

SHAREHOLDER INVESTOR UPDATE

February 2021

Dear Shareholders

Margosa Graphite Limited ('the Company' or 'Margosa') is pleased to provide the following update on capital raising plans for the development of the Company's highly valued vein graphite business in Sri Lanka.

Margosa is seeking to raise A\$5million through private placements to sophisticated and professional investors ('Initial Placement') prior to progressing to the main fund raise to complete the mining development and process plant installation at the Ridee Ganga Vein Graphite Project.

This Initial Placement opportunity will be at a share price of A\$0.50 per share. The uplift in value from the last capital raise follows the exciting Mineral Resource Estimate ('MRE') upgrade in April 2020 and the excellent Pre-Feasibility Study ('PFS') results as reported to shareholders in December 2020 but places no premium on the exceptional potential growth of this unique graphite product or the battery mineral sector in general.

The Company is currently in discussions with potential corporate financing advisors, investment companies, broking houses, end users and offtake groups to assess all capital raising options available, including the following, to support development and first production at the Ridee Ganga Graphite Project:

1. Private Equity Placement – level of dilution acceptable to the Company shareholders;
2. Initial Public Offering (IPO) - level of dilution acceptable to the Company shareholders and possibly combination of equity and debt;
3. Debt Placement – level and timing of debt (following equity component);
4. Hybrid - equity and debt placement;
5. Hybrid – equity and metals offtake deal; and / or
6. Hybrid – equity, metals offtake and debt.

Use of funds for this Initial Placement include:

- Working capital for the Company including management, exploration, approvals, marketing and off-take arrangements and completion of research, design and engineering of a processing facility and activities connected with the main fund raising;
- Working capital for installation of surface infrastructure;
- Working capital for development of the advanced exploration shaft (AERP);
- Capital for initial plant and equipment for the decline portal development; and
- Capital for deposit on long lead items.

An outcome of the excellent progress made by the Company over the past 24 months is that it has strong and solid support from Australian and international cornerstone investors. As a result, Margosa already has committed funding for this Initial Placement of circa A\$2 million at A\$0.50 per share.



John Shackleton – Executive Chairman
On Behalf the Board of Directors
Margosa Graphite Ltd

SHAREHOLDER INVESTOR FACT SHEET

Key Achievements

- In March 2019 Margosa reported an **inaugural JORC 2012 Mineral Resource Estimate (MRE)** of 400,340 tonnes grading 79.1% total graphite content (TGC) at its Ridee Ganga Deposit, 40km southwest of Sri Lanka's capital, Colombo. In April 2020, following a major drill campaign, the Company announced an **upgraded MRE of 1.73 M tonnes grading 76.3% TGC** at Ridee Ganga, representing a **316 % increase** in contained graphite.
- A **Pre-Feasibility Study** completed in November 2020, supports the Company's early objective of becoming the first producer to provide a consistent and secure supply of the high-grade crystalline vein graphite to the market; **planning to produce in excess of 40,000 tonnes of 97+% TGC product per year**.
- Pre-Feasibility Study delivered compelling valuation metrics: **Pre Tax NPV¹⁰ of US\$258M and IRR of 70% over an initial 15 year mine life**.
- Approvals recently received for the **Advanced Exploration Restoration Plan (AERP)**, allowing for the development of a 100 meter deep shaft which will produce bulk marketing and metallurgical samples, provide valuable geotechnical and geological data and deliver future ventilation, egress and service supply for the main development.
- Shaft collar completed, shaft equipment and camp infrastructure procured, the **Project is construction ready**, awaiting travel approvals and insurance cover to commence operations.
- **Industrial Mining Licence (IML) submitted** - awaiting IEER's final approval.
- New purpose-built exploration diamond drill rig – designed, procured, commissioned and ready for shipment to advance the **numerous drill ready exploration targets** on the Company's extensive tenement portfolio, supported by the previous detailed airborne EM survey and historical mining.
- Engaged in discussions with an Australian engineering firm with graphite experience and expertise to further advance metallurgical test work studies for final Design and Engineering criteria for the process plant. Study proposal due in February 2021.
- Engaged in Research and Development discussions with a major Australian University to further advance product structural characterization analysis- nano & super conductor products and graphene production.

Development Outlook

- **Secure Offtake, Sales and Marketing agreements** with major trading, technology partners & end users.
- Develop the **AERP** Shaft in 2021 and deliver 100 tonnes of bulk vein material for marketing, metallurgical and future mining purposes.
- Engage the Australian engineering firm to complete detailed metallurgy in 2021 for the final Engineering and Design of the processing facility.
- **"A" Class Industrial Mining Licence** targeted to be granted in 2021.
- Finalise collaboration with Australian University and technology partners to further advance R&D works on Ridee Ganga crystalline vein graphite product (value add technology and application advancement).
- Infill drilling to **upgrade the mineable inventory and extend the LOM past 20 years** at the Ridee Ganga.
- **Primary Mine Access** (decline) targeted portal development for May 2021.
- **Initial Mine Production** targeted for January 2023.
- **First sales shipments** targeted for March 2023.
- Following the import of second drill rig, commence testing the **exceptional pipeline of drill ready targets** outside of the Pathakada tenement.

SHAREHOLDER INVESTOR FACT SHEET

Capital Structure

Shares on issue	77,133,734
Performance rights on issue	4,521,676
Share price (per this initial raise)	\$0.50
Market capitalisation	\$38.6M
Cash	\$1.3M
Debt	Nil

Sri Lankan Vein Graphite

- **Sri Lanka - only country in the world** where *crystalline vein graphite* is found in commercial quantities.
- **Crystalline vein graphite attracts premium prices due to its exceptional properties** (ie. higher crystallinity, cohesive energy, thermal/ electrical conductivity) that delivers superior performance over all other graphite forms in many diverse industrial applications eg. battery cells, carbon brushes, powder metallurgy, flame retardant materials, high end lubricants, green initiatives (eg. solar panels, reactors) and graphene products
- Crystalline Vein graphite's needle/platy habit and ultra-high purity make it the closest natural material to synthetic graphite (needle coke) used to make graphite electrodes for electric arc furnaces (EAF). **Graphite for EAF commands prices in excess of US\$10,000/t**

The Investment Opportunity

- **High margin, low cost and low operational risk production project** in mining friendly regime.
- Project only 45km from modern port at Colombo via expressway. Ready access to water and grid power
- **Compelling valuation metrics** following November 2020 Pre-Feasibility Study on Ridee Ganga Project. Further upgrades expected in 2021 as drilling continues to build mining inventory.

Operating Metric	Assumption/ Result
Vein Graphite Price and Exchange Rate	US\$1980/T*
Mineral Resource	1,724,610 tonnes @ 76.3% TGC
Mining Method	Bulk and Selective underground methods
Project Life (processing)	15 years
Life of Mine (LoM) Production	446,940 tonnes of concentrate >97% TGC.
LoM Operating Costs	US\$603/T
LoM Revenue	US\$1044M
Pre-Tax NPV (10%)	US\$258M
Pre-Tax IRR	70%

*Average USGS Sales receipts for Sri Lankan lump/vein graphite since 2003

- Company intends to be the **first producer** to provide the world market with a consistent and secured supply of this highly sought after and superior form of graphite.
- Delivers a **"green" graphite alternative** (cf pollution and environmental issues with open cut mining and low grade mine processing/purification of inferior product in China and India)
- Exceptional advanced **drill ready targets** to deliver a steady pipeline of new development opportunities.