

1 April 2020

Dear Shareholder

Margosa Graphite Limited (**'Margosa'** or **'the Company'**) provides the following update on its response to the global Coronavirus (**'COVID-19'**) pandemic and Company operations.

### **Key Highlights**

- No cases of COVID-19 reported within our workforce or local community;
- Revised Path to Production anticipates temporary delays to the development schedule due to the COVID-19 pandemic;
- Mineral Resource Estimate upgrade continuing and due for release shortly;
- Advanced Exploration and Restoration Plan and Industrial Mining Licence approvals nearing grant;
- Feasibility study continue and largely unaffected; and
- Recent marketing efforts with our financial advisors have confirmed the high level of interest and support for the development of the Pathakada Project and graphite exploration.

### **MARGOSA COVID-19 UPDATE**

In agreeance with actions taken by both the Sri Lankan and Australian governments to contain the spread of COVID-19, the Company has decided to slow down its operational activities relating to the development of its Pathakada Graphite Project (**'Pathakada'** or **'the Project'**), including Exploration on other project areas in Sri Lanka. The Company's Feasibility studies remain largely unaffected, with detailed metallurgical and mine design work continuing to progress.

There have been no cases of COVID-19 reported by any of the Company's employees or contractors operating in Sri Lanka or Australia and none have been reported by residents of host communities located adjacent to the Project area.

Margosa places the highest priority on safety and wellbeing of its employees, contractors and stakeholders and is planning and executing current and ongoing works in accordance with best practice, adopting recommended guidelines from regulatory authorities in relevant jurisdictions. The Company will continually monitor the developments relating to COVID – 19 and endeavour to return to normal operations as soon as practical and will work closely with Government agencies to in relation to COVID-19 pandemic.

### **COMPANY UPDATE**

#### ***Mineral Resource Estimate Upgrade***

The Company finalised infill /extension drilling and had independent TGC analysis completed by Nagrom Analytical during Q3 FY2020.

An independent geological resource consultant from the Measured Group, Brisbane has subsequently carried out geological modelling of the resource, 3D block modelling, geostatistical analysis, grade estimation and is in the process of finalising the updated Mineral Resource Estimate (**'MRE'**) for Pathakada.

The revised MRE contains 83 separate wireframed graphite veins, and due to the size and complexity of the model, the initial data computing time was overwhelming. Measured Group, with the assistance of a 3D geological software provider, developed a solution to the computing time issue. Despite this result, data processing still takes over two weeks to create a single model which is extremely large and is unworkable across remote platforms without the appropriate 3D software and seamless internet coverage. Incorporating these impediments, and due to the isolation and work from home protocols implemented by both the Queensland and Western Australian governments, the final review of the MRE model and draft reporting by Margosa's technical team has been delayed.

### ***Advanced Exploration and Restoration Plan ('AERP') and Industrial Mining Licence ('IML')***

The Company is awaiting receipt of a quotation from the Water Resource Board ('WRB') in Sri Lanka for development of a community well and once paid, will prompt the Geological Survey and Mining Bureau ('GSMB') to issue the AERP. As soon as the AERP is issued, the Company may proceed with dewatering and shaft development. Margosa has elected to fund the community well project to ensure local residents are not affected by its Pathakada pumping operation.

All Sri Lankan Government departments and agencies have been shut down and travel curfews implemented due to COVID-19 pandemic. This will temporarily delay the final approval of the AERP.

Once the community well program is completed and the AERP is approved, all efforts will turn to securing the "A" Class IML for Pathakada. Once the well project is finalised, the Environmental report will be complete and application for the IML can be submitted.

It should be noted that in Sri Lanka, mining projects not having complex environmental issues require only an Initial Environmental Examination report, whilst projects which involve complex environmental issues must undergo a much more difficult and lengthy Environmental Impact Assessment. Pathakada's, small footprint and simple environmental status has ensured its qualification for the former, ensuring that the approval process should be swift and likely to be finalised in 2020.

### ***Feasibility Study ('FS')***

Feasibility works are currently in progress and include detailed metallurgical testing, geotechnical modelling and stope design, mine layouts, plant flowsheets and design, water balance, power requirements, infrastructure and services, environment and community investigations and management plans, health and safety procedures and economic evaluation. This study is still on track to be completed in 2020, with the current COVID-19 restrictions unlikely to unduly affect its planned conclusion.

### ***Mine Development, Construction & Infrastructure***

Following GSMB approval, the Company has completed the surrounding civil works and shaft collar installation to a depth of 3.5 meters. Margosa has also drilled two dewatering bores and equipped one in preparation for shaft development. The shaft head frame, winder, hoists, vacuum ore lifter and associated mining equipment is in the final stage of refurbishment and assembly in Australia prior to shipping.

The Company has completed the civil clearing works required for installation of accommodation, messing, offices, workshops and geological core storage facility. The Colombo port is currently in lockdown with clearance of essential items only. Margosa containers housing the infrastructure will

remain in customs clearance until further notice. Mining tools and operational equipment are in transit. Ports are currently loading and clearing essential items such as food and medical supplies due to COVID-19, Margosa is uncertain of what delays will be encountered in the logistics process.

***Exploration Activities***

The Company has suspended all exploration activities within its extensive tenement holdings during this period due to the Sri Lankan Government enforced lockdown and regional travel bans.

**Marketing Efforts**

Margosa, with the assistance of its financial advisers Aetas Global Markets Limited (formerly Helmsec Asia), have recently been actively promoting the Company outside of Australia. Despite the current market turmoil due to the COVID-19 pandemic, the feedback from potential institutional and retail investors and family funds across Asia and Europe has been extremely encouraging.

The Board of Margosa will continue to keep shareholders updated on the progress of the Company and the impact of COVID-19 on operations.

**Yours sincerely**



**John Shackleton**

**On behalf of the Board of Directors**

CY 2020

CY 2021

**MARGOSA SHORT TERM BASE CASE  
BUSINESS DEVELOPMENT SCHEDULE**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Q1 20																						
Q2 20																						
Q3 20																						
Q4 20																						
Q1 21																						
Q2 21																						
Q3 21																						

**PRE - DEVELOPMENT WORK**

Infill & Extension Drilling - Update Resource																						
Detailed Metallurgical Testwork																						
Feasibility Studies																						
AERP Approval																						
'A' Class Industrial Mining License																						

**BASE CASE DEVELOPMENT**

Vent, Egress, Bulk Sample Shaft																						
Development of Main Mine Access																						
Process Plant Design																						
Process Plant Engineering																						
Process Plant (Procure/Construct/Commission)																						
Mine Production																						
Specialty Analytical Testwork – High Value-Addition Product Assessment																						



**PATH TO PRODUCTION** | Developing high-grade Sri Lankan graphite