

“Most Significant Vein Graphite Project IML Awarded”

‘Margosa Graphite’s Ridee Ganga Vein Graphite Project (RG Project) is awarded its Industrial Mining License (IML) at a ceremony in the offices of the Sri Lankan Geological Survey & Mines Bureau (GSMB). Since the issuance of IML’s to the Bogala and Kahatagaha Graphite mines, there has not been an IML issued for Vein Graphite in Sri Lanka for a project of this significant size.’

These are the words which are fuelling the excitement of Government discussion and have been echoed to Margosa Graphite Management Team here in Sri Lanka. The Board of Directors acknowledges the sentiment of this significant milestone, in the company’s move to be the leading player in the future of this unique graphite material and now looks forward to moving at speed on its strategic heading towards the project production phase.

Dear Shareholder,

Margosa Graphite Limited (“**Margosa**” or the “**Company**”) is pleased to provide an update to its shareholders on the Company’s status and In-country development activities.

OVERVIEW (Operational Readiness)

Margosa, pursuant to requirements related to the issue of a Category ‘A’ Industrial Mining License for its RG Project is pleased to announce that it has been advised by the GSMB, that the Company, having complied with stipulated conditions precedent, is now at a stage of ‘Operational Readiness’.

This announcement has instigated the Final Investment Decision (FID) by the Board of Directors. With this decision, the Company will now advance its construction activities at the RG Project site to sink the Emergency & Services (E&S) shaft for the extraction of bulk sample material for further offtake validation purposes, complete infrastructure and services requirements and commission the accommodation, offices and workshops for immediate occupancy.

ECONOMIC RECOVERY AND BOARD CONFIDENCE

The current appointed government continues to adopt a constructive and sustainable approach to the fiscal and political issues in Sri Lanka. The World Bank and International Monetary Fund (IMF) have continued to recognize the Sri Lankan Government’s positive efforts and ongoing diligence in constructively addressing Sri Lanka’s economic recovery. Current forecasts indicate that the economy will be subject to moderate growth of 1.9% in 2024 and 2.5% in 2025 following 2 consecutive years of contractions. Inflation has decelerated to single digits, foreign exchange reserves continue to be built and the exchange rate has appreciated, all key indicators of recovery. Tourist arrivals and remittance inflows continue to show a commendable recovery while supply conditions have also improved. Most growth forecasts hinge on the continuation of reforms and better consumer and business sentiment. Timely completion of external debt restructuring will also



support Sri Lanka's debt sustainability efforts which is in hand with a robust program implemented for 2024. It is critical that Sri Lanka continues to implement reforms to address the underlying causes of the crisis and lay the foundation for fostering sustainable recovery, building resilience, and reviving growth. Overall, the Board of Directors believes that Sri Lanka has made commendable progress in implementing the suite of difficult policy reforms and stabilizing the economy throughout 2023 and into 2024 and has confidence that sustainable solutions will continue to be delivered, ultimately leading to approving investment and upgrading the Project status.

Margosa's crystalline Vein Graphite material is extremely valuable, positioning the company at the leading edge of the critical mineral market space, between top end "Flake" Graphite and "Synthetic" Graphite. This full and complete, physical award of the IML, declaration of Operational Readiness, along with the pending test work being completed by our UK Partners, to validate the material across the spectrum of high-end applications and use-cases, will intensify activity and negotiations around the offtake opportunities available to the Company.

Thank you for your continued support.

Best regards,



COLIN BELTON

Non-Executive Chairman

On Behalf the Board of Directors

