



Dear Shareholder,

Margosa Graphite Limited ("**Margosa**" or the "**Company**") is pleased to provide an update to its shareholders.

The Sri Lankan Minerals Act was subject to changes made by the Geological Survey & Mines Bureau (GSMB) which require all entities holding exploration licenses now or in the future to:

- Pay increased non-refundable fees for retention of individual grids. (increased from LKR 10,000 to LKR 150,000 per grid).
- Prove exploration capability by declaring available capital in a Sri Lankan Bank Account. (LKR 2,000,000 per grid).
- Adjust plans to accommodate a reduction in the grid renewal time (from 2 years to 12 months with a life span of 10 years to 5 years), thus reducing the time to complete requisite technical works/activities at each grid by 50%.
- Adjust plans to accommodate a new retention/extension fee structure as detailed below. The length of time a specific grid is held by a company will determine the fee required (previously LKR10,000/grid) and the minimum capital to be spent on each grid per year (exploration Technical Work).

Renewal Period/year	License fee	Minimum Capital spend/grid/year
1 st year – 2 nd year	LKR100,000/grid	LKR1,000,000
1 st renewal – 3 rd year	LKR100,000/grid	LKR1,500,000
2 nd renewal – 4 th year	LKR125,000/grid	LKR2,000,000
3 rd renewal – 5 th year	LKR150,000/grid*	LKR2,000,000

**All Margosa grids, subjected to an Exploration License, are in the 3rd renewal period. This does Not include the Pathakada License area as it is subjected to the Industrial Mining License.*

A recent comprehensive review of exploration data and plans assisted Margosa with the identification of prospective, high-value opportunities within the Company's extensive tenement portfolio and preparation for the changes to the Mineral Act. Accordingly, Margosa has complied with the regulations of Extraordinary Gazette No. 2313/37 of 4th January 2023, and decided to submit a request to maintain the grid licenses of EL/294/R/2, EL/218/R/3, EL 312, EL 319/R/1. Applications to secure additional grids may be made at any time and as the Sri Lankan Mineral Act applies to all entities, the Company views this as an opportunity. Margosa's geologists and exploration team have the confidence of the Margosa Directors and Executive Management as they continue to showcase their exemplary standards in support of Margosa's MtM2™ strategy and the creation of a high-quality resource pipeline.

Opportunities presented as a result of the Mineral Act changes will be exploited accordingly and Shareholders will be kept up to date with any material developments as they occur.

On behalf of the Company Executive Management and Board of Directors, I thank you for your continued support.

Best regards,



COLIN BELTON

Non-Executive Chairman

On Behalf the Board of Directors