

6 August 2015

## PRE-REINSTATEMENT DISCLOSURES

The following information is provided by Lanka Graphite Limited (**Company**) for release to the market as part of its pre-reinstatement disclosure requirements.

### CAPITAL STRUCTURE

#### 1. Capital structure

The Company has completed the successful acquisition, under its off-market takeover offer (**Takeover Offer**) (as subsequently amended), of over 96.45% of Euro Petroleum Limited's (**Euro**) issued shares (with the remainder to be compulsorily acquired in due course) and a raising of \$3,850,000 via a public offer pursuant to the replacement prospectus dated 25 February 2015 (**Prospectus**).

It is to be noted that the Company's takeover of Euro was confirmed by the Federal Court of Australia on 6 August 2015. A copy of the orders have been released to the ASX.

The Company has issued:

- (a) 40,795,100 fully paid ordinary shares pursuant to the Takeover Offer;
- (b) 19,240,000 Shares pursuant to the Prospectus; and
- (c) 15,250,000 options between Euro option holders and the Company's directors (refer to the Option table below for more information).

Shares	Number
Current	10,193,860 <sup>1</sup>
Issue of Shares pursuant to Takeover Offer	40,795,100 <sup>2</sup>
Issue of Shares pursuant to Public Offer	19,240,000
<b>Total Shares on issue at Relisting</b>	<b>70,228,960</b>

<sup>1</sup> Since the issue of the Prospectus on 25 February 2015, the Company has issued 20,000 new shares in the ordinary course of business.

<sup>2</sup> 1,450,000 of the Shares have been issued and relate to the compulsory acquisition process as announced on 17 July 2015.

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The Company has issued one (1) option for every one (1) Euro Petroleum Ltd option held and cancelled (**Consideration Options**). The terms of the Consideration Options are set out in Annexure A. The Consideration Options are unlisted.

The Company has also issued 5,500,000 options to directors of the Company (**Director Options**). The terms of the Director Options are set out in Annexure B. The Director Options are unlisted.

Options	Number
Consideration Options exercisable at \$0.30 expiring 24 months from date of issue.	9,750,000
Director Options exercisable at \$0.30 expiring 36 months from the date of issue.	5,500,000
<b>Total Options on issue at Relisting</b>	<b>15,250,000</b>

## 2. Compulsory acquisition

As the Company has acquired a relevant interest in approximately 96.45% of the issued capital of Euro under the Takeover Offer, the Company has issued 1,450,000 Shares to acquire the outstanding shares in Euro. These shares have been issued to Euro to be held in trust pending completion of the compulsory takeover process in accordance with the Corporations Act (usually 4 – 6 weeks).

The Company lodged a notice of compulsory acquisition with ASIC on 17 July 2015 which has been dispatched to all Euro shareholders who did not accept the Takeover Offer.

## 3. Securities subject to escrow

A number of the Shares issued pursuant to the Takeover Offer are subject to escrow/restrictions in accordance with ASX rules. The following table provides a summary of these arrangements.

Security	Escrow period	Number
Shares	24 months from the date of reinstatement to official quotation of the Shares	16,200,000
Shares	12 months from the date of issue of the Shares	525,000

The following table sets out the escrow/restriction arrangements in respect to the unlisted Options:

Security	Escrow period	Number
Options	24 months from the date of reinstatement to official quotation of the Shares	15,250,000

#### 4. Distribution schedule

Range	Total holders	Shares	Percentage
1 – 100	1,317	41,636	0.06%
101 – 1,000	298	97,174	0.14%
1,001 – 10,000	204	1,358,944	1.94%
10,001 – 50,000	139	3,908,362	5.58%
50,001 – 100,000	39	3,174,312	4.53%
50,001 – 100,000	132	49,598,532	70.54%
1,000,0001 – over	6	12,050,000	17.21%
<b>Totals</b>	<b>2,135</b>	<b>70,228,960</b>	<b>100.00%</b>

#### 5. Top 20 Holders

Rank	Holder	Shares	Percentage
1	City Winner Holdings Ltd	3,000,000	4.29%
2	Medigen Biotechnology Corp	3,000,000	4.29%
3	Tzu Liang Huang	1,650,000	2.36%
4	Rogue Investments Pty Ltd	1,650,000	2.36%
5	Euro Petroleum Ltd <sup>3</sup>	1,450,000	2.07%
6	Jin Joen International Investments Corp	1,300,000	1.86%
7	Peter Biantes & Yajune Gu	1,000,000	1.43%
8	Bonvilla Constructions Pty Ltd	1,000,000	1.43%
9	Chien An Chang	1,000,000	1.43%
10	Mr Shi-Chung Chang	1,000,000	1.43%
11	Shih Tsung Chang	1,000,000	1.43%
12	Shih Wen Chang	1,000,000	1.43%

<sup>3</sup> These shares are held on trust for those Euro shareholders the subject of the compulsory acquisition process.

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13	Gerard Luxon & Mark Luxon <The G & M Superfund>	1,000,000	1.43%
14	Balanjali Mandaleson	1,000,000	1.43%
15	Wingo Investments Corporation	1,000,000	1.43%
16	MDRA Pty Ltd	900,000	1.29%
17	Biccacini Pty Ltd <The Newport A/C>	813,750	1.16%
18	Harry Doumbos	795,000	1.14%
19	KSJ Superfund Pty Ltd	763,040	1.09%
20	LJR Constructions Pty Ltd	760,000	1.09%
<b>Total Top 20 holders</b>		<b>25,081,790</b>	<b>35.71%</b>
<b>Total remaining Holders balance</b>		<b>45,147,170</b>	<b>64.29%</b>

Holder	Number of options
<b>Consideration Options</b>	
Invest Mining Pty Ltd (ACN 160 227 814)	3,000,000
Pakaya Investments Pty Ltd (ACN 160 430 811)	3,000,000
AAAS Pty Ltd (ACN 130 456 870) ATF The Sritharan Family Trust	2,000,000
AASP Pty Ltd as trustee for ASA Investment Trust	1,500,000
Justyn Stedwell	250,000
<b>SUBTOTAL:</b>	<b>9,750,000</b>
<b>Director Options</b>	
Emily Lee	4,000,000
Alison Coutts	500,000
Alex Cowie	500,000
Derek Lo	500,000
<b>SUBTOTAL:</b>	<b>5,500,000</b>
<b>TOTAL OF CONSIDERATION OPTIONS &amp; DIRECTOR OPTIONS</b>	<b>15,250,000</b>

## FINANCIAL POSITION

### 1. Application of funds

In section 3.9 of the Prospectus, the Company set out its proposed use of funds upon completion of the Offer (as updated in the Second Supplementary Prospectus dated 1 May 2015). The Company closed the Offer on 15 July 2015 pursuant to which a total of \$3,850,000 was raised.

By way of update, the Company's proposed use of funds raised under the Offer is set out below:

Details	Funds available	Percentage
Pre-Offer Cash	\$55,008	1.41%
Funds raised from the Offer	\$3,848,000	98.59%
Total	\$3,903,008	100%

Use of Funds	Expenditure	Percentage
Payment of balance of purchase price <sup>4</sup>	\$1,070,000	27.41%
Expense of Offer	\$219,533	5.62%
Exploration & evaluation activities (2 year period)	\$1,342,500	34.40%
Working capital	\$836,000	21.42%
<b>Total funds expended</b>	<b>\$3,468,033</b>	<b>88.86%</b>
<b>Expected fund balance</b>	<b>\$434,975</b>	<b>11.14%</b>

### 2. Pro forma Balance Sheet

A pro forma balance sheet for the Company upon completion of the Offer was contained in section 8.3 of the Prospectus. Over the page is an updated pro forma balance sheet for the Company upon closure of the Offer.

The pro forma balance sheet over the page represents the historical statement of financial position as at 30 June 2014 adjusted for the full subscription amount raised under the Offer and reflects the following events and transaction as if they have taken place as at 30 June 2014:

- Payment of the balance consideration of \$1,070,000 to the Sri Lankan vendors;
- Subscription of 19,240,000 shares at \$0.20 pursuant to the Offer (a total of \$3,848,000); and
- Payment of expenses of approximately \$219,533.

<sup>4</sup> The \$1,070,000 is the balance purchase price consideration payable to the Sri Lankan vendors. The details of this payment is set out in section 2.3 of the Prospectus.

	VCL	Euro	Full Subscription
	Actual Audited	Actual Audited	Consolidated
	30 June	30 June	30 June
	2014	2014	2014
	\$	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6,446	48,462	2,647,421
Other Financial Assets	-	118,010	-
Trade and other receivables	12,616	33,946	12,616
<b>TOTAL CURRENT ASSETS</b>	<b>19,062</b>	<b>200,418</b>	<b>2,660,037</b>
<b>NON CURRENT ASSETS</b>			
Exploration and evaluation assets	-	-	2,000,000
Deposit for share Purchase	-	330,071	-
Plant and Equipment	6,650	2,435	9,085
<b>TOTAL NON CURRENT ASSETS</b>	<b>6,650</b>	<b>332,506</b>	<b>2,009,085</b>
<b>TOTAL ASSETS</b>	<b>25,712</b>	<b>532,924</b>	<b>4,669,122</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	104,970	96,196	201,166
Borrowings	119,685	-	1,675
<b>TOTAL CURRENT LIABILITIES</b>	<b>224,655</b>	<b>96,196</b>	<b>202,841</b>
<b>NON CURRENT LIABILITIES</b>			
	-	-	-
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>224,655</b>	<b>96,196</b>	<b>202,841</b>
<b>NET ASSETS</b>	<b>(198,943)</b>	<b>436,728</b>	<b>4,466,281</b>
<b>EQUITY</b>			
Issued capital	23,107,075	2,297,184	6,034,565
Reserves	-	-	48,950
Accumulated losses	(23,306,018)	(1,860,456)	(2,217,264)
<b>TOTAL PARENT EQUITY INTEREST</b>	<b>(198,943)</b>	<b>436,728</b>	<b>3,866,251</b>
<b>OUTSIDE EQUITY INTEREST</b>	<b>-</b>	<b>-</b>	<b>600,030</b>
<b>TOTAL EQUITY</b>	<b>(198,943)</b>	<b>436,728</b>	<b>4,466,281</b>

## **STATEMENT CONFIRMING COMPLIANCE WITH LISTING RULES**

The Company is in compliance with the Listing Rules, and in particular listing Rule 3.1.

## **CHESS/HOLDING STATEMENTS**

The Company confirms that the following were dispatched on 27/28 July 2015:

- (a) in relation to all holdings on the CHESS sub-register, a notice from the Company under ASX Operating Rule 8.9.1;
- (b) in relation to all other holdings, issuer sponsored holding statements; and
- (c) any refund money.

ENDS

## ANNEXURE A - TERMS OF CONSIDERATION OPTIONS

The options are issued in accordance with the following terms and conditions:

1. Each Option entitles the registered Option holder to acquire one (1) ordinary share in Lanka Graphite Ltd (**Company**) at the exercise price of \$0.30 per share;
2. The Options may be exercised in the period commencing twenty four (24) months from the date of issue.
3. The Options are exercisable by the registered option holder giving notice in writing to the Company, accompanied by payment of the exercise price for each share to be issued.
4. Options are transferable and will not be quoted on the ASX. If the Company's ordinary shares have been admitted to quotation by the ASX then the Company must apply to the ASX within ten (10) business days after the date of issue of any shares issued upon exercise of the Options, for such shares to be admitted to quotation.
5. All shares issued on the exercise of the Options will rank equally with all existing ordinary shares in the capital of the Company.
6. If, prior to the expiry of the Options, there is a reorganisation of the issued capital of the Company then the rights of an Option holder will be changed to the extent necessary in order to comply with the Listing Rules applying to a reorganisation of capital, as are applicable at the time of the reorganisation.
7. An Option holder may only participate in new issues of securities to holders of ordinary shares in the Company to the extent the Option has been exercised and the shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give reasonable notice to the Option holder of any new issue before the record date for determining entitlements to that issue in accordance with the Listing Rules.
8. If, after the vesting period of the Option but before the end of the Option period the Company gives holders of ordinary shares the right (pro rata with existing shareholdings) to subscribe for additional securities, the exercise price of an Option after the issue of those securities is adjusted in accordance with the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

$O^1$  = the new exercise price of the Option

$O$  = the old exercise price of the Option

$E$  = the number of underlying securities into which one Option is exercisable

$P$  = the average market price per share (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date

$S$  = the subscription price for a security under the pro rata issue

$D$  = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue)

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N = the number of securities with rights or entitlements required to be held to receive a right to one new security

9. If the Company makes a bonus issue of shares pro rata to holders of ordinary shares, the number of shares over which an Option is exercisable will be increased by the number of shares which the holder would have received if the Option had been exercised before the record date for the bonus issue.
10. The parties agree that, in so far as the Listing Rules are applicable to the Options, the parties shall do all acts, matters and things necessary to comply with the Listing Rules in respect of the treatment of the Options and the rights of the Option holder.

## ANNEXURE B - TERMS OF DIRECTOR OPTIONS

The options are issued in accordance with the following terms and conditions:

1. Each Option entitles the registered Option holder to acquire one (1) ordinary share in Lanka Graphite Ltd (**Company**) at the exercise price of \$0.30 per share;
2. The Options may be exercised in the period commencing thirty six (36) months from the date of issue.
3. The Options are exercisable by the registered option holder giving notice in writing to the Company, accompanied by payment of the exercise price for each share to be issued.
4. Options are transferable and will not be quoted on the ASX. If the Company's ordinary shares have been admitted to quotation by the ASX then the Company must apply to the ASX within ten (10) business days after the date of issue of any shares issued upon exercise of the Options, for such shares to be admitted to quotation.
5. All shares issued on the exercise of the Options will rank equally with all existing ordinary shares in the capital of the Company.
6. If, prior to the expiry of the Options, there is a reorganisation of the issued capital of the Company then the rights of an Option holder will be changed to the extent necessary in order to comply with the Listing Rules applying to a reorganisation of capital, as are applicable at the time of the reorganisation.
7. An Option holder may only participate in new issues of securities to holders of ordinary shares in the Company to the extent the Option has been exercised and the shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give reasonable notice to the Option holder of any new issue before the record date for determining entitlements to that issue in accordance with the Listing Rules.
8. If, after the vesting period of the Option but before the end of the Option period the Company gives holders of ordinary shares the right (pro rata with existing shareholdings) to subscribe for additional securities, the exercise price of an Option after the issue of those securities is adjusted in accordance with the following formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

$O^1$  = the new exercise price of the Option

$O$  = the old exercise price of the Option

$E$  = the number of underlying securities into which one Option is exercisable

$P$  = the average market price per share (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date

$S$  = the subscription price for a security under the pro rata issue

$D$  = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue)

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N = the number of securities with rights or entitlements required to be held to receive a right to one new security

9. If the Company makes a bonus issue of shares pro rata to holders of ordinary shares, the number of shares over which an Option is exercisable will be increased by the number of shares which the holder would have received if the Option had been exercised before the record date for the bonus issue.
10. The parties agree that, in so far as the Listing Rules are applicable to the Options, the parties shall do all acts, matters and things necessary to comply with the Listing Rules in respect of the treatment of the Options and the rights of the Option holder.