



GRAPHEX MINING LIMITED
ACN 610 319 769

NOTICE OF ANNUAL GENERAL MEETING

**The Annual General Meeting of the Company will be held at
the President's Room of the Celtic Club at
48 Ord Street, West Perth on Monday, 26 November 2018
at 11.00am (WST).**

The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9200 4960.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

GRAPHEX MINING LIMITED

ACN 610 319 769

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Graphex Mining Limited (**Graphex** or **Company**) will be held at 11:00 am (WST) on Monday, 26 November 2018 at the President's Room, Celtic Club, 48 Ord Street, West Perth, Western Australia (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders at 11:00 am (WST) on Saturday, 24 November 2018.

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Annual Report

To table and consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2018, which includes the Financial Report, the Directors' Report and the Auditor's Report.

2. Resolution 1 - Adoption of Remuneration Report

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

"That, for the purpose of section 250R(2) of the Corporations Act, and for all other purposes, approval is given for the adoption of the 2018 Remuneration Report of the Company."

Note: The vote on Resolution 1 will be an advisory vote of Shareholders only, and will not bind the Directors or the Company.

Please refer to the Explanatory Memorandum for details.

Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 as proxy if the vote is not cast on behalf of a person described above and either:

- (a) The person does so as a proxy appointed by writing that specifies how the person is to vote on Resolution 1; or
- (b) The person is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the Chairman is to vote on Resolution 1; and
 - (ii) expressly authorises the Chairman to exercise the Proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel.

Further, in accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Shareholders should note that the Chair intends to vote any undirected proxies in favour of this Resolution. In exceptional circumstances, the Chair may change his or her voting intention on the Resolution, in which case an ASX announcement will be made.

Shareholders may also choose to direct the Chair to vote against the Resolution or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

3. Resolution 2 - Re-Election of Director - Mr Stephen Dennis

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

“That, for the purpose of Listing Rule 14.4, clause 46 of the Constitution and for all other purposes, Mr Stephen Dennis, retires, and being eligible for re-election, is re-elected as a Director.”

4. Resolution 3 - Approval of Additional 10% Capital Raising Capacity

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

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, the Shareholders approve the Company having the additional capacity to issue Equity Securities in an amount up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum without the need to seek further Shareholder approval."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person (and any associates of such a person) who may participate in the issue of Additional Equity Securities pursuant to the Additional 10% Capital Raising Limit, and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 3 is passed.

However, the Company will not disregard a vote if:

- (a) It is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) It is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

At the date of the Notice, the Company has not approached any particular existing Shareholder to participate in the issue of such Equity Securities. No existing Shareholder's votes will therefore be excluded under this voting exclusion.

5. Resolution 4 - Approval of prior issues of securities to refresh the Company's 15% placement capacity

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

"That pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 8,429,428 Shares at 28.0 cents per share on 27 March 2018 issued under Listing Rule 7.1, on the terms and conditions described in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person (and any associates of such a person) who participated in the issue of Equity Securities under this Resolution.

However, the Company will not disregard a vote if:

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

6. Resolution 5 - Approval of issue of Shares to Mr Stephen Dennis

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

“That, for all purposes including for the purposes of ASX Listing Rule 10.11 and section 195(4) of the Corporations Act, Shareholders approve the issue of 71,000 Shares to Mr Stephen Dennis or his nominee at an issue price of \$0.28 (28.0c) pursuant to the placement of the Company’s shares completed on 27 March 2018, on the terms and conditions set out in the Explanatory Memorandum to the Notice of Meeting”.

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Dennis (and his nominee); or any of their respective associates.

However, the Company will not disregard a vote if:

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

7. Resolution 6 - Approval of issue of Shares to Mr Grant Davey

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

“That, for all purposes including for the purposes of ASX Listing Rule 10.11 and section 195(4) of the Corporations Act, Shareholders approve the issue of 178,572 Shares to Mr Grant Davey or his nominee at an issue price of \$0.28 (28.0c) pursuant to the placement of the Company’s shares completed on 27 March 2018, on the terms and conditions set out in the Explanatory Memorandum to the Notice of Meeting”.

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Davey (and his nominee), and any of their respective associates.

However, the Company will not disregard a vote if:

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

8. Resolution 7 - Approval of issue of Shares to Mr Phil Hoskins

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

“That, for all purposes including for the purposes of ASX Listing Rule 10.11 and section 195(4) of the Corporations Act, Shareholders approve the issue of 71,000 Shares to Mr Phil Hoskins or his nominee at an issue price of \$0.28 (28.0c) pursuant to the placement of the Company’s shares completed on 27 March 2018, on the terms and conditions set out in the Explanatory Memorandum to the Notice of Meeting”.

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Hoskins (and his nominee), and any of their respective associates.

However, the Company will not disregard a vote if:

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

9. Resolution 8 - Approval of issue of long-term incentive options to Mr Phil Hoskins

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

“That, for the purpose of Listing Rule 6.23.4, 10.14 and sections 200B and 200E of the Corporations Act and for all other purposes, Shareholders approve the grant of 580,000 Options, and any benefits under the grant of such Options (including the issue of Shares on the exercise of those Options) that may be given to Mr Hoskins in connection with any future retirement from his office or employment with the Company, on the terms and conditions described in the Explanatory Memorandum to this Notice.”

Short Explanation: Approval is sought under Listing Rule 10.14 and sections 200B and 200E of the Corporations Act to allow the Company to grant the Options to a Director (Mr Hoskins). Approval is also sought under the Corporations Act for the Company to give potential benefits under the Plan to Mr Hoskins (including the issue of Shares on the exercise of those Options) that may be given in connection with any future retirement by Mr Hoskins from his office or employment with the Company.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Directors (except those who are ineligible to participate in the Option Plan) and their associates.

However, the Company will not disregard a vote if:

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

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. Resolution 9 - Approval of issue of short-term incentive options to Mr Phil Hoskins

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

"That, for the purpose of Listing Rule 10.14 and sections 200B and 200E of the Corporations Act and for all other purposes, the grant of 421,818 Options, on the terms and conditions described in the Explanatory Memorandum to this Notice, and any benefits under the grant of such Options (including the issue of Shares on the exercise of those Options) that may be given to Mr Hoskins in connection with any future retirement from his office or employment with the Company, are approved."

Short Explanation: Approval is sought under Listing Rule 10.14 and sections 200B and 200E of the Corporations Act to allow the Company to grant the Options to a Director (Mr Hoskins). Approval is also sought under the Corporations Act for the Company to give potential benefits under the Plan to Mr Hoskins (including the issue of Shares on the exercise of those Options) that may be given in connection with any future retirement by Mr Hoskins from his office or employment with the Company.

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Directors (except those who are ineligible to participate in the Option Plan) and their associates.

However, the Company will not disregard a vote if:

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

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form, or it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE BOARD

Stuart McKenzie
Company Secretary

Dated: 22 October 2018

GRAPHEX MINING LIMITED

ACN 610 319 769

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 11:00 am (WST) on Monday, 26 November 2018 at the President's Room, Celtic Club, 48 Ord Street, West Perth, Western Australia.

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 1:	Introduction
Section 2:	Action to be taken by Shareholders
Section 3:	Annual Report
Section 4:	Resolution 1 - Adoption of Remuneration Report
Section 5:	Resolution 2 - Election of Director - Mr Stephen Dennis
Section 6:	Resolution 3 - Approval of Additional 10% Capital Raising Capacity
Section 7:	Resolution 4 - Approval of prior issues of securities to refresh the Company's 15% placement capacity
Section 8:	Resolutions 5, 6 and 7 <ul style="list-style-type: none">- Approval of issue of Shares to Mr Stephen Dennis- Approval of issue of Shares to Mr Grant Davey- Approval of issue of Shares to Mr Phil Hoskins
Section 9:	Resolution 8 - Approval of issue of long-term incentive options to Mr Phil Hoskins
Section 10:	Resolution 9 - Approval of issue of short-term incentive options to Mr Phil Hoskins
Schedule 1:	Definitions

1.1 Time and place of Meeting

Notice is given that the Meeting will be held at 11:00 am (WST) on Monday, 26 November 2018 at the President's Room, Celtic Club, 48 Ord Street, West Perth, Western Australia.

1.2 Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

1.3 Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 11:00 am WST on Saturday, 24 November 2018.

1.4 Defined terms

Capitalised terms in this Notice of Meeting and Explanatory Memorandum are defined either in Schedule 1 or where the relevant term is first used.

1.5 Responsibility

This Notice of Meeting and Explanatory Memorandum have been prepared by the Company under the direction and oversight of its Directors.

1.6 ASX

A final copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this document.

1.7 No internet site is part of this document

No internet site is part of this Notice of Meeting and Explanatory Memorandum. The Company maintains an internet site (www.graphexmining.com.au). Any reference in this document to this internet site is a textual reference only and does not form part of this document.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Voting in person

A shareholder that is an individual may attend and vote in person at the meeting. If you wish to attend the meeting, please bring the enclosed proxy form to the meeting to assist in registering your attendance and number of votes. Please arrive 20 minutes prior to the start of the meeting to facilitate this registration process.

2.2 Voting by corporate representative

A shareholder that is a corporation may appoint an individual to act as its representative to vote at the meeting in accordance with section 250D of the *Corporations Act 2001* (Cth). The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed. The appropriate "Appointment of Corporate Representative" form should be completed and produced prior to admission to the meeting. This form may be obtained from the Company's share registry.

2.3 Appointment of proxies

Each Shareholder entitled to vote at the Meeting may appoint a proxy to attend and vote at the Meeting. To vote by proxy, please complete, sign and return the enclosed Proxy Form in accordance with its instructions. A proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Share Registry.

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

(a) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the *Corporations Act* provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

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

(b) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (ii) the appointed proxy is not the chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either of the following applies:
 - (A) the proxy is not recorded as attending the meeting;
 - (B) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The Chair intends to exercise all available proxies in favour of all Resolutions.

2.4 Lodgement of proxy documents

To be valid, your proxy form (and any power of attorney under which it is signed) must be received at an address given below by 11:00 am (WST) on Saturday, 24 November 2018. Any proxy form received after that time will not be valid for the scheduled meeting. Proxies should be returned as follows:

Online	At www.investorvote.com.au
By mail	Share Registry - Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia
By fax	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
By mobile	Scan the QR Code on your proxy form and follow the prompts
Custodian voting	For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

2.5 Voting exclusions

Pursuant to requirements of the Corporations Act and Listing Rules, certain voting exclusions apply to Resolution 1 and Resolutions 3-9. Please refer to discussion of the relevant Resolutions in the Notice and below for details of the applicable voting exclusions.

3. Annual Report

There is no requirement for Shareholders to approve the Annual Report.

Shareholders will be offered the opportunity to:

- (a) Discuss the Annual Report (which is available online at www.graphexmining.com.au);
- (b) Ask questions or make comments on the management of the Company; and
- (c) Ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) The preparation and the content of the Auditor's Report;
- (b) The conduct of the audit;
- (c) Accounting policies of the Company in relation to the preparation of the financial statements; and
- (d) The independence of the auditor in relation to the conduct of the audit,

may be submitted no later than five Business Days before the Meeting to the Company Secretary at the Company's registered office.

4. Resolution 1 - Adoption of 2018 Remuneration Report

4.1 Background

Pursuant to section 250R(2) of the Corporations Act, the Company is required to put the 2018 Remuneration Report to the vote of Shareholders. The Company's Remuneration Report is set out in pages 10 to 20 of the Annual Report. The Remuneration Report (among other things) provides Shareholders with information relating to the Group's remuneration policies and details of the remuneration for the Key Management Personnel (which includes the Directors (both executive and non-executive) and other specified senior managers of the Company).

Subject to the rules set out in Division 9 of Part 2G.2 of the Corporations Act described below under the heading "Consequence of voting against Resolution 1", Resolution 1 need only be an advisory vote of Shareholders and does not bind the Directors or the Company. Of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the 2018 Remuneration Report. However, the Board will take the outcome of the vote very seriously when considering the Company's future remuneration policy.

Accordingly, your Directors would like to reiterate that:

- (a) The remuneration policy of the Company and its subsidiaries (Group) has been designed to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short and long-term incentives based on key performance areas affecting the Group's financial and operating results. Your Board believes the Company's remuneration policy is appropriate.

- (b) The structure of the Executive remuneration package remains a key focus of the Board to ensure alignment with the nature of Graphex's business as it optimises its activities and minimises costs.

These matters are part of the Company's strategy to ensure the remuneration of Directors, Executives and all other employees is in line with best practice for a company its size and in keeping with the wishes of Shareholders.

4.2 Consequence of voting against Resolution 1

The 2017 Remuneration Report was approved at the Company's 2017 annual general meeting, with less than 25% of votes cast against that resolution. If at least 25% of the votes cast on Resolution 1 are against the adoption of the 2018 Remuneration Report, and at least 25% of the votes cast at the next annual general meeting of the Company (**2019 AGM**) on a resolution that the 2019 Remuneration Report be adopted is against the adoption of that report, then the Company will be required under section 250V of the Corporations Act to put to the vote at the 2019 AGM a spill resolution (**Spill Resolution**) to decide whether or not to convene another general meeting within 90 days of the 2019 AGM (**Spill Meeting**) where:

- (a) All the Directors of the Company who were directors at the time of the 2019 AGM (other than the Managing Director) and in office on the date on which the 2019 Remuneration Report is approved, will cease to hold office immediately before the end of the Spill Meeting; and
- (b) A resolution to fill the position of each of the Directors referred to in (a) by re-election or otherwise will be put to the vote at the Spill Meeting.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the 2018 Remuneration Report.

4.3 Directors' recommendation

Noting that each Director has a personal interest in their own remuneration from the Company (as described in the 2018 Remuneration Report), the Board unanimously recommends that the Shareholders adopt the 2018 Remuneration Report and vote in favour of Resolution 1.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chairman with an express authorization for the Chairman to vote your proxy in accordance with the Chairman's intention even though Resolution 1 is connected directly or indirectly to the remuneration of Key Management Personnel.

5. Resolution 2 - Re-election of Director - Mr Stephen Dennis

5.1 General

Clause 46.1 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest one-third (but not more than one third), shall retire from office, provided always that no Director (except a managing director) shall hold office for a period in excess of three years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 46.1 of the Constitution is eligible for re-election.

In calculating the number of Directors, of which one third must retire and if eligible, be re-elected, the following people are not included in the calculation:

- (a) The Managing Director, pursuant to clause 63.6 of the Constitution; and
- (b) Any Director who was appointed during the year by the Directors, pursuant to clause 45.2 of the Constitution.

Mr Dennis, who was elected on 17 November 2016 accordingly will retire, and being eligible, seeks re-election. Details of Mr Dennis's background and experience are as follows:

Mr Stephen Dennis, LLB GDipAppFin (FINSIA)

Independent, Non-Executive Director - Age 60

Experience and expertise

Mr Dennis has been actively involved in the mining industry for over 30 years. He has held senior management positions at MIM Holdings Limited, Minara Resources Limited and Brambles Australia Limited. Mr Dennis was previously the Chief Executive Officer and Managing Director of CBH Resources Limited, the Australian subsidiary of Toho Zinc Co., Ltd of Japan.

Special responsibilities

N/A

Other current directorships

Heron Resources Limited (Non-Executive Chairman)

Rox Resources Limited (Non-Executive Chairman)

EHR Resources Limited (Non-Executive Chairman)

LeadFx Inc. (Non-Executive Chairman)

Interests in Graphex securities

475,000 Shares (not including Shares that are the subject of Resolution 6)

124,999 Unquoted Loyalty Options

1,000,000 Unquoted Options

5.2 Directors' recommendation

The Board (excluding Mr Dennis) recommends that Shareholders vote **in favour** of Resolution 2. The Chairman of the Meeting intends to vote undirected proxies **in favour** of Resolution 2.

6. Resolution 3 - Approval of Additional 10% Capital Raising Capacity

6.1 General

Under Listing Rule 7.1, the Company is permitted, without Shareholder approval, to issue Equity Securities in an amount up to 15% of the number of shares that it had on issue 12 months earlier (**15% Capital Raising Capacity**).

Listing Rule 7.1A enables eligible entities to seek Shareholder pre-approval for the capacity to issue additional Equity Securities, up to a further 10% of the Company's issued capital, in the 12 month period following the Meeting. This 10% capacity under Listing Rule 7.1A is separate to and in addition to the existing 15% Capital Raising Capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P ASX 300 Index and has a market capitalization of \$300 million or less. The Company is an eligible entity.

Resolution 3 seeks Shareholder approval (as a special resolution) for the Company to be able to issue additional Equity Securities up to 10% of the Company's issued share capital (**Additional Equity Securities**) over the 12 month period following the Meeting, each at an issue price of not less than 75% of the VWAP for the relevant Equity Securities being issued, calculated over the 15 trading days on which trades in those Equity Securities recorded immediately before either (1) the day on which the price at which those Equity Securities are to be issued is agreed; or (2) if the Equity Securities are not issued within 5 trading days of the date in paragraph (1), the date on which the Equity Securities are issued (**Additional 10% Capital Raising Capacity**).

The Additional Equity Securities that the Company is permitted to issue under the Additional 10% Capital Raising Capacity must be in an existing class of the Company's quoted securities, which includes Shares.

One of ASX's aims in introducing Listing Rule 7.1A was to help improve access to capital and funding for small to mid-cap companies and to provide greater flexibility for eligible entities by providing the ability to raise capital (up to the 10% limit), without incurring the administrative and cost burden associated with holding a meeting of shareholders.

As Graphex does not have a cash flow producing asset, the passing of Resolution 3 is especially important to provide the Board with the flexibility that may be required in the coming 12 months. The Board will always have regard to dilution of existing Shareholders and will take this into account when structuring future capital raisings, should the need arise.

Maximum number of Equity Securities that may be issued

The formula for calculating the number of Additional Equity Securities that the Company can issue is set out in Listing Rule 7.1A.2. In summary, it would apply to the Company as follows:

If the Company has obtained the approval of Shareholders at the Meeting (ie. if Resolution 3 is passed), the Company may issue or agree to issue, during the approval period (ie. the 12 month period after the date of the Meeting or, in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking), the date of such approval, whichever occurs first), a number of Equity Securities calculated in accordance with the formula:

$$(A \times D) - E$$

Where:

A = The number of Shares on issue 12 months before the date of issue or agreement,

- plus the number of Shares issued in the 12 months under an exception in Listing Rule 7.2 (which contains numerous exceptions to Listing Rule 7.1 and Listing Rule 7.1A, including in relation to issues of Shares pursuant to pro rata issues, upon the conversion of convertible securities such as Options; under off-market bids, mergers by scheme of arrangement or approved employee incentive schemes, or certain issues of preference shares, etc - refer to Listing Rule 7.2 for full details),
- plus the number of partly paid Shares that became fully paid in the 12 months,
- plus the number of Shares issued with Shareholder approval under Listing Rule 7.1 (i.e the 15% Capital Raising Capacity rule) or Listing Rule 7.4 (which relates to subsequent approvals by Shareholders of an issue of Equity Securities),
- less the number of Shares cancelled in the previous 12 months.

D = 10%

E = The number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are *not* issued with the approval of Shareholders under Listing Rule 7.1 or Listing Rule 7.4.

As at the date of this Notice, the Company has 78,714,794 Shares on issue, which would enable the Company (if Resolution 3 is passed) to issue up to an additional 7,871,479 Equity Securities. The actual number of Additional Equity Securities that the Company would be able to issue under the Additional 10% Capital Raising Capacity will be calculated at the time of issue in accordance with Listing Rule 7.1A.2.

Resolution 3 is a special resolution and as such requires approval of at least 75% of the votes cast by Shareholders present and eligible to vote at the Meeting (by proxy, attorney or otherwise).

The Directors believe that Resolution 3 is in the best interests of the Company and its Shareholders as it provides the Company with additional capital raising capacity and flexibility and unanimously recommend that Shareholders vote **in favour** of Resolution 3. The Chairman of the meeting intends to vote undirected proxies **in favour** of Resolution 3.

Capitalised terms used in this section 6 of the Explanatory Memorandum have the same meaning as in the Listing Rules unless otherwise defined in Schedule 1.

6.2 Specific information in relation to Equity Securities to be Issued Under Additional 10% Capital Raising Capacity

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the Additional 10% Capital Raising Capacity as follows:

- (a) During the 12 months preceding the date of the meeting, a total of 11,472,638 Equity Securities were issued, representing 12.7% of the total number of Equity Securities on issue at commencement of that 12 month period.
- (b) Details of all Equity Securities issued during the 12 months preceding the date of the meeting are set out in the table below.

	Shares	Unquoted Options
Date of issue	(A) 23 November 2017 (B) 7 December 2017 - 8 February 2018 (C) 27 March 2018	(A) 24 November 2017 (B) 25 September 2018
Number issued	A total of 8,757,277: (A) 300,000 (B) 27,849 (C) 8,429,428	A total of 2,715,361 (A) 1,611,451 (B) 1,103,910
Class/type of equity security	Fully paid ordinary shares	Unquoted Options
Summary of terms	N/A	(A) 1,611,451 Options - 433,644 Options with a nil exercise price, expiry 1 July 2020, vesting 1 July 2018 (lapsed unexercised 26 September 2018) - 596,261 Options with a nil exercise price, expiry 1 July 2022, vesting 1 July 2020 subject to achievement of key milestones (approved by shareholders 21/11/2017) - 581,546 Options with a nil exercise price, expiry 9 June 2021, vesting 1 July 2020 subject to achievement of key milestones (approved by shareholders 21/11/2017) (B) 1,103,910 Options - 299,788 Options with a nil exercise price, expiry 1 July 2021, vesting 1 July 2019 subject to achievement of key milestones - 804,122 Options with a nil exercise price, expiry 1 July 2023, vesting 1 July 2021 subject to achievement of key milestones
Persons who received equity securities	(A) Issue of Shares to Directors approved by shareholders on 21 November 2017 pursuant to participation in a placement of shares completed on 31 July 2017 (B) Issue of Shares pursuant to the exercise of Loyalty Options (C) Issue of Shares to sophisticated and professional investors	Employees of the Company
Price	(A) \$0.22 (B) \$0.25 (C) \$0.28	N/A

	Shares	Unquoted Options
Discount to market price	(A) 20.9% discount to the 15 day VWAP (B) N/A - Shares issued on exercise of Loyalty Options are issued under the Replacement Prospectus (C) 8.2% discount to the last traded price	N/A
Total cash consideration	(A) \$66,000 (B) \$6,962.25 (C) \$2,360,240	Nil
Amount of cash consideration spent	\$1,615,000	N/A
Use of cash consideration	To meet costs associated with efforts to secure finance arrangements for the development of the Chilalo Graphite Project, completion of an updated pre-feasibility study, tenement holding costs and general working capital.	N/A
Intended use for remaining cash	As above	N/A
Non-cash consideration	N/A	N/A
Current value of non-cash consideration	N/A	\$158,009 - Options with a nil exercise price, expiry 1 July 2020, vesting 1 July 2018 \$114,916 - Options with a nil exercise price, expiry 1 July 2022, vesting 1 July 2020 \$154,110 - Options with a nil exercise price, expiry 9 June 2021, vesting 1 July 2020 \$79,444 - Options with a nil exercise price, expiry 1 July 2021, vesting 1 July 2019 \$213,092 - Options with a nil exercise price, expiry 1 July 2023, vesting 1 July 2021

- (c) If the Company chooses to utilise the Additional 10% Capital Raising Capacity, the Additional Equity Securities cannot be issued at an issue price less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in the class of Equity Securities proposed to be issued were recorded, immediately before:
- (i) the date on which the price at which the Additional Equity Securities were to be issued is agreed; or
 - (ii) if the Additional Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Additional Equity Securities were issued.
- (d) If Resolution 3 is approved by Shareholders and the Company issues Additional Equity Securities under the Additional 10% Capital Raising Capacity, the voting power and economic interest in the Company of existing Shareholders' who do not receive Additional Equity Securities would be diluted as shown in the below table. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of any issue of the Additional Equity Securities than on the date of the Meeting; and
 - (ii) the Additional Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Additional Equity Securities are issued as part of consideration for the acquisition of a new asset, which may have an effect on the amount of funds raised by the issue of the Additional Equity Securities.
- (e) The below table shows the dilution of existing Shareholders on the basis of an assumed issue price of Shares being \$0.27 and the current number of Shares on issue calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice.
- (f) The table also shows:
- (i) two examples where the number of shares on issue has changed, by an increase of 50% and an increase of 100%. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of Shares has decreased by 50% and increased by 50% as against the assumed issue price.

Number of Shares on issue		Dilution		
		0.135	0.27	0.405
		50% decrease in Issue Price	Issue Price	50% increase in Issue Price
Shares currently on issue	10% Voting Dilution	7,871,479	7,871,479	7,871,479
		Shares	Shares	Shares
78,714,794	Funds raised	1,062,650	2,125,299	3,187,949
50% increase in number of shares on issue	10% Voting Dilution	11,807,219	11,807,219	11,807,219
		Shares	Shares	Shares
118,072,191	Funds raised	1,593,975	3,187,949	4,781,924
100% increase in number of shares on issue	10% Voting Dilution	15,742,959	15,742,959	15,742,959
		Shares	Shares	Shares
157,429,588	Funds raised	2,125,299	4,250,599	6,375,898

- (g) The table has been prepared on the following assumptions:
- (i) The Company issues the maximum number of Additional Equity Securities available under the Additional 10% Capital Raising Capacity;

- (ii) No Options (both listed and unlisted) (including any listed Options issued under the Additional 10% Capital Raising Capacity) are exercised into Shares before the date of the issue of the Additional Equity Securities;
 - (iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued Share capital at the time of issue. This is why the voting dilution is shown in each example as 10%;
 - (iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Capital Raising Capacity, based on that Shareholder's holding at the date of the Meeting. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances;
 - (v) The table shows only the effect of issues of Additional Equity Securities under Listing Rule 7.1A, not under the 15% Capital Raising Capacity under Listing Rule 7.1;
 - (vi) The issue of Additional Equity Securities under the Additional 10% Capital Raising Capacity consists only of Shares. If the issue of Additional Equity Securities includes listed Options, it is assumed that those listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders; and
 - (vii) The issue price is assumed to be \$0.27.
- (h) If the Company chooses to utilise the Additional 10% Capital Raising Capacity, the Company would only issue and allot the Additional Equity Securities during the 12 month period following the Meeting. The approval under Resolution 3 for the issue of the Additional Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (i) The Company may seek to issue the Additional Equity Securities for the following purposes:
- (i) Cash consideration to meet costs associated with securing finance arrangements for the Chilalo Graphite Project, the development of the Chilalo Graphite Project and for general working capital; or
 - (ii) Non-cash consideration for the compensation of service providers carrying out work in connection with the development of the Chilalo Project, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.
- (j) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the Additional 10% Capital Raising Capacity. The identity of the allottees of Additional Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the purpose of the issue;
 - (ii) the alternative methods of raising funds that are available to the Company including, but not limited to, rights issues or other issues in which existing Shareholders can participate;
 - (iii) the effect of the issue of the Additional Equity Securities on the control of the Company;

- (iv) the circumstances of the Company, including, but not limited to, the financial situation and solvency of the Company;
 - (v) prevailing market conditions; and
 - (vi) advice from corporate, financial and broking advisers (if applicable).
- (k) The allottees under the Additional 10% Capital Raising Capacity have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company, and unrelated service providers.
- (l) Further, if the Company does acquire new resources assets or investments, the allottees under the Additional 10% Capital Raising Capacity may be the vendors of the new resources assets or investments. The Company is not currently intending to issue Additional Equity Securities for the purpose of acquiring new resources assets or investments.

6.3 Details of approvals under Listing Rule 7.1A previously obtained by the Company

The Company last obtained Shareholder approval under Listing Rule 7.1A at the annual general meeting held on 21 November 2017.

6.4 Directors' recommendation

The Directors considers it prudent for the Company to have the opportunity to take advantage of the flexibility to be able to issue additional securities provided under Listing Rule 7.1A. No decision has been made by the Board to undertake any issue of securities if Shareholders approve Resolution 3. The Directors believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 3.

7. Resolution 4 - Approval of prior issues of securities to refresh the Company's 15% placement capacity

Resolution 4 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of a total of 8,429,428 Shares at 28.0 cents per share issued under Listing Rule 7.1 within the last 12 months without obtaining prior shareholder approval (**Previous Placement Securities**).

The Chairman will cast all available proxies in favour of each of the resolutions which form part of Resolution 4.

7.1 Listing Rules 7.1 and 7.1A

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any Equity Securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the company's issued capital at the commencement of that 12 month period.

Listing Rule 7.1A provides that an eligible entity may seek shareholder approval at its annual general meeting to allow it to issue Equity Securities comprising up to 10% of its issued capital. The Company obtained this approval at its annual general meeting held on 21 November 2017.

7.2 Listing Rule 7.4

In accordance with Listing Rule 7.1, the Company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of Listing Rule 7.1.

The Previous Placement Securities were issued within the Company's 15% annual limit permitted under Listing Rule 7.1 and within the Company's additional 10% annual limit permitted under Listing Rule 7.1A and did not require obtaining prior Shareholder approval.

The effect of Shareholders passing each of the resolutions which form part of Resolution 4 will be to allow the Company to issue securities in the future up to its 15% annual placement capacity as set out in Listing Rule 7.1 and its additional 10% placement capacity as set out in Listing Rule 7.1A (provided also that Resolution 4 is passed), without obtaining prior Shareholder approval.

7.3 Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the Previous Placement Securities:

- (a) The Company issued 8,429,428 Shares under its Listing Rule 7.1, 15% placement capacity;
- (b) These Shares were issued at 28.0 cents per Share;
- (c) These Shares were issued to unrelated professional and sophisticated investors;
- (d) These Shares raised \$2,360,240, and the Company has used the proceeds to advance the Chilalo Graphite Project;
- (e) A voting exclusion notice is included in the Notice for this Resolution; and
- (f) These Shares rank equally with all other existing Shares.

7.4 Directors' recommendation

The Directors consider it prudent for the Company to have the opportunity to take advantage of the flexibility to be able to issue securities provided under Listing Rule 7.1. As at the date of the Notice, no decision has been made by the Board to undertake any issue of securities if Shareholders approve Resolution 4. The Directors believe that Resolution 4 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of Resolution 4. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 4.

8. Resolutions 5, 6 and 7 - Approval of issue of Placement Shares to Mr Stephen Dennis, Mr Grant Davey and Mr Phil Hoskins

Resolutions 5, 6 and 7 relate to the issue of Shares to Mr Stephen Dennis, Mr Grant Davey and Mr Phil Hoskins, each of whom is a director of the Company, pursuant to the placement of Shares completed by the Company in March 2018 (**Placement Shares**).

In March 2018, the Company received subscriptions to purchase 8,750,000 fully paid ordinary shares at \$0.28 cents per share to raise \$2.45 million through a placement to professional and sophisticated investors (**Placement**). In addition, each of the Directors - Mr Stephen Dennis, Mr Grant Davey and Mr Phil Hoskins - subscribed for 320,572 shares, the issue of which is subject to shareholder approval.

Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company (such as a director of the company), the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

It is the view of the Company that the issue of the Placement Shares to the Related Parties under Resolutions 5, 6 and 7 falls under the arm's length exception in section 210 of the Corporations Act because the Placement Shares will be issued to the Related Parties on the same terms as the Shares issued to non-related party participants in the Placement and as such, the giving of the financial benefit is on arm's length terms.

Accordingly, the Company considers that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Placement Shares.

Shareholder approval is being sought under section 195 of the Corporations Act, which provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered, except in certain circumstances or unless non-interested directors pass a resolution approving the interested director's participation. Section 195(4) provides that if there are not enough directors to form a quorum for a directors meeting because of this restriction, one or more of the directors may call a general meeting to pass a resolution to deal with the matter. It might be argued (although it is not necessarily thought by the Board to be the case) that the Directors have a material personal interest in the outcome of Resolutions 5, 6 and 7.

For the avoidance of any doubt, the Directors have elected in accordance with section 195(4) of the Corporations Act to seek Shareholder approval of this matter as outlined in Resolutions 5, 6 and 7.

ASX Listing Rule 10.11

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

If Resolutions 5, 6 and 7 are passed, the Related Parties (Messrs Dennis, Davey and Hoskins) may be issued the Placement Shares, which would constitute the issuing of Shares to related parties of the Company. Accordingly, approval for the issue of the Placement Shares to the Related Parties is sought under ASX Listing Rule 10.11. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

Separate approval under ASX Listing Rule 7.1 is not required in relation to the issue of the Placement Shares to the Related Parties as approval is being obtained under ASX Listing Rule 10.11.

The following information is provided in relation to the approval sought as required under ASX Listing Rule 10.13:

- (a) the Related Parties are all Directors.
- (b) the number of Placement Shares to be issued to the Related Parties is as follows:
 - (i) Mr Stephen Dennis 71,000;
 - (ii) Mr Grant Davey 178,572;
 - (iii) Mr Phil Hoskins 71,000;
- (c) the Placement Shares will be issued no later than one month after the date of the Meeting and it is anticipated that allotment will occur on or around the same date;
- (d) the issue price is \$0.28 (28.0c) per Share;
- (e) the Placement Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the funds raised from this issue will be used towards securing finance arrangements for the development of the Chilalo Graphite Project, completion of a bankable feasibility study for the Chilalo Graphite Project and for general working capital; and
- (g) a voting exclusion statement is included with Resolutions 5, 6 and 7 in the Notice.

Directors' Recommendation

The Directors consider that Resolutions 5, 6 and 7 are in the best interests of the Company as passing these Resolutions will ensure that the Company receives the full amount of funds under the Placement.

All the directors, other than Mr Dennis, recommend that Shareholders vote in favour of Resolution 5. Mr Dennis has abstained from making a recommendation to Shareholders in respect of Resolution 5 due to his material personal interest in the issue of the Placement Shares the subject of Resolution 5.

All the directors, other than Mr Davey, recommend that Shareholders vote in favour of Resolution 6. Mr Davey has abstained from making a recommendation to Shareholders in respect of Resolution 6 due to his material personal interest in the issue of the Placement Shares the subject of Resolution 6.

All the directors, other than Mr Hoskins, recommend that Shareholders vote in favour of Resolution 7. Mr Hoskins has abstained from making a recommendation to Shareholders in respect of Resolution 7 due to his material personal interest in the issue of the Placement Shares the subject of Resolution 7.

9. Resolution 8 - Approval of issue of long-term incentive options to Mr Phil Hoskins

9.1 Background

Resolution 8 seeks Shareholder approval in accordance with Listing Rule 10.14 and Sections 200B and 200E of the Corporations Act to issue 580,000 Options (LTI Options) to Mr Hoskins under the Option Plan, as follows:

- (a) 580,000 LTI Options, with a zero-exercise price, expiring 1 July 2023 and vesting on 1 July 2021, the number of LTI Options calculated by reference to a share price of \$0.275, which represented a 2% premium to the share price on 25 September 2018, the date on which the issue was approved by Directors.

The issue of 580,000 of the LTI Options to Mr Hoskins represents the annual grant of long-term incentives for 2018. These LTI Options vest on 1 July 2021, subject to achievement of key corporate objectives including, completion of offtake and financing arrangements within the three-year vesting period; achieving commercial graphite production within the three-year vesting period; and share price performance as follows:

Share price performance vesting criteria for LTI Options

Graphex Share price at 30 June 2021	Portion of Options that vest
Less than \$0.45	Nil
Between \$0.45-55	50%
Between \$0.55-65	75%
Above \$0.70	100%

The Board recognises the importance of retaining all key personnel and providing the appropriate incentives in order to deliver the Company's objectives. The Board believes Mr Hoskins' role as Managing Director is critical to delivering these objectives.

The Company's remuneration arrangements provide that, subject to the Board's discretion, the Managing Director may be issued annually, unquoted options as a long-term incentive, the value of which is equal to 55% of the Managing Director's base salary. Options issued as long-term incentives are for a five-year term, have a vesting date that is three years from the date of issue and are subject to vesting criteria related to the achievement of key project milestones and share price performance.

If Resolution 8 is approved by Shareholders (by an ordinary resolution), the LTI Options will be issued to Mr Hoskins immediately following the conclusion of the Meeting.

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of a director, or a person whose relationship with the entity, a director or an associate of a director is, in ASX's opinion, such that approval should be obtained. Shareholder approval is required under Listing Rule 10.14 to issue the LTI Options because Mr Hoskins is a Director. Furthermore, if Shareholders approve Resolution 8, Listing Rule 7.2 (Exception 14) provides that an issue of Shares upon conversion of those Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1 and separate approval under this Resolution 8 is not required for the purposes of Listing Rule 7.1.

9.2 Information required by Listing Rule 10.15A

The following information is provided as required by Listing Rule 10.15A:

- (a) The maximum number of LTI Options that may be issued to Mr Hoskins is 580,000, granted as long-term incentives, expiring 1 July 2023, to vest on 1 July 2021 subject to performance against key milestones linked to the development of the Chilalo Graphite Project and share price performance as noted in section 9.1(a).
- (b) The exercise price of the LTI Options is zero.
- (c) The persons referred to in Listing Rule 10.14, being Mr Stephen Dennis, Mr Grant Davey and Mr Phil Hoskins, each a Director. Mr Hoskins has been issued the following securities under the Option Plan since it was implemented:
 - (i) 350,000 Options exercisable at \$0.20 each and expiring 9 June 2019;
 - (ii) 520,000 Options with a nil exercise price, expiring 9 June 2019 (260,000 lapsed unexercised);
 - (iii) 715,000 Options with a nil exercise price, expiring 9 June 2021;
 - (iv) 596,261 Options with a nil exercise price, expiring 1 July 2022; and
 - (v) 433,644 Options with a nil exercise price, expiring 1 July 2020 (lapsed unexercised).
- (d) Details of the Option Plan were included in the Replacement Prospectus of 10 May 2016 in connection with the Company's initial public offering.
- (e) A voting exclusion statement is included with Resolution 8 in the Notice.
- (f) The persons referred to in Listing Rule 10.14 entitled to participate in the Plan are Mr Hoskins, Mr Dennis, and Mr Davey.
- (g) No loan is made in relation to the issues.
- (h) Details of any securities issued under the Option Plan will be published in each annual report relating to a period in which securities have been issued under the Plan, with a statement that approval for the issue of the securities was obtained under Listing Rule 10.14.

- (i) Any additional persons (to whom Listing Rule 10.14 applies) who become entitled to participate in the Option Plan after approval of Resolution 8 and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.
- (j) The Company will issue the LTI Options as soon as reasonably practicable after the Meeting, and in any event within three years after the Meeting.

9.3 Information required for Sections 200B and 200E of the Corporations Act

Under Sections 200B and 200E of the Corporations Act, the Company can only give a benefit to a member of Key Management Personnel in connection with retirement from office or employment in the Company with prior Shareholder approval or if any of a number of exceptions apply. Accelerated vesting or automatic vesting of share-based payments may in some cases be a benefit of this kind.

As a participant in the Option Plan, Mr Hoskins may become entitled to accelerated vesting or automatic vesting of Options if there is a change in control of the Company or if the Board exercises a discretion upon cessation of employment. Approval is sought for Mr Hoskins to be given any such benefit in connection with his retirement from office or employment with the Company.

The value of the benefit that might be given to Mr Hoskins by the exercise of the Board's discretion under the Option Plan will depend on a number of factors. Accordingly, the precise value of the benefit cannot be ascertained at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the benefits are also unknown:

- (a) The number of Options held by Mr Hoskins prior to the cessation of his employment;
- (b) Reasons for the cessation of employment and Mr Hoskins' length of service;
- (c) The term of the Options remaining;
- (d) The extent to which any vesting conditions or other performance or exercise hurdles have been satisfied; and
- (e) The exercise of the Board's discretion at the relevant time.

9.4 Directors' recommendation

The Directors (excluding Mr Hoskins) consider that the Option Plan is an appropriate mechanism to assist in the recruitment, reward, retention and motivation of employees of the Company. The value of incentives being granted is in line with companies in similar circumstances and the vesting criteria ensures that value only crystallises if shareholder value is created. The Directors (excluding Mr Hoskins) believe that the issue of the LTI Options to Mr Hoskins and the issue of Shares to settle the LTI Options is in the best interests of the Company, and unanimously recommend that Shareholders vote in favour of Resolution 8.

Mr Hoskins does not make a recommendation in relation to Resolution 8 as he has an interest in the outcome of the resolution.

10. Resolution 9 - Approval of issue of short-term incentive options to Mr Phil Hoskins

Background

Resolution 9 seeks Shareholder approval in accordance with Listing Rule 10.14 and Sections 200B and 200E of the Corporations Act to issue up to 421,818 Options to Mr Hoskins under the Option Plan (STI Options), as follows:

- (a) 421,818 STI Options, with a zero-exercise price, expiring 1 July 2021 and vesting on 1 July 2019, the number of STI Options calculated by reference to a Share price of \$0.275, which represented a 2% premium to the Share price on 25 September 2018, the date on which the issue was approved by Directors.

In addition, under the terms of the STI Options

- (a) The rights of the STI Option holder (Mr Hoskins) may be changed to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation; and
- (b) The STI Option holder (Mr Hoskins) may not participate in new issues without exercising the STI Options.

The issue of 421,818 STI Options to Mr Hoskins represents the annual grant of short-term incentives for 2018. The STI Options vest on 1 July 2019, subject to achieving a satisfactory resolution of legal and regulatory issues in Tanzania, and securing funding agreements to allow for the development of the Chilalo Graphite Project.

The Company's remuneration arrangements provide that, subject to the Board's discretion, the Managing Director is issued annually, unquoted options as a short-term incentive, the value of which is equal to 40% of the Managing Director's base salary. Options issued as short-term incentives are for a three-year term, have a vesting date that is one year from the date of issue and are subject to Board approved vesting criteria.

If Resolution 9 is approved by Shareholders (by an ordinary resolution), the STI Options will be issued to Mr Hoskins immediately following the conclusion of the Meeting.

Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of a director, or a person whose relationship with the entity, a director or an associate of a director is, in ASX's opinion, such that approval should be obtained. Shareholder approval is required under Listing Rule 10.14 to issue the LTI Options because Mr Hoskins is a Director. Furthermore, if Shareholders approve Resolution 9, Listing Rule 7.2 (Exception 14) provides that an issue of Shares upon conversion of those Options will not reduce the Company's 15% placement capacity under Listing Rule 7.1 and separate approval under this Resolution 9 is not required for the purposes of Listing Rule 7.1.

10.2 Information required by Listing Rule 10.15A

The following information is provided as required by Listing Rule 10.15A:

- (a) The maximum number of STI Options that may be issued to Mr Hoskins is 421,818:
- (b) The exercise price of the STI Options is zero:
- (c) The persons referred to in Listing Rule 10.14, being Mr Stephen Dennis, Mr Grant Davey and Mr Phil Hoskins, each a Director. Mr Hoskins has been issued the following securities under the Option Plan since it was implemented, all of which have a nil acquisition price:
 - (i) 350,000 Options exercisable at \$0.20 each and expiring 9 June 2019;
 - (ii) 520,000 Options with a nil exercise price, expiring 9 June 2019 (260,000 lapsed unexercised);
 - (iii) 715,000 Options with a nil exercise price, expiring 9 June 2021;
 - (iv) 596,261 Options with a nil exercise price, expiring 1 July 2022; and
 - (v) 433,644 Options with a nil exercise price, expiring 1 July 2020 (lapsed unexercised).
- (d) Details of the Option Plan were included in the Replacement Prospectus of 10 May 2016 in connection with the Company's initial public offering.
- (e) A voting exclusion statement is included with Resolution 9 in the Notice.
- (f) The persons referred to in Listing Rule 10.14 entitled to participate in the Plan are Mr Hoskins, Mr Dennis, and Mr Davey.
- (g) No loan is made in relation to the issues.
- (h) Details of any securities issued under the Option Plan will be published in each annual report relating to a period in which securities have been issued under the Plan, with a statement that approval for the issue of the securities was obtained under Listing Rule 10.14.
- (i) Any additional persons (to whom Listing Rule 10.14 applies) who become entitled to participate in the Option Plan after approval of Resolution 9 and who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.
- (j) The Company will issue the STI Options as soon as reasonably practicable after the Meeting, and in any event within three years after the Meeting.

10.3 Information required for Sections 200B and 200E of the Corporations Act

Under Sections 200B and 200E of the Corporations Act, the Company can only give a benefit to a member of Key Management Personnel in connection with retirement from office or employment in the Company with prior Shareholder approval or if any of a number of exceptions apply. Accelerated vesting or automatic vesting of share-based payments may in some cases be a benefit of this kind.

As a participant in the Option Plan, Mr Hoskins may become entitled to accelerated vesting or automatic vesting of Options if there is a change in control of the Company or if the Board exercises a discretion upon cessation of employment. Approval is sought for Mr Hoskins to be given any such benefit in connection with his retirement from office or employment with the Company.

The value of the benefit that might be given to Mr Hoskins by the exercise of the Board's discretion under the Option Plan will depend on a number of factors. Accordingly, the precise value of the benefit cannot be ascertained at the present time. Apart from the future Share price being unknown, the following matters which will or are likely to affect the value of the benefits are also unknown:

- (a) The number of Options held by Mr Hoskins prior to the cessation of his employment;
- (b) Reasons for the cessation of employment and Mr Hoskins' length of service;
- (c) The term of the Options remaining;
- (d) The extent to which any vesting conditions or other performance or exercise hurdles have been satisfied; and
- (e) The exercise of the Board's discretion at the relevant time.

10.4 Directors' recommendation

The Directors (excluding Mr Hoskins) consider that the Option Plan is an appropriate mechanism to assist in the recruitment, reward, retention and motivation of employees of the Company. The value of incentives being granted is in line with companies in similar circumstances and the vesting criteria ensures that value only crystallises if shareholder value is created. The Directors (excluding Mr Hoskins) believe that the issue of the STI Options to Mr Hoskins and the issue of Shares to settle the STI Options is in the best interests of the Company, and unanimously recommend that Shareholders vote in favour of Resolution 9.

Mr Hoskins does not make a recommendation in relation to Resolution 9 as he has an interest in the outcome of the resolution.

11. Enquiries

Shareholders are requested to contact Graphex's company secretary, Mr Stuart McKenzie on +61 8 9200 4960 if they have any queries in respect of the matters set out in this Notice.

Schedule 1 - Definitions

\$ means Australian dollars.

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

Annual Report means the report to shareholders for the year ended 30 June 2018 that was lodged with ASX on 27 September 2018.

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

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Chilalo Graphite Project means the Company's flake graphite project located in south-east Tanzania.

Company or Graphex means Graphex Mining Limited (ACN 610 319 769).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Equity Security has the meaning given in the Listing Rules.

Executive means the Managing Director, Chief Financial Officer, General Manager Technical and the Commercial Manager / Company Secretary.

Explanatory Memorandum means the explanatory statement accompanying the Notice.

Key Management Personnel or KMP has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the rules of the ASX that apply with respect to the Company's Equity Securities and the Company's conduct.

LTI means long-term incentive.

Notice or Notice of Meeting means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

Option means an option to acquire a Share.

Option Plan means the Graphex Mining Limited Option Plan, approved by Shareholders pursuant to the Replacement Prospectus.

Proxy Form means the proxy form accompanying the Notice.

Record Date means the record date set by Directors in accordance with Section 1.3 of the Explanatory Memorandum.

Related Parties means a party related to Key Management Personnel as:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001* (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Replacement Prospectus means the prospectus document of 10 May 2016 for an offer of up to 35,000,000 Shares at an issue price of \$0.20 per Share, with one free loyalty option attaching for every 3 Shares issued.

Resolutions means the resolutions set out in the Notice.

Securities mean all Equity Securities of the Company.

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

Shareholder means a registered holder of a Share.

STI means short-term incentive.

VWAP means volume weighted average price.

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

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

GPX
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:00am (WST) Saturday, 24 November 2018**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Graphex Mining Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Graphex Mining Limited to be held at the President's Room of the Celtic Club, 48 Ord Street, West Perth, Western Australia on Monday, 26 November 2018 at 11:00am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 5 - 9 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 5 - 9 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 5 - 9 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7	Approval of issue of Shares to Mr Phil Hoskins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-Election of Director – Mr Stephen Dennis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8	Approval of issue of long-term incentive options to Mr Phil Hoskins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Additional 10% Capital Raising Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 9	Approval of issue of short-term incentive options to Mr Phil Hoskins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of prior issues of securities to refresh the Company's 15% placement capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Resolution 5	Approval of issue of Shares to Mr Stephen Dennis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Resolution 6	Approval of issue of Shares to Mr Grant Davey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /