the Company at any time and notified to the holder which circumstances may relate to the holder;
 - (b) a Change of Control occurring, as detailed and defined at paragraph (17); or
 - (c) 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:
- (a) the Performance Rights will not be quoted on ASX; and
 - (b) 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:
- (a) with the prior written consent of the board;
 - (b) by force of law upon death to the holder's legal personal representative;
 - (c) 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:
- (a) 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;
 - (b) any other circumstance stated to constitute "special circumstances" in the terms of the relevant offer made to and accepted by the Relevant Person; or
 - (c) 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:
- (a) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of the Company and:
 - (i) having received acceptances for not less than 50.1% of the Company's Shares on issue; and
 - (ii) having been declared unconditional by the bidder; or

- (b) 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:
- (a) 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;
- (b) 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)(a) 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 THE SHARES AND PERFORMANCE RIGHTS

The Related Party Shares and 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 Shares and 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 Shares and Performance Rights	\$367,500	\$220,000	\$220,000	\$220,00

In respect of the Shares, the valuation per Shares as at 12 April 2021 is \$0.50 per Share.

In respect of the Performance Rights, the value is measured using the valuation of Shares (\$0.40 per share as at 12 April 2021) and the probability of the Performance Rights being converted as the vesting conditions.

MR JOHN SHACKLETON	Shares	Class E Performance Rights
Underlying Share Value	\$0.50	\$0.50
Exercise Price	N/A	Nil
Valuation Date	N/A	12 April 2021
Vesting Period (months)	N/A	6.5
Probability	N/A	80%
Number of Securities	475,000	325,000
Value per Security	\$0.50	\$0.40
Total Value	\$237,500	\$130,000

MR VARUNA NILANJEEWA MALLAWARACHCHI	Shares	Class E Performance Rights
Underlying Share Value	\$0.50	\$0.50
Exercise Price	N/A	Nil
Valuation Date	N/A	12 April 2021
Vesting Period (months)	N/A	6.5
Probability	N/A	80%
Number of Securities	300,000	175,000
Value per Security	\$0.50	\$0.40
Total Value	\$150,000	\$70,000

MR PETER THOMAS CUNNINGHAM	Shares	Class E Performance Rights
Underlying Share Value	\$0.50	\$0.50
Exercise Price	N/A	Nil
Valuation Date	N/A	12 April 2021
Vesting Period (months)	N/A	6.5
Probability	N/A	80%
Number of Securities	300,000	175,000
Value per Security	\$0.50	\$0.40
Total Value	\$150,000	\$70,000

MR PETER JAMES VENN	Shares	Class E Performance Rights
Underlying Share Value	\$0.50	\$0.50
Exercise Price	N/A	Nil
Valuation Date	N/A	12 April 2021
Vesting Period (months)	N/A	6.5
Probability	N/A	80%
Number of Securities	300,000	175,000
Value per Security	\$0.50	\$0.40
Total Value	\$150,000	\$70,000

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