



Viculus Limited  
ACN 074 976 828  
Suite 32, Level 18, 101 Collins Street  
MELBOURNE VIC 3000

21 July 2014

ASX Announcements Office  
Australian Securities Exchange

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**Notice of 2014 Annual General Meeting**

Viculus Limited (ASX: VCL) (**the Company** or **Viculus**) advises that the Company's 2014 Annual General Meeting will be held on Monday, 25 August 2014 at Level 18, 101 Collins Street, Melbourne at 11.00am.

The Notice of Meeting, Explanatory Memorandum and Proxy Form shall shortly be mailed to shareholders. Copies of these documents are also enclosed with this announcement.

**Derek Lo**  
**Director and Company Secretary**  
**Enc.**



Viculus Limited  
ACN 074 976 828  
Suite 31, Level 18, 101 Collins Street  
MELBOURNE VIC 3000

## **VICULUS LIMITED (ACN 074 976 828)**

### **NOTICE OF ANNUAL GENERAL MEETING**

**TIME: 11.00AM (AEST)**

**DATE: 25 August 2014**

**PLACE: Level 18, 101 Collins Street**  
**Melbourne Victoria 3000**

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on (+61 3) 9221 6394

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## A. IMPORTANT INFORMATION

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### **Time and place of meeting**

Notice is given that the meeting of the Shareholders to which this Notice relates will be held at 11am (AEST) on 25 August 2014 at Level 18, 101 Collins Street, Melbourne Victoria 3000.

The attached Explanatory Memorandum is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice.

The Explanatory Memorandum is to be read in conjunction with this Notice.

### **Purpose of Annual General Meeting**

At the Meeting, Shareholders will be able to consider the financial statements of the Company, and vote on shareholder resolutions for an annual general meeting of a listed company.

In addition, the purpose of the Meeting is for the Company's Shareholders to approve:

- the Company making a significant change to the nature and scale of its activities by acquiring Euro Petroleum Ltd (ACN 147 870 362) ('Euro').

Euro is an unlisted public company that wholly owns Lanka Graphite Holdings Pty Ltd (ACN 160 465 583) ('Lanka Graphite AUS'). Lanka Graphite AUS has a contractual right to acquire 70% of the issued share capital of Lanka Graphite Pvt Ltd (No. PV 90062) ('Lanka Graphite SL'), such acquisition to occur contemporaneously with VLC completing the acquisition of Euro and undertaking a relisting. Lanka Graphite SL holds the five (5) exploration licences and four (4) exploration licence applications in Sri Lanka. The acquisition of Euro will see the Company focus its activities on the exploration of graphite on the Tenements, which has not been the focus of the Company's activities to date.

- the issue and allotment of 39,431,350 Shares in the Company to Euro Shareholders as consideration for the acquisition of Euro from the Euro Shareholders and the issue and allotment of 9,750,000 Options to Euro Optionholders upon cancellation of their Options in Euro.
- the proposed issue and allotment of up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5,000,000 under a Prospectus to be issued for the Company's application for readmission in accordance with Listing Rules Chapters 1 and 2.
- the confirmation of the appointment of one (1) new director to the Board of the Company and the re – election of three (3) existing directors;
- the issue and allotment of Options to three (3) directors of the Company and one (1) outgoing director of the Company.
- the Company changing its name to 'Lanka Graphite Limited'.

## **Your Vote is Important**

You are encouraged to attend and vote at the Meeting. If you are unable or do not wish to attend, the Directors urge you to vote by completing and returning the enclosed Proxy Form.

## **Voting Entitlement**

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11am AEST on 21 August 2014.

## **Voting in Person**

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

## **Voting by Proxy**

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 in the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast two or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

## ***Voting by Proxy 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 that appointment does specify the way the proxy is to vote, then the following applies:

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

- (d) if the proxy is not the chair then the proxy need not vote on the poll, but if the proxy does so, the proxy must vote as directed.

***Transfer of non – chair proxy to chair in certain circumstances:***

Section 250BC of the Corporations Act provides that if:

- (a) 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
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
  - (i) if a record of attendance is made for the meeting – the proxy is not recorded as attending the meeting;
  - (ii) 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.

***Undirected Proxies:***

The Chairperson of the Company will vote all undirected proxies in favour of the Resolutions. The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on the Resolutions.

In relation to Resolution 1 the proxy form expressly authorises the chair to exercise the proxy even though the resolutions are connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Any undirected proxies held by any member of the Key Management Personnel or any of their Closely Related Parties (who are not the chair of the meeting) will not be voted on Resolution 1 (Adoption of Remuneration Report). The Remuneration Report identifies the Company's Key Management Personnel for the financial year 30 June 2013. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

A form of proxy accompanies this Notice of Meeting.

**The Company must receive your duly completed Proxy Form by no later than 11am AEST on 21 August 2014. Proxies received after that time or date will be deemed invalid.**

**Defined Terms**

A Glossary of the key terms used throughout this document is contained in Part E of this Document.

**Advice to Shareholders**

Shareholders will be supplied with copies of this Document and the Prospectus. In addition, a copy of the Bidder's Statement and Target's Statement will be able to be downloaded from the Company's ASX Company Information webpage (ASX:VCL) at [www.asx.com.au](http://www.asx.com.au).

If any Shareholder does not receive a copy of the Prospectus, Bidder's Statement or Target's Statement, they should either:

- (a) download a copy of the Prospectus, Bidder's Statement or Target's Statement from the Company's ASX Company Information webpage (ASX:VCL) at [www.asx.com.au](http://www.asx.com.au) ; or
- (b) immediately contact the Company Secretary, being Derek Lo on (03) 9620 0888 from within Australia or on +61 (3) 9620 0888 from outside Australia who will arrange for a copy of the Prospectus, Bidder's Statement or Target's Statement to be sent to that Shareholder, free of charge.

This Document contains important information.

Shareholders are advised to read this Document carefully and in its entirety before the convening of the Meeting and voting upon any Resolution or all Resolutions.

This Document does not take into account the individual investment objectives, financial situation and particular needs or objectives of any individual Shareholder.

### **Questions from Shareholders**

If any Shareholder has any questions regarding this Document or the proposed Transactions, they should:

- (a) consult their independent financial adviser, stockbroker, lawyer or accountant; and/or
- (b) contact the Company Secretary Derek Lo on (03) 9620 0888 from within Australia or on +61 (3) 9620 0888 from outside Australia.

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**B. TRANSACTION TIMETABLE**

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The indicative timeline for the completion of the Bid and the readmission of the Company is as follows:

Heads of Agreement executed and announced	11 February 2014
Notice of General Meeting dispatched to VCL Shareholders	22 July 2014
Bidder's Statement and Target's Statement lodged with ASIC	28 July 2014
Company to release Bidder's Statement to Target and ASX	28 July 2014
Target to release Target's Statement to Company and ASX	28 July 2014
Bidder's Statement and Target's Statement to be sent to Euro Shareholders	31 July 2014
Prospectus lodged with ASIC	4 August 2014
Prospectus released to market	11 August 2014
Company holds General Meeting to approve Transaction	25 August 2014
Prospectus offer closes	1 September 2014
Takeover Bid offer closes	8 September 2014
Readmission of Company to ASX	22 September 2014

Please note that the above timetable is indicative only and subject to change. The Directors of the Company reserve the right to amend the timetable.

Any changes to the above timetable will be released to ASX. In particular, and as is required under the Corporations Act, permission for readmission must be granted no later than 7 days after the end of the Takeover Bid Period. As the Company has no effective control over if and when such permission is granted, the above stated date for the close of the Takeover Bid Period is only an estimate by the Directors and may have to be delayed.

**Responsibility for information**

Subject to the comments below, the information contained in this Document, the Prospectus and the Bidder's Statement (collectively, the Transaction Documents), including financial information and information as to the views and recommendations of the Directors, is the responsibility of the Company and the Directors.

**Foreign Jurisdictions**

The distribution of the Transaction Documents in jurisdictions outside Australia may be restricted by law and persons who come into possession of any of those documents should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. None of the Transaction Documents constitutes an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.



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## C. AGENDA OF THE MEETING

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### A. ORDINARY BUSINESS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

### B. RESOLUTIONS

#### 1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

***“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s annual financial report for the financial year ended 30 June 2013.”***

**Voting Exclusion Statement:** A vote in respect of Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons (the ‘voter’):

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, the voter may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described in paragraphs (a) or (b) and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or
- (d) the voter is the chair of the meeting and the appointment of the chair as proxy:
  - i. does not specify the way the proxy is to vote on the resolution; and
  - ii. expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the entity.

#### 2. RESOLUTION 2 – CHANGE OF AUDITOR OF THE COMPANY

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

***“That, subject to the resignation of the current auditor of the Company, pursuant to section 327B(1) of the Corporations Act, BDO East Coast Partnership, being qualified and having consented to act under section 328A of the Corporations Act, be appointed as auditors of the Company with effect from the passing of this Resolution.”***

#### 3. RESOLUTION 3 - CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

***“That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purposes of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a change in the nature and scale of its activities, in the manner described in the Explanatory Memorandum.”***

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue or might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**4. RESOLUTION 4 – ISSUE OF SHARES TO EURO SHAREHOLDERS AS CONSIDERATION FOR COMPLETION OF THE TAKEOVER BID**

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

***“That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purposes of ASX Listing Rule 7.1 and all other purposes, approval is given for the Company to allot and issue 39,431,350 Consideration Shares to the Euro Shareholders for the purposes and on the terms set out in the Explanatory Memorandum.”***

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue or might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**5. RESOLUTION 5 – ISSUE OF OPTIONS TO EURO OPTIONHOLDERS AS CONSIDERATION FOR COMPLETION OF THE TAKEOVER BID**

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

***“That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purposes of ASX Listing Rule 7.1 and all other purposes, approval is given for the Company to allot and issue 9,750,000 Consideration Options to the Euro Optionholders for the purposes and on the terms set out in the Explanatory Memorandum.”***

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue or might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **6. RESOLUTION 6 – CAPITAL RAISING**

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

***“That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 25,000,000 Shares at an issue price of not less than \$0.20 per Share on the terms and conditions set out in the Explanatory Memorandum.”***

**Voting Exclusion Statement:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue or might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any of their associates. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **7. RESOLUTION 7 – CHANGE OF COMPANY NAME**

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

***“That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and***

***the Takeover Offer becoming unconditional and completing, for the purposes of Section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to “Lanka Graphite Limited”.***

**8. RESOLUTION 8 – RE-ELECTION OF DIRECTOR – EMILY D’CRUZ**

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

***“That, for the purpose of 8.1(e)(1) of the Constitution and for all other purposes, Mrs Emily D’Cruz, a Director who was appointed on 11 June 2013, retires, and being eligible and having consented to act, be re-elected as a Director of the Company.”***

**9. RESOLUTION 9 – RE-ELECTION OF DIRECTOR – DR ALEX COWIE**

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

***“That, for the purposes of 8.1(e)(1) of the Constitution and for all other purposes, Dr Alex Cowie, a Director who was appointed on 23 May 2014, retires, and being eligible and having consented to act, be re-elected as a Director of the Company.”***

**10. RESOLUTION 10 – RE-ELECTION OF DIRECTOR – MS ALISON COUTTS**

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

***“That, for the purposes of 8.1(e)(1) of the Constitution and for all other purposes, Ms Alison Coutts, a Director who was appointed on 23 May 2014, retires, and being eligible and having consented to act, be re-elected as a Director of the Company.”***

**11. RESOLUTION 11 – APPOINTMENT OF DIRECTOR – JITTO ARULAMPALAM**

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

***“That, subject to the passing of all of the Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purpose of 8.1(c) of the Constitution and for all other purposes, Mr Jitto Arulampalam, being eligible and having consented to act, be elected as a Director of the Company on and from the date of successful completion of the Takeover Offer.”***

**12. RESOLUTION 12 – ISSUE OF OPTIONS TO EMILY D’CRUZ**

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

***“That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purposes of ASX***

***Listing Rule 10.11, Chapter 2E of the Corporations Act and all other purposes, approval is given for the Company to allot and issue 4,000,000 Director's Options to e Emily D'Cruz for the purposes and on the terms set out in the Explanatory Memorandum."***

**Voting Exclusion Statement:** The Company will disregard any votes cast in relation to this resolution by or on behalf of any person who may receive Director's Options under this resolution, namely Emily D'Cruz, and any associates of Emily D'Cruz. However, the Company need not disregard a vote cast on Resolution 12 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**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.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) 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.

### **13. RESOLUTION 13 – ISSUE OF OPTIONS TO ALISON COUTTS**

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

***"That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and all other purposes, approval is given for the Company to allot and issue 500,000 Director's Options to Alison Coutts for the purposes and on the terms set out in the Explanatory Memorandum."***

**Voting Exclusion Statement:** The Company will disregard any votes cast in relation to this resolution by or on behalf of any person who may receive Director's Options under this resolution, namely Alison Coutts, and any associates of Alison Coutts. However, the Company need not disregard a vote cast on Resolution 13 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**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:
  - (iii) a member of the Key Management Personnel; or
  - (iv) 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.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) 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.

#### 14. RESOLUTION 14 – ISSUE OF OPTIONS TO DR. ALEX COWIE

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

***“That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and all other purposes, approval is given for the Company to allot and issue 500,000 Director’s Options to Dr. Alex Cowie for the purposes and on the terms set out in the Explanatory Memorandum.”***

**Voting Exclusion Statement:** The Company will disregard any votes cast in relation to this resolution by or on behalf of any person who may receive Director’s Options under this resolution, namely Dr. Alex Cowie, and any associates of Dr. Alex Cowie. However, the Company need not disregard a vote cast on Resolution 14 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**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:
  - (v) a member of the Key Management Personnel; or
  - (vi) 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.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) 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.

**15. RESOLUTION 15 – ISSUE OF OPTIONS TO DEREK LO**

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

***“That, subject to the passing of all Transaction Resolutions, the Company acquiring a relevant interest in at least 80% of Euro Shares on issue under the Takeover Offer and the Takeover Offer becoming unconditional and completing, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and all other purposes, approval is given for the Company to allot and issue 500,000 Director’s Options to Derek Lo for the purposes and on the terms set out in the Explanatory Memorandum.”***

**Voting Exclusion Statement:** The Company will disregard any votes cast in relation to this resolution by or on behalf of any person who may receive Director’s Options under this resolution, namely Derek Lo, and any associates of Derek Lo. However, the Company need not disregard a vote cast on Resolution 15 if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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

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

However, the above prohibition does not apply if:

- (g) the proxy is the Chair; and
- (h) 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: 15 July 2014**

**BY ORDER OF THE BOARD**

**DEREK LO  
COMPANY SECRETARY  
VICULUS LIMITED**

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**D. EXPLANATORY MEMORANDUM**

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This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

**A. ORDINARY BUSINESS – FINANCIAL STATEMENTS AND REPORTS**

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company's annual report in the company announcement section at <http://www.asx.com.au> (ASX:VCL).

Shareholders will be given a reasonable opportunity to ask the Auditor for the Company questions relevant to the content of the Auditor's report, conduct of the audit, accounting policies adopted by the Company in relation to the preparation of financial statements and the independence of the Auditor in relation to the conduct of the audit. Shareholders are requested to submit written questions to the Company's Auditor no later than 5 business days prior to the date of the Annual General Meeting.

**B. RESOLUTIONS**

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**1. INFORMATION RELATING TO RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

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The *Corporations Act 2001* (Cth) requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2013.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution ('a "Spill Resolution") that an extraordinary general meeting ("Spill Meeting") be held within 90 days at which all of the Directors (other than the Managing Director) must go up for re-election. All of the Directors of the Company



who were in office when the directors report (as included in the annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director, cease to hold office immediately before the end of the Spill Meeting but may stand for re – election at the Spill Meeting. A Spill Resolution will not be required at this Annual General Meeting as the votes cast against the Remuneration Report considered at the Company's previous annual general meeting were less than 25%.

The Company encourages all Shareholders to cast their votes on Resolution 1 (Remuneration Report).

The Corporations Act sets out restrictions on voting on a Remuneration Report resolution by any member of the Key Management Personnel of the Company or a Closely Related Party of that member. Key Management Personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's Key Management Personnel for the financial year to 30 June 2013. Their Closely Related Parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 1 (Remuneration Report) by marking either "For", "Against" or "Abstain" on the Proxy Form for Resolution 1.

If you appoint a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or a Closely Related Party of that member as your proxy, and you do not direct that person on how to vote on this Resolution 1, the proxy cannot exercise your vote and your vote will not be counted in relation to this Resolution 1.

The Chairman intends to vote all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the proxy form you are giving express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

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## 2. INFORMATION RELATING TO RESOLUTION 2 – CHANGE OF AUDITOR OF THE COMPANY

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The Directors of the Company put the audit of the Company to tender and invited a number of firms to tender for the audit of the Company.

Following the completion of the tender process and the nomination of **BDO East Coast Partnership** by a member of the Company, Resolution 2 seeks shareholder approval to appoint **BDO East Coast Partnership** as replacement auditors for the Company with effect from the passing of Resolution 2.

**BDO East Coast Partnership** are a registered company auditor and have significant previous experience in conducting audits of publicly listed companies. The Board of Directors believes that the appointment of **BDO East Coast Partnership** is in the best interests of the Company and its shareholders as they have strong experience as company auditors for mining exploration companies and **BDO** has an international network that includes a Sri Lankan branch. Given that the Company's activities will be primarily focused in Sri Lanka, it is considered in the best interests of the Company to appoint an audit firm with a presence in that jurisdiction.

Section 328B(1) of the Corporations Act provides that a company may appoint an individual, firm or company as auditor of the company at its Annual General Meeting only if a member of the company gives the company written notice of the nomination of the individual, firm or company for appointment as auditor before the meeting was convened or not less than 21 days before the meeting.

A copy of the notice of nomination of **BDO East Coast Partnership** received by the Company from Bernard Newport, a member of the company, is attached as Annexure A.

Section 328A of the Corporations Act provides that a company must not appoint an individual, firm or company as auditor of the company unless that individual, firm or company has consented, before the appointment, to act as auditor and has not withdrawn that consent before the appointment is made.

**BDO East Coast Partnership** has consented to the appointment as auditor pursuant to section 328A of the Corporations Act in the event Resolution 2 is approved by shareholders at the Annual General Meeting.

Section 329(5) of the Corporations Act provides that an auditor of a company may, by notice in writing given to the company, resign as auditor of the company if the auditor has, by notice in writing given to ASIC, applied for consent to the resignation and stated the reasons for the application and, at or about the same time as the notice was given to ASIC, notified the company in writing of the application to ASIC and the consent of ASIC has been given.

The Directors understand that the Company's current auditors, John Wheller, will give notice to ASIC of their intention to resign as auditor pursuant to section 329(5) of the *Corporations Act 2001*, and upon receipt of the consent of ASIC will resign as auditor of the Company.

This Resolution 2 is conditional upon ASIC's consent to the resignation of John Wheller as auditor of the Company. If ASIC does not consent to the resignation by the date of the Meeting, this Resolution 2 will not be proposed at the Meeting.

The Directors of the Company unanimously recommend that shareholders vote in favour of appointing **BDO East Coast Partnership** as the Company's Auditors.

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### **3. INFORMATION RELATING TO RESOLUTION 3 – CHANGE TO NATURE AND SCALE OF ACTIVITIES**

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#### **3.1. Background**

Viculus Limited (**Viculus** or the **Company**) is a public company listed on the official list of the ASX (ASX: VCL) which currently holds no assets. However, the Company has actively been seeking to identify and evaluate potential investment opportunities for the Company.

As announced on ASX on 11 February 2014, the Company has entered into a Heads of Agreement with Euro Petroleum Ltd (ACN 147 870 362) (**Euro**). Under the terms of the Heads of Agreement, the Company has agreed to make an off-market takeover bid for all of the issued shares in Euro (**Takeover Bid**).

Euro proposes to recommend the off-market Takeover Bid to Euro Shareholders in respect of the Euro Shares and Euro Options and Euro has agreed to cooperate with the Company to facilitate the Takeover Bid.

Euro wholly owns Lanka Graphite AUS, which has a contractual right to acquire 70% of the issued share capital of Lanka Graphite SL.

Lanka Graphite SL is the holder of the following five (5) exploration licences over tenements located in Sri Lanka (**Tenements**), which may be prospective for graphite.

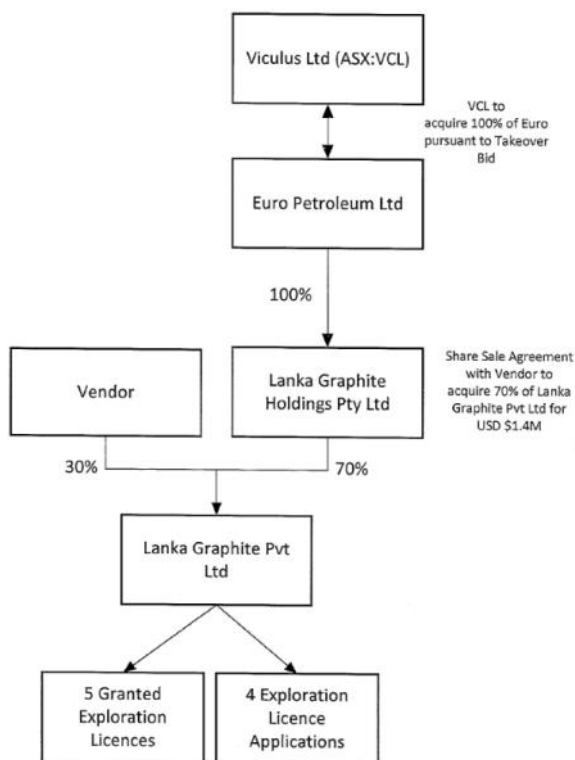
<b>Tenements</b>	<b>Exploration Licence particulars</b>
Alutugama	EL266
Matugama	EL267
Morawaka and Rakwana	EL268
Kegalle	EL236
Kalutra	EL237

Lanka Graphite SL has also made the following four (4) applications for exploration licences.

<b>Tenements</b>	<b>Exploration Licence Application particulars</b>
Ratnapura	EL/2013/952
Hanguranketa	EL/2013/953
Matara	COM/EL/011
Matugama	COM/EL/012

As the Company does not have a history of resources exploration, Resolution 3 seeks approval from Shareholders for a change in the nature and scale of activities of the Company to include graphite exploration.

### 3.2. Corporate Structure Diagram



The final acquisition structure may vary if required for the purposes of Sri Lanka Board of Investments approval but any such variation will not impact Euro acquiring an underlying equity interest of 70% of Lanka Graphite SL.

### 3.3. ASX Listing Rule 11.1

Resolution 3 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company. The proposed Takeover Bid constitutes a significant change in the nature and scale of the Company’s activities to graphite exploration and consequently requires Shareholder approval pursuant to ASX Listing Rule 11.1.

Assuming Shareholders approve Resolution 3, the Company must comply with Chapters 1 and 2 of the ASX Listing Rules.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of Shareholders and must comply with any requirements of ASX in relation to the notice of meeting.

For this reason, the Company is seeking Shareholder approval to make a significant change to the nature and scale of its activities under ASX Listing Rule 11.1. Assuming Shareholders approve Resolution 3, ASX also requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3.

The Company will be preparing a prospectus, as required by the ASX Listing Rules, to provide information about the Company, the Takeover Bid, the Capital Raising and the Tenements, and this

will be lodged at ASIC before the Meeting as set out in the Transaction Timetable set out at the front of this Notice.

If Resolution 3 is passed, the Company will have obtained, in compliance with Listing Rule 11.1.2, Shareholder approval to the change in the nature and scale of its activities to the extent described in this Explanatory Memorandum.

If Resolution 3 is not passed, the Company will not be permitted to change the nature and scale of its activities and the Takeover Bid will not proceed.

The passing of Resolution 3 is conditional upon, and subject to, all Transaction Resolutions being passed by Shareholders. Therefore, if you wish to vote in favour of Resolution 3, you should vote in favour of all Resolutions.

### **3.4. Purpose of the Takeover Bid and Capital Raising**

The purpose of the Takeover Bid and Capital Raising is to enable the Company take ownership of the Tenements and to focus its activities on the exploration of graphite at the Tenements, which has not been the focus of the Company's activities to date.

The completion of the Takeover Bid and Capital Raising will result in various advantages and disadvantages to the Company which Shareholders should consider prior to exercising their vote.

### **3.5. Overview of the proposed Takeover Bid**

It is proposed that:

- (a) the Company make an "off" market takeover bid for all of the Euro Shares (**Takeover Bid**) subject to conditions that will include the Company receiving acceptances in respect of no less than 80% (by number) of all the Euro Shares (**Minimum Acceptance Condition**). In addition, the Company will issue one (1) Option for every Euro Option held by Euro Optionholders and cancelled in connection with the Takeover Bid.
- (b) the Company issuing approximately 39,431,350 Consideration Shares and 9,750,000 Consideration Options as the consideration offered by the Company in the Takeover Bid to Euro Securityholders as follows:
  - (i) the allotment and issue to the Euro Shareholders of one (1) ordinary share in the Company for every one (1) share held in Euro; and
  - (ii) the allotment and issue to the Euro Optionholders of one (1) Option in the Company for every one (1) option held in Euro and cancelled in connection with the Takeover Bid.
- (c) during the course of the Takeover Bid, the Company will also use its best endeavours to raise new capital of up to a minimum of \$3,000,000 and a maximum of \$5,000,000 (**Offer**) through the issue of a minimum of 15,000,000 and a maximum of 25,000,000 Shares (**Offer Shares**) at an issue price of \$0.20 per Offer Share. The issue of the Offer Shares under the Takeover Bid will be conditional upon:
  - (i) The Company obtaining at least 80% of all issued share capital in Euro pursuant to the Takeover Bid and the Takeover Bid subsequently reaching Completion;

- (ii) the shares in Euro being transferred free of all encumbrances;
- (iii) the existing Options on issue being cancelled (in consideration for the issuance of Options to such Euro Option holders);
- (iv) shareholder approval from the Company's Shareholders for the change in nature and scale of activities being obtained;
- (v) the Company satisfactorily complying with the readmission requirements of Chapters 1 & 2 of the ASX Listing Rules and being granted approval to re list on the ASX;
- (vi) the obtaining of any necessary shareholder approvals, under or in connection with the terms of the Heads of Agreement or the Bidder's Statement or Target's Statement, pursuant to the ASX Listing Rules, the Corporations Act 2001 and any other regulatory approvals;
- (vii) completion by Lanka Graphite AUS of the acquisition of 70% of Lanka Graphite SL contemporaneously with Completion of the Takeover Bid;
- (viii) full discharge and release of all security interests granted by the Company over the Companies assets and/or undertaking so that the Company is not subject to any registered or unregistered charges, security interests or other encumbrances; and
- (ix) subject to the completion of the Takeover Bid and Offer, the Company proposes to seek to change its name to "Lanka Graphite Limited."

### **3.6. Material terms of the Takeover Bid**

The material terms of the Takeover Bid are as follows:

- (a) the Takeover Bid is conditional upon (amongst other things) the Company obtaining all necessary regulatory and Shareholder approvals required to complete the Takeover Bid, including approval of its Shareholders for:
  - (i) a change to the nature and scale of the Company's activities in accordance with ASX Listing Rule 11.1.2; and
  - (ii) issuance and allotment of the Consideration Shares in the Company to Euro Shareholders;
  - (iii) issuance and allotment of the Consideration Options in the Company to Euro Optionholders;
  - (iv) the proposed issue and allotment of up to 25,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$5 million under a Prospectus to be issued for the Company's application for readmission in accordance with Listing Rules Chapters 1 and 2.
  - (v) the appointment of one (1) new director to the Board of the Company; and
  - (vi) the Company changing its name to "Lanka Graphite Limited".

- (b) The consideration to be provided by the Company on completion of the Takeover Bid comprises the Consideration Securities, being:
- (i) **(Consideration Shares)** 39,431,350 ordinary fully paid Shares;
  - (ii) **(Consideration Options)** 9,750,000 unlisted Options to acquire Shares in the Company, exercisable at \$0.30 within 2 years of allotment. Each Option entitles the holder to subscribe for 1 Share.
- (c) Following completion of the Takeover Bid and Re-Admission, the Company will have the exclusive right to conduct exploration for graphite at the Tenements.
- (d) Euro will have the right to nominate 1 director to be appointed to the board of the Company, with the remaining 3 positions to be filled by current members of the Company's board (or other nominees of the Company).

### 3.7. Capital Structure

Following the completion of the Takeover Bid and Capital Raising, and assuming approval of the issue and allotment of the Director Options pursuant to Resolutions 12 to 15, the Company's capital structure will be as follows.

	<b>Minimum Subscription under Offer</b>	<b>Maximum Subscription under Offer</b>
Current Issued Share Capital	10,173,860	10,173,860
Total number of Consideration Shares to be issued to Euro Shareholders assuming 100% acceptance of the Takeover Bid.	39,431,350	39,431,350
Total number of Offer shares issued under the Offer	15,000,000	25,000,000
<b>Total number of Shares on issue on completion of the Takeover Bid and Offer</b>	<b>64,605,210</b>	<b>74,605,210</b>
Current Options on Issue	0	0
Director Options	5,500,000	5,500,000
Total number of Consideration Options to be issued to Euro Optionholders assuming 100% acceptance of the Takeover Bid.	9,750,000	9,750,000
<b>Total number of Options on issue on completion of the Takeover Bid and Offer</b>	<b>15,250,000</b>	<b>15,250,000</b>
<b>Total number of securities on issue upon completion of the Takeover Bid and Offer</b>	<b>79,855,210</b>	<b>89,855,210</b>

### **3.8. Advantages of the completion of the Takeover Bid and Capital Raising**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision as to how they may vote on the Resolutions:

- (a) the Company currently holds no assets and therefore is not generating any value for the Company's Shareholders;
- (b) the completion of the Takeover Bid and Capital Raising represents a significant investment opportunity for the Company to transition the focus of its activities to graphite exploration;
- (c) the new Directors being appointed to the Board of the Company in connection with the Takeover Bid and Capital Raising (as per Resolutions) will add valuable experience and skills which can help the Company to grow and develop;
- (d) the acquisition of potentially valuable mineral projects provides the Company with an opportunity, upon a successful exploration program being achieved, to substantially increase the value of the Company; and
- (e) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Takeover Bid and Capital Raising.

### **3.9. Disadvantages of the completion of the Takeover Bid and Capital Raising**

The following is a non – exhaustive list of potential disadvantages of the completion of the Takeover Bid and Capital Raising that may be relevant to a Shareholder's decision as to how they may vote on the Resolutions:

- (a) the Company's change of activities to become an exploration company may not be consistent with the objectives of all Shareholders;
- (b) the issue of the Consideration Securities will have the effect of diluting an existing Shareholder's holding in the Company;
- (c) the Company will be required to invest a significant amount of funds toward the exploration activities on the Tenements, and to meet the relevant holding costs for the Tenements including rents and expenditure requirements;
- (d) there are risks associated with completion of the Takeover Bid and Capital Raising (as set out in Section 3.14 below) and risks in carrying out many exploration activities.

### **3.10. Suspension and readmission of the Company to ASX**

If the Transaction Resolutions are passed at the Meeting, the Company will apply to ASX for the Company to be readmitted to the Official List and for the termination of their suspension. Assuming that all the Transaction Resolutions are passed at the Meeting, Readmission will only occur when and if ASX has accepted that certain conditions set out in Chapters 1 and 2 of the Listing Rules have been satisfied, including:

- (a) The Company having at least:



- (i) 400 Shareholders each holding a parcel of the main class of securities with a value of at least \$2,000 (excluding restricted securities); or
  - (ii) 350 holders each holding a parcel of the main class of securities with a value of at least \$2,000 (excluding restricted securities), with at least 25% of the securities in the main class being held by non-related security holders (excluding restricted securities held by the non-related security holders); or
  - (iii) 300 holders each holding a parcel of the main class of securities with a value of at least \$2,000 (excluding restricted securities) with at least 50% of the securities in the main class being held by non-related security holders (excluding restricted securities held by the non-related security holders).
- (b) the value of the Shares being at least \$0.20 per Share, at the time upon which the termination of the suspension of the trading of the Shares occurs;
- (c) the provision to the ASX of audited or reviewed accounts of the Company for the last 3 financial years; and
- (d) the Company having either net tangible assets of \$3,000,000 or market capitalisation of at least \$10,000,000, and working capital of at least \$1,500,000.

If any or all of the Transaction Resolutions are not passed at the Meeting, it is expected that the Company will continue in its present form– and without completing the Takeover Bid or the Capital Raising, and hence without issuing any of the Consideration Securities or Offer Shares as it will no longer be required to satisfy any of the requirements of either Chapter 1 or Chapter 2 of the Listing Rules.

### **3.11. Overview of Tenements**

Lanka Graphite SL holds title to five (5) exploration licences in the Western Province of Sri Lanka. Following completion of the Takeover Bid, the Company will be entitled to the graphite mineralization in the Tenements.

Mining of graphite in Sri Lanka has a long history, dating back to the early 1800s. Many of the Tenements have old adits or shafts located on or close to the properties.

Sri Lankan graphite is defined as vein or lump graphite and is unique in the world, due to its purity and particle size. The graphite occurrences in Sri Lanka are generally in the form of veins ranging in thickness from veinlets less than 1mm thick to massive veins over 1m thick. The veins are usually located in the hinge zones of antiforms within granulite facies zones of the Precambrian Basement terrain that underlies much of Sri Lanka.

The principal uses of natural graphite are in foundry facings, steelmaking, refractories, crucibles, pencils and lubricants. The characteristically low coefficient of friction of natural graphite renders it highly suitable for coatings, pencils, powder metallurgy, refractories, lubricants and batteries. Low-quality graphite can now be used in high-technology applications which were once the domain of synthetic material. Sri Lankan graphite has the potential to be a significant supplier of graphite to the emerging markets for graphite, specifically the battery and graphene markets.

The road infrastructure and electricity and water supplies in the Tenement areas are favourable for exploration purposes, with the nearest port being the Colombo deep-water port.

### 3.12. Tenement information

Lanka Graphite SL is the holder of the following five (5) exploration licences over tenements located in Sri Lanka (**Tenements**), which may be prospective for graphite.

<b>Tenements</b>	<b>Exploration Licence particulars</b>
Alutugama	EL266
Matugama	EL267
Morawaka and Rakwana	EL268
Kegalle	EL236
Kalutra	EL237

Lanka Graphite SL has also made the following four (4) applications for exploration licences.

<b>Tenements</b>	<b>Exploration Licence Application particulars</b>
Ratnapura	EL/2013/952
Hanguranketa	EL/2013/953
Matara	COM/EL/011
Matugama	COM/EL/012

The Exploration Licences have favourable geology for graphite and, cover historical graphite mine workings. The Tenements cover fold hinge axes and shear zones, which are the main structural features associated with graphite mineralization in Sri Lanka. However, some of the areas within these Exploration Licences may not be optimally positioned to cover the graphite mineral target areas.

EL236 and EL237 are on areas which include old abandoned mines with evidence of mining activity including rubble which therefore are good graphite target areas. However some of the areas within these Exploration Licences may not be optimally positioned to cover the known regional graphite mineralised areas.

EL266 and EL267 are adjacent to EL236 and occur along the major Kalutara-Matara Shear Zone; these are considered to be well positioned for prospect targets. EL268 does contain old shafts and adits, however the structural control for graphite mineralisation is not well developed which may downgrade this Exploration Licence as a prospect target.

The Exploration Licence applications EL952, EL953, EL954 and COM 011 all contain old mine/prospect shafts and adits. A sizeable mine was historically developed on EL954 which was located on a structural shear zone, this Exploration Licence together with the adjacent EL952 are considered a good target area. There is an old mine located within EL953 that is associated with a major antiform, this is also considered to be a good target. COM 011 has some structures associated with graphite mineralisation and is considered a reasonable target.

The Company is proposing exploration programmes for the Tenements including:

- (a) mapping and trenching;

- (b) geophysical surveys(EM and resistivity) – initially airborne followed by ground surveys;
- (c) accessing/dewatering old adit and shafts to allow mapping and sampling;
- (d) core drilling to test targets and delineate mineralised zones; and
- (e) geological/structural modelling and resource estimation where possible.

The “footprint” of the Exploration Licences is good with regard to the distance from ports (less than 120 km), infrastructure and electrical and water supply aspects. Road infrastructure is good with sealed primary and secondary roads to within a few kilometres of the old mine areas. Road access is suitable for light vehicles. However, during the two monsoon rainy seasons, access is likely to be difficult on the tertiary gravel roads and tracks. The labour force in the country appears to have good skills which are a plus factor with regard to the “footprint” as well. The Colombo port is the only one in South Asia with a deep water terminal. The port of Galle is positioned on the southwest coast of Sri Lanka.

The high grade (>97%C) and size (lump to fines) of Sri Lankan graphite gives the graphite a price premium for existing markets and positions it to be a possible prime source material for the new battery market (as the anode to Li, V etc. cathodes). For the possible graphene market, the Sri Lankan graphite also has the potential to be a prime source of raw material.

### **3.13. Intentions of the Company**

#### **(a) Overview**

Subject to the below, it is the present intention of the Company, on the basis of the information concerning Euro which is known to it and the existing circumstances affecting the business of Euro, that:

- (i) the business of Euro will otherwise be continued in substantially the same manner as it is presently being conducted;
- (ii) no other major changes will be made to the business of Euro;
- (iii) there will not be any other redeployment of the fixed assets of Euro; and
- (iv) the present employees of Euro will otherwise continue to be employed by Euro.

#### **(b) Intentions upon acquisition of 80% or more of Euro**

If the Company acquires 80% or more of Euro it will complete the Takeover Bid and seek to complete the Capital Raising and relisting of the Company.

If, as a result of the Takeover Bid, the Company acquires 90% of Euro and becomes entitled to compulsorily acquire outstanding Euro Shares in accordance with Part 6A.1 of the Corporations Act, it intends to proceed with the compulsory acquisition of those Euro Shares.

#### **(c) Intentions upon gaining control but less than 80% of Euro**

If, following the close of the Takeover Bid period, Euro becomes a controlled entity, but not a wholly owned subsidiary of the Company, the Company presently intends, subject to the following to implement the objectives and goals stated in section 3.13(a).

The extent to which the Company will be able to implement these steps will be subject to:

- (i) the law and the ASX Listing Rules, in particular in relation to related party transactions and conflicts of interest;
- (ii) the legal obligation of the directors of Euro to act for proper purposes and in the best interests of Euro shareholders as a whole.

Having regard to this, and in particular the possible requirements of minority shareholder approval, it is possible that the Company may be unable to implement some of these intentions.

**(d) Intentions if the Company does not acquire effective control of Euro**

The Company reserves its right to declare the Takeover Bid free from the 80% minimum acceptance Bid Condition (or any other Bid Condition) to the Takeover Bid. However, the Company has not decided whether it will free the Takeover Bid from the 80% minimum acceptance Bid Condition (or any other Condition).

If the waiver occurs, the Company intends, subject to the Corporations Act and the ASX Listing Rules, to implement the process outlined in Section 3.13(a) above.

**3.14. Risk Factors**

On completion of the Takeover Bid, the proposed scale and nature of the Company's business activities will change to a graphite and base metals exploration company, which is subject to various risk factors.

Based on available information, a non-exhaustive list of risk factors are as follows. The exploration and development of natural resources is a speculative activity that involves a high degree of risk. Whilst the Company has sought to acquire interests in projects which have identified prospective mineral targets, there is no guarantee that the projects will generate commercial returns for the Company and its investors. Therefore, the Shares to be issued pursuant to the Prospectus are a speculative investment.

The following summary explains some of the risks associated with investment in the Company and which may impact upon the financial performance of the Company. However, potential investors should read the Prospectus in its entirety and consult their professional advisers before applying for Shares under the Prospectus. The list of risk factors outlined here are not exhaustive.

Neither the Company, nor its Directors nor any of its professional advisers give any form of guarantee on future dividends, return on capital or the price at which the Shares might trade on the ASX.

Investors should consider the non-exhaustive list of risks associated with investing in the Company that are outlined below, and consult with their advisors before making an investment in the Company.

**(a) Risks associated with the proposed merger with Euro**

Shareholders should be aware that if the Takeover Bid for Euro Completes, the Company will be changing the scale and the nature of its activities to a graphite exploration company, which is subject

to various risk factors. Based on available information, a non-exhaustive list of risk factors are as follows:

**(i) Re – quotation of Shares on ASX**

The merger with Euro constitutes a significant change in the nature and scale of the Company's activities. Accordingly, the Company needs to comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of the ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re – quotation of its shares. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. While this is not a risk for new investors, insofar as their funds will be returned should the Company not successfully re-comply, this is a risk for existing Shareholders who may be prevented from trading their Shares should the Company be suspended until such time as the Company does comply with the ASX Listing Rules. Failure to comply with Chapters 1 and 2 of the Listing Rules may also defeat the Takeover Bid, the Takeover Bid being subject to the condition that an application for admission to Official Quotation will be made within 7 days after the start of the Bid Period and permission for admission to quotation will be granted no later than 7 days after the end of the Bid Period.

**(ii) Contractual Risks**

The ability of the Company to complete the merger with Euro and achieve its objectives is dependent on the performance by Euro of its obligations under the Heads of Agreement. If Euro defaults in its performance of its obligations, the Heads of Agreement may be terminated and it may be necessary for the Company to undertake legal proceedings to seek a legal remedy. Legal proceedings can be costly and there can be no guarantee that a legal remedy will ultimately be granted (and enforced) on appropriate terms.

**(iii) Dilution Risk**

As at the date of this Notice of Meeting, the Company has 10,167,753 Shares on issue (based on holdings of current Shareholders).

On completion of the merger with Euro, the Company shall issue a further 39,431,350 Shares and 9,750,000 Options to Euro Securityholders. Each Option entitles the holder to subscribe for one (1) Share at an exercise price of \$0.20.

In addition, up to 25,000,000 Shares may be issued as a result of the Offer made pursuant to the Prospectus to be issued.

If the Shares and Options are issued to Euro Securityholders and the Director's Options issued to the Company's Directors, and 25,000,000 Shares are issued under the Capital Raising to raise \$5 million (and provided no other Shares or Options are issued), then the holdings of current Shareholders in the Company will dilute to approximately 11.3% of the issued capital of the Company.

In addition, the holdings of existing Shareholders may be further diluted as a result of any future equity capital raisings required in order to fund future exploration.

**(b) General Investment Risks**

Some of the general risks of investment which are considered beyond the control of the Company are as follows:

**(i) The state of Australian and international economies:**

A downturn in the Australian and/or the International economy may negatively impact the performance of the Company which in turn may negatively impact the value of securities in the Company.

**(ii) Changes to Government Policies and Legislative changes:**

Government policy and legislative changes which are outside the control of the Company may also have a negative impact on the financial performance of the Company.

**(iii) Economic Risk and Price of Commodities**

The Company's Share price will be influenced by the prevailing market prices from time to time of the resources that the Company is targeting in its exploration programs.

The price of minerals is influenced by physical and investment demand for, and supply of, those resources. Fluctuations in these prices may influence individual projects in which the Company has an interest and the price of the Company's Shares.

Further, commodities are principally sold throughout the world in US dollars so any fluctuations in the exchange rate between Australian and US dollars could adversely affect the Company's financial position, performance and prospects.

These factors may have an adverse effect on the Company's activities as well as its ability to finance future projects and activities.

**(iv) Movements in local and international stock markets:**

The price of stocks in a publicly listed company can be highly volatile and the value of a company's securities can be expected to fluctuate depending on various factors, including commodity price changes, stock market sentiment, government policies, investor perceptions, economic conditions and market conditions which affect the exploration industry. It is therefore possible that the Company's securities will trade at below the offer price.

**(v) The Company's on-going funding requirements:**

Further funding may be required by the Company to undertake its exploration activities. If commercial quantities of minerals are discovered and the Company commences mining activities then further funding may be required. There is no guarantee that the Company will be able to raise the additional required funding on a timely basis, on favourable terms or that such further funding will be sufficient to enable the Company to implement its planned commercial strategy. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or scale back its exploration programs as the case may be, which may adversely affect the business and financial condition of the Company and its performance.

**(vi) Resource estimates and targets**

There are no JORC Code compliant resources currently defined on the Tenements.

If a resource is defined in the future, that resource estimate will be an expression of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made but may change significantly when new information becomes available. Resource estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment.

**(vii) Investment Speculative**

Mining exploration and investment in companies that are focused on mining exploration and evaluation is inherently risky and constitutes a speculative investment.

**(viii) Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions or significant investments in other companies or resource projects. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies or resource projects. Further, there is no guarantee that the Company will make any future acquisitions.

**(ix) Insurance Risk**

The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy. Insurance against all risks associated with mining exploration and production is not always available and where available the cost may be prohibitive.

**(x) Unforeseen expenses**

The Company is not aware of any expenses that it will be required to incur in the two years after listing and which it hasn't already taken into account. However, if the Company is required to incur any such unforeseen expenses then this may adversely affect the currently proposed expenditure plan and existing budgets for the Company's activities.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares.

**(xi) Competition Risk**

The industry in which the Company will be involved is subject to global and domestic competition. The Company shall undertake all reasonable due diligence. However, the Company is unable to influence or control the conduct of its competitors and such conduct may detrimentally affect the Company's financial or operating performance.

**(xii) Reliance on Key Personnel**

Senior management and key personnel of the Company shall direct the Company's operations and provide strategic management. However, if key employees cease to be employed there may be a detrimental impact to the Company.

**(xiii) Forward Looking Statements**

Some of the statements appearing in the Transaction Documents are in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events.

You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to matters to which the statements relate. Forward looking statements and statements in the nature of forward looking statements are only predictions and are subject to inherent risks and uncertainties before actual outcomes are achieved.

Those risks and uncertainties:

- are not all within the control of the Company or Euro and cannot be predicted with assured accuracy by the Company or Euro;
- include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which the Company or Euro, their respective related bodies corporate and/or joint ventures and associated undertakings operate or propose to operate; and
- general economic conditions, acts of terrorism, acts of nature, health epidemics, prevailing exchange rates and interest rates and conditions in the financial markets that may cause objectives to change or may cause outcomes not to be realised or realised differently than originally contemplated or described.

Although the Company believes that the expectations reflected in any forward looking statements included in the Transaction Documents are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual outcomes, events or results are likely to differ – possibly to a material extent - from the outcomes, events or results expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement in the Transaction Documents.

None of the Company nor their respective officers, or persons named in a Transaction Document with their consent or any person involved in the preparation of the Transaction Documents makes any representation or warranty (expressed or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any outcomes expressed or implied in any forward looking statement and any statement in the nature of a forward looking statement in a Transaction Document.

All Shareholders are cautioned not to place undue reliance on any forward looking statement or any statement in the nature of a forward looking statement having regard to the fact that the outcome may not be achieved. The forward looking statements and statements in the nature of forward looking statements in the Transaction Documents reflect views held only as at the date of the relevant Transaction Document.



**(xiv) Foreign Sales**

The proposed international sales undertaken by the Company and subsequent operations will be subject to a number of risks inherent in selling and operating abroad which could adversely affect our ability to increase or maintain our foreign sales. These include, but are not limited to, risks regarding:

- (i) currency exchange rate fluctuations;
- (ii) local and international economic and political conditions;
- (iii) disruptions of capital and trading markets;
- (iv) accounts receivable collection and longer payment cycles;
- (v) difficulties in staffing and managing foreign operations;
- (vi) potential hostilities and changes in diplomatic and trade relationships;
- (vii) restrictive governmental actions (such as restrictions on the transfer or repatriation of funds and trade protection measures, including export duties and quotas and customs duties and tariffs);
- (viii) changes in legal or regulatory requirements;
- (ix) the laws and policies of Australia and other countries affecting trade, foreign investment and loans, and import or export licensing requirements; and
- (x) tax laws.

Changes in circumstances or market conditions resulting from these risks may restrict the Company's ability to operate in an affected region and/or adversely affect the profitability of the Company's operations in that region.

**(c) Exploration and Development Risk Factors**

The business of mineral exploration, project development and production involves inherent risks. Success depends on successful exploration appraisal, design and construction of efficient recovery and processing facilities, competent operational and managerial performance, and efficient distribution and marketing services. Exploration is a speculative endeavor and production operations can be hampered by engineering difficulties, cost overruns, inconsistent recovery rates and other unforeseen events. The outcome of Company's exploration, project development and production programs will affect the future performance of the Company and the price of its Shares.

If and when the Company commences production, the production may be curtailed or shut down for considerable periods of time owing to a range of factors such as disruptions to transport infrastructure, lack of market demand, government regulation, production allocations or force majeure events. These curtailments may continue for a considerable period of time resulting in a materially adverse effect on the operations and/or financial condition of the Company.

The exploration for and production of minerals involves certain operating hazards, such as:

- failure and/or breakdown of equipment;

- adverse geological, seismic and geotechnical conditions;
- industrial accidents;
- labour disputes;
- pollution; and
- other environmental hazards and risks.

The Company may also be liable for environmental damage caused as a result of its exploration and/or mining activities. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate funds available for acquisitions, exploration and development or cause the Company to suffer losses.

Exploration, development and environmental factors which may affect the Company's financial position, prospects and the price of its listed securities are set out below.

### **(i) Exploration Risks**

There are a number of risks associated with the mineral exploration activities to be carried out by the Company, including:

- The discovery and/or acquisition of economically recoverable resources or reserves. Exploration on the existing prospecting and exploration tenements of the Company may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Company and possible relinquishment of the prospecting and exploration tenements;
- Recovering resources or reserves. There can be no assurance that the Company will discover significant resources or reserves of commodities nor can there be any assurance that any particular level of recovery from such resources or reserves will be realised;
- Access to adequate capital for project development;
- Design and construction of efficient development and production infrastructure within capital expenditure budgets;
- Securing and maintaining title to interests;
- Obtaining consents and approvals necessary for the conduct of mineral exploration, development and production; and
- Access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

### **(ii) Development Risks**

If the Company does locate commercial reserves of minerals, then the future development of a mining operation at any of the Company's projects will be subject to a number of risks, including:

- Geological and weather conditions causing delays and interference to operations;
- Obtaining all necessary and requisite approvals from relevant authorities and third parties;
- Technical and operational difficulties associated with mining of minerals and production activities;
- Access to necessary funding;
- Mechanical failure of plant and equipment;
- Shortages or increases in price of consumables, and plant and equipment;
- Environmental hazards, fires, explosions and other accidents;
- Transportation facilities;

- Costs overruns;
- The costs of extraction being higher than expected.

There is no guarantee that the Company will achieve commercial viability through the development of its projects.

### **(iii) Environmental Risks**

The activities being undertaken by the Company are subject to Sri Lankan environmental laws and regulations. The Company will endeavour to comply at all times with all applicable Sri Lankan laws and intends to conduct its activities in an environmentally responsible manner.

However, the existence of environmental legislation means that the Company may potentially face a liability risk relating to its activities and/or be restricted from engaging certain exploration activity due to environmental legislation.

### **(iv) Reliance on consultants and contractors**

The Company will be relying upon the expertise and equipment of various consultants and contractors who will be engaged to conduct the different aspects of exploration and mining activity. In the event of a failure of, or by, one of these contractors, or the failure of any equipment used by these consultants or contractors, the Company's business, activities and operating results may be adversely affected.

### **(d) Risks relating to operating in Sri Lanka**

#### **(i) Political, economic and sovereign risks**

As the Company will be operating in Sri Lanka, the Company will be subject to those risks associated with operating in a foreign jurisdiction. Such risks can include, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local residents or contractors or require other benefits to be provided to local residents.

Sri Lanka was involved in a civil war until on or around late 2009. While Sri Lanka is currently relatively stable, there is no certainty that the political and economic conditions will remain stable. Any deterioration in political or economic conditions, including renewed hostilities or terrorist activity, may adversely affect the Company's operations and profitability.

There is a risk that the government of Sri Lanka may change its policies regarding foreign investment and the ownership of mineral resources, which may have an adverse impact on the Company's future prospects and profitability.

#### **(ii) Sri Lankan legal environment**

Although the Sri Lankan legal system is well-established, it may be less certain than legal systems in other countries. This uncertainty could lead to the following risks:

- Difficulties in obtaining effective legal redress for breaches of laws or regulations or in respect of property rights;

- Inconsistencies between and within laws, regulations, decrees, orders and resolutions, or uncertainty in the application of laws and regulations;
- Difficulties in enforcing foreign judgments and arbitral awards, particularly against state bodies; and
- Lack of jurisprudence and administrative guidance on the application of laws and regulations, particularly with respect to taxation and proprietary rights.

Therefore, the Company may have difficulty in obtaining effective legal redress in circumstances where the Company is adversely affected by a breach of law or regulation.

### **(iii) Risks associated with Board of Investments Approval**

Lanka Graphite AUS requires Board of Investments ('BOI') approval to acquire 70% of the share capital in Lanka Graphite SL, as an exemption from the *Exchange Control Act* is needed to exceed the foreign shareholding limitation of 40%.

BOI Approval has been applied for and as at the date of this Notice of Meeting, is pending.

While the Company is not aware of any reason why Board of Investments approval will not be granted to the Company, there is a risk that if the BOI approval is not granted, the Company will not be able to acquire 70% of Lanka Graphite SL.

There is no guarantee that BOI approval will be granted, and, if BOI approval is granted, circumstances may arise where its decision may be reviewed.

### **(iv) Mineral Licence Title Risks**

The Company (via Lanka Graphite SL) must obtain and maintain mining licences from the Sri Lankan Geological Survey and Mines Bureau (GSMB) in order to conduct mining projects in Sri Lanka. While five (5) licences have been obtained at the date of this Notice of Meeting, Lanka Graphite SL must satisfy certain requirements in order to retain these licences, including annual reporting and minimum expenditure requirements. There is no guarantee that Lanka Graphite SL will be able to fulfil these requirements on an ongoing basis, in which case Lanka Graphite SL (and thereby, the Company) may lose the rights under these licences.

Licences also require periodic renewal, and may only be renewed for a limited number of times. There is a risk that renewals may not be granted, or, if granted, additional conditions may be imposed.

Likewise, while four (4) Exploration Licence Applications have been made, there can be no guarantee that such licences will be obtained on favourable terms or at all.

### **(v) Risks associated with identity as emerging market issuer**

After Completion of the Takeover Bid, the Company may be considered to be an emerging market issuer, as it holds material assets located in an emerging market (Sri Lanka).

In ASIC Report 368 (released August 2013), it was noted that emerging market issuers may face challenges in complying with corporate governance requirements, internal controls and risk management. Likewise, emerging market issuers may utilise complex ownership structures to accommodate restrictions on the foreign ownership of assets, hindering transparency.

To address these risks, the Board intends to strictly comply with all applicable financial reporting and continuous disclosure requirements. The Board also intends to require management to design and implement risk management and internal controls, and report on whether those risks are being managed effectively.

### **3.15. Conditionality of Transaction Resolutions and Directors Recommendation**

As at the date of this Notice of Meeting, Directors of the Company have security interests in the Company as contained in the table below:

<b>Director</b>	<b>Shares</b>	<b>Options</b>
Emily DÇruz	Nil	Nil
Alex Cowie	Nil	Nil
Alison Coutts	Nil	Nil
Derek Lo	Nil	Nil

The Independent Directors of the Company are Derek Lo, Alison Coutts and Dr. Alex Cowie.

The Directors of the Company unanimously recommend the Takeover Bid and Capital Raising (and change in nature and scale of the Company's activities) and that Shareholders vote in favour of the proposed Resolutions. It is the view of the Directors that the Takeover Bid and Capital Raising will give the Company's Shareholders the opportunity to participate in a potentially significant exploration program in respect of the prospective graphite projects at the Tenements.

The Resolutions are conditional on each other. Should the Resolutions not be approved, the Company will not proceed with the Takeover Bid.

### **3.16. Plans for the Company if the Resolutions are not passed**

If the Resolutions are not passed and the Takeover Bid and Capital Raising is not completed, the Company will look for other potential business acquisitions or investment opportunities to take the Company forward.

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#### **4. RESOLUTION 4– ISSUE OF SHARES TO EURO SHAREHOLDERS AS CONSIDERATION FOR COMPLETION OF THE TAKEOVER BID**

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Resolution 4 seeks Shareholders approval for the issue of 39,431,350 ordinary shares in the Company to Euro Shareholders, as consideration for completion of the Takeover Bid by the Company.

##### **4.1. ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that an ASX-listed Company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of shareholders.

By obtaining the prior approval of Shareholders to the issue of the Consideration Shares, the issue of those Shares will not count within the 15% limit under Listing Rule 7.1.

For the purposes of ASX Listing Rule 7.1, Resolution 4 seeks Shareholder approval for the issue of 39,431,350 Shares on the terms and conditions set out below.

##### **4.2. ASX Listing Rule 7.3**

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in this Explanatory Memorandum for that purpose:

###### **The number of securities to be issued**

The maximum number of securities to be issued is 39,431,350 Shares.

###### **The date by which the company will issue the securities**

The Shares will be issued no later than 3 months after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).

###### **The issue price of the securities**

The Shares will be issued as consideration for the transfer of Euro Shares to the Company under the terms of the Takeover Bid and will be issued for nil issue price.

###### **The names of the allottees of the securities**

The Shares will be issued to Euro Shareholders.

###### **The terms of the securities**

The Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions of the Company's existing ordinary shares.

###### **The intended use of the funds raised**

No funds will be raised from the issue as shares will be issued as consideration for the transfer of the Euro shares to the Company under the terms of the Takeover Bid.

#### **Date of allotment**

Allotment of the shares is subject to completion of the Takeover Bid and issue and allotment of the Shares will occur contemporaneously with completion of the Takeover Bid.

It is intended that the Shares will be issued no later than 3 months after the date of this Meeting.

#### **4.3. ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires Shareholder approval to be obtained where a company issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Pakaya Investments Pty Ltd, a Euro Shareholder and Euro Optionholder, is controlled by Jitto Arulampalam and is to be nominated by Euro to be appointed to the Board of the Company on completion of the Takeover Bid and Readmission. After completion of the Takeover Bid and Readmission, Pakaya Investments will hold 2,000,000 Shares and 3,000,000 Options in the Company.

Pursuant to section 228(6) of the Corporations Act, an entity is a related party of a public company at a particular time if the entity believes or has reasonable grounds to believe that it is likely to become a related party at any time in the future.

However, as the entity associated with Jitto Arulampalam is a related party by reason only of the Takeover Bid which is the reason for the issue of securities to them, separate Shareholder approval under ASX Listing Rule 10.11 for the issue of the securities is not required as Exception 6 to ASX Listing Rule 10.11 applies as set out in ASX Listing Rule 10.12. Exception 6 applies where a person is a related party by reason only of the transaction which is the reason for the issue of the securities and application to it of section 228(6).

#### **4.4. ASX Listing Rule 10.1**

ASX Listing Rule 10.1 also requires Shareholder approval to be obtained where a company obtains a substantial asset from a related party. However, ASX Listing Rule 10.3 provides that ASX Listing Rule 10.1 does not apply in circumstances of a transaction between a company and a person who is a related party by reason only of the transaction and application of section 228(6) of the Corporations Act.

#### **4.5. Section 208 of the Corporations Act**

Pursuant to Section 208 of the Corporations Act, if a public company gives a financial benefit to a related party, the company must obtain shareholder approval.

The issue of securities in a company can constitute a financial benefit for the purposes of section 208 of the Corporations Act.

However, the Board considers that the proposed issue of shares to entities associated with Jitto Arulampalam falls within the exception in Section 210 of the Corporations Act because the Heads of Agreement under which the Consideration Securities were agreed to be issued was negotiated on arm's length terms. Furthermore, the terms of the issue are on the same terms as Consideration Securities have been agreed to be issued to all other Euro Shareholders and Euro Optionholders.

#### **4.6. Voting exclusion statement**

A voting exclusion statement is included in the Notice of Meeting.

The passing of Resolution 4 is conditional upon, and subject to, all Resolutions being passed by Shareholders. Therefore, if you wish to vote in favour of Resolution 4, you should also vote in favour of all Resolutions.

#### **4.7. Directors recommendation**

The Directors do not have any material interest in the outcome of Resolution 4. Each of the Directors intends to vote their Shares in favour of Resolution 4.

Based on the information available, all of the Directors consider that the proposed Takeover Bid and the resulting Share issue to the Euro Shareholders is in the best interests of the Company and recommend that Shareholders vote in favour of the Resolution 4. The Directors have unanimously approved the proposal to put Resolution 4 to the Shareholders.



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## **5. RESOLUTION 5– ISSUE OF OPTIONS TO EURO OPTIONHOLDERS AS CONSIDERATION FOR COMPLETION OF THE TAKEOVER BID**

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In consideration for the completion of the Takeover Bid by the Company, the Company has agreed to issue to the Euro Optionholders the Consideration Options, which comprises 9,750,000 Options in the Company.

### **5.1. ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a listed Company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of Shareholders.

For the purposes of ASX Listing Rule 7.1, the issue of Options is treated as an issue of the capital of the Company on a fully converted basis.

By obtaining the prior approval of Shareholders to the issue of Options, the issue of those Options will not count within the 15% limit under ASX Listing Rule 7.1.

For the purpose of ASX Listing Rule 7.1, Resolution 5 seeks Shareholder approval for the issue of 9,750,000 Options on the terms and conditions set out below.

### **5.2. ASX Listing Rule 7.3**

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in the Explanatory Memorandum for that purpose:

#### **The number of securities to be issued**

The number of securities to be issued is 9,750,000 Options.

#### **The date by which the Company will issue securities**

The Options will be issued no later than 3 months after the date of this Meeting.

#### **The issue price of the securities**

The Options will be issued for nil issue price, and are issued as consideration for the cancellation of Euro Options held by the Euro Optionholders pursuant to the Takeover Bid.

#### **The names of the allottees of the securities**

The Options will be issued to Euro Optionholders.

#### **Terms & Conditions of Options**

- i. *Entitlement:* Each Option shall entitle the holder (optionholder), when exercised, to one (1) Share.

- ii. *Exercise date:* The Options are exercisable wholly or in part at any time prior to 5.00 pm (AEST) on the date being two years after their date of issue. Options not exercised by that date shall automatically lapse.
- iii. *Exercise price:* The Option exercise price is \$0.30.
- iv. *Unlisted:* The Options are to be unlisted.
- v. *Notice of exercise:* Each Option may be exercised by notice in writing to the Company, together with the payment for the number of Shares in respect of which the Options are exercised, at any time before the relevant expiry date. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. An exercise is only effective when the Company has received the full amount of the exercise price in cleared funds.
- vi. *Quotation of Shares on exercise:* The Company will apply for quotation of the Shares issued upon exercise of the Options within ten (10) Business Days after the date of allotment. Subject to the Corporations Act, the constitution of the Company and the Listing Rules, the Options are freely transferable.
- vii. *Participation rights or entitlements:* There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced so as to give holders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.
- viii. *Shares allotted on exercise:* Shares issued upon exercise of the Options will be issued following receipt of all the relevant documents and payments and will rank equally in all respect with the then issued Shares.
- ix. *Reconstruction of share capital:* If at any time the issued capital of the Company is reorganised, the rights of an Option holder are to be changed to the extent necessary to comply with the Corporations Act and the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- x. *Right to change to number of underlying securities:* An Option holder may not participate in new issues of underlying securities without exercising the Option.
- xi. *Right to change in exercise price:* Subject to paragraph (ix), an Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

### **The use of funds raised**

No funds will be raised from the issue of Options.

### **Dates of allotment**

Allotment of the Options is subject to completion of the Takeover Bid.

It is intended that the Options will be issued no later than 3 months after the date of this Meeting.

### **5.3. ASX Listing Rule 10.11**

For the reasons noted above in Section 4 of this Notice of Meeting, Shareholder approval under ASX Listing Rule 10.11 is not required for the issue of Options to the Euro Optionholders.

### **5.4. Voting exclusion statement**

A voting exclusion statement is included in the Notice of Meeting.

The passing of the Resolution 5 is conditional upon, and subject to, all Resolutions being passed by Shareholders. Therefore, if you wish to vote in favour of the Resolution 5, you should also vote in favour of all Resolutions.

### **5.5. Directors Recommendations**

The Directors do not have any material interest in the outcome of Resolution 5. Each of the Directors intends to vote their Shares in favour of Resolution 5.

Based on the information available, all of the Directors consider that the proposed Takeover Bid and the resulting Option issue to the Euro Optionholders is in the best interests of the Company and recommend that Shareholders vote in favour of the Resolution 5. The Directors have unanimously approved the proposal to put Resolution 5 to the Shareholders.

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## **6. RESOLUTION 6 – CAPITAL RAISING**

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Resolution 6 seeks Shareholder approval for the allotment and issue of up to 25,000,000 Shares under a prospectus to be issued by the Company to raise up to \$5,000,000 in connection with the Company's application for Readmission to the ASX following grant of Shareholder approval for a change in the nature and scale of the Company's activities.

The effect of Resolution 6 will be to allow the Directors to issue the Shares pursuant to the Capital Raising during the 3 month period after the Meeting (or a longer period, if allowed by the ASX), without the Company using any of the annual 15% placement capacity imposed under Listing Rule 7.1.

### **6.1. ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that an ASX – listed Company must not, subject to certain exceptions, issue or agree to issue more than 15% of its capital within a 12 month period without the approval of shareholders.

By obtaining the prior approval of Shareholders to the issue of the Shares under the Capital Raising, the issue of those Shares will not count within the 15% limit under Listing Rule 7.1.

### **6.2. ASX Listing Rule 7.3**

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in this Explanatory Memorandum for that purpose.

#### **The number of securities to be issued**

The number of securities to be issued is up to 25,000,000 Shares.

#### **The date by which the Company will issue the securities**

Within 3 months after the date of the Meeting (or such later date if permitted by the ASX)

#### **The issue price of the securities**

\$0.20 per Share

#### **The terms of the securities**

The Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions of the Company's existing ordinary shares.

#### **The name of the allottees of the securities**

The Shares will be issued to members of the public under prospectus, and as such the name of the allottees are unknown at this time.

#### **The use of funds raised**

The funds will be used to fund costs and expenses associated with exploration of the Tenements, the costs and expenses of the Company's application for readmission and for general working capital purposes.

#### **Dates of allotment**

The Shares will be issued contemporaneously with completion of the Capital Raising and the Company's Readmission.

It is intended that the Shares will be allotted on the same date as their issue.

#### **6.3. Voting exclusion statement**

A voting exclusion statement is included in the Notice of Meeting.

The passing of the Resolution 6 is conditional upon, and subject to, all Resolutions being passed by Shareholders. Therefore, if you wish to vote in favour of Resolution 6, you should also vote in favour of all Resolutions.

#### **6.4. Directors Recommendations**

The Directors do not have any material interest in the outcome of Resolution 6.

Each of the Directors intends to vote their Shares in favour of Resolution 6.

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## **7. RESOLUTION 7 – CHANGE OF COMPANY NAME**

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Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 7 seeks the approval of Shareholders for the Company to change its name to “Lanka Graphite Ltd.”

If Resolution 7 is passed the change of name will take effect when ASIC alters the details of the Company’s registration.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

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## **8. RESOLUTION 8 – RE-ELECTION OF DIRECTOR – EMILY D’CRUZ**

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Rule 8.1(d) of the Constitution provides that the directors may appoint any natural person to be a director, either as an addition to the existing directors or to fill a casual vacancy (including any casual vacancy arising where a director is removed from office under rule 8.1(j)(1) and no person is appointed in place of that director under 8.1(j)(2)).

Rule 8.1(e)(1) of the Constitution requires that at each Annual General Meeting of the company, each director, other than a managing director, appointed under rule 8.1(d) since the last Annual General Meeting must retire from office as a director.

Resolution 8 seeks approval for the re-election of Emily D’Cruz as Director in accordance with clause 8.1(d) of the Constitution and the Corporations Act.

Emily D’Cruz retires in accordance with these provisions and, being eligible, offers herself for re-election as a Director.

### ***Profile:***

Emily D’Cruz is currently the Managing Director of the Company.

Emily is a Melbourne based businesswoman with a substantial track record of success in the corporate and government sectors in Australia and Asia. Emily is currently the Managing Director of Mercer Capital, a boutique private equity firm based in Melbourne. Mercer Capital and its personnel has built a significant investor network globally and has been actively involved in M&A, corporate restructures, capital raisings, as well as back door listings and administration of public companies listed on the ASX. Mercer Capital recently raised more than \$6 million as part of an underwriting agreement with ASX listed biotech company Progen Pharmaceuticals Limited (ASX:PGL). Emily is also widely consulted by government bodies in Australia and Asia.

The Directors who are not standing for re-election pursuant to this Resolution unanimously recommend the re-election of Emily D’Cruz as a Director.

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## **9. RESOLUTION 9 – RE-ELECTION OF DIRECTOR – ALEX COWIE**

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Rule 8.1(d) of the Constitution provides that the directors may appoint any natural person to be a director, either as an addition to the existing directors or to fill a casual vacancy (including any casual vacancy arising where a director is removed from office under rule 8.1(j)(1) and no person is appointed in place of that director under 8.1(j)(2)).

Rule 8.1(e)(1) of the Constitution requires that at each Annual General Meeting of the company, each director, other than a managing director, appointed under rule 8.1(d) since the last Annual General Meeting must retire from office as a director.

Resolution 9 seeks approval for the re-election of Dr. Alex Cowie as Director in accordance with clause 8.1(d) of the Constitution and the Corporations Act.

Dr. Alex Cowie retires in accordance with these provisions and being eligible, offers himself for re-election as a Director.

### ***Profile:***

Dr Alex Cowie is currently the Chief Market Strategist of Livewire Markets, Australia's leading research distribution platform for market professionals. Alex was previously the Editor of Diggers and Drillers where he pioneered a strategic minerals strategy with a focus on the growing opportunities of ASX-listed junior resource equities.

In early 2012, Alex was the first in Australia to publish research on highly successful graphite explorer Syrah Resources. He is a regular speaker and commentator on the graphite industry at several leading mining conferences, including Mines and Money Australia and Hong Kong.

Alex holds a Master of Applied Finance through Kaplan Education, where he focused on Mining Valuation, Marketing, and Strategic Management. He has a strong network of contacts across Australia's resource-focused brokers and funds, particularly those interested in graphite.

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## **10. RESOLUTION 10– RE-ELECTION OF DIRECTOR – ALISON COUTTS**

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Rule 8.1(d) of the Constitution provides that the directors may appoint any natural person to be a director, either as an addition to the existing directors or to fill a casual vacancy (including any casual vacancy arising where a director is removed from office under rule 8.1(j)(1) and no person is appointed in place of that director under 8.1(j)(2)).

Rule 8.1(e)(1) of the Constitution requires that at each Annual General Meeting of the company, each director, other than a managing director, appointed under rule 8.1(d) since the last Annual General Meeting must retire from office as a director.

Resolution 10 seeks approval for the re-election of Alison Coutts as Director in accordance with clause 8.1(d) of the Constitution and the Corporations Act.

Alison Coutts retires in accordance with these provisions and being eligible, offers herself for re-election as a Director.

**Profile:**

Alison has extensive experience across a number of industry sectors and disciplines. This includes international engineering project management in large oil and gas projects with the Bechtel Corporation in the UK, USA and NZ, strategy consulting, management training and organisational structuring with the Boston Consulting Group, and executive search with Egon Zehnder. For a year she also lectured in Physical Chemistry at the University of the West Indies in Barbados.

Alison is formerly Chair of CSIRO's Health Sector Advisory Council and was a founder and director of eG Capital, which was a preeminent financial advisory firm in the Australian Life Sciences sector.

Most recently, Alison has focused on advising and raising capital for a number of emerging technology companies. In addition to the above, she has also founded a clinical stage drug development company and two medical device companies.

Alison has a degree in Chemical Engineering from the University of Melbourne and an MBA with Distinction from the Melbourne Business School, where she also won the CRA prize in Business Policy. She also has a Graduate Diploma in Biotechnology from the University of Melbourne.

Alison is also Executive Chairman of NuSep Ltd and a Non-Executive Director of DataDot Ltd.

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**11. RESOLUTION 11 – APPOINTMENT OF DIRECTOR – JITTO ARULAMPALAM**

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Clause 8.1(c) of the Constitution of the Company provides that the Company may by resolution elect any natural person to be a director, either as an addition to the existing directors or as otherwise provided in this Constitution.

Resolution 11 seeks approval for the election, subject to approval of the Transaction Resolutions and completion of the Takeover Bid, of Mr Jitto Arulampalam as Director, with effect on and from the date of successful completion of the Takeover Offer, in accordance with clause 8.1(c) of the Constitution and the Corporations Act.

In accordance with clause 8.1(c) of the Constitution of the Company, Mr Jitto Arulampalam is eligible for election.

**Profile:**

Jitto Arulampalam comes to the Board from Euro Petroleum Ltd.

Jitto has considerable experience as a director of various listed public companies in Australia. He is currently Non – Executive Chairman of Progen Pharmaceuticals Ltd (ASX:PGL) has previously held positions as Chair of Fortis Mining (now Kazakhstan Potash Corporation Ltd (ASX:KPC)), Great Western Exploration, Medicvision Limited and Atos Wellness Limited.

The Directors unanimously recommend the election of Jitto Arulampalam as a Director.

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**12. RESOLUTIONS 12, 13, 14 AND 15– ISSUE OF OPTIONS TO EMILY D'CRUZ, ALISON COUTTS, DR. ALEX COWIE AND DEREK LO**

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In consideration for their services, the Company has agreed to issue to three (3) Directors and one (1) outgoing Director 5,500,000 Options in the Company ('Director Options') to be issued as follows:



Issued to	Number of Options Issued	Exercise Price
Emily D'Cruz	4,000,000	30 cents
Alison Coutts	500,000	30 cents
Alex Cowie	500,000	30 cents
Derek Lo	500,000	30 cents
<b>Total</b>	<b>5,500,000</b>	<b>N/A</b>

### **12.1. ASX Listing Rule 10.11**

Listing Rule 10.11 provides that a company must not issue or agree to issue securities to the following persons without shareholder approval:

- (a) a related party; and
- (b) a person whose relationship with the company or a related party is, in ASX's opinion, such that approval should be obtained.

By virtue of their position as Directors, Emily D'Çruz, Derek Lo, Alison Coutts and Alex Cowie are related parties of the Company. Further, the grant of the Director Options constitutes the giving of a financial benefit. Accordingly, Shareholder approval is required under Listing Rule 10.11 for the grant of the Director Options.

### **12.2. Approval not required under ASX Listing Rule 7.1**

As approval is sought under ASX Listing Rule 10.11 for the issue of Directors Options referred to in Resolutions 12 to 15, approval is not required to be obtained under ASX Listing Rule 7.1 (pursuant to ASX Listing Rule 7.2 Exception 14). Accordingly, the issue of the Directors Options pursuant to Resolutions 12 to 15 will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

### **12.3. ASX Listing Rules**

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, certain information is required to be provided to Shareholders to allow them to assess the proposed issue of the Director Options. The following information is included in the Explanatory Memorandum for that purpose:

#### **The names of the allottees of the securities**

The Director Options will be issued to Emily D'Çruz (Resolution 12), Alison Coutts (Resolution 13), Alex Cowie (Resolution 14), and Derek Lo (Resolution 15). All persons are Directors of the Company.

#### **The number of securities to be issued**

The number of securities to be issued is 5,500,000 Director Options.

### **The date by which the Company will issue securities**

Allotment and issue of the Director Options is subject to Completion of the Takeover Bid.

The Director Options will be issued no later than 1 month after the date of this Meeting.

### **The issue price of the securities**

The Director Options will be issued for nil issue price, and are issued as consideration for the services provided by the Directors.

### **Dilution effect of the issue**

The passing of Resolutions 12 to 15 would have the effect of granting the VCL Directors a total of 5,500,000 Directors Options. If any of the Directors Options are exercised into Shares, the effect would be to dilute the shareholding of existing Shareholders. If all of the 5,500,000 Directors Options were exercised into Shares, the effect would be to dilute the shareholding of the existing Shareholders as follows:

1. Assuming the completion of the minimum raising under the Offer and that no other Options are exercised, the existing Shareholders would be diluted from 15.7% to 14.5% of the issued share capital of the Company; or
2. Assuming the completion of the maximum raising under the Offer and that no other Options are exercised, the existing Shareholders would be diluted from 14.6% to 13.5%.

### **Disclosure of total remuneration package**

<b>Director</b>	<b>Securities</b>	<b>Remuneration</b>
<b>Emily D'Çruz</b>	<b>4,000,000 Director Options</b>	<b>\$150,000 per annum</b>
<b>Alison Coutts</b>	<b>500,000 Director Options</b>	<b>\$30,000 per annum</b>
<b>Alex Cowie</b>	<b>500,000 Director Options</b>	<b>\$30,000 per annum</b>
<b>Derek Lo</b>	<b>500,000 Director Options</b>	<b>\$Nil.</b>

### **Existing interest in the Company:**

<b>Director</b>	<b>Shares</b>	<b>Options</b>
<b>Emily D'Çruz</b>	<b>Nil</b>	<b>Nil</b>
<b>Alison Coutts</b>	<b>Nil</b>	<b>Nil</b>
<b>Alex Cowie</b>	<b>Nil</b>	<b>Nil</b>
<b>Derek Lo</b>	<b>Nil</b>	<b>Nil</b>

## Terms & Conditions of Director Options

- i. *Entitlement:* Each Option shall entitle the holder (optionholder), when exercised, to one (1) Share.
- ii. *Exercise date:* The Options are exercisable wholly or in part at any time prior to 5.00 pm (AEST) on the date being 36 months after their date of issue. Options not exercised by that date shall automatically lapse.
- iii. *Exercise price:* The Option exercise price is \$0.30.
- iv. *Unlisted:* The Options are to be unlisted.
- v. *Notice of exercise:* Each Option may be exercised by notice in writing to the Company, together with the payment for the number of Shares in respect of which the Options are exercised, at any time before the relevant expiry date. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. An exercise is only effective when the Company has received the full amount of the exercise price in cleared funds.
- vi. *Quotation of Shares on exercise:* The Company will apply for quotation of the Shares issued upon exercise of the Options within ten (10) Business Days after the date of allotment. Subject to the Corporations Act, the constitution of the Company and the Listing Rules, the Options are freely transferable.
- vii. *Participation rights or entitlements:* There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced so as to give holders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.
- viii. *Shares allotted on exercise:* Shares issued upon exercise of the Options will be issued following receipt of all the relevant documents and payments and will rank equally in all respect with the then issued Shares.
- ix. *Reconstruction of share capital:* If at any time the issued capital of the Company is reorganised, the rights of an Option holder are to be changed to the extent necessary to comply with the Corporations Act and the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- x. *Right to change to number of underlying securities:* An Option holder may not participate in new issues of underlying securities without exercising the Option.
- xi. *Right to change in exercise price:* Subject to paragraph (ix), an Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

## The use of funds raised

No funds will be raised from the issue of the Director Options.

The funds raised from the exercise of the Directors Options referred to in Resolutions 12 to 15 will be used for the purposes of working capital of the Company.

#### **12.4. Chapter 2E of the Corporations Act and Regulatory Requirements**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition (including where shareholder approval is obtained).

Resolutions 12 to 15 (if passed) will confer financial benefits on the Recipients (being related parties of the Company) and the Company must obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act.

The related parties to whom the Resolutions 12 to 15 would permit the financial benefit to be given are as follows:

- Emily D’Cruz (Resolution 12);
- Alison Coutts (Resolution 13);
- Alex Cowie (Resolution 14);
- Derek Lo (Resolution 15).

#### **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- (a) The Director Options shall be granted for \$0 (nil) consideration;
- (b) The Director Options shall vest and be capable of exercise into fully paid ordinary shares;
- (c) The Director Options shall be exercisable into fully paid ordinary shares on or before their expiry date;
- (d) The exercise price for the Director Options shall be thirty cents each (\$0.30).

#### **Options valuation**

A copy of the report of the valuation of the Director Options is attached as Annexure B.

#### **12.5. Voting exclusion statement**

A voting exclusion statement is included in the Notice of Meeting.

The passing of the Resolutions 12 to 15 is conditional upon, and subject to, all Transaction Resolutions being passed by Shareholders. Therefore, if you wish to vote in favour of the Transaction Resolutions 12 to 15, you should also vote in favour of all Transaction Resolutions.

#### **12.6. Directors Recommendations**

The Directors decline to make a recommendation in relation to Resolutions 12 to 15, as they have a material interest in the outcome of Resolutions 12 to 15.

The Directors have unanimously approved the proposal to put Resolutions 12 to 15 to the Shareholders.

**1. Definitions**

**AEST** means Australian Eastern Standard Time.

**Applicant** means a person who submits an Application Form (paper or electronic) to subscribe for Shares under the Prospectus.

**Application** means a valid application made by an Applicant to acquire Shares pursuant to the Offer.

**Application Monies** means monies received from Applicants in respect of their Applications.

**ASIC** means the Australian Securities and Investment Commission.

**Associate** has the meaning ascribed to that term in Section 12(2) of the Corporations Act.

**ASX** means ASX Limited, or where the context requires, the financial market it operates.

**Bid Conditions** means the conditions of the Takeover Bid, and which are summarised in section 3.1(c) of this Notice.

**Bid Consideration** means the consideration that the Company will be required to provide upon, and in accordance with the terms of, the Takeover Bid, being, subject to the satisfaction of the Bid Conditions:

- (a) in respect of the offer to Euro Shareholders, 1 Share for each Euro Share held by a Euro Shareholder on the Takeover Record Date; and
- (b) in respect of the offer to Euro Optionholders, 1 Option for each Euro Option held by a Euro Optionholder on the Takeover Record Date.

**Bidder's Statement** means the bidder's statement in connection with the Takeover Bid.

**Business Day** means a day that is not a Saturday, Sunday, public holiday or bank holiday in the Melbourne metropolitan area.

**Capital Raising** means the issue of 15,000,000 to 25,000,000 ordinary shares at an issue price of \$0.20 per share to raise \$3,000,000 to \$5,000,000, such issue being pursuant to the prospectus issued in connection with the Company's application for readmission in accordance with Chapters 1 & 2 of the ASX Listing Rules.

**Chair** means the chairperson of the Meeting.

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

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or of the member's spouse; or

- (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 dealings with the Company; or
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

**Company** or **Viculus** means Viculus Limited (ACN 074 976 828).

**Completion** means the Company's acquisition of all issued securities in Euro pursuant to the Takeover Bid.

**Completion Date** means the first Business Day succeeding the last day of the Takeover Bid Period, where the Takeover Bid has been declared Unconditional.

**Conditions** means the conditions precedent to the Takeover Bid.

**Consideration Securities** means the consideration securities in the Company to be issued to the Euro Shareholders under the terms of the Takeover, being the Consideration Shares and Consideration Options.

**Consideration Shares** means the 39,431,350 ordinary Shares to be issued to the Euro Shareholders as part consideration for the Takeover.

**Consideration Options** means the 9,750,000 Options to be issued to the Euro Shareholders as part consideration for the Takeover.

**Constitution** means the constitution of the Company, as varied or amended from time to time.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Deed of Variation** means the deed entered into between the Lanka Graphite SL Vendor and Lanka Graphite Holdings AUS entered into on or around October 2013 varying the Share Sale Agreement.

**Director** means a member of the board of directors of the Company.

**Director Options** means the 5,500,000 Options which the Board proposes to issue to Emily D'Cruz, Alison Coutts, Alex Cowie and Derek Lo, subject to Resolutions 12 to 15 of this Notice of Meeting.

**Document** means each of the Notice of Annual General Meeting, Explanatory Memorandum, Proxy Form and all other documents, that each constitute part of this booklet and that accompany each other when sent to each Shareholder.

**Euro** means Euro Petroleum Ltd (ACN 147 870 362).

**Euro Acquisition** means the proposed acquisition of the Euro Shares pursuant to the Takeover Offer.

**Euro Director** means a director of Euro.

**Euro Option** means an option to acquire a Euro Share.

**Euro Optionholder** means an optionholder of Euro who has agreed to relinquish and cancel their options in Euro in consideration for replacement Consideration Options under the Takeover Bid.

**Euro Security** means either or any of:

- (a) a Euro Share; or
- (b) a Euro Option.

**Euro Securityholder** means a Euro Shareholder and Euro Optionholder.

**Euro Share** means a fully paid ordinary share in the issued capital of Euro.

**Euro Shareholder** means a holder of a Euro Share.

**Existing Option** means an Option on issue at the Completion Date.

**Existing Share** means a Share on issue at the Completion Date.

**Explanatory Memorandum** means the explanatory memorandum set out in Part E of this Document.

**General Meeting** or **Meeting** means the annual general meeting being convened by Directors pursuant to this Notice of Annual General Meeting, or any adjournment thereof.

**Group** means the Company and each of its related bodies corporate or controlled entities, and Associate of any of the foregoing.

**JORC Code** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as amended from time to time.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Lanka Graphite AUS** means Lanka Graphite Holdings Pty Ltd (ACN 160 465 583).

**Lanka Graphite SL** means Lanka Graphite Pvt Ltd (No. PV 90062).

**Lanka Graphite SL Vendor** means Mangala Sena Vijitha Bandarta Ranaraje, who has agreed to sell 70% of the issued share capital in Lanka Graphite to Lanka Graphite AUS pursuant to the Lanka Share Sale Agreement and Deed of Variation of the Share Sale Agreement.

**Lanka Share Sale Agreement** means the Share Sale Agreement entered into between Lanka Graphite SL Vendor and Lanka Graphite AUS dated 27 April 2013.

**Listing Rules** means the listing rules of the ASX.

**Maximum Subscription** means the Company receiving valid applications and application monies for 25,000,000 Shares to raise \$5,000,000 during the Offer Period.

**Merged company** means the Group after Euro becomes a wholly owned subsidiary of the Company.

**Minimum Subscription** means the Company receiving valid applications and application monies for 15,000,000 Shares to raise \$3,000,000 during the Offer Period.

**Mining Assets** means the 5 exploration licences and 4 exploration licence applications held by Lanka Graphite SL over project tenements in the Western Province of Sri Lanka.

**Notice** or **Notice of Annual General Meeting** means the Notice of Annual General Meeting of the Shareholders that accompanies and forms part of this Document.

**Offer** means the invitation to apply for Offer Shares made pursuant to the Prospectus, subject to the Minimum Subscription and Maximum Subscription requirements of the Company.

**Offer Period** means the period from the opening date of the Offer to the closing date of the Offer, as set out in the Prospectus.

**Offer Price** means \$0.20 per Offer Share.

**Offer Shares** means Shares issued under the Prospectus.

**Official List** means the official list of entities that ASX has admitted and not removed.

**Official Quotation** means official quotation of a security on a market operated by ASX.

**Option** means an option to acquire a Share.

**Optionholder** means the holder of an Option.

**Prospectus** means the prospectus issued by the Company in connection with the Capital Raising and any supplementary or replacement prospectus in relation to that document.

**Proxy Form** means the proxy form more particularly set out in Part F of this Notice, and that forms part of this Document.

**Readmission** means the re-admission of the Company to the Official List of the ASX and termination of the suspension from Official Quotation of the Shares following its application for readmission under Chapters 1 and 2 of the ASX Listing Rules.

**Readmission Date** means the date on which ASX re-admits the Company to the Official List and terminates the suspension from quotation of the Shares.

**Readmission Notification Date** means the date upon which the Company receives from ASX written confirmation that ASX will re-admit the Company to the Official List and terminate the suspension from official quotation of the Shares, subject to the performance of such terms and conditions (if any) as are prescribed by Listing Rules.

**Related Body Corporate** has the meaning given in section 9 of the Corporations Act.

**Relevant interest** has the meaning given to that term in section 608 and section 609 of the



Corporations Act.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2013.

**Resolution** means any one of the resolutions set out in the Notice of Annual General Meeting.

**Share** means ordinary shares in the capital of the Company.

**Shareholder** means the holder of a Share.

**Sophisticated Investor** means a person who satisfies any of the criteria referred to paragraphs (a), (b), (c) or (d) of Section 708(8) of the Corporations Act.

**Superior Proposal** means a publicly announced transaction or proposed transaction which, if completed substantially in accordance with its terms, would mean a person (other than the Company or one of its Related Bodies Corporate) would become the holder of:

- (a) more than 50% of the Euro Shares; or
- (b) the whole or substantially the whole of the business, assets and undertakings of Euro;

provided that the majority of the Euro Directors determine, acting in good faith after receipt of advice from Euro's financial and legal advisers and in order to satisfy what the Euro Directors consider to be their fiduciary and statutory duties, that the transaction or proposed transaction is capable of being valued and completed, taking into account all aspects of the transactions or proposed transaction (including its condition precedent and the person or persons making it) and is superior overall for Euro Shareholders as compared to the Takeover Bid.

**Takeover Bid** means a bid by the Company to acquire all the Euro Securities in accordance with the terms and conditions set out in the Bidder's Statement.

**Takeover Bid Period** means the period of the Takeover Bid as set out in the Bidder's Statement (and which may be withdrawn or extended pursuant to the Corporations Act).

**Takeover Offer** means the Company's offer to acquire a Euro Security on the terms and conditions set out in Appendix 1 and Appendix 2 of the Bidder's Statement as they relate to that Euro Security and as such offer may be varied in accordance with the Corporations Act.

**Takeover Record Date** means the record date for the Takeover Bid as set out in the Bidder's Statement.

**Target** means Euro Petroleum Ltd (ACN 147 870 362).

**Target's Statement** means the target's statement issued by Euro in response to the Bidder's Statement and in the course of the Takeover Bid.

**Tenements** means the project tenements in the Western Province of Sri Lanka over which Lanka Graphite SL has been granted exploration licences.

**Transactions** means each of the Takeover Bid, Offer and passage of each of the Transaction Resolutions at the Meeting.

**Transaction Documents** means this Document, the Prospectus and the Bidder's Statement.

**Transaction Resolutions** means Resolutions 3, 4, 5, 6 and 11.

**Unconditional** means in relation to the Takeover Bid becoming unconditional, the date upon which the Company issues a notice in accordance with section 630(3) of the Corporations Act that declares that the Takeover Bid is freed from any defeating conditions otherwise applicable to that bid.

**Voting Share** means a Share that entitles the Shareholder thereof to voting power (as that term is defined in section 610 of the Corporations Act) in respect of that Share.

## 2. Interpretation

In this Document, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) headings are included for convenience only and do not affect interpretation;  
a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (f) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (g) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (h) a reference to a statute or statutory provision includes but is not limited to:
  - i. a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
  - ii. a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
  - iii. subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (i) reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (j) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise;
- (k) a reference to time is to AEDST.

**PART F**

**PROXY FORM**

**VICULUS LTD**

**PROXY FORM FOR ANNUAL GENERAL MEETING**

I/We \_\_\_\_\_

of \_\_\_\_\_

am/are a member of Viculus Limited (ACN 074 976 828) and I/we appoint as my/our proxy:

\_\_\_\_\_

of

\_\_\_\_\_

Or failing him or her, the Chairman of the Annual General Meeting of the Company, to be held at Level 18, 101 Collins Street, Melbourne, Victoria on 25 August 2014 at 11am AEST to vote for me/us at the meeting and at any adjournment of it.

If 2 proxies are being appointed the proportion of voting rights this proxy is authorised to exercise is .....%. (The Company will supply an additional form on request).

		<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
<b>Resolution 1</b>	<b>Adoption of Remuneration Report</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b>	<b>Approval of appointment of auditor of the company</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b>	<b>Approval of change in nature and scale of activities</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b>	<b>Approval of issue of Shares to Euro Shareholders as consideration for completion of the Takeover Bid</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b>	<b>Approval of issue of Options to Euro Optionholders as consideration for completion of the Takeover Bid</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6</b>	<b>Approval of Capital Raising</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 7</b>	<b>Approval of the change of company name</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 8</b>	<b>Approval of the re-election of Emily D’Cruz as a Director</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 9</b>	<b>Approval of the re-election of Mr Alex Cowie as a Director</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 10</b>	<b>Approval of the re-election of Ms Alison Coutts as a Director.</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Resolution 11</b>	<b>Approval of the appointment of Mr Jitto Arulampalam as a Director</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 12</b>	<b>Approval of the issue of Director Options to Emily D’Cruz</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 13</b>	<b>Approval of the issue of Director Options to Alison Coutts</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 14</b>	<b>Approval of the issue of Director Options to Dr. Alex Cowie</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 15</b>	<b>Approval of the issue of Director Options to Derek Lo</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman intends to vote all undirected proxies in favour of all resolutions.

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box:

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he has an interest in the outcome of the resolution/s and that votes cast by the Chairman of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest.

If you have not marked this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

Signature of Member(s): .....

Date:.....

Individual or Member 1

Member 2

Member 3

**Sole Director/Company Secretary**

**Director**

**Director/Company Secretary**

Contact Name: .....

Contact Phone (daytime): .....

## **PROXY INSTRUCTIONS**

A member entitled to attend and vote at a meeting is entitled to appoint not more than 2 proxies.

Where more than 1 proxy is appointed, each proxy may be appointed to represent a specific portion of the member's voting rights.

A proxy need not be a member of the Company.

A proxy form must be signed by the member or his or her attorney. Proxies given by corporations must either be signed under seal or under the hand of a duly authorised officer or attorney.

To be valid, the form appointing the proxy and the Power of Attorney or other authority (if any) under which it is signed (or a certified copy) must be lodged with:

Attn: Derek Lo, Company Secretary

Viculus Limited

Suite 32, Level 18, 101 Collins Street, Melbourne VIC 3000

Facsimile: 03 9221 6390

Email: [info.viculus@gmail.com](mailto:info.viculus@gmail.com)

**Not later than 11am AEST on 21 August 2014**

**ANNEXURE A**

**NOMINATION OF AUDITOR LETTER SIGNED BY BERNARD NEWPORT**



V I C U L U S

Viculus Limited  
ACN 074 976 828  
Suite 31, Level 18  
101 Collins Street  
MELBOURNE VIC 3000

Mr Derek Lo  
Company Secretary  
Viculus Limited

27/03/2014

Dear Derek,

#### **NOMINATION OF BDO AS AUDITOR**

I, *Bernard Newport*, being a member of Viculus Limited, pursuant to Section 328(B)(1) of the *Corporations Act 2001*, hereby nominate BDO East Coast Partnership, Chartered Accountants, of Level 14, 140 William Street, Melbourne Vic 3000, for appointment as auditor of Viculus Limited at the next Annual General Meeting or any adjournment thereof, subject to the resignation of the Current Auditor.

Yours faithfully

Bernard Newport

**ANNEXURE B**

**OPTIONS VALUATION REPORT**



27 May 2014

The Directors  
Viculus Limited  
Level 27, 101 Collins Street  
MELBOURNE VIC 3004

## VALUATION OF OPTIONS

### 1.0 BACKGROUND TO ENGAGEMENT

#### 1.1 Introduction

In accordance with your recent request, we have (as at current date) undertaken an assessment of the fair value of the following Options to be issued to directors and key staff of Viculus Limited (the Company) pursuant to a general meeting to be convened in June 2014. A summary of the Options to be issued is as follows:-

Issued to :-	Number of Options Issued	Exercise Price
Emily D'Cruz	4,000,000	30 cents
Alisa Coutts	500,000	30 cents
Alex Cowrie	500,000	30 cents
Derek Lo	500,000	30 cents
Total	5,500,000	n/a

Further details regarding the terms and conditions of the Options are set out below.

#### 1.2 General Terms and Conditions of Options

- a. The Options can be exercised at any time subsequent to their issue for a period up to 36 months (expiry date) after the date of issue.
- b. Options not exercised on or before expiry date will automatically lapse.
- c. Options may only be exercised by notice in writing to the Board delivered to the registered office of the Company. The Notice must specify the number of Options being exercised and must be accompanied by:
  - i. the exercise price for the number of Options specified in the notice; and
  - ii. the certificate for those Options (if one has been provided), for cancellation by the Company.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the exercise price (for example, if the exercise price is paid by cheque, by clearance of that cheque).

## 1.2 General Terms and Conditions of Options (cont'd)

- d. All shares of the Company allotted upon exercise of Options rank pari passu in all respects with the fully paid ordinary shares of the Company previously issued, and in particular, shall have rights to participate fully in:
- i. dividends declared by the Company after the date of allotment; and
  - ii. all issues of securities made or offered pro rata to holders of ordinary shares of the Company.
- e. The shares issued pursuant to the Options only carry an entitlement to participate in new issues of securities to holders of ordinary shares if an Option has been exercised and those shares allotted in respect of the Option before the record date for determining entitlements to the issue.
- f. If there is a bonus share issue (**Bonus Issue**) to the existing holders of ordinary shares the number of ordinary shares over which an Option is exercisable will be increased by the number of ordinary shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue (**Bonus shares**). The Bonus shares will be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other shares of that class on issue at the date of the Bonus shares.
- g. If there is a pro rata issue (other than a Bonus Issue) to the existing holders of ordinary shares during the currency of, and prior to the exercise of any Options, the exercise price of the Options will be adjusted in the manner provided for in the ASX Listing Rules.
- h. If, prior to the expiry of any Options, there is a reorganisation of the issued capital of the Company, Options will be reorganised in accordance with the ASX Listing Rules.

## 1.3 Specific Terms and Conditions of Options

The specific terms of the Options are detailed below:

- The Options issued to each previously listed person will be at no cost to them.
- The exercise price of each Option will be thirty (30) cents. Each Option entitles the holder to subscribe for one (1) fully paid ordinary share in the Company.
- Options will not be assignable or transferable, except to related parties, and only with the prior written consent of the Board of Directors (which shall not be unreasonably withheld, except in the case of the death of the holder when the Options may be transmitted to the personal representative of the deceased).
- The holders of the Options will not receive any loans in relation to any exercise of Options.

#### **1.4 Regulatory Requirements**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition (including where shareholder approval is obtained).

Resolution 12 on the Notice of Annual General Meeting if passed at that meeting, will confer financial benefits on the Recipients (being related parties of the Company) and the Company must obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act. For this reason, and for all other purposes, the following information is provided to Shareholders.

#### **1.5 The related parties to whom the resolution would permit the financial benefit to be given are**

Emily D'Cruz, Alisa Coutts, Derek Lo and Alex Cowrie

#### **1.6 The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- a. The grant of Options as already referred to in this report – refer section 1.1;
- b. The Options shall be granted for \$nil consideration;
- c. The Options shall vest and be capable of exercise into fully paid ordinary shares;
- d. The Options shall be exercisable into fully paid ordinary shares on or before their expiry date;
- e. The exercise price for the Options shall be thirty cents each (\$0.30).

#### **2.0 Valuation**

The Options are not quoted on the ASX and as such have no market value. The Options each grant the holder a right of grant of one ordinary share in the Company upon exercise of the Options and payment of the exercise price of the Options described above. Accordingly, the Options have a present value at the date of their grant.

The Options may acquire a future value dependent upon the extent to which the shares exceed the exercise price of the Options during the term of the Options.

As a general proposition, Options to subscribe for ordinary fully paid shares in a company have a value. Various factors impact upon the value of Options including:

- a. The period outstanding before the expiry date of the Options;
- b. The exercise price of the Options relative to the underlying price or value of the securities into which they may be converted;
- c. The proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie. whether or not the shares that might be acquired upon exercise of the Options represent a controlling or other significant interest);
- d. The value of the shares into which the Options may be converted; and
- e. Whether the Options are listed (ie. readily capable of being liquidated).

There are various formulae which can be applied to determining the theoretical value of Options (we believe the formula known as the Black-Scholes Model Option valuation formula is most appropriate).

## 2.0 Valuation (cont'd)

The Company has requested an independent valuation by us of the Options, for the purposes of disclosing to Company Shareholders such information required to decide whether or not it is in the Company's interest to pass its Resolution and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments. The Black-Scholes Model, which is the most widely used and recognised model for pricing Options has been adopted. The value of an Option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the price of the underlying share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying share price and expected dividends.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon by us in applying the Black-Scholes Model was:

- a. the exercise price of the Options being \$0.30;
- b. a market price of Shares is \$0.20 (based upon a Prospectus to be issued by the Company);
- c. expiry date of 36 months from the Issue Date for the Options (ie. assumed to be 36 months from the date of this report);
- d. a volatility measure of 20%;
- e. a risk-free interest rate of 3.0% on the Options proposed to be issued; and
- f. a dividend yield of nil.

Some relatively minor variables were included in the calculations to estimate the value of Options as "American style" Options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices "European style" Options (being exercisable only on the exercise date).

Based on the above, the Options are believed to have a fair value at current date of 0.8 cents per Option (in total \$44,000 given the issue of 5,500,000 Options).

## 3.0 Other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors.

There is no other information known of which we are aware, except as set out below:

### 3.1 Market Price movements:

The Option valuation noted above is based on a market price per share of \$0.20 (which reflects the price of shares to be issued to other parties in accordance with a Prospectus to be issued by the Company).

The market price of the shares is not expected to change after the date of the Meeting until such time as the shares of the Company are relisted on the Australian Stock Exchange.

### 3.2 Trade History

The Company does not intend to apply for listing of the Options on the ASX. However, the Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Options.

The trading history of the Shares over the past 12 months indicates a market price of \$nil.

	Market Price on 26 May 2014	Market Price 6 months prior to date of Notice of Meeting	Market Prices 12 months prior to date of Notice of Meeting
High	-	-	-
Low	-	-	-

### 3.3 Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options is the potentially diluted impact on the issued share capital of the Company (in the event that the Options are exercised). Until exercised, the issue of the Options will not impact upon the number of Shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused by the issue of the Shares may be determined to the Company, if at all, this is believed to be offset by the advantages accruing from the Company securing the services of experienced and skilled directors and staff on appropriate incentive terms.

It is also considered that the potential increase of value in the Options is dependent upon an increase in the value of the Company generally.

### 3.4 Taxation Consequences

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or if it is then it will be recoverable as an input credit).

AASB 2 "Share Based Payments" requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of comprehensive income. Where the grant date and the vesting date are different, the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

### 3.5 Dilutionary Effect

There will be 72,973,960 ordinary shares on issue assuming all resolutions contained within the Notice of Meeting are approved (and prior to conversion of any Options). If all of the Options (subject to this report) are exercised and no other shares issued or Options exercised, then the effect of the exercise of 5,500,000 Options in the Company will be dilution of existing shareholders' interests by 7.54%.

#### **4.0 Subsequent Events**

To the best of our knowledge and belief, there have been no material items, transactions or events subsequent to the date of this report, not otherwise disclosed in this Report that have come to our attention during the course of our engagement which would cause the information in this Report to be misleading or deceptive.

#### **5.0 Independence**

Neither Stannards Accountants & Advisors Pty Ltd (SAA), nor the persons preparing this Report have any interest in the securities of the Company, or any interest in the outcome of the Offers, or other interests that would be reasonably regarded as capable of affecting their ability to give an unbiased opinion, other than that SAA is entitled to receive a fee of \$3,500 (exclusive of GST) in connection with the preparation of this Report. Neither SAA, nor the person preparing this report is entitled to receive or have received other fees from the Company.

Yours faithfully  
Stannards Accountants & Advisors Pty Ltd



Michael Shulman  
Partner

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