

DISCLAIMER

Important Information

You must read this important notice before you attempt to access the electronic version of the Offer Information Statement (**OIS**) through this website. The information on this page is not part of the OIS. If you do not understand it, you should consult your professional adviser without delay.

Lodgement of OIS with ASIC

The paper form of the electronic version of the OIS (including its Entitlement and Acceptance Form and Shortfall Application Form) accessible through this website has been lodged with the Australian Securities and Investments Commission.

No offer of securities is made on the basis of the electronic version of the OIS accessible through this website. An application for securities can be made by completing the Entitlement and Acceptance Form (and if the investor wishes to apply for Shortfall, the Shortfall Application Form) attached to or accompanied by a paper form of the OIS and then lodging the form and the application monies in accordance with the details set out in the OIS and the relevant Application Form.

No Advice

Nothing contained on this website or in the OIS constitutes investment, legal, business, tax or other advice. In particular, the information on this website and in the OIS does not take into account your investment objectives, financial situation or particular needs. In making an investment decision, you must rely on your own examination of the Company and the securities and terms of the offering, including the merits and risks involved. You should consult your professional adviser for legal, business or tax advice.

Warning

For legal reasons, the electronic version of the OIS accessible through this website is available to persons accessing this website from within Australia only. If you are accessing this website from anywhere outside Australia, please do not download the electronic version of the OIS.

The OIS is only intended to be distributed and made available to existing shareholders of the Company and is personal to each shareholder to whom it has been delivered. The offer made pursuant to the OIS does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue the OIS.

The Company has agreed to comply with the securities laws of overseas jurisdictions having regard to the number of overseas shareholders, the number and value of securities these shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

In accordance with the Corporations Act 2001 (Cth) requirements (in particular the takeover exception set out at item 10 of section 611), the offer is being extended and

securities may be issued to all shareholders of the Company at the record date. The Company has shareholders with registered addresses in Australia, Bermuda, Mauritius, Ireland, Sri Lanka and Switzerland and the offer is made to shareholders with registered addresses in those jurisdictions.

The distribution of the OIS in jurisdictions outside Australia, Bermuda, Mauritius, Ireland, Sri Lanka and Switzerland may be restricted by law and persons who come into possession of the OIS should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the securities the subject of the OIS or otherwise permit a public offering of the securities the subject of the OIS in any jurisdiction outside Australia, Bermuda, Mauritius, Ireland, Sri Lanka or Switzerland.

If you received the OIS and are outside Australia, Bermuda, Mauritius, Ireland, Sri Lanka and Switzerland it is your responsibility to obtain all necessary approvals for the issue of the securities pursuant to the OIS. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

By proceeding, you acknowledge and agree to the above statements.

MARGOSA GRAPHITE LIMITED
ACN 145 267 303

OFFER INFORMATION STATEMENT
ENTITLEMENT ISSUE

For a non-renounceable entitlement issue of one (1) New Share for every three (3) Shares held by those Shareholders registered at the Record Date at an issue price of \$0.20 per Share to raise up to \$3,115,429 (based on the number of Shares on issue as at the date of this Offer Information Statement) (**Offer**).

It is proposed that the closing date of the Offer is 5:00pm (WST) on 27 November 2018. The Directors reserve the right to extend this date without notice.

IMPORTANT NOTICE

This is an important document and requires your immediate attention. It should be read in its entirety and in conjunction with the Company's Annual Financial Report for the year ended 30 June 2018.

Please note that an Offer Information Statement (**OIS**) is not a prospectus and has a lower level of disclosure requirements than a prospectus. Investors should read this Offer Information Statement in its entirety (including the key risks summarised in Section 3 of this Offer Information Statement) and obtain appropriate professional investment advice before accepting the Offer.

If you are in doubt about what to do, you should consult your professional adviser without delay.

The New Shares offered by this Offer Information Statement should be considered speculative.

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CORPORATE DIRECTORY

Directors

John Shackleton
(Executive Chairman)

Peter Venn
(Managing Director)

Peter Cunningham
(Non-Executive Director)

Varuna Mallawarachchi
(Non-Executive Director)

Company Secretary

Kelly Moore

Registered Office

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Share Registry*

Security Transfer Australia
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Applecross WA 6153

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Facsimile: +61 8 9315 2233

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

*This entity is included for information purposes only. It has not been involved in the preparation of this OIS and has not consented to being named in this OIS.

OFFER INFORMATION SUMMARY

Offer Price for a New Share	\$0.20
Entitlement	One (1) Share for every three (3) Shares held by those Shareholders registered at the Record Date
Record Date	5:00pm (WST) on 5 November 2018
Exposure Period ends ⁴	12 November 2018
Offer opens ¹	13 November 2018
Proposed closing date of Offer ¹	5:00pm (WST) on 27 November 2018*
Proposed issue date of New Shares ¹	28 November 2018*
Shares on issue at date of this OIS	46,731,430
Maximum Number of New Shares to be issued under OIS ^{2,3}	15,577,144
Total Shares on issue after Offer ^{2,3}	62,308,574
Gross proceeds of Offer ²	\$3,115,429

Notes

1. These dates are indicative only and are subject to change.
2. These numbers are approximates and subject to rounding.
3. Assuming all entitlement shares are taken up.
4. Unless extended by ASIC.

IMPORTANT INFORMATION & KEY DATES

This Offer Information Statement (**OIS**) is dated 5 November 2018 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. ASIC and its officers take no responsibility for the contents of this OIS or the merits of the investment to which this OIS relates.

This OIS is subject to an exposure period of 7 days (excluding public holidays) from the date of this OIS (**Exposure Period**). ASIC may extend the Exposure Period by a further 7 days. No Applications for New Shares will be accepted until the Exposure Period has expired and no preference will be given to Eligible Shareholders who lodge their Entitlement and Acceptance Forms during the Exposure Period. The Company will make this OIS generally available to the public during the Exposure Period by placing a copy on the Company's website www.margosagraphite.com. The Company will provide a copy of this OIS to any person on request.

The following are key dates relating to the Offer that you need to be aware of:

- Record Date for Entitlement to participate in the Entitlement Issue: 5:00pm (WST) on 5 November 2018;
- Closing Date: 5:00pm (WST) on 27 November 2018.

These dates are indicative only and are subject to change. The Company reserves the right to amend this indicative timetable at any time and in particular, subject to the Corporations Act 2001 (Cth) (**Corporations Act**), to extend the latest date for receipt of Entitlement and Acceptance Forms, to accept late Entitlement and Acceptance Forms either generally or in particular cases or to cancel the Entitlement Issue without prior notice.

In accordance with the Corporations Act, no New Shares will be issued on the basis of this OIS after that date which is 13 months after the date of this OIS.

The Company's Annual Financial Report for the year ending 30 June 2018 is included in this OIS.

Certain words and terms used in this OIS have defined meanings, which are described in the Glossary in Section 8 of this OIS. Money as expressed in this OIS is in Australian dollars unless otherwise indicated. Any discrepancies between totals in tables and sums of components in tables in this OIS and between those figures and figures referred to in the other parts of this OIS are due to rounding. All references to time in this OIS are to Western Standard Time (WST) unless otherwise stated.

No representations

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this OIS. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

Except as required by law, and only to the extent so required, none of the Company, or any other person, warrants or guarantees the future performance of the Company or any return on any investment made pursuant to this OIS.

Overseas Shareholders

This document is only intended to be distributed and made available to existing Shareholders of the Company and is personal to each Shareholder to whom it has been delivered. This Offer does not, and is not intended to, constitute an offer in any place or

jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this OIS.

The Company has agreed to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of New Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

In accordance with Corporations Act requirements (in particular the takeover exception set out at item 10 of section 611), the Offer is being extended and New Shares may be issued to all Shareholders of the Company at the Record Date. The Company has Shareholders with registered addresses in Australia, Bermuda, Mauritius, Ireland, Sri Lanka and Switzerland and the Offer is made to Shareholders with registered addresses in those jurisdictions.

The distribution of this OIS in jurisdictions outside Australia, Bermuda, Mauritius, Ireland, Sri Lanka and Switzerland may be restricted by law and persons who come into possession of this OIS should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Securities the subject of this OIS or otherwise permit a public offering of the Securities the subject of this OIS in any jurisdiction outside Australia, Bermuda, Mauritius, Ireland, Sri Lanka or Switzerland.

If you received this OIS and are outside Australia, Bermuda, Mauritius, Ireland, Sri Lanka and Switzerland it is your responsibility to obtain all necessary approvals for the issue of the New Shares pursuant to this OIS. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

International Offer Restrictions

Information for Shareholders in Bermuda

The Company is not making any invitation to persons resident in Bermuda for exchange control purposes to subscribe for any securities.

Information for Shareholders in Ireland

The information in this OIS does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of New Shares in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (**Prospectus Regulations**). The New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to (i) "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations and (ii) fewer than 150 natural or legal persons who are not qualified investors.

Information for Shareholders in Mauritius

In accordance with The Securities Act 2005 of Mauritius, no offer of New Shares may be made to the public in Mauritius without the prior approval of the Mauritius Financial Services Commission. Accordingly, this Offer is being made on a private placement basis only and does not constitute a public offering. As such, this OIS has not been approved or registered by the Mauritius Financial Services Commission and is for the exclusive use of the person to whom it is addressed. This OIS and any enclosures is confidential and should not be disclosed or distributed in any way without the express written permission of the Company.

Information for Shareholders in Sri Lanka

This OIS is issued, distributed and circulated, and the Offer it contains is strictly made, in Sri Lanka only to existing Shareholders of the Company and to no other person (whether constituting the public or a section of the public of Sri Lanka).

Information for Shareholders in Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This OIS has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this OIS nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this OIS nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this OIS will not be filed with, and the offer of Securities will not be supervised by, the Swiss Financial Market Supervisory Authority. This OIS and any enclosures is personal to the recipient only and not for general circulation in Switzerland.

Notice to Nominees

Nominees and custodians may not distribute this OIS, and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia, Bermuda, Mauritius and Sri Lanka except, with the consent of the Company, to beneficial shareholders resident in certain other countries where the Company may determine it is lawful and practical to make the Offer. Return of a duly completed Application Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

Future performance and forward looking statements

Any forward looking statements, opinions and estimates (which are identified by words such as 'may', 'believes', 'expects' or 'intends' and other similar words) provided in this OIS are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Any forward looking statements, including projections, guidance on future revenues, earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company and its officers, employees, agents and advisers, which may cause actual results to differ materially from those expressed or implied in any forward looking statements. There can be no assurance that actual outcomes will not differ materially from these forward looking statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this document will actually occur and potential investors are cautioned not to place undue reliance on these forward looking statements. The Company will not update or revise forward looking statements in the future regardless of any new information received, except where required by law.

Privacy

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that is held about you. If you wish to do so, please contact the Share Registry at the relevant contact numbers set out in this Offer Information Statement.

Collection, maintenance and disclosure of certain personal information is governed by legislation, including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain other rules. You should note that if all information required on the Application Form is not provided, the Company may not be able to accept or process your Application.

1. DETAILS OF THE ENTITLEMENT ISSUE

1.1 The Offer

The Company is making an Offer to Eligible Shareholders by way of an Entitlement Issue. The offer price of \$0.20 for each New Share is payable in full on acceptance of the Offer.

Each Eligible Shareholder is entitled to subscribe for one (1) New Share for every three (3) Existing Shares which the Shareholder holds.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements to New Shares have been rounded up to the nearest whole number of New Shares.

The Board also invites all Eligible Shareholders to apply for Shortfall Shares in excess of their Entitlements.

Based on the capital structure of the Company as at the date of this OIS, a maximum of 15,577,144 Shares will be issued pursuant to this Offer to raise up to \$3,115,429.

Other than the issue price of \$0.20 per New Share there are no other fees or charges payable to receive New Shares.

The Offer is not underwritten and there is no minimum subscription under the Offer.

All of the Shares offered under this OIS will rank equally with the Shares on issue at the date of this OIS. Please refer to Section 1.18 for further information regarding the rights and liabilities attaching to the Shares.

Entitlements to New Shares are non-renounceable. This means that Eligible Shareholders are not able to renounce (sell) their Entitlements which they do not wish to accept.

1.2 Use of Funds

The maximum amount that will be raised pursuant to the Offer will be approximately \$3,115,429 (before costs). As at the date of this OIS, the Company intends to use the funds raised as set out below.

Item	Proceeds of the Offer	(\$)	%
1.	Exploration and development related costs on existing permits	1,600,929	51.39%
2.	Administrative and corporate operation expenses	577,250	18.53%
3.	Working capital	50,750	1.63%
4.	Settlement and repayment of convertible notes ¹	710,000	22.79%
5.	Repayment of outstanding director fees ²	164,000	5.26%
6.	Costs of the Offer	12,500	0.40%
	Total	3,115,429	100%

Notes:

1. The Company has obtained \$710,000 in funding through convertible note arrangements. This includes \$500,000 from Zeta Resources Limited a substantial holder of the Company (**Zeta**). The Company can elect to repay the notes in cash or shares up until October 2019. The Company confirms that the funds raised under the convertible notes have been used to fund exploration and development related expenses on the Company's existing permits.

2. The Company currently has outstanding director fees of \$50,000 owing to John Shackleton and \$114,000 owing to Peter Venn.

The above table is a statement of present intentions as at the date of this OIS. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied. In the event the Company raises less than the full subscription, after payment of the expenses of the Offer, the funds raised will first be allocated to repay the convertible notes and director fees and then allocated to exploration costs and administrative expenses on a pro-rata basis.

1.3 Costs of the Offer

The Company shall pay for the costs associated with the Offer. Costs associated with the Offer are estimated to be approximately \$12,500 (excluding GST) and are expected to include the following:

- ASIC fees (\$1,924);
- Legal fees (\$8,000); and
- Printing and miscellaneous fees (\$2,576).

1.4 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted, will be to:

- (a) increase the cash reserves by \$3,106,429 after deducting the expenses of the Offer, to be expended by the Company in line with the use of funds outlined in Section 1.2 above; and
- (b) increase the number of Shares on issue from 46,731,430 to 62,308,574 subject to rounding following completion of the Offer (please refer to Section 1.5 for further details on the Company's capital structure).

1.5 Effect on Capital Structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted, is set out below:

Shares

	Number
Shares currently on issue	46,731,430
New Shares to be offered pursuant to the Offer ¹	15,577,144
Total Shares on issue after completion of the Offer²	62,308,574

Notes:

1. The number of New Shares actually issued after completion of the Offer will be subject to rounding.

Performance Shares

	Number
Performance Shares currently on issue ¹	3,125,000
Total Performance Shares on issue after completion of the Offer¹	3,125,000

Notes:

1. There are 1,275,000 Class A Performance Shares expiring 31 March 2020 which convert into 1,275,000 Shares if prior to 31 March 2019 the Company discovers an Indicated Mineral Resource" of at least 100,000 tonnes having a grade exceeding 80% graphite (Cg). There are 1,850,000 Class B Performance Shares expiring 31 March 2021 which convert into 1,850,000 Shares if prior to 31 March 2020 the Company both: (1) completes a Feasibility Study on one of the Company's Sri Lankan graphite projects; and (2) is granted a Category A Industrial Mining License (IML) by the Geological Survey and Mines Bureau of Sri Lanka in respect of one of the Company's Sri Lankan graphite projects

1.6 Annual Financial Report

The Company's Annual Financial Report for the financial year ended 30 June 2018 is included as Appendix 1 to this OIS and has been prepared on the basis of the accounting policies normally adopted by the Company.

1.7 Eligible Shareholders

To qualify for the Entitlement Issue, a Shareholder must be registered as a Shareholder at 5:00pm (WST) on the Record Date.

Eligible Shareholders may, in addition to their Entitlement, apply for Shortfall Shares regardless of the size of their present holding.

The Offer has been extended to all Shareholders in Margosa at the Record Date, being those with registered addresses in Australia, Bermuda, Sri Lanka, Ireland, Mauritius and Switzerland.

The distribution of this OIS in any jurisdiction other than Australia, Bermuda, Sri Lanka, Ireland, Mauritius or Switzerland may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. This OIS does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this OIS.

1.8 Offer Price

The Offer Price has been determined by the Company having regard to historical issues of Shares, the Company's financial history and operating conditions and by acknowledging the ongoing support of Shareholders. All issues of Shares since July 2017, including this Entitlement Issue, have been at \$0.20 per Share.

1.9 Substantial Holders

As at the date of this OIS, the Shareholders which have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholders	Shares	%	Entitlement (Shares)	Entitlement (\$)
Zeta Resources Limited	15,000,000	32.10%	5,000,000	1,000,000
John Shackleton ¹	4,338,333	9.28%	1,446,111	289,222
5 th Avenue Nominees Pty Ltd	4,163,450	8.91%	1,387,817	277,563
Taplan Pty Ltd	3,824,213	8.18%	1,274,738	254,948
Venture First Pvt Ltd ²	3,647,134	7.80%	1,215,711	243,142

Notes:

1. John Shackleton is a Director the Company.
2. An entity controlled by Director, Mr Mallawarachchi.

In the event all Entitlements are accepted, there will be no change to the substantial holders on completion of the Offer.

1.10 Effect of Offer on the control of the Company

As at the date of this OIS, the Company's largest substantial holder, Zeta Resources Limited (**Zeta**), holds a total of 15,000,000 Shares, being a voting power in the Company equal to approximately 32.10%.

The voting power of Zeta and its associates will vary depending on the extent to which Shareholders, other than Zeta, participate in the Offer and take up their respective Entitlements and where there is a Shortfall, the extent to which Shortfall Shares are subscribed for.

Zeta will not take up or be allocated Shortfall Shares and may only increase its voting power by taking up its Entitlement.

The potential maximum increase in the voting power of Zeta under the Offer (assuming no Shareholder other than Zeta and the Directors take up their Entitlements), would be approximately 4.56%, resulting in Zeta being issued 5,000,000 New Shares and holding a total of 20,000,000 Shares after completion of the Offer (36.66%).

Zeta's present relevant interest and changes under several scenarios are set out in the table below and are based on the assumptions that Zeta takes up its full Entitlement of 5,000,000 Shares under each scenario and that the Director's take up their full Entitlements as per their commitments set out in Section 1.12.

Event	Shares held by Zeta	Total Shares on issue	Voting power of Zeta
As at date of OIS	15,000,000	46,731,430	32.10%
Completion of Entitlement Issue			
• Fully subscribed	20,000,000	62,308,574	32.10%
• 75% subscribed	20,000,000	58,414,288	34.24%
• 50.6% subscribed (only Zeta and the Directors subscribe for full Entitlements and no other Shareholders participates)	20,000,000	54,616,685	36.66%

If no Shareholders, other than Zeta and the Directors take up their Entitlements, Zeta's relevant interest in the Shares of the Company, may increase to up to 36.66%. However, the Directors consider it is unlikely that no Shareholders, other than Zeta and the Directors, will take up Entitlements under the Offer.

Additionally, in the scenarios described above, if the Shortfall Shares are taken up by existing Shareholders (other than Zeta) or by introduced third parties, the voting power of Zeta set out in the table above will decrease.

Successful completion of the Offer will enable the Company to give effect to its objectives stated in Section 1.2 of this OIS.

Zeta is a closed-end investment company, whose shares are listed on the ASX. The business of Zeta consists of investing the pooled funds of its shareholders in accordance with its investment objective and policy with the aim of generating a return for shareholders. Zeta has contracted with an external investment manager, ICM Limited to manage its investments.

Notwithstanding the potential control effect of Zeta resulting from it taking up its full Entitlement, the Company understands that, other than as disclosed in this OIS and previously announced by the Company, Zeta and its associates:

- (a) have no present intention of making any significant changes to the business of the Company;
- (b) have no present intention to inject further capital into the Company, other than by Zeta taking up its Entitlement;
- (c) have no present intention regarding the future employment of the present employees of the Company or the Board;
- (d) do not intend to redeploy any fixed assets of the Company;
- (e) do not intend to transfer any property between the Company and Zeta or any of Zeta's associates; and
- (f) have no intention to change the Company's existing policies in relation to financial matters or dividends.

These present intentions are based on information concerning the Company, its business and the business environment which is known to Zeta at the date of this OIS.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time. Accordingly, the statements set out above are statements of current intentions only.

1.11 Potential dilution to Shareholders

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 33% (as compared to their holdings and number of Shares on issue as at the date of the OIS). Examples of how the dilution may impact Shareholders (assuming all Entitlements are accepted, and no additional Shares are issued).

Holder	Holding as at Record date	% at Record Date	New Share Entitlements under the Offer	Holdings if Offer not taken Up	% post Offer
Shareholder 1	10,000,000	21.40%	3,333,333	10,000,000	16.05%
Shareholder 2	5,000,000	10.70%	1,666,667	5,000,000	8.02%
Shareholder 3	2,500,000	5.35%	833,333	2,500,000	4.01%
Shareholder 4	1,000,000	2.14%	333,333	1,000,000	1.60%
Total	46,731,430				62,308,574

Notes:

1. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted are placed under the Shortfall Offer. In the event all Entitlements are not accepted and some or all of the resulting Shortfall was not subsequently placed, the dilution effect for each Shareholder not accepting their Entitlement would be a lesser percentage.

1.12 Director participation

The relevant interest of each of the Directors in the securities of the Company as at the date of this OIS, together with their respective Entitlement is set out in the table below.

Director	Shares	Performance Shares	Entitlement (New Shares)	\$	Shortfall Shares ⁵	Shortfall Shares (\$) ⁵
John Shackleton ¹	4,338,333	1,150,000	1,446,111	289,222	255,000	51,000
Peter Venn ²	170,298	1,150,000	56,766	11,353	520,000	104,000
Peter Cunningham ³	500,000	575,000	166,667	33,333	Nil	Nil
Varuna Mallawarachchi ⁴	3,647,134	250,000	1,215,711	243,142	Nil	Nil

Notes

- 1 Mr Shackleton's relevant interest comprises an indirect interest in 1,662,643 Shares through Montage Nominees Pty Ltd, 1,337,990 Shares through Noralee Pty Ltd <Shackleton Family a/c>, 249,364 Shares through Mystic Investments Pty Ltd <Kashnet Super Fund a/c>, 800,000 Shares through his spouse and 288,336 Shares through his dependants.
- 2 Mr Venn's relevant interest comprises an indirect interest in 170,298 Shares through his spouse.
- 3 Mr Cunningham's relevant interest comprises an indirect interest in 500,000 Shares through Actdane Pty Ltd <Cunningham Super Fund a/c>.
- 4 Mr Mallawarachchi's relevant interest comprises an indirect interest in 3,647,134 Shares through Venture First Pvt Ltd.
- 5 Mr Shackleton has advised of his current intention to subscribe for up to 255,000 Shortfall Shares in excess of his Entitlement. Mr Venn has also advised of his current intention to subscribe for up to 520,000 Shortfall Shares in excess of his Entitlement. The columns above relating to Shortfall assume that, subject to the compliance with the dispersion of Shortfall strategy contained in Section 1.17, both Mr Shackleton and Mr Venn are allocated their full subscription under the Shortfall Offer.

All currently Directors intend to take up their respective Entitlements.

1.13 Issue of New Shares

New Shares under the Entitlement Issue are expected to be issued by 28 November 2018 (subject to variation at the discretion of the Company).

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for, or where no issue is made surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

1.14 Application Monies

Pending the issue of the New Shares or payment of refunds pursuant to this OIS, the Company will hold Application Monies on trust in a separate bank account as required by the Corporations Act.

Any interest accrued on Application Monies will be retained by the Company and will not be paid to the relevant Eligible Shareholder including if the Offer is cancelled or withdrawn.

Where Application Monies are to be returned, they will be returned as soon as practicable.

1.15 Taxation Implications

Shareholders should be aware that there may be taxation implications of participating in the Offer and subscribing for New Shares. The taxation consequences of participating in the Offer and/or acquiring New Shares may vary depending on the individual circumstances of each Shareholder. Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and their personal circumstances.

1.16 Risks

There are a number of risks associated with an investment in the Company which may affect its financial performance, financial position, cash flows, distributions, growth prospects and Share value.

The key risk factors have been summarised in Section 3 of this OIS.

1.17 Application for Shortfall Shares

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer. The Shortfall Offer is a separate offer pursuant to this OIS and will remain open for up to three months following the Closing Date.

Eligible Shareholders (including Directors) who take up their Entitlement in full can apply for Shortfall Shares over and above their Entitlement at the same price as the Shares offered under the Offer. The issue price for each Shortfall Share shall be \$0.20 being the price at which Shares have been offered under the Offer.

Should there be a Shortfall the Board will exercise its discretion to allocate the Shortfall Shares firstly, to Eligible Shareholders seeking Shortfall Shares. The Board does not intend to refuse an application for Shortfall Shares from Eligible Shareholders other than in circumstances of oversubscription or where acceptance may result in a breach of the Corporations Act or where the Board, acting in good faith, determines that such an allocation would not be in the interests of all Shareholders. The Shortfall Shares will be allocated among applying Eligible Shareholders in accordance with their proportionate shareholdings in the Company. However, as Shortfall cannot be guaranteed, there is no guarantee that Eligible Shareholders seeking Shortfall Shares will receive them in full, or at all. Following the allocation to Eligible Shareholders the Board will allocate any remaining Shortfall Shares to introduced third parties depending on demand.

Eligible Shareholders who wish to subscribe for Shortfall Shares should complete the relevant field on their Entitlement and Acceptance Form accompanying this OIS and return it to the Company together with appropriate payment of \$0.20 per Share. The current intentions of Directors in respect of Shortfall participation is set out in Section 1.12.

Other investors who wish to subscribe for Shortfall Shares should complete the relevant fields on the Shortfall Application Form accompanying this OIS and return it to the Company together with appropriate payment of \$0.20 per Share.

The Company notes that no Shares will be issued to an applicant under this OIS or via the Shortfall Offer if the issue of Shares would contravene the takeover prohibition in section 606 of the Corporations Act.

1.18 Rights and Liabilities attaching to Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this OIS. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) **General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting rights**

Subject to the Constitution and to any rights and restrictions attaching to any class of shares, at meetings of shareholders or other classes of shareholder, each shareholder entitled to attend and vote may attend and vote in person or by proxy or by attorney and, where the shareholder is a body corporate, by representative.

On a show of hands every Shareholder present having the right to vote at the meeting has one vote. On a poll every Shareholder present has one vote for each fully paid Share and, the case of partly paid Shares or Share held by the Shareholder, a fraction of a vote equivalent to the proportion which the amount paid (but not credited) is of the total amounts paid and payable (excluding amounts credited) on the Share or Shares held.

(c) **Dividend rights**

Subject to the Corporations Act and to any special rights or restrictions attached to any Shares, Directors may from time to time authorise the Company to pay interim and final dividends which appear to the Directors to be justified by the profits of the Company.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

(f) **Future increase in capital**

The allotment and issue of any Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(g) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Partly paid shares**

The Directors may, subject to compliance with the Constitution and the Corporations Act, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

(i) **Dividend reinvestment and share plans**

The members of the Company, in general meeting, may authorise the Directors to implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company) and any other share plans (under which any member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of fully paid shares).

(j) **Directors**

The Constitution states that the minimum number of Directors is three.

(k) **Powers of the Board**

Except as otherwise required by the Corporations Act, any other law, or the Constitution, the Directors have power to manage the business of the Company and may exercise every right, power or capacity of the Company to the exclusion of the members (except to sell or dispose of the main undertaking of the Company).

(l) **Share buy backs**

Subject to the provisions of the Corporations Act, the Company may buy back shares in itself on terms and at times determined by the Directors.

(m) **Unmarketable parcels**

The Constitution permits the Board to sell the shares held by a shareholder if they comprise less than a marketable parcel within the meaning of the Listing Rules. The procedure may only be invoked once in any 12 month period and requires the Company to give the shareholder notice of the intended sale. If a shareholder does not want his shares sold, he may notify the Company accordingly.

(n) **Capitalisation of profits**

The Company may capitalize profits, reserves or other amounts available for distribution to members. Subject to the Constitution and the terms of issue of shares, members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(o) **Capital reduction**

Subject to the Corporations, the Company may reduce its share capital.

(p) **Preference shares**

The Company may issue preference shares including preference shares that are liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

2. DESCRIPTION OF THE BUSINESS OF THE COMPANY

2.1 Key Achievements – past 18 months

- Secured cornerstone investor in ASX listed Zeta Resources Limited. Zeta is managed by international fund manager and corporate advisor ICM Limited;
- Developed a Board and Management that has global experience at all levels of exploration, mining development and marketing;
- Completed a detailed 1,700 line km airborne EM (AEM) survey over six Tier 1 graphite project areas;
- Downhole EM (DHEM) survey at Pathakada highlighted potential extensions to delineated mineralisation;
- Completed the purchase of a MD600 diamond drill rig from a New Zealand supplier to accelerate exploration and development;
- Completed over 3,000 metres of resource drilling at Pathakada;
- Application completed for advanced exploration shaft to extract a bulk metallurgical sample and provide data for future mine planning; and
- Application process commenced for “A” Class Mining Licence at Pathakada.

2.2 Introduction

2.2.1 Company Background

Margosa is an unlisted public Company based in Perth, Australia that is focused on becoming the world's leading producer of high grade crystalline vein graphite through exploration and development of outlined priority project targets on its 100% owned licences in Sri Lanka.

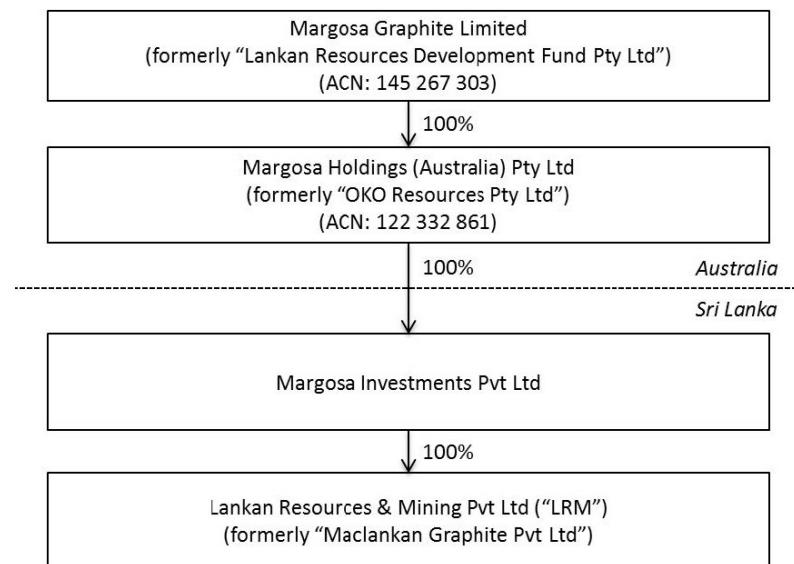
Vein or lump graphite has grades between 90-99% total graphite content and Sri Lanka is the only country in the world, where this high purity product is mined commercially. This unique product attracts premium prices due to its superior crystallinity, higher cohesive energy and performance over other forms (amorphous and flake) of natural graphite.

Margosa pegged its first graphite licences in Sri Lanka in 2012. Through its wholly owned Sri Lankan subsidiaries, the Company currently holds 10 granted exploration licences, plus 4 applications to explore 283km² of land containing historical graphite mines, and which is considered prospective geologically.

Over its six years in Sri Lanka, Margosa has built strong government and local community relationships, and its close ties to Sri Lankan industry will provide the Company with competitive and operational opportunities now and in the future.

2.2.2 Corporate Structure

The corporate structure of Margosa is as follows:



2.3 Existing Projects Overview

Margosa through its wholly owned Sri Lankan subsidiaries currently holds 100% of 10 exploration licences over 182km² of highly prospective geology and past graphite mining areas in Sri Lanka, with 3 new exploration licence applications and one renewal lodged with the GSMB (Geological Survey and Mines Bureau of Sri Lanka) over another 101km² (refer to Table 1 below). All granted licences are in good standing.

Details of the licences in Sri Lanka:

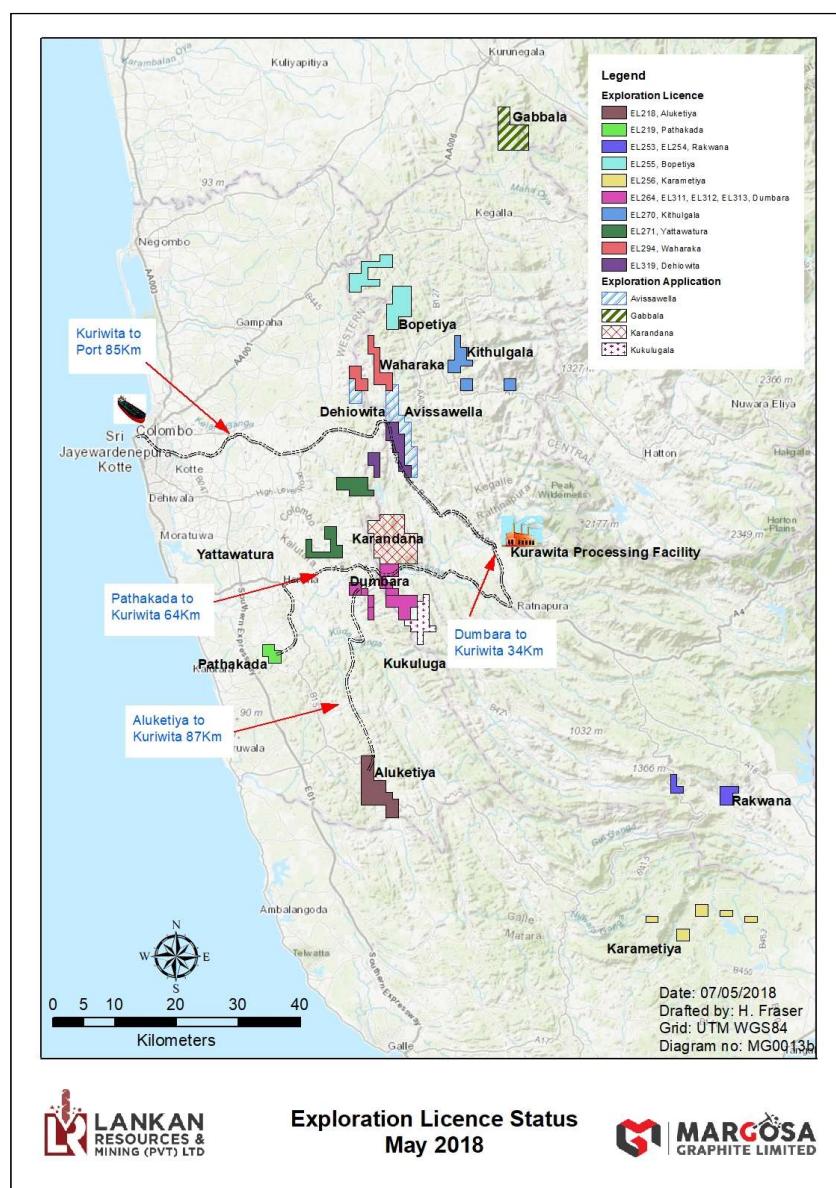
Licence Name	Area (sqkm)	Licence ID	Expiry Date
Aluketiya	31	EL218	22/08/2019
Pathakada	7	EL219	22/08/2019
Bopitiya	39	EL255	24/10/2018*
Dumbara-Ratnapura	10	EL264	24/10/2018*
Dumbara 2	4	EL312	9/10/2019
Dumbara/Manana Bulath	16	EL313	9/10/2019
Kithulgala	20	EL270	24/10/2018*
Yattawatura	29	EL271	24/10/2018*
Waharaka	22	EL294	21/02/2019
Yatipawwa/Bothale	4	EL311	9/10/2019
Dehiowita	22	EL319	Renewal Pending
Avissawella	32	COM 220	Application
Kulkulgala	18	COM 221	Application
Gabbala	29		Application

Table 1. List of Licences as at 10/10/2018 *Renewal applications submitted to GSMB

The projects have been ranked by Margosa according to favourable geology, and presence of historical graphite workings and nearby operating graphite mines:

- Tier 1: Pathakada, Dumbara, Waharaka, Dehiowita, Aluketiya and Kithulgala
- Tier 2: Avissswella, Kulkulgala, Bopitya and Yattawatura
- Tier 3: Gabbala

Consent of the surface owners and occupants is required for prospecting and mining purposes. There is no formal procedure for such consent and it is a matter of consultation and negotiation with landowners and occupants. It is customary for a licence holder to enter into agreement with the relevant land owner or occupier for this purpose. Margosa has obtained a 35-year lease (ending in 2049) with the consent of all 12 people co-owning the land within the area specified under EL/219 (Pathakada) and is currently in negotiation for a lease/purchase option with another land owner on the EL/219 licence which the land owner has in principle agreed to leasing/selling the property. Margosa expects this arrangement to be finalised in the near future.



2.4 Future Plans

The following strategic plan for the next 12 months has been prepared following a review in which a series of key objectives were formulated by the technical team. This plan provides a roadmap to address the challenge of exploring, building resource/reserve inventories at a number of its projects, and developing the Company's first graphite operation in Sri Lanka.

The plan recognises that:

- The opportunity to derive significant value for our shareholders capitalising on our exploration, mining and development expertise, owner-operator drilling equipment, ground position, and reputation built in Sri Lanka
- There is little competition in the vein graphite space in Sri Lanka and there are opportunities to negotiate soft deals on underdeveloped mining assets for which Margosa is actively pursuing.

The Company's principal near term objectives are to:

- 1) Carry out an internal Feasibility Study at Pathakada;
- 2) Receive approval, commence and complete a 62m exploration shaft under the current Exploration Licence terms at Pathakada;
- 3) Apply for an "A Class Mining Licence" at Pathakada in FY2019;
- 4) Commence the planned drilling program at its Aluketiya Project to confirm the AEM results identified by its recent study over the area;
- 5) Drill test the highest priority Airborne Electro-Magnetic (AEM) anomalies and enhance other targets with ground (FLEM) and DHEM techniques;
- 6) Locate other exploration and development opportunities within Sri Lanka; and
- 7) Develop strategic alliances with in-country manufacturers of graphite products.

Further information regarding the Company's project, previous exploration activities and proposed activities is set out in the Annual Report ("Review of Operations" at pages 4-8).

3. RISK FACTORS

3.1 Introduction

The Shares offered under this OIS are considered speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this OIS and to consult their professional advisers before deciding whether to apply for Shares pursuant to this OIS.

The Company's business is subject to risk factors, both specific to its business activities and of a general nature. Individually, or in combination, these might affect the future operating performance of the Company and the value of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of these risks set out below could, if it eventuates, have a material adverse impact on the Company's operating performance and profits.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

3.2 Company Specific

(a) Potential Dilution

Upon implementation of the Offer, assuming all Entitlements are accepted the number of Shares in the Company will increase from 46,731,430 currently on issue to 62,308,574. This means that each Share will represent a lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last capital raising price of Shares prior to the OIS being lodged of \$0.20 is not a reliable indicator as to the potential price of Shares after implementation of the Offer.

(b) Control and Significant Holder Risk

Shareholders should be aware that Zeta is a substantial shareholder of the Company and that the Offer may result in Zeta increasing its relevant interest in the Company up to a maximum of 36.66%. This will effectively strengthening its position and ability to control the Company. Please refer to Section 1.10 for further details in relation to the potential change in control effects on the Company.

With an increased voting power, Zeta may be in a position to control the Board through the election or removal of Directors, the approval of corporate transactions, any takeover bid or other offer for the Shares and general corporate direction of the Company and its operations.

Further in such situation the Company considers it is unlikely that Zeta will sell its Shares, and, accordingly, there is a risk that the Company's Shares will have a reduced liquidity. The increased voting power of Zeta may also decrease demand from new investors.

(c) **Mining and exploration risks**

The primary business of the Company is exploration for, and commercial development of mineral ore bodies, which is subject to the risks inherent in these activities. Its operations are still in the exploration and evaluation phase. The current and future operations of the Company may be affected by a range of factors, including:

- (i) geological conditions;
- (ii) limitations on activities due to seasonal weather patterns;
- (iii) alterations to joint venture programs and budgets;
- (iv) unanticipated operational and technical difficulties encountered in trenching, drilling, development, production and treatment activities;
- (v) mechanical failure of operating plant and equipment;
- (vi) adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- (vii) unavailability of drilling, mining, processing and other equipment;
- (viii) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment and labour;
- (ix) prevention of access by reason of political or civil unrest, outbreak of hostilities, inability to obtain regulatory or landowner consents or approvals;
- (x) terms imposed by government on development of mining projects including conditions such as equity participation, royalty rates and taxes;
- (xi) delays in completing feasibility studies and obtaining development approvals; and
- (xii) risks of default or non-performance by third parties providing essential services.

No assurance can be given that future exploration will be successful or that a commercial mining operation will eventuate.

The ultimate success and financial viability of the Company depends on the discovery and delineation of economically recoverable ore reserves, design and construction of efficient mining and processing facilities, and competent operational and managerial performance. There is no assurance that exploration and development of the mineral interests held by the Company, or any other projects that may be acquired by the Company in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited by the Company.

Development of a commercial mining operation is also dependent on the Company's ability to obtain necessary titles and governmental and other regulatory approvals on a timely basis.

(d) **Funding**

At the date of this OIS, the Company has no income producing assets and will generate losses for the foreseeable future. Until it is able to develop a project and generate appropriate cashflow, it is dependent upon being able to obtain future equity or debt funding to support long term exploration, development studies, and mine construction. Neither the Company nor any of the Directors or any other party can provide any guarantee or assurance that if further funding is required, such funding can be raised on terms acceptable to the Company.

Any additional equity funding may dilute existing Shareholders. Also, no guarantee or assurance can be given as to if or when a project can be developed to the stage where it will generate cashflow. As such, a project would be dependent on many factors, for example exploration success, statutory approval, subsequent mine development, commissioning and operational performance.

The Company may not be able to earn or maintain proposed equity interests in its Licences if it fails to meet the ongoing expenditure commitments. Accordingly, the Company may potentially lose entitlement or rights to interests in the Licences.

(e) **Land access risk**

The right of the holder of an exploration license to enter onto land and explore for minerals is subject to the consent of:

- (i) The owner and occupant of the land; and
- (ii) Where the land is proximate to certain specified locations, the ministry responsible for the protection of such locations.

The Company's standard procedure prior to embarking on any surveying or drilling activities and negotiate access fees and compensation for any loss of crops based on existing market price. In the 5 years in which the Company has been exploring it has always been successful in gaining consent for its activities. In the case of the targeted areas within EL/219 (Pathakada) the Company has obtained a 35-year lease (ending in 2049) from 12 land owners. In addition to paying compensation to land owners based upon existing market rates, where possible, the Company employs and trains local casual workers. Since it is not practical to enter into lease agreements for all areas that the Company conducts exploration activities, as a practice it enters into agreements with land owners with compensation generally paid at the end of the various programmes.

Any early termination of the Company's existing lease arrangements or failure to obtain consents from land owners, may impact on the Company's proposed exploration activities and the Company's overall performance.

(f) **Graphite Sector and increased market volatility**

The graphite sector has been subject to extensive capital market interest over the course of the last two years driven by the potential for new industrial applications, including use in lithium-ion batteries in the short term, and the potential use in producing graphene and in pebble bed nuclear reactors in the long term. The future requirements for the ongoing and anticipated use of natural graphite in these new industrial applications is uncertain and demand in the long term cannot be reliably estimated. There are no guarantees that current demand will continue or that expected growth in demand will eventuate. There can also be no guarantee that replacements for natural graphite (such as synthetic graphite) will not be developed or improved, thus reducing the overall demand for natural graphite.

The recent capital market interest in the graphite sector has encouraged a large number of new graphite exploration and development projects worldwide. This has resulted in high price volatility for listed junior graphite explorers and developers.

Whilst it is not expected that all exploration projects will reach production, the current graphite market is relatively small and there is the possibility of an oversupply of graphite in the longer term. Accordingly, the success of the Company's projects may be dependent on the ability of the Company to obtain funding in a highly competitive capital market for graphite explorers and developers and to bring its projects into production ahead of other graphite exploration and development projects.

(g) **Legal System**

The legal system operating in Sri Lanka may be less developed than in countries such as Australia, which may result in risks including:

- (i) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;
- (ii) a higher degree of discretion on the part of governmental agencies;
- (iii) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and
- (iv) the relative inexperience of the judiciary and courts in such matters.

There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely effected by the actions of the government authorities or others and the effectiveness of and enforcement of such arrangements cannot be assured.

(h) **Sovereign and operating risks in Sri Lanka**

The Company's exploration projects are located in Sri Lanka. There are risks attaching to exploration and development operations in a developing country which are not necessarily present in a developed

country. These can include sovereign risk, safety, security, costs, ability to operate, country policy, fiscal provisions and laws, and can lead to delays or even the suspension of operations. No assurance can be given regarding future stability of exploration and mining activities in Sri Lanka.

(i) **Restricted areas within the land specified in the Licences**

Pursuant to conditions endorsed on the Licences, exploration activities should not be conducted within the land belonging to the Forest Department of Sri Lanka, nor any area specifically designated as burial grounds, cemeteries, ancient monuments, archaeological reserves, railway tracks, aerodromes, roads, thoroughfares, power lines, public works, public buildings, lakes, streams, tanks, bunds, catchment areas, paddy fields, irrigations channels, any land covered within the definition of coastal zone, any land covered within special areas defined by the Mahaweli Authority of Sri Lanka, any land covered within the jurisdiction of the Urban Development Authority of Sri Lanka, wild life reservations, nature reserves, forests or parks.

While the Company is not aware of the existence of any such restricted areas within area of land specified in the Licences, there is a risk that the Company's proposed mineral exploration activities on the Licences may be affected if any areas within the Licences fall within the above restricted categories.

(j) **Licences - third party claims against Licences**

Under Sri Lankan law, it is possible for a third party to acquire an interest in an exploration licence by way of creation of a charge over the licence. Although the Geological Survey and Mines Bureau (**GSMB**) Act does not contain any provision for registration of such a charge with the GSMB or in the Register of licences maintained by the GSMB, a Sri Lankan company is required to notify the Registrar of Companies of any charge created over the assets of the company by filing the prescribed form, and it is possible to search the records on a company maintained at the office of the Registrar of Companies to determine whether any charges in favour of third parties are registered.

Having made due enquiries, the Company is not aware of third party claims against the Licences. However, there is a risk that such claims may exist. This may have a material adverse effect on the relevant licence.

(k) **Licences – compliance with conditions and renewal**

There are a number of conditions that the Company must satisfy with respect to the Sri Lankan licences to keep them in good standing, including annual reporting requirements. There is a risk that the Company (through its Sri Lankan subsidiaries) may not be able to satisfy these requirements, in which case those licences may be cancelled or not renewed upon expiry of the period for which it is valid.

The public cannot access records maintained by the GSMB to ascertain whether any license condition has been breached, whether the GSMB or any other governmental agency has issued notice of such breach to the license holding entity, or whether there is any threat to the license being cancelled.

Having made due inquiries with the Registrar of GSMB, the Company is not aware of any breach of conditions to the Licences. However, there remains the risk that the Company may, for reasons outside its control, materially breach one or more conditions endorsed to the Licences. This may result in the relevant licence being cancelled.

Mining and exploration licences are subject to periodic renewal. There is no guarantee that current licences will be renewed or future applications for licences will be approved.

Furthermore, an exploration licence must be converted to an industrial mining licence in order to conduct commercial mining operations in Sri Lanka. There can be no guarantee that an industrial mining licence will be issued, or issued on terms favourable to the Company for any future mining.

(l) **Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(m) **Environmental Risks**

The operations and proposed activities of the Company's projects in Sri Lanka are subject to Sri Lankan laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment. The Company is not aware of any environmental legacy issues on its licences, and it is its intention to conduct its activities to a high standard of environmental obligation, including compliance with all environmental laws.

(n) **Resource Estimate Risks**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. There is a risk that estimates, which were valid when originally calculated, may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. This may have an adverse impact on the Company and economics of its projects.

3.3 Industry Specific

(a) **Environmental**

The Company's projects are or may be subject to various laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. Development of any of the Company's projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws, but may still be subject to accidents or other unforeseen events which may compromise its environmental performance and which may have adverse financial implications.

(b) **Competition**

The Company competes with other companies, including major mineral exploration and mining companies. These companies will likely have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce minerals, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

(c) **Operating risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its projects. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

(d) **Weather condition risk**

Field operations including drilling may be delayed due to extreme weather conditions such as flooding, storms or cyclones.

(e) **Community risk**

Carrying out activities on site may affect the neighbouring communities and local authorities. This can be of particular concern where the Company is operating in heavily populated areas. In this situation the Company would plan to carry out community consultation to take into account these concerns. However, there is a risk that in some circumstances there could be higher than normal community concern which could result in a project being denied permission to proceed or having permission withdrawn or having conditions imposed on continuation of the activities which make it unacceptable to the Company to proceed with those activities.

3.4 General Risks

(a) **Economic**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the

Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

(d) Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this OIS.

3.5 Speculative Investment

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 offered under this OIS.

Therefore, the Shares to be issued pursuant to this OIS carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this OIS.

4. REQUIRED ACTIONS

4.1 Your choices

The number of New Shares to which you are entitled (your **Entitlement**) is shown on the accompanying personalised Entitlement and Acceptance Form. You may:

- (a) take up some or all of your Entitlement to New Shares;
- (b) take up more than your Entitlement to New Shares by applying for Shortfall Shares; or
- (c) not take up any of your Entitlement to New Shares.

4.2 If you wish to take up all or part of your Entitlement to New Shares

If you wish to take up all or part of your Entitlement to New Shares, complete your personalised Entitlement and Acceptance Form in respect of the number of New Shares you wish to take up and forward that form, together with your cheque, money order, bank draft or receipt of electronic funds transfer (**EFT**) for the Application Monies (being the number of New Shares you wish to take up multiplied by \$0.20) in accordance with Section 4.5 or 4.6 of this OIS.

4.3 If you wish to take up more than your Entitlement to New Shares

If you wish to take up more than your Entitlement to New Shares you must apply for Shortfall Shares over and above your Entitlement, please refer Section 1.17 of this OIS and complete the relevant field on your Entitlement and Acceptance Form, together with your cheque, money order, bank draft for the Application Monies (being the number of New Shares you wish to take up multiplied by \$0.20) in accordance with Section 4.5 or 4.6 of this OIS. If wish to pay via EFT you do not need to fill out or return the Entitlement and Acceptance Form.

Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.4 Declining all or part of your Entitlement

If you decide not to take up all or part of your Entitlement, the Entitlement which is unexercised will lapse and the relevant New Shares with respect to that part of the Entitlement will not be issued to you. You will not receive any payment for Entitlements not taken up. If you decide not to participate in the Offer, you do not need to fill out or return the accompanying Entitlement and Acceptance Form. Although you will continue to own the same number of Shares, your percentage shareholding in the Company will be diluted.

New Shares which are not taken up by Shareholders or other investors under the Shortfall Offer will not be issued and you will not receive a benefit under the Offer.

4.5 Payment by EFT

The details for Application Monies paid by EFT by Australian Shareholders are as follows:

Account Name:	Margosa Graphite Limited
Bank:	Westpac Banking Corporation
Account BSB:	036-022
Account Number:	432693
Branch Address:	109 St Georges Terrace, Pert WA 6000

The details for Application Monies paid by EFT by overseas Shareholders are as follows:

BIC/SWIFT code:	WPACAU2SXXX
Bank Address:	109 St Georges Terrace, Pert WA 6000

Payment Reference: Please supply your entitlement reference number as shown on your Entitlement and Acceptance Form.

Enquiries about the Offer should be directed to Kelly Moore, the Company Secretary, on +61 (8) 6460 9243 during business hours.

4.6 Payment by cheque, bank draft or money order

Application Monies may be paid by cheque, bank draft, money order or EFT. Applications for Shares can only be made by filling out the attached Entitlement and Acceptance Form and providing the Application Monies. Please follow the directions on the Entitlement and Acceptance Form carefully.

Cheques and bank drafts must be made payable to "**Margosa Graphite Limited**" and crossed "**Not Negotiable**".

Applications (and accompanying cheques, bank drafts or money orders (if applicable)) should be:

Posted or delivered to 48 Angelo Street, South Pert WA 6151.

5. ADDITIONAL INFORMATION

5.1 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this OIS other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this OIS other than a reference to its name and a statement included in this OIS with the consent of that party as specified in this Section.

Specifically:

- (a) Steinepreis Paganin has given its written consent to being named as solicitors to the Offer in this OIS, in the form and context in which it is named. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this OIS with the ASIC;
- (b) BDO Audit (WA) Pty Ltd has given its written consent to being named as auditor to the Company in this OIS, in the form and context in which it is named and to the inclusion of the Financial Report in this OIS. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to the lodgement of this OIS with the ASIC and to the inclusion of the Financial Report in this OIS; and
- (c) Zeta has given its written consent to being named in this OIS, in the form and context in which it is named. Zeta has not withdrawn its consent prior to the lodgement of this OIS with the ASIC.

5.2 Fees and Commissions

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$8,000 (excluding GST and disbursements) for these services.

6. DIRECTORS' AUTHORISATION

Each of the Directors of Margosa Graphite Limited has consented to the lodgement and issue of this Offer Information Statement.

This OIS is issued by the Company and its issue has been authorised by a resolution of the Directors.

Signed in accordance with a resolution of the Directors by:

John Shackleton
Chairman
For and on behalf of
Margosa Graphite Limited

7. ANNUAL FINANCIAL REPORT - 30 JUNE 2018

In accordance with section 715 of the Corporations Act, an Annual Financial Report is included with this OIS as Appendix 1. This report is for the 12 month period ended 30 June 2018, has been prepared in accordance with accounting standards, and has been audited by BDO Audit (WA) Pty Ltd. A copy of the Annual Financial Report for the 12 month period ended 30 June 2018 has been lodged with ASIC.

8. GLOSSARY

Applicant means an Eligible Shareholder who applies for New Shares under this Offer Information Statement.

Application means an application for a specified number of New Shares by an Applicant under this Offer Information Statement made by completing and returning an Entitlement and Acceptance Form by the Closing Date.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form or both as the context requires.

Application Monies means funds accompanying a completed Application.

ASIC means the Australian Securities and Investments Commission.

Board means the board of Directors of Margosa.

Closing Date means the date on which the Offer closes, intended to be 27 November 2018.

Company or **Margosa** means Margosa Graphite Limited ACN 145 267 303.

Director means a director of the Company.

Eligible Shareholder means all Shareholders who are registered on the Shareholder register as at the 5:00pm (WST) on the Record Date.

Entitlement means the number of New Shares each Eligible Shareholder is offered under the Offer as designated on their personalised Entitlement and Acceptance Form.

Entitlement Issue means the entitlement to New Shares available for issue under this Offer Information Statement.

Entitlement and Acceptance Form means the form by that name which is included in or accompanies this Offer Information Statement.

Existing Shares means Shares on issue at the Record Date.

New Share means a Share offered under this Offer Information Statement.

Offer means the offer of New Shares under this Offer Information Statement.

Offer Price means the price payable for one New Share under this Offer Information Statement is AUD\$0.20.

OIS or Offer Information Statement means this Offer Information Statement.

Option means an option to acquire a Share.

Record Date means 5 November 2018.

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

Shareholder means a holder of a Share as recorded on the Share register for the Company maintained by the Share Registry.

Share Registry means Security Transfer Australia.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this OIS.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

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

Zeta is Zeta Resources Limited.