

LANKA GRAPHITE LIMITED NOTICE OF 2017 ANNUAL GENERAL MEETING

Notice is hereby given that the 2017 Annual General Meeting of Lanka Graphite Limited ACN 074 976 828 will be held at Level 18, 101 Collins St, Melbourne, VIC, 3000 on Friday, 1 December 2017 at 11:00 a.m. AEDT.

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

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary.

1. Agenda for the Meeting

Financial statements and reports

The Meeting will consider the financial statements and reports of the Company including the income statement, balance sheet, statement of changes in equity, cash flow statement, the notes to the financial statements, the Directors' declaration and the reports of the Directors and Auditors for the financial year ended 30 June 2017.

While no resolution is required in relation to this item, Shareholders will be given the opportunity to ask questions and make comments on the Company's financial statements and reports.

The Company's auditor, BDO East Coast Partnership (BDO), will be present at the Meeting and Shareholders will have an opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

The Lanka Graphite Limited 2017 Annual Report can be viewed online at the Company's website www.lankagraphite.com.au on the "Annual Report" page under "Investors".

Resolution 1 - Adoption of Remuneration Report

To consider and if thought fit, pass the following resolution as a non-binding resolution:

"That for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2017 included in the Directors' Report, which is attached to the Financial Statements as required under section 300A of the Corporations Act, be adopted by the Company."

Voting Exclusion Statement: In accordance with the Corporations Act the Company will disregard any votes cast in relation to this resolution by or on behalf of the Key Management Personnel, which includes the Directors and executives in the consolidated group whose remuneration is included in the Remuneration Report and their closely related parties (Excluded Persons). However, the Company need not disregard a vote if:

- it is cast by an Excluded 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.

Resolution 2 – Re-election of Jitto Arulampalam as a Director

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

“That, Jitto Arulampalam, being a Director of the Company, retires pursuant to the Company’s constitution, and having offered himself for re-election and being eligible, is re-elected as a Director of the Company.”

Resolution 3 – Approve the previous issue of 10,560,000 Shares for Miniran acquisition

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

“That for the purposes of ASX Listing Rule 7.4 and all other purposes, the previous issues of 10,560,000 Shares, to the Miniran Vendors (or their nominee(s)) in part consideration for the acquisition of Miniran Pty Ltd, on the terms and conditions set out in the Explanatory Statement is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by any person who participated in the issue or received a benefit 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

Resolution 4 – Approve the previous placement of 4,816,667 Shares

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

“That, for the purposes of ASX Listing Rule 7.4 and all other purposes, the previous issues of 4,816,667 Shares at an issue price of \$0.045 per Share raising up to \$216,750 as referred to in the Explanatory Statement is approved.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. 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.

Resolution 5 – Approve placement of 1,000,000 Shares to a director, Ms. Emily Lee

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

“That, for the purposes of ASX Listing Rule 10.11 and all other purposes, approval is given for the Company to issue up to 1,000,000 Shares to in the Company raising up to \$45,000 to Emily Lee a Director of the Company or her nominee under a placement made by the Company on the terms described in the Explanatory Statement”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Ms. Lee (or her nominee(s)) 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.

Resolution 6 – Issue of Shares as consideration for repayment of up to \$1,570,250 in debt

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

“That, for the purposes of ASX Listing Rule 7.1 and all other purposes, the issue of Shares as consideration for the repayment of up to \$1,570,250 in funds payable by the Company, on the terms and conditions set out in the set out in the Explanatory Statement, is approved.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, together with any associates of those persons. 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.

Resolution 7 – Approval of additional capacity to issue Shares under ASX Listing Rule 7.1A

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

“That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a person who may participate in the 10% Placement Facility issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if this Resolution is passed, and any associates of those persons. However, the Company will not disregard a vote if:

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

2. Determination of voting entitlement

For the purpose of determining a person’s entitlement to vote at the Meeting, a person will be recognised as a shareholder and the holder of Shares if that person is registered as a holder of those Shares at 7:00 p.m. AEDT on Wednesday, 29 November 2017.

3. Votes

Unless a poll is demanded in advance of voting on a resolution, voting on each resolution will initially be by way of a show of hands. On a show of hands, each member present in person or by proxy or, in the case of a body corporate, by a representative, shall have one vote.

On a poll, every member present in person or by attorney or by proxy or, in the case of a body corporate, by a representative, shall have one vote for each share held by him, her or it.

4. Proxies

A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Shareholder.

Where the Shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the

Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a Shareholder.

To be effective, the instrument of appointment of a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority) must be received by the Company at Lanka Graphite Limited, Level 18, 101 Collins St Melbourne VIC or by facsimile on +61 (0) 3 8678 1747 by 11:00 a.m. AEDT on Wednesday, 29 November 2017.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on the Resolutions by marking either "For", "Against" or "Abstain" on the form of proxy for that item of business.

Subject to the voting restrictions set out in the Voting Exclusion Statements, the Chairperson will vote undirected proxies on, and in favour of all Resolutions.

If the proxy is the Chairman, the Chairman can vote undirected proxies on Resolution 1 provided that the proxy form expressly authorises the Chairman to vote undirected proxies even though these Resolutions are connected with the remuneration of key management personnel.

A form of proxy accompanies this Notice of Meeting.

5. Questions and Comments by Shareholders at the Meeting

A reasonable opportunity will be given to Shareholders to ask questions and/or make comments on the management of the Company at the Meeting.

A reasonable opportunity will be given for Shareholders to ask questions of the Company's external auditor, BDO. These questions should be relevant to:

- a) the conduct of the audit;
- b) the preparation and contents of the audit report;
- c) the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- d) the independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to BDO if the question is relevant to the content of the audit report or the conduct of its audit of the Company's financial report for the year ended 30 June 2017. Relevant written questions for BDO must be received by the Company no later than 11:00 a.m. AEDT on 24 November 2017. A representative of BDO will provide answers to the questions at the Meeting.

Justyn Stedwell

Company Secretary

On behalf of the Board of Directors

Lanka Graphite Limited

EXPLANATORY STATEMENT

This Explanatory Statement 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 Statement in full before making any decision in relation to the Resolutions.

Resolution 1: Adoption of remuneration report

In accordance with Section 300A(1) of the Corporations Act the Remuneration Report is included in the Directors Report for the financial year ended 30 June 2017.

The Remuneration Report sets out details of the remuneration received by the Directors and key Company executives, in addition to describing Board policy in respect of remuneration. Resolution 1 seeks Shareholder approval of the adoption of the Remuneration Report by the Company.

The outcome of this resolution is not binding on the Company or the Board. However, sections 250U to 250Y of Corporations Act require a 'two strikes and re-election' process in relation to the shareholder vote on the Remuneration Report and provide that:

- A 'first strike' will occur if this Remuneration Report resolution receives a 'no' vote of 25% or more. If this occurs, the Company's subsequent remuneration report will contain an explanation of the Board's proposed action in response to the 'no' vote or an explanation of why no action has been taken by the Board.
- A 'second strike' will occur if the resolution to adopt the Remuneration Report at the 2018 Company Annual General Meeting also receives a 'no' vote of 25% or more. If this occurs, shareholders will vote at that Annual General Meeting to determine whether the Directors will need to stand for re-election at a separate, subsequent meeting (the 'spill resolution'). If the spill resolution passes with 50% or more of eligible votes cast, the spill meeting must take place within 90 days.

The Company has not received a 'first strike'.

The Remuneration Report is set out in the Company's 2017 Annual Report. The Lanka Graphite Limited 2017 Annual Report can be viewed online at the Company's website, www.lankagraphite.com.au

Resolution 2: Re-election of Jitto Arulampalam as a Director

In accordance with the Company's Constitution, Jitto Arulampalam, a Director of the Company retires by rotation at this Annual General Meeting and offers himself for election as a Director.

Details of Jitto's qualifications, experience and special responsibilities are set out in the Company's 2017 Annual Report.

Resolution 3 – Approve the previous issue of 10,560,000 Shares for Miniran acquisition

Background

On 19 April 2017, the Company issued 10,560,000 Shares without the prior approval of Shareholders and in accordance with ASX Listing Rules 7.1.

Resolution 3 seeks Shareholder approval for the previous issues of 10,560,000 Shares for the purposes of ASX Listing Rule 7.4 and all other purposes.

ASX Listing Rules 7.1, 7.4 & 7.5

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.

ASX Listing Rule 7.4 provides that an issue of shares made without approval under Listing Rule 7.1 is treated as been made with approval if each of the following applies:

- the issue did not breach Listing Rule 7.1, and
- the shareholders of ordinary securities subsequently approve the issue.

The issue of 10,560,000 Shares did not breach ASX Listing Rule 7.1 and the Company seeks subsequent Shareholder approval for these issues of Shares for the purposes of ASX Listing Rule 7.4 and all other purposes.

The following information is provided to Shareholders in accordance with ASX Listing Rule 7.5:

The number of securities issued	10,560,000 Shares																		
Issue price per security	The Shares were issued at a deemed issue price of \$0.125 per Share.																		
Terms of security	Shares ranking equally with all existing shares																		
Persons whom securities were issued or basis of issue	<table><tr><td>Sai Asan Pty Ltd</td><td>2,303,998</td></tr><tr><td>Puay Guan Khoo</td><td>959,999</td></tr><tr><td>Farmm Investments Pty Ltd</td><td>320,001</td></tr><tr><td>Eposito Superfund</td><td>320,001</td></tr><tr><td>Benjamin Ong</td><td>120,000</td></tr><tr><td>Demasiado Pty Ltd <DEMASIADO FAMILY A/C></td><td>440,001</td></tr><tr><td>Deltone Pty. Ltd.</td><td>320,001</td></tr><tr><td>George S Harris Superannuation Pty Ltd</td><td>480,000</td></tr><tr><td>Basapa Pty Ltd</td><td>800,001</td></tr></table>	Sai Asan Pty Ltd	2,303,998	Puay Guan Khoo	959,999	Farmm Investments Pty Ltd	320,001	Eposito Superfund	320,001	Benjamin Ong	120,000	Demasiado Pty Ltd <DEMASIADO FAMILY A/C>	440,001	Deltone Pty. Ltd.	320,001	George S Harris Superannuation Pty Ltd	480,000	Basapa Pty Ltd	800,001
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Basapa Pty Ltd	800,001																		

	FAULKNER CAPITAL GROUP PTY LTD 800,001 Chu Yin Lin 1,967,998 Architrust Pty Ltd 767,999 Keach & Co Pty Ltd 480,000 Richard James Cooney 480,000
Use of funds raised	No funds were raised from the issue of the Shares as the Shares were issued in part consideration for the acquisition of Miniran.

Resolution 4 – Approve the previous issue of 4,816,667 Shares

Background

On 23 October 2017, the Company issued 4,816,667 Shares under a private placement raising \$216,750. The Shares were issued without the prior approval of Shareholders and in accordance with ASX Listing Rule 7.1A.

Resolution 4 seeks Shareholder approval for the previous issues of 4,816,667 Shares for the purposes of ASX Listing Rule 7.4 and all other purposes.

ASX Listing Rules 7.1, 7.1A, 7.4 & 7.5

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.

In addition, at the Company's 2016 Annual General Meeting (AGM), the Company's shareholders approved a resolution pursuant to ASX Listing Rule 7.1A to allow the Company to issue a further 10% of the existing capital of the Company within a 12 month period.

ASX Listing Rule 7.4 provides that an issue of shares made without approval under Listing Rule 7.1 (and/or 7.1A) is treated as been made with approval if each of the following applies:

- the issue did not breach Listing Rule 7.1 (or 7.1A), and
- the shareholders of ordinary securities subsequently approve the issue.

The issue of 4,816,667 Shares did not breach ASX Listing Rule 7.1 (or 7.1A) and the Company seeks subsequent Shareholder approval for these issues of Shares for the purposes of ASX Listing Rule 7.4 and all other purposes.

The following information is provided to Shareholders in accordance with ASX Listing Rule 7.5:

The number of securities issued	4,816,667 Shares
Issue price per security	Shares will be issued at an issue price of \$0.045 per Share raising \$216,750
Terms of security	The Shares to be issued will be fully paid ordinary Shares in the capital of the Company and rank equally with all existing Shares on issue.

Persons whom securities were issued or basis of issue	Yan Xiao Nan	400,000
	Misss Jia Yie Poh	355,556
	Robert Mervyn Anderson	1,333,333
	Ng SMSF Pty Ltd	444,444
	Lili He	222,222
	Alan Hu	250,000
	Liu Lianxi, Xinming Xu and Manting Gu	400,000
	Canna Investments Pty Ltd	111,111
	Huang Tzu Liang	1,100,000
	Kian Tat Yap	200,000
Use of funds raised	Funds raised will be used for working capital purposes.	

Resolution 5 – Approve placement of 1,000,000 Shares to a director, Ms. Emily Lee

General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 1,000,000 Shares to Ms Emily Lee, a director of the Company under private placement. The Shares will be issued at \$0.045 per fully paid ordinary share and will raise up to \$45,000.

Resolution 5 seeks Shareholder approval for the issue of Shares to Emily Lee, a Director and related party of the Company or her nominee(s).

Chapter 2E of the Corporations Act

Pursuant to Chapter 2E of the Corporations Act a public company cannot give a ‘financial benefit’ to a ‘related party’ unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 210 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given on arm’s length terms, that is on terms that:

- (a) would be reasonable in the circumstances if the public company and the related party were dealing at arm’s length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a).

The Company considers that the proposed issue of securities the subject of Resolution 5 will be on arm’s length terms and, as such, falls within the exception set out in section 210 of the Corporations Act. The Company has reached this view as the shares to be applied for by Emily Lee (or her nominee) are on identical terms to those offered to non-related participants in the placement whom are arm’s length

investors in the Company. Accordingly, approval will not be sought under Chapter 2E for the issue of these Shares to Emily Lee (or her nominee).

The Listing Rules do not contain a similar exception. Therefore, the Company is seeking approval under Listing Rule 10.11 notwithstanding the proposed issue being on arm's length terms.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity 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.

As the issue of the Shares involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of Shares to Ms Lee as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Ms Lee will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

Information required by ASX Listing Rule 10.13

In compliance with the information requirements of ASX Listing Rule 10.13, Shareholders are advised of the following particulars of the allotment and issue:

Maximum number of securities to be issued	1,000,000 Shares
Date of issue	If Shareholder approval is obtained, the issue of the Shares will occur no later than one month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).
Issue price per security	Shares will be issued at an issue price of \$0.045 per Share.
Terms of issue	The Shares to be issued will be fully paid ordinary Shares in the capital of the Company and rank equally with all existing Shares on issue.
Persons to whom securities will be issued	1,000,000 Shares will be issued to Emily Lee or her nominee(s).
Intended use of funds	Funds raised will be used for working capital purposes.

Resolution 6 – Issue of Shares as consideration for repayment of up to \$1,570,250 in debt

Background

On 14 December 2016, the Company issued convertible notes (Notes) in the Company as consideration for loan funds totaling \$1,427,500 from various loan providers. The Notes were to be convertible into Shares at a Share issue price of \$0.125 per Share at the election of the Note holders. Notes not converted into Shares were to be redeemed by the Company upon request of the Note holder at (or following) the

end of the term, being September 2017. Notes accrued interest of 10% per annum until conversion to Shares or redemption. Upon redemption, the face value of the Notes plus any outstanding interest became payable by the Company to the Note holder. While the Notes have expired, Note holders have to date not requested redemption of the Notes by the Company and the repayment of funds.

The Company intends to offer Note holders the opportunity to convert funds payable by the Company upon expiry of the Notes into Shares. Shares will be issued as repayment of funds payable by the Company at a minimum issue price which is at least 100% of the VWAP of the Company's Shares as traded on ASX, calculated over the last 5 days in which sales of Shares were recorded prior to the date of issue (Issue Price).

Shares issued upon conversion of loans to Shares will be issued in accordance with the below formulas:

Maximum number of Shares Issued = Funds payable (\$1,570,250 including interest) / Issue Price

The maximum number of Shares that may be issued upon conversion of funds payable to Shares based on various potential Issue Prices is set out in the below table.

Loan Conversion Amount	Potential Issue Price	Maximum Number of Shares to be Issued
Up to \$1,570,250	\$0.06	Up to 26,170,833
Up to \$1,570,250	\$0.055	Up to 28,550,000
Up to \$1,570,250	\$0.05	Up to 31,405,000
Up to \$1,570,250	\$0.045	Up to 34,894,444
Up to \$1,570,250	\$0.04	Up to 39,256,250
Up to \$1,570,250	\$0.035	Up to 44,864,286
Up to \$1,570,250	\$0.03	Up to 52,341,667

Acceptance of the Company's offer to the Note holders to convert funds payable by the Company into Shares is at the discretion of the Note holders.

Resolution 6 seeks Shareholder for the issue of Shares as detailed above for the purposes of ASX Listing Rule 7.1 and all other purposes.

Requirements of Listing Rule 7.1

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 on conversion of the Notes, the issuance of those Shares will not count within the 15% limit under Listing Rule 7.1.

Information Required by Listing Rule 7.3

Listing Rule 7.3 contains certain content requirements for notices sent to Shareholders for the purpose of Listing Rule 7.1 and the following information is included in this Explanatory Statement for that purpose.

The names of the persons that will be issued the securities	Upon conversion of Notes Shares will be issued to the below allottees or their nominees:	
	Name	Principle Loan

	Amount (\$)
	Wai Hoey \$12,500
	Huang Tzu Liang \$100,000
	Jin Joen Investment Corp \$50,000
	Jen Kuei Kuo \$62,500
	Teresa Poon \$5,000
	Xiodan Huang \$110,000
	Tzu Liang Huang \$437,500
	Everspring Industry Co LTD \$562,500
	Wai Leong Hoey <Hoey Family A/C> \$37,500
	Placedina Pty Ltd \$50,000
	Wai Hoey \$12,500
	Huang Tzu Liang \$100,000
	Jin Joen Investment Corp \$50,000
	Jen Kuei Kuo \$62,500
	Teresa Poon \$5,000
	Xiodan Huang \$110,000
	Tzu Liang Huang \$437,500
	Everspring Industry Co LTD \$562,500
The maximum number of securities the Company will issue	See table previously set out above in this Resolution which details the maximum number of Shares to be issued at various potential Issue Prices.
The date by which the Company will issue the securities	The Company will issue the securities within 3 months are the date of the Meeting (or such later date if permitted by the ASX).
The issue price of the securities	Shares will be issued as repayment of funds payable by the Company to the Note holders at a minimum issue price which is at least 100% of the VWAP of the Company's Shares as traded on ASX, calculated over the last 5 days in which sales of Shares were recorded prior to the date of issue.
The terms of the securities	The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.
The intended use of the funds raised	No additional funds will be received upon issue of Shares as funds have already been provided. However, conversion of the amounts payable to Shares will allow the Company to conserve funds by not having to repay the loans.

The Directors unanimously recommend that the Shareholders vote in favour of Resolution 6 for the following reasons:

- the conversion of loans to Shares will reduce the debts of the Company; and
- the Directors consider the allotment of the Shares contemplated by Resolution 6 to be in the best interests of the Company.

Resolution 7 – Approval of additional capacity to issue shares under ASX Listing Rule 7.1A

ASX Listing Rule 7.1A

In 2012, the ASX introduced ASX Listing Rule 7.1A which enables certain 'eligible entities' to issue equity securities of up to 10% of their issued share capital through placements over a 12 month period commencing after the annual general meeting (Additional Placement Capacity). ASX Listing Rules require that Shareholders approve the Additional Placement Capacity by special resolution, at an annual general meeting before any equity securities are issued under the Additional Placement Capacity.

For the purposes of ASX Listing Rule 7.1A an 'eligible entity' is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an 'eligible entity'. The Additional Placement Capacity is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. The Company has issued no equity securities in the previous 12 months under its 15% placement capacity under ASX Listing Rule 7.1, therefore, if the Additional Placement Capacity is approved, the Directors will be allowed to issue equity securities of up to 25% (10% pursuant to ASX Listing Rule 7.1A and 15% pursuant to ASX Listing Rule 7.1) of the Company's issued share capital. If the Additional Placement Capacity is not approved, the Directors will be allowed to issue equity securities of up to 15% of the Company's issued capital under ASX Listing Rule 7.1.

While the Company does not have current plans to undertake a capital raising or issue Shares for the acquisition of assets, the Company seeks shareholder approval by way of a special resolution to have the ability to issue equity securities under the Additional Placement Capacity should the need arise.

Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of equity securities calculated in accordance with the following formula:

(A x D) – E

A is the number of shares on issue 12 months before the date of issue or agreement:

- a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- b) plus the number of partly paid shares that became fully paid in the 12 months;
- c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- d) less the number of fully paid shares cancelled in the 12 months.
- e) Note that A is has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

ASX Listing Rule 7.3A

In accordance with ASX Listing Rule 7.3A the Company provides the following information.

Any securities issued under the Additional Placement Capacity will be in the same class as existing quoted securities of the Company.

The issue price for each security issued under the Additional Placement Capacity will not be less than 75% of the volume weighted average price for securities in that class over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price at which the securities are to be issued is agreed; or
- if the securities are not issued within 5 trading days of the date above, the date on which the securities are issued.

The issue of equity securities under the Additional Placement Capacity may result in voting dilution of existing ordinary shareholders (as shown in Table 1). There is also the risk that:

- the market price for equity securities in that class may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the issue date.

Equity securities under the Additional Placement Capacity may be issued until the earlier of:

- 1 year following the date of the Meeting.
- the date of approval by ordinary shareholders of a significant change to the Company's activities under ASX Listing Rule 11.1.2 or the date of approval by ordinary shareholders of a disposal of a major asset under ASX Listing Rule 11.2.

Any approval of the Additional Placement Capacity at this Meeting will cease to be valid in the event that ordinary shareholders approve a transaction under ASX Listing Rule 11.1.2 or 11.2.

The Company may issue equity securities under the Additional Placement Capacity for the following purposes:

- non-cash consideration: for the acquisition of new mining/exploration assets and/or investments (in such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rules); or
- cash consideration: to raise funds for general working capital or the acquisition of new assets.

The Company's allocation policy for issues under the Additional Placement Capacity is dependent on prevailing market conditions at the time of any proposed issue.

The identity of the allottees of the equity securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- the methods of raising funds that are available to the Company, including rights issues or other issues in which existing shareholders may participate;
- the effect of the issue of the equity securities on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from the Company’s advisors.

As the Company has no current plans to undertake a new capital raising or acquire new assets utilising this Additional Placement Capacity, the allottees under the Additional Placement Capacity have not yet been determined but if such an exercise was undertaken, allottees may include existing substantial shareholders and or new shareholders who are not related parties or associates of a related party of the Company.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2).

The table also shows:

- two examples where variable “A” has increased, by 50% and 100%. Variable “A” is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Table 1

Variable ‘A’ in Listing Rule 7.1A.2		Dilution		
		\$0.0185 50% decrease in Issue Price	\$0.037 Issue Price	\$0.74 100% increase in Issue Price
Variable A - 86,556,752 Shares	10% Voting Dilution	8,655,675 Shares	8,655,675 Shares	8,655,675 Shares
	Funds Raised	\$ 160,130	\$ 320,260	\$ 640,520
50% increase in Variable A - 129,835,128 Shares	10% Voting Dilution	12,983,513 Shares	12,983,513 Shares	12,983,513 Shares
	Funds Raised	\$ 240,195	\$ 480,390	\$ 960,780
100% increase in Variable A - 173,113,504	10% Voting Dilution	17,311,350 Shares	17,311,350 Shares	17,311,350 Shares

Shares	Funds Raised	\$ 320,260	\$ 640,520	\$ 1,281,040
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Table 1 has been prepared based on the following assumptions:

- Variable A is calculated as 7:00 pm AEDT on 23 October 2017.
- The Company issues the maximum number of equity securities available under the Additional Placement Capacity.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The table shows only the issue of equity securities under the Additional Placement Capacity and not under ASX Listing Rule 7.1.
- The issue of equity securities under the additional placement capacity includes only Shares.
- The issue price of \$0.037 was the price of Shares as traded on ASX as the time of preparing this Notice (24 October 2016).

The Company previously obtained approval for the additional placement capacity pursuant to ASX Listing Rule 7.1A at its 2016 AGM.

Information under ASX Listing Rule 7.3A.6(a)

The table below shows the total number of equity securities issued in the 12 months before the date of the AGM and the percentages those issues represent of the total number of equity securities on issue at the commencement of the 12 month period.

Equity securities on issue at the commencement of the 12 month period	87,430,085*
Equity securities issued in the 12 month period	15,376,667
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	17.59%

* Comprising an aggregate of 71,180,085 shares and 16,250,000 options.

Information under ASX Listing Rule 7.3A.6(b)

- 1 The table below sets out specific details for each issue of equity securities that has taken place in the 12-month period before the date of the AGM.

Date of issue, class and type of equity security and number issued	A. 10,560,000 Shares on 19/04/2017 B. 4,816,667 Shares on 24/10/2017
Summary of terms	Ordinary Shares
Names of persons who received securities or basis on which those persons were determined	A. Set out previously in Explanatory Statement (Resolution 3) B. Set out previously in Explanatory Statement (Resolution 4)
Issue price and discount to market price (if any)	A. Deemed issue price of \$0.125 per Share representing a 32.98% premium to the closing price of Shares as traded on ASX on the issue date (\$0.094). B. issue price of \$0.045 per Share representing a 17.78% premium to the closing price of Shares as traded on ASX on the issue date (\$0.037).
<i>For cash issues</i>	
Total cash consideration received	B. \$216,750
Approximate amount of cash consideration spent	B. \$195,000
Use of cash consideration	B. Working Capital, reduction of debt and tenement related expenses.
Intended use for remaining amount of cash (if any)	B. Working Capital.
<i>For non-cash issues</i>	
Non-cash consideration paid	A. Issued as consideration for the acquisition of Miniran.
Current value of that non-cash consideration	\$390,720 (Based on \$0.037 Share price at 24 October 2017)

A voting exclusion statement has been included in this Notice. However, as at the date of this Notice, the

Company has not approached any particular existing shareholder to participate in the issue of equity securities under the Additional Placement Capacity. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

FURTHER INFORMATION

Justyn Stedwell
Company Secretary
Phone: +61(0)3 9191 0135

Lanka Graphite Limited
Level 18, 101 Collins Street
Melbourne VIC 3000
www.lankagraphite.com

GLOSSARY

In the Notice of Meeting and Explanatory Statement the following terms have the following meanings:

AEDT means Australian Eastern Daylight Savings Time.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the listing rules of ASX.

Board means the board of directors of the Company.

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

Corporations Act means Corporations Act 2001 (Cth).

Director means a current director of the Company.

Explanatory Statement means the explanatory statement to this Notice of Meeting.

Meeting means the 2017 Annual General Meeting of the Shareholders of the Company to be held on 1 December 2017, to which the Notice of Meeting and Explanatory Statement relate.

Notice of Meeting means this notice of meeting of the Company dated 30 October 2017.

Resolution means a resolution referred to in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

VWAP means volume weighted average price.

Words importing the singular include the plural and vice versa. All references to currency are in Australian dollars.

Proxy Form

Lanka Graphite Limited
 ACN 074 976 828
 Suite 31, Level 18, 101 Collins St
 Melbourne VIC 3000

STEP 1 - Appointment of Proxy

I/We

being a shareholder/s of Lanka Graphite Limited and entitled to attend and vote hereby appoint

the Chairman of the General Meeting (mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered security holder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **2017 Annual General Meeting of Lanka Graphite Limited to be held at 11:00 am AEDT on Friday, 1 December 2017 at Level 18, 101 Collins Street, Melbourne, Victoria** and at any adjournment of that Meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default, by signing and returning this form, you expressly authorise the Chairman of the Meeting to exercise your proxy in relation to Resolution 1 even though Resolution 1 is connected with the remuneration of the Company's key management personnel. Where permitted, the Chairman of the General Meeting intends to vote undirected proxies in favour of Resolution 1. **If you do not wish to appoint the Chairman of the Meeting to vote on Resolution 1 in this manner, it will be necessary for you to complete the vote directions in Step 2.**

STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

Ordinary Business	For	Against	Abstain
Resolution 1 - Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 - Re-election of Jitto Arulampalam as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 - Approve the previous issue of 10,560,000 Shares for Miniran acquisition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 - Approve the previous placement of 4,816,667 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 - Approve placement of 1,000,000 Shares to a director, Ms. Emily Lee (raising \$45,000)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 - Issue of Shares as consideration for repayment of debt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 - Approve additional placement capacity pursuant to ASX Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 - PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact NameContact Daytime Telephone Date / / 2017

Proxy Form

Lanka Graphite Limited
ACN 074 976 828
Suite 32, Level 18, 101 Collins St
Melbourne VIC 3000

**YOUR VOTE IS IMPORTANT
FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 11:00AM AEDT ON 29 NOVEMBER 2017**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company. Do not write the name of the issuer company or the registered member in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the General Meeting must provide evidence of his or her appointment by providing an "Appointment of Corporate Representative" form prior to admission. An Appointment of Corporate Representative form can be obtained from the Company.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote. To direct your proxy how to vote, place a mark in one of the boxes opposite each Resolution. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution, your vote on that Resolution will be invalid.

If you intend to appoint a KMP (including the Chairman) as your proxy, you are encouraged to direct them how to vote on Resolution 1 by marking either "For", "Against" or "Abstain" for the item of business in Step 2 of the Proxy Form. If you appoint the Chairman of the meeting as your proxy, you expressly authorise him to cast your votes on Resolution 1 even though Resolution 1 is connected with the remuneration of the KMP of the Company.

STEP 3 Sign the Form

The form **must** be signed as follows:

Individual: this form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the Company. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a director jointly with either another director or a company secretary. Where the company has a sole director who is also the sole company secretary, this form must be signed by that person.

Please indicate the office held by signing in the appropriate place.

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 11:00 am on 29 November 2017. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxies may be lodged:

BY MAIL - Lanka Graphite Ltd
Suite 31, Level 18, 101 Collins St Melbourne VIC 3000

BY FAX - +61 (0) 3 8678 1747

IN PERSON – Lanka Graphite Ltd
Level 18, 101 Collins St Melbourne VIC 3000

Attending the Meeting

If you wish to attend the Meeting please bring this form with you to assist registration.

Queries

If you have any queries in relation to the Notice of Meeting or this Proxy Form please contact the Company Secretary on +61(0)3 9191 0135.