



## Margosa Graphite Limited– Strategic Positioning in the Global Graphite Market

Dear Shareholders,

Following our recent announcement and the overwhelmingly positive response, for which we thank you, several shareholders have raised questions regarding key aspects of the graphite industry. In light of this, we believe it is timely to share Margosa's perspective on the current market landscape with all shareholders.

### Key Takeaways:

- **Graphite is not traded like gold or copper** — pricing is opaque, contract-based, and driven by product type, quality, and end-use.
- **China currently dominates the graphite market**, but rising demand, sanctions, and environmental concerns are shifting global dynamics.
- **Synthetic graphite is currently the go to graphite, consistent but costly and environmentally damaging**, while Margosa's natural vein graphite is proving to be a viable, high performing alternative.
- **Offtake negotiations are nearing completion** with a major European manufacturer, potentially generating revenue over an initial 3-year supply period, "Early Production Supply Opportunity".
- **Margosa holds a globally unique advantage**, as the only independently validated, high-purity vein graphite deposit positioned for advanced high-margin markets.

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### Understanding the Graphite Market & Pricing

Unlike most commodities, graphite is not traded on traditional exchanges. There's no spot price, and pricing is determined through private, contract-based negotiations, influenced by:

- Product type (flake, vein, amorphous, synthetic).
- Carbon purity, particle size, and end-use.
- Origin and logistics.
- Long-term offtake terms and volume commitments.

Agencies such as Fastmarkets and Benchmark Mineral Intelligence publish indicative pricing, but these do not reflect real time transaction values. This makes price discovery difficult and heavily dependent on supplier-buyer relationships, demonstrated quality, and technical validation.

Today, buyers expect more than just raw material, they require validated resources, verified performance in end-use applications, and commercial readiness.

### The Influence of China

China is currently the world's dominant graphite producer/exporter, particularly for synthetic graphite. However, this position is increasingly under pressure due to:

- Export controls and tariffs.
- Geopolitical tensions and supply chain risk.
- Environmental scrutiny of energy-intensive synthetic graphite production.

These pressures are driving international manufacturers to diversify supply chains, reduce reliance on China, and seek sustainable natural alternatives — a trend Margosa is uniquely positioned to benefit from.



## Margosa's Unique Position

In a market crowded with early-stage flake graphite projects, Margosa stands apart from the crowd.

- **Vein graphite from Sri Lanka** is the world's highest-grade natural graphite, with >90–99% carbon content and unmatched crystallinity.
- Margosa's Ridee Ganga Project is **the only independently validated vein graphite resource** of scale and quality ready for commercial deployment.
- Recent lab and manufacturer testing confirms our graphite **meets and exceeds** technical standards for printed electronics and advanced materials, equal to and often **outperforming synthetic graphite**.

This has positioned Margosa as a preferred partner for high margin and specialty applications, rather than commodity grade concentrate sales.

## Offtake Opportunity – Commercial Progress

Margosa is now in the final stages of offtake negotiations with major European manufacturers. The current draft agreement targets:

- Initial "early production" phase anticipated to generate approx. US\$25 million, even before full-scale construction begins.
- Developing into a ~40,000 tonnes per annum offtake opportunity as the manufacturers production lines increase.

This opportunity validates our approach for technical evaluation first, revenue generation second, and market entry with demand already in place.

## Strategic Positioning

Margosa is actively engaging with global development institutions and recently participated in the World Bank–IFC's Development Policy Operations forum, representing Sri Lanka's private sector mining interests. Margosa is recognised by the IFC as one of the most viable and sustainable near-term contributors to Sri Lanka's mining sector growth.

## Our Commitment

Our strategy is focused, deliberate, and built on long-term value creation. We are committed to entering the public arena only once the Company has secured firm offtake, established a pathway to sustained revenue, and reinforced its position as a trusted supplier of clean, green, and high-performance natural graphite.

Margosa's Sri Lankan vein graphite offers more than a commercial opportunity, it represents a potentially market-disrupting alternative to synthetic graphite, delivering equal or superior performance with a dramatically lower environmental footprint. In an industry facing increasing pressure to decarbonise and diversify, our graphite offers a genuine solution for high purity, naturally occurring graphite, free from harsh chemical processing and the burden of emissions from synthetic production.

We believe the future of critical minerals lies in proven resources, independent validation, and responsible development, Margosa is uniquely positioned to lead this evolution. As global manufacturers shift toward sustainability and security of supply, Margosa will be ready to meet that demand with confidence, credibility, and conviction.

We thank you for your continued trust and support as we advance into this defining chapter.

**Sincerely,**

Colin Belton  
Chairman/Non-Executive Director