



Margosa Graphite Limited– Strategic Update

Dear Shareholders,

Following the announcement of the 10-Year “A” Class Mining License, the Company has received an overwhelmingly positive response from several financial institutions regarding the funding of the Ridee Ganga Project through its development and into production.

Over recent months, the Company has worked diligently with both local and international institutions to secure support for the Project via debt and equity financing solutions. With a sustained focus on achieving Full Operational Capacity (FOC), the Company has continued to develop the necessary infrastructure to meet this milestone.

As part of this progress, Shaft No. 1 (the Egress and Services Shaft) has now advanced through the saprolite weathered zone and successfully reached competent bedrock.

Key Takeaways from the last three (3) months:

1. Early Production Opportunity (EPO)

The Company has also been in negotiation with an Early Production Opportunity (EPO) from European manufacturers in the printed electronics sector, for which graphite from the Ridee Ganga Project has now been fully validated. The Company has executed a Letter of Intent (LOI) with the European manufacturer, Naxis New Energy Concepts GmbH (Naxis) who have developed printed electronics applications for the European and North American market space. Naxis is finalising the supply arrangements for specific applications with several of Europe’s largest building manufacturers. These manufacturers have developed a printed electronics product that was previously produced using synthetic graphite. With the assistance of Margosa and its UK-based chemical and scientific experts, they have successfully adopted Ridee Ganga vein graphite as a direct replacement for synthetic graphite in this application. This substitution not only delivers a significant cost saving in product development but also provides an equally important sustainability and environmental advantage to the manufacturing process. The manufacturer has outlined its product specifications and provided an indicative pricing framework for the required material.

- a. The proposed product supply volumes are aligned with the manufacturer’s operational capacity and are designed to scale proportionally with the development of their production lines. The initial requirement is conservatively set at approximately 4 tonnes per month, increasing progressively to around 200 tonnes per month over a 36-month period.
- b. The pricing structure, currently under negotiation, has been preliminarily indicated in the range of US\$5,500 to US\$10,000 per tonne, subject to delivery scale and the manufacturer’s specific product requirements.
- c. The EPO will enable the Company to take a staged approach to the Project development and funding. The following works have been assessed and considered to service the EPO –
 - i. Service the EPO from the existing Shaft No.1 (Services & Egress Shaft)
 - ii. The Company has been conservative in their approach by only calculating the revenue stream based on the projected demand from Naxis and at any time can step up the production feed rate by mining at 2-shift operation and/or 3-shift operation. The total calculated tonnes per month from this shaft for a 3-shift operation is ~1080 ROM ore tonnes producing equating to ~200 tonnes of graphitic ore
 - iii. Mining and ore zones for extraction to support this EPO have been identified and this extraction does not affect the long-term mining plans for Full Operational Capacity (FOC).
 - iv. Current funding requirement is US\$10.8m to meet this EPO opportunity



- d. The Company is now at the backend of due diligence with 3 local banking institutions to support the EPO opportunity. Final institutional board decisions are indicated to be completed by mid-December and current feedback from all 3 banks has been very positive to date.
- e. It should be noted that the financial institutions in Sri Lanka have generally been retail driven centric and mining is a new sector that is starting to obtain some leverage driven by the critical minerals shortage, and IMF/IFC policies being implemented in-country.

2. Full Operational Capacity (FOC)

The Company will continue advancing toward Full Operational Capacity (FOC) while meeting all requirements of the Early Production Opportunity (EPO). As previously outlined, the granting of the 10-year Industrial Mining Licence (IML) has reactivated discussions with the International Finance Corporation (IFC), which had previously raised concerns regarding the former 12-month renewal period of the licence. In parallel, discussions have commenced with the Asian Development Bank (ADB), which is currently targeting infrastructure and industrial development initiatives within Sri Lanka. The Project has progressed to a global mining team review within both institutions and has received highly positive feedback, being recognised as a Tier-1 opportunity within the country.

A key stipulation raised by both institutions relates to infrastructure requirements necessary to support operations at FOC. Specifically, increasing the site's energy capacity has been identified as critical to sustaining an operation of this scale. The Project is currently supplied via a 33 KV grid connection installed by the local authority. Ongoing monitoring has identified significant fluctuations in supply voltage, which may pose operational risks. While the current supply is adequate to support the smaller-scale processing requirements of the EPO, such variability will not meet the significantly higher and more stable demand required at FOC. It is also anticipated that voltage fluctuations may worsen as demand increases.

A preliminary assessment of the Project's full energy requirements has been completed, and discussions are now underway with the relevant institutions to determine the associated costs and to identify responsibilities for funding, implementing, and operating the required infrastructure.

3. Funding

As mentioned above the Company is actively looking at debt structure for both the EPO and FOC and are engaged with local and international institutions. We are also attracting smaller equity investors via our website and will extend a Letter of Interest to our shareholders to actively encourage investment until we secure the final FOC funding.

4. Public Listing

This remains a primary focus of the Company's executive team. Recent market sentiment, as continuously assessed and reviewed by the Company, indicate that support for critical minerals has fluctuated significantly compared with other base-metal commodities. Investor confidence across global markets softened during the period of widespread political elections, which contributed to considerable geopolitical uncertainty. With the establishment of newly elected governments, attention has increasingly shifted toward reducing reliance on Chinese supply chains for critical minerals and pursuing incentives to diversify sourcing. While some progress is being made, and governments are showing greater willingness to support graphite developers over private investors



alone, it has become clear that being in production is now a prerequisite for securing meaningful and long-term investment support.

The EPO positions the Company favourably in this regard. Consequently, the Company has engaged a Perth-based corporate advisory firm to commence an assessment of an IPO opportunity across several potential exchanges, including the ASX, LSE, TSX, and NYSE.

The Company considers it has been strategically fortunate not to have listed earlier, given the limited support shown toward graphite focused entities in recent years. The substantial costs associated with listing and ongoing exchange obligations would likely have constrained the Company's ability to progress to its current stage of resource estimation, material qualification, and advanced project development. Instead, disciplined investment directly into exploration and development has placed Margosa in a strong position to now advance its strategic objectives and emerge as a credible participant in what has been a subdued market for this commodity.

5. Annual General Meeting

The Company, without prejudice to any specific organisation, acknowledges that junior, non-listed entities such as Margosa typically receive a lower level of prioritisation within larger firms responsible for conducting audits and related assessments. This is an industry-wide reality, influenced by the resource demands and time pressures associated with servicing larger and higher-paying clients, as well as the volume of listed junior mining company that also require attention during peak audit periods. As a result, Margosa is often scheduled for review later in the audit cycle.

The Company accepts and understands these circumstances. Accordingly, it has requested that ASIC permit a further extension for the release of the Notice of Meeting, allowing sufficient time for the audited accounts to be completed and formally presented to the executive prior to distribution. The Company also recognises the increasing workload and regulatory pressures faced by audit organisations, particularly as the number of listed entities grows and broader market sentiment places heightened expectations on these firms.

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
- Margosa's Ridee Ganga Project is **the only independently validated vein graphite resource** of scale and quality ready for commercial deployment.
- 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.

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

Sincerely,

John Shackleton

(On behalf of the Margosa Board of Directors)