



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

**MASON GRAPHITE INC.**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2022 and 2021**  
**October 27, 2022**

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This Management's Discussion and Analysis ("MD&A") for the years ended June 30, 2022 and 2021 has been prepared in accordance with National Instrument 51-102 – Continuous Disclosure Obligations (in Québec, Regulation 51-102 respecting Continuous Disclosure Obligations) ("NI 51-102") and approved by the Board of Directors of Mason Graphite Inc. ("we", "our", "us", "Mason Graphite", "Mason" or the "Company").

This MD&A should be read in conjunction with the audited financial statements of Mason Graphite for the years ended June 30, 2022, and 2021 (the "Financial Statements") and related notes included therein. The Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's functional and presentation currency is the Canadian dollars. The Company has consistently applied the accounting policies used in the preparation of the Financial Statements, including the comparative figures.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

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This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to targeted milestones to achieve development of the Lac Guéret Project, successfully obtaining project financing, the future financial or operating performance of the Company and its projects and investments, including its investment in Black Swan Graphene Inc. and its potential joint venture with Nouveau Monde Graphite Inc., the future price of and supply and demand for graphite or graphene, the estimation of mineral reserves and resources, the realization of mineral reserves and resources estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new and existing deposits, costs and timing of future exploration, requirements for additional capital, management's belief that the Company will have sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months, government regulation of mining operations, environmental risks, reclamation expenses, the success of mining operations, permitting, economic return estimates and potential upside. Often, but not always, forward-looking statements can be recognized by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Readers should not place undue reliance on forward-looking statements.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Even with the completion of the Preliminary Economic Assessment and a positive feasibility study, there are no assurances that the Lac Guéret Project and the other projects of the Company will be placed into production. Factors that could affect the outcome include, among others: the actual results of development activities; project delays; inability to raise the funds necessary to achieve the milestones or complete development; general business, economic, competitive, political and social uncertainties; future prices of metals; availability of alternative graphite sources or substitutions; actual graphite recovery; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; the future cost of capital to the Company; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry; political instability, terrorism, insurrection or war; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, COVID-19, as well as those factors discussed in the section entitled "Risk and Uncertainties". Such forward-looking information is also based on a number of material factors and assumptions, including: the availability of financing at rates and on terms and conditions otherwise acceptable to the Company; future graphite and graphene prices; permitting and development consistent with the Company's expectations; foreign exchange rates; prices and availability of equipment; that contracted parties provide goods and/or services on the agreed timeframes; that the current tax credit receivable from the Québec government is collected in a timely manner; that on-going contractual negotiations will be successful and progress and/or be completed in a timely manner; and that no unusual geological or technical problems occur. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws. There can be no assurance that

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forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

## **1. DESCRIPTION OF BUSINESS AND OVERVIEW**

Mason Graphite is a Canadian corporation focused on seeking investment opportunities. Its strategy is to develop vertical and horizontal integration in the mining industry, with a special focus on industrial and specialty minerals, notably battery-related materials and their by-products. Its strategy also includes the development of value-added products, notably for green technologies like transport electrification. The Company currently owns 100% of the rights to the Lac Guéret deposit, one of the richest graphite deposits in the world, which is under an Option and Joint Venture Agreement with Nouveau Monde Graphite Inc. (TSX-V: NOU) (NYSE: NMG). The Company is also the largest shareholder of Black Swan Graphene Inc., a Canadian publically traded company (TSX-V: SWAN) focusing on the large-scale production and commercialization of patented high-performance and low-cost graphene products aimed at several industrial sectors, including concrete, polymers, Li-ion batteries and others.

### **A) CORPORATE**

On December 29, 2020, at the Annual General Meeting, a new Board of Directors was elected. The new members are: Mr. Simon Marcotte, Mr. Nav Dhaliwal, Mr. Roy McDowall and Mr. Tayfun Eldem. These are in addition to Mr. Fahad Al-Tamimi and Mr. Peter Damouni who were already in place.

Mr. Fahad Al-Tamimi was nominated as Chairman of the Board and Mr. Peter Damouni and Mr. Simon Marcotte were appointed as Executive Directors of the Company.

In July 2021, Mr. Simon Marcotte resigned as Executive Director of the Company, he remains a consultant for various mandates. The director position was filled by Mr. François Perron.

On March 18, 2022, the Company announced the appointment of Carmelo Marrelli as Chief Financial Officer of the Company.

### **B) INVESTMENT IN BLACK SWAN GRAPHENE**

On July 21, 2021, the Company has announced the creation of Black Swan Graphene Inc. ("Black Swan Graphene") and the entering into of a definitive agreement whereby Mason Graphite has agreed, through Black Swan Graphene, to purchase strategic assets related to patented graphene production technology from Thomas Swan & Co. Limited ("Thomas Swan"), a leading UK-based specialty chemicals company (the "Transaction"). The consideration paid by Black Swan Graphene to Thomas Swan for such assets was \$7,706,200, comprised of £3 million and shares representing 33.33% of Black Swan Graphene's issued and outstanding shares. Upon the completion of the Transaction, Mason Graphite also invested approximately \$2.5 million in Black Swan Graphene for working capital purposes.

In connection with the Transaction, Black Swan Graphene has acquired a license from Trinity College Dublin for the production of exfoliated defect-free, non-oxidised 2-D materials in large quantities (the "TCD License"), which license was previously held by Thomas Swan. In addition, Black Swan Graphene and Thomas Swan have entered into a License Agreement and a Sub-License Agreement, pursuant to which Black Swan Graphene has granted Thomas Swan a license to graphene processing technology for production of up to 1,000 tonnes per year and Black Swan Graphene has sub-licensed the TCD License to Thomas Swan, respectively.

In addition to the assets related to the graphene processing technology and associated know-how sold to Black Swan Graphene, Thomas Swan also contributes its exclusive production and commercialization expertise while providing access to subject matter expertise, such as access to personnel and technical support, and deliverables from its operation in Northern England pursuant to a Services Agreement entered into between Black Swan Graphene and Thomas Swan. Black Swan Graphene aims to establish a large-scale commercial production facility in Québec, Canada, in order to leverage the province's competitive and green hydroelectricity, as well as the proximity of Mason Graphite's planned production sites. These factors are key and will accelerate the production and commercialization of the graphene developed by Thomas Swan by integrating the supply chain and lowering production costs.

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Upon the completion of the Transaction, Mason Graphite and Thomas Swan held 66.67% and 33.33%, respectively, of the issued and outstanding shares of Black Swan Graphene. Pursuant to an agreement entered into simultaneously with the Transaction, Mr. Fahad Al Tamimi, Chairman of Mason Graphite, acquired directly from Thomas Swan an 8%-equity interest in Black Swan Graphene.

On November 8, 2021, Black Swan Graphene completed a private placement of 2,205,944 common shares at a price of \$1.36 per share for gross proceeds of \$3,000,085. Following completion of the private placement, Mason Graphite held approximately 56% of the issued and outstanding shares of Black Swan Graphene.

On March 14, 2022, Black Swan Graphene completed a private placement of subscription receipts for gross proceeds of approximately \$7.0 million.

On August 2, 2022, Black Swan completed a "Qualifying Transaction" with Dragonfly Capital Corp. ("Dragonfly") pursuant to a share exchange agreement dated January 17, 2022, as amended, entered into among Dragonfly, Black Swan and its shareholders (the "RTO"). The RTO was completed by way of share exchange whereby Dragonfly acquired all of the issued and outstanding common shares of Black Swan Graphene (each, a "Black Swan Share") from the shareholders of Black Swan Graphene in consideration for the issuance of an aggregate of 210,230,343 common shares of Dragonfly at a deemed price of \$0.15 per share.

In addition, 1,225,000 options to purchase Black Swan Shares which were outstanding immediately prior to closing of the RTO were cancelled and the holders thereof were granted an aggregate of 15,175,000 options to purchase common shares and 7,875,000 restricted share units of the issuer resulting from the RTO.

**C) OPTION AND JOINT VENTURE AGREEMENT WITH NOUVEAU MONDE GRAPHITE INC.**

On May 16, 2022, Nouveau Monde Graphite Inc. ("Nouveau Monde") and Mason Graphite announced the entering into of an investment agreement (the "Investment Agreement") with a view towards the development and operation of Mason Graphite's Lac Guéret project.

Highlights included:

- On closing, Nouveau Monde and Mason Graphite to enter into an option and joint venture agreement (the "Option and JV Agreement") pursuant to which the parties will collaborate to advance the Lac Guéret project, with a view to form a joint venture (the "Joint Venture");
- Nouveau Monde to make a concurrent equity investment in Mason Graphite of an aggregate amount of up to \$5.0 million payable in two instalments (the "Equity Investment", and together with the formation of the Joint Venture, the "JV Transaction");
- Conditions for the formation of the Joint Venture include: (i) a minimum of \$10.0 million of expenditures from Nouveau Monde on the project, and (ii) the completion of an updated feasibility study on the property based on an estimated production scale of a minimum of 250,000 tonnes per annum of graphite concentrate, to be ascertained based on customer demand as well as technical and environmental possibilities. The latest feasibility study published by Mason Graphite is based on 51,900 tonnes per annum;
- Assuming the exercise of the option and formation of the Joint Venture, Nouveau Monde's and Mason Graphite's interest in the Joint Venture to be 51% and 49%, respectively, and Nouveau Monde to be appointed as operator of the Joint Venture;
- Joint Venture to be funded by Nouveau Monde and Mason Graphite on a pro rata basis; failure to fund work program commitments in the Joint Venture to result in a 1% dilution for each unfunded tranche of \$5.0 million;
- The Joint Venture will have full access to Nouveau Monde's Phase-1 natural graphite flake concentrator plant currently in operation in Saint-Michel-des-Saints, Québec (the "Demonstration Plant") in order to accelerate the qualification and commercialization of its graphite, which has been proven instrumental as per Nouveau Monde's recent successful experience. To date, Nouveau Monde has invested approximately \$30.0 million in the Demonstration Plant;

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- The Joint Venture will benefit from Nouveau Monde's depth of personnel and commercialization capabilities; Nouveau Monde currently employs nearly 100 full-time employees, most of whom are focused exclusively on graphite advanced materials, making it one of the largest natural graphite-focused organizations in North America and the ideal partner for the project;
- The property is notably sizable, with a total Measured and Indicated Resource of 65.5 million tonnes grading 17.2% Cg, and carries one of the highest grades of graphite ore globally with a Proven and Probable Reserve totaling 4.7 Mt grading 27.8% Cg (See Mason Graphite's press release dated September 25, 2015). Mason Graphite received the governmental authorization for the property, via the issuance of the Decree 608-2018 by the Québec Government; and
- Nouveau Monde and Black Swan Graphene entered into a non-binding letter of intent for the implementation of Black Swan Graphene's graphene processing technology in Nouveau Monde's Demonstration Plant, which has a design throughput of 3.5 tonnes of ore per hour (tph), the equivalent nameplate production capacity of approximately 1,000 tonnes of graphite concentrate per annum, using Nouveau Monde's ore grading an average of 4.5% graphitic carbon, in order to establish a fully integrated facility from graphite ore to graphene finished products.

On July 20, 2022, Mason Graphite announced the entering into of the Option and JV Agreement and the completion of the private placement of 5,000,000 common shares of the Company to Nouveau Monde at a price of \$0.50 per share for gross proceeds to the Company of \$2.5 million.

**D) SOCIAL ACCEPTABILITY AND FIRST NATIONS RELATIONS**

The Lac Guéret project enjoys strong social acceptability and support from the local communities.

The Company and the Innu Council of Pessamit signed the Mushalakan Agreement in June 2017, an Impact Benefit Agreement (the "IBA") for the construction and operation of the Lac Guéret project (Lac Guéret mine and Baie-Comeau concentrator). Under the IBA, both parties commit to develop a specific training and employment strategy for the Pessamiuilnut (members of the Innus of Pessamit community). Additionally, the IBA will allow the Innus of Pessamit to participate in the project concretely, through contracting opportunities and will ensure fair and equitable financial and socio-economic benefits.

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**2. OPERATIONAL RESULTS**

**For the three month period ended June 30, 2022, compared with three month period ended June 30, 2021**

Note that Black Swan Graphene's amounts have been removed for the nine months ended March 31, 2022 to ensure that the figures below are comparative and reflect the classification of Black Swan's Graphene's operations to discontinued operations in the current quarter. The Company's loss from continuing operations totaled \$1,722,254 for the three month period ended June 30, 2022. This compares with a loss of \$834,253 for the three-month period ended June 30, 2021, for a variance of \$888,001, which is due to the following significant variations:

|                              | For the three month period ended June 30, |            | Variance   | Comments   |
|------------------------------|---|------------|------------|--|
|                              | 2022                                      | 2021       |            |  |
| Salaries and consulting fees | \$ 556,028                                | \$ 245,067 | \$ 310,961 | Salaries increased during the current quarter due to costs associated with closing the option and joint venture agreement with Nouveau Monde   |
| Professional fees            | 760,354                                   | 88,478     | 671,876    | Professional fees increased in the quarter due to the costs associated with closing the option and joint venture agreement with Nouveau Monde  |
| Share-based compensation     | 102,312                                   | 259,688    | (157,376)  | On January 12, 2021, 6,925,000 options were granted, a number of these options had vesting over a period of time, as a result the full amount of the stock based compensation is still being recognized. Additionally 400,000 options were granted on September 2, 2021. |
| Added-value processing       | 10,895                                    | 408,943    | (398,048)  | The Company spent less for the quarter of 2022 versus 2021. The value-added graphite products project is no longer the priority.   |
| Government assistance        | -   | (362,440)  | 362,440    | Due to the reduction on spending on the value-added graphite products the Company has not received any assistance from the government during the quarter.  |
| Other expenses and revenues  | 292,665                                   | 194,517    | 98,148     | Non-significant variances in other expenses and revenues items.  |

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**For the year ended June 30, 2022, compared with year ended June 30, 2021**

The Company's loss totaled \$4,465,620 for the year ended June 30, 2022. This compares with a loss of \$6,545,410 for the year ended period ended June 30, 2021 for a variance of \$2,079,790, due to the following significant variations:

|   | For the year ended<br>June 30, |                  | Variance           | Comments   |
|---|--------------------------------|------------------|--------------------|--|
|   | 2022                           | 2021             |                    |  |
| Salaries and consulting fees                | \$ 1,329,530                   | \$ 857,844       | \$ 471,686         | Salaries increased during the current year due to costs associated with closing the Option and JV Agreement with Nouveau Monde.  |
| Professional fees                           | 1,057,332                      | 2,047,975        | (990,643)          | During the year ended June 30, 2021, the Company was engaged in a proxy contest which resulted in significant professional fees (including legal and advisor fees).  |
| Share-based compensation                    | 810,687                        | 1,177,631        | (366,944)          | On January 12, 2021, 6,925,000 options were granted, a number of these options had vesting over a period of time, as a result the full amount of the stock based compensation is still being recognized. Additionally 400,000 options were granted on September 2, 2021.     |
| Added-value processing                      | 425,192                        | 1,629,858        | (1,204,666)        | The Company spent less for the year ended June 30, 2022 compared to the prior comparative period, as the value-added graphite products project is no longer the priority.  |
| Government assistance                       | (215,242)                      | (786,609)        | 571,367            | During the year ended June 30, 2021, the Company applied for mining tax credits for the year 2019 and its R&D credit for 2020. During the year ended June 30, 2022, the Company recognized a grant of \$50K for its PVA project and received its mining tax credit for 2020. |
| Care and maintenance for Lac Gueret project | 308,470                        | 954,070          | (645,600)          | During the year ended June 30, 2022, care and maintenance activities for Lac Guéret were kept at the minimum compared to the comparative year.   |
| Other expenses and revenues                 | 749,651                        | 664,641          | 85,010             | Non-significant variances in other expenses and revenues items.  |
| <b>Total</b>                                | <b>4,465,620</b>               | <b>6,545,410</b> | <b>(2,079,790)</b> |  |

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**3. SELECTED ANNUAL FINANCIAL INFORMATION**

|  | For the years ended June 30, |            |            |
|--|------------------------------|------------|------------|
|  | 2022                         | 2021       | 2020       |
|  | \$                           | \$         | \$         |
| Loss from continuing operations  | 6,099,920                    | 6,545,410  | 26,453,954 |
| Net loss from continuing operations<br>per share (basic and diluted)   | 0.04                         | 0.05       | 0.19       |
| Loss from discontinued operations                                      | 1,284,092                    | -          | -          |
| Net loss from discontinued operations<br>per share (basic and diluted) | 0.01                         | -          | -          |
| Total assets   | 26,443,050                   | 26,510,441 | 33,241,792 |
| Non-current financial liabilities                                      | -                            | -          | -          |

The Company has not, since the date of its incorporation, declared or paid dividends on its common shares. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The Financial Statements have been prepared in accordance with IFRS. The Company has consistently applied the accounting policies used in the preparation of the Financial Statements, including the comparative figures.

**4. SUMMARY OF QUARTERLY RESULTS**

|  | Jun 30, 22 | Mar 31, 22 | Dec 31, 21 | Sep 30, 21 |
|--|------------|------------|------------|------------|
|  | Q4         | Q3         | Q2         | Q1         |
|  | (note 1)   |            | (note 2)   |            |
| Loss from continuing operations  | 1,722,254  | 897,783    | 939,588    | 905,995    |
| Net loss from continuing operations<br>per share (basic and diluted)   | DIV/0      | 0.01       | 0.01       | 0.01       |
| Loss from discontinued operations                                      | 431,481    | 546,092    | 1,861,993  | 78,826     |
| Net loss from discontinued operations<br>per share (basic and diluted) | 0.00       | 0.00       | 0.01       | 0.00       |
|  | Jun 30, 21 | Mar 31, 21 | Dec 31, 20 | Sep 30, 20 |
|  | Q4         | Q3         | Q2         | Q1         |
|  |            | (note 3)   | (note 4)   |            |
| Loss for the period  | 834,253    | 2,224,634  | 2,434,278  | 1,052,245  |
| Loss per share (basic and fully diluted)                               | 0.01       | 0.02       | 0.02       | 0.01       |

**Note 1:** The costs associated with closing the option and joint venture agreement with Nouveau Monde.

**Note 2:** The higher loss is explained by significant expenses of the new subsidiary acquired in the first quarter of 2022.

**Note 3:** The higher loss is explained by the fees incurred for the proxy fight and the issuance of options which generated exceptionally high expenses.

**Note 4:** The higher loss is explained by the fees incurred for the proxy fight and the costs of maintenance and maintaining the mining property.



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**5. CASH FLOW**

|   | For the year<br>ended June 30, |                    |
|---|--------------------------------|--------------------|
|   | 2022                           | 2021               |
|   | \$                             | \$                 |
| Sources and uses of cash  |                                |                    |
| Cash used for operations prior to changes in working capital                            | (4,984,252)                    | (5,336,561)        |
| Changes in non-cash working capital   | (138,297)                      | 428,261            |
| Cash used in operating activities   | (5,122,549)                    | (4,908,300)        |
| Cash from financing activities  | 2,980,085                      | 29,898             |
| Cash used in investing activities   | (6,540,919)                    | (1,633,863)        |
| Net change in cash classified within subsidiary<br>subject to impending loss of control | (4,125,463)                    | -                  |
| <b>Change in cash</b>   | <b>(12,808,846)</b>            | <b>(6,512,265)</b> |

**Operating Activities**

For the year ended June 30, 2022, cash outflows from operating activities increased by \$352,309 before changes in non-cash items compared to the same period last year (from \$5,336,561 in 2021 to \$4,984,252 in 2022). No significant variance was noted, other than those mentioned in section 3: Operating results: Comparison of three-month periods 2022 and 2021.

For the year ended June 30, 2022 and 2021, cash used in non-cash working capital decreased by \$138,297 in 2021 and increased by \$428,261 in 2021. This variation is mainly explained by a significant variation in the balance the sales tax receivables and accounts payables between June 30, 2022, and 2021.

**Financing Activities**

During the year ended June 30, 2022, the Black Swan Graphene completed a private placement of 2,205,944 common shares at a price of \$1.36 per share for total gross proceeds of \$3,000,085 with issuance costs of \$20,000.

**Investing Activities**

For the year ended June 30, 2022, cash used in investing activities was \$6,014,219 partly for the purchase of a strategic assets from Thomas Swan through the subsidiary Black Swan Graphene and the final payment for equipment for the Lac Guéret project, compared to outflows of \$1,193,701 for the corresponding period last year.

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**6. FINANCIAL POSITION**

|                               | For the year ended<br>June 30, |                   |
|-------------------------------|--------------------------------|-------------------|
|                               | 2022                           | 2021              |
|                               | \$                             | \$                |
| Cash (note 1)                 | 7,316,990                      | 20,125,836        |
| Other current assets (note 2) | 13,430,372                     | 234,026           |
| <b>Total current assets</b>   | <b>20,747,362</b>              | <b>20,359,862</b> |
| <b>Non-current assets</b>     | <b>5,695,688</b>               | <b>6,150,579</b>  |
| <b>Total assets</b>           | <b>26,443,050</b>              | <b>26,510,441</b> |
| <b>Total liabilities</b>      | <b>277,125</b>                 | <b>1,618,559</b>  |
| <b>Equity</b>                 | <b>26,165,925</b>              | <b>24,891,882</b> |

Note 1: The decrease is due to the outflow of funds attributable to acquisition of Black Swan Graphene , and operating cash flows.

Note 2: The increase is classifying all Black Swan Graphene assets as within subsidiary subject to impending loss of control.

**7. RELATED PARTY TRANSACTIONS**

As of June 30, 2022, the balance due to the related parties amounted to \$18,046 (as of June 30, 2021: \$nil). The amount due are mainly directors' fees, do not bear interest, are not guaranteed and are payable on request.

As of June 30, 2022, included in prepaid and other receivables are amounts related to prepayments to related parties of \$34,177 (as of June 30, 2021: \$nil).

|  | For the years<br>ended June 30, |                     |
|--|---------------------------------|---------------------|
|  | 2022                            | 2021                |
| Salaries, consulting fees and other benefits | \$ 569,403                      | \$ 1,198,437        |
| Severance fees                               | 109,154                         | 167,416             |
| Directors fees                               | 160,000                         | 271,662             |
| Share-based compensation – Management        | 383,705                         | 484,657             |
| Share-based compensation – Directors         | 396,286                         | 612,198             |
|  | <b>\$ 1,618,548</b>             | <b>\$ 2,734,370</b> |

In accordance with IAS 24, Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The Company is party to certain management contracts. Minimum commitments under these contracts are approximately \$750,000. These contracts require that maximum payments of approximately \$925,000 be made upon the occurrence of certain events such as a change of control.

## **8. LIQUIDITY AND CAPITAL RESOURCES**

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To benefit from the structural change rapidly unfolding in the graphite industry, a goal of the Board of Directors of the Company was to re-accelerate the development of the Company's Lac Guéret project, which was put on hold in April 2020. The Company is of the view that customers are currently looking to secure unprecedented volumes of graphite supply, preferably sourced in North America, to support the electrification of the transportation industry. As such, graphite prices will soon need to reach significantly higher levels to allow for new sources of supply, or upstream integration will be necessary to establish an adequate supply chain.

The Company has no operating income, is mainly dependent on external funding for its development projects. It has had recourse to the cash issuance of equity, borrowing, funds received from the Government of Quebec in the form of a resource-related tax credit and a mining tax credit for eligible exploration expenses and funds obtained from stock warrants and options exercised.

As of June 30, 2022, the Company had a working capital of \$20,470,237, an accumulated deficit of \$100,469,937 and a net loss of \$4,465,620 for then year ended. Working capital included a cash balance of \$7,316,990.

Management believes that the Company has sufficient funds to meets its obligations, operating expenses and some development expenditures for its value-added product project for the ensuing twelve months. The Company's ability to pursue its development activities for its value-added product project and the Lac Guéret project depends on management's ability to obtain additional financing, which it can do in various ways, including through strategic partnerships, joint venture agreements, debt project financing, royalty financing or other options offered by the financial markets. On July 20, 2022, the Company entered into the Option and JV Agreement with Nouveau Monde. Although management has been successful in securing funding in the past, there can be no assurance that it will achieve funding in the future, including under the Option and JV Agreement, or that such funding sources or measures will be available to the Company or that they will be available on terms and conditions acceptable to the Company.

## **9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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For a detailed description of the financial instruments and risk management associated with the Company and its activities, please refer to the Note 15 "Financial Instruments and Risk Management" in the Financial Statements. The Company is not aware of any significant changes to financial instruments nor any management risk presented on those dates.

## **10. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

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For a detailed description of the critical accounting judgments and estimates associated with the Company and its activities, please refer to the Note 3 "*Critical accounting judgments and estimates*" in the Financial Statements. Judgments and estimates are in line with last year.

## **11. NEW SIGNIFICANT ACCOUNTING POLICIES**

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There were no significant accounting policies which were adopted during the year ended June 30, 2022.

## **12. OUTSTANDING SHARE DATA**

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As of October 27, 2022, the Company has:

- a) 141,292,585 common shares issued and outstanding;
- b) 6,867,000 options outstanding with expiry dates ranging between April 4, 2023 and September 2, 2026 with exercise price from \$0.46 to \$1.85 (weighted average price: \$0.49). If all the options were exercised, 6,867,000 common shares would be issued for aggregate proceeds of \$3,387,320.

### **13. RISKS AND UNCERTAINTIES**

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The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration, evaluation, development and operation of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

#### *Nature of Mining, Mineral Exploration and Development Projects*

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to unfavorable or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses, and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, resource and reserve estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

#### *No Revenues*

To date the Company has recorded no revenues from operations and the Company has not commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

#### *Liquidity Concerns and Future Financings*

The Company will require significant capital and operating expenditures in connection with the development of its property. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

#### *Impairment of Non-Financial Assets*

Asset groups are reviewed for an indication of impairment at each statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment are the following: very negative trends in the industry or economic conditions, including graphite prices, changes in exchange rates, increase of the discount rate, a delay in the start of the commercial production, changes in mineral reserves, changes in graphite grade or recovery, and/or declines in market capitalization of the Company.

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*Foreign Exchange*

Mineral commodities are sold in US dollars and consequently, the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. To the extent Mason Graphite generates revenue upon reaching the production stage on its properties; it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the US dollar would result in a decrease in the real value of Mason's revenues and adversely affect its financial performance. The Company is exposed to currency risk by incurring certain expenditures and debt in currencies other than Canadian dollar.

*Mineral Resource and Mineral Reserve Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. The accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as mineral prices and market conditions, could have a material adverse effect on the Company's financial position and operational results.

*Licences and Permits, Laws and Regulations*

The Company's exploration and development activities, including mine, mill, road, rail and other transportation facilities, require permits and approvals from various government authorities and cooperation from certain First Nations groups, and are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change and can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that Mason will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

*Mineral Commodity Prices*

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

*Environmental*

The Company's activities are subject to extensive federal, provincial state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

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*Property Titles*

The acquisition and maintenance of titles to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

*Dependence on Management and Key Personnel*

The Company is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. The Company's development to date has largely depended, and in the future will continue to depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, in the short term, could have a material adverse impact upon to the Company.

*Uninsured Risks*

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares of the Company.

*Competition*

Mason Graphite competes with other mining companies that have interesting resources. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

*Dependence on Outside Parties*

Mason Graphite has relied upon consultants, engineers and others and intends to rely on these parties for development, construction, and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on Mason Graphite.

*Qualified Personnel*

Recruiting and retaining qualified personnel in the future is critical to the Company's success. As the Company develops the Lac Guéret property toward commercial production, the need for skilled labour will increase. The number of persons skilled in development and operations of mining properties is limited and competition for this workforce is intense. The development of the Company's properties may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required.

*Share Price Fluctuations*

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

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*Conflicts of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of Mason Graphite may have a conflict of interest in negotiating and concluding terms respecting such participation.

*Litigation*

Mason Graphite has entered into legally binding agreements with various third parties on a consulting and partnership basis. The interpretation of the rights and obligations that arise from such agreements is open to interpretation and Mason Graphite may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause Mason Graphite to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such disputes could have a material adverse effect on Mason Graphite.

*COVID-19 pandemic*

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary measures have been taken by public health and government authorities across the world to contain the spread of COVID-19, including travel bans, social distancing, and quarantines. Any current or future government directives due to this wave of COVID-19, or any future waves, have the potential to cause a recession in key markets. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company's activities are not known at this time, but could include an impact on its ability to obtain funding.

*War in Ukraine*

The military conflict in Ukraine has led to heightened volatility in the global markets, increased inflation, and turbulence in commodities markets, including nickel. More recently, in response to Russian military actions in Ukraine, several countries (including Canada, the United States and certain allies) have imposed economic sanctions and export control measures, and may impose additional sanctions or export control measures in the future, which have and could in the future result in, among other things, severe or complete restrictions on exports and other commerce and business dealings involving Russia, certain regions of Ukraine, and/or particular entities and individuals. While the Company does not have any direct exposure or connection to Russia or Ukraine, as the military conflict is a rapidly developing situation, it is uncertain as to how such events and any related economic sanctions will continue to impact the global economy and commodities markets. Any negative developments in respect thereof could have a material adverse effect on the Company's business, operations or financial condition.

**14. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

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The information provided in this MD&A, including the Financial Statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

In contrast to the certificate required under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* (in Québec, *Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the "Venture Issuer Basic Certificate" does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and;

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- A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that the design and implementation of such processes by those responsible for a venture issuer are subject to cost limitation.

DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **15. SUBSEQUENT EVENTS**

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Only July 20, 2022, Mason Graphite has entered into the Option and JV Agreement with Nouveau Monde.

Under the Option and JV Agreement, Mason Graphite granted an option to Nouveau Monde to acquire a 51% interest in the Lac Guéret property to be exercisable by Nouveau Monde (i) through the incurrence of work expenditures, including, but not limited to, the treatment of ores, concentrates, and other mineral products at Nouveau Monde's Demonstration Plant aggregating a minimum of \$10.0 million (the "Option Expenditure Threshold") in respect of the exploration, development, mining, production, commercialization and sale of products in direct relation to the property (the "First Option Condition") as soon as reasonable and, subject to the Option Extension (as defined below), within twenty-four (24) months from the execution of the Option and JV Agreement (the "First Option Condition Deadline"), and (ii) the preparation of (a) a NI 43-101 preliminary economic assessment, with an increased project capacity from 52,000 tonnes per annum to a minimum of 250,000 tonnes per annum, within 6 months following the execution of the Option and JV Agreement, and (b) a NI 43-101 bankable feasibility study within 18 months following the execution of the Option and JV Agreement (collectively, the "Second Option Condition").

If prior to the First Option Condition Deadline, Nouveau Monde has satisfied the First Option Condition and is, in the reasonable opinion of Nouveau Monde and Mason Graphite, working diligently and continuously towards satisfying the Second Option Condition, the parties shall agree in writing to extend the deadline to satisfy the Second Option Condition for successive periods of six (6) months and ending no later than thirty-six (36) months from the execution of the Option and JV Agreement (the latest of such periods, the "Option Deadline"). Any expenditures incurred to satisfy the Second Option Condition above the Option Expenditure Threshold will be assumed by Nouveau Monde, and unless otherwise mutually agreed to by the parties in writing, a failure by Nouveau Monde to satisfy the Second Option Condition prior to the Option Deadline will be deemed to be an election by Nouveau Monde not to have exercised its option to become the owner of a 51% interest in the property and will result in the automatic termination of the Option and JV Agreement.

The Joint Venture will be formed if Nouveau Monde exercises its option and becomes the owner of a 51% interest in the property. The Joint Venture will be formed with the objective of further exploring the property and, if deemed warranted by Nouveau Monde and Mason Graphite, of developing, constructing, and operating a mine on the property or a part of it, and commercializing the minerals derived therefrom. The Joint Venture will also have full and continuous access to Nouveau Monde's Demonstration Plant and the expertise of Nouveau Monde in order to support the commercialization of the graphite derived from the property.

Concurrently with the execution of the Option and JV Agreement, Mason Graphite and Nouveau Monde have completed the private placement of 5,000,000 common shares of the Company to Nouveau Monde at a price of \$0.50 per share for gross proceeds to the Company of \$2.5 million.

On October 26, 2022 the Company announced today that it has completed its change of business from a "Tier 2 mining issuer" to a "Tier 2 investment issuer" (the "COB") pursuant to Policy 5.2 – Changes of Business and Reverse Takeovers of the TSX Venture Exchange (the "TSX-V") which was approved at the special meeting of shareholders of the Company held on July 14, 2022.



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**Governance Change**

The Company also announced today that Mr. Peter Damouni has been nominated as the new President, Chief Executive Officer and Corporate Secretary of the Company. Mr. Damouni was previously the Executive Director of the Company since January 2021.

**New Mason Graphite**

Upon completion of the COB, the business plan of Mason Graphite consists of moving from a junior mining company to a company focused on seeking investment opportunities, as evidenced by the entering into the option and joint venture agreement (the "OJVA") with Nouveau Monde Graphite Inc. ("NMG"), with the intention to continue to create value for Mason Graphite's shareholders. See the Company's press releases dated May 16 and July 20, 2022.

Mason Graphite's investment objectives are:

- to seek an above average return on investment to continue to create significant value for its shareholders; to use investment income to fund other investment opportunities with attractive risk-to-reward profile; and
- to create synergies among its investments, including its management involvement into the management, business, operations and strategies of its investment portfolio.

Mason Graphite's strategy is to develop vertical and horizontal integration in the mining industry, with a special focus on industrial and specialty minerals, notably battery-related materials and their by-products. This approach will be achieved by: (i) leveraging the skillset and expertise of the Board of Directors of the Company (the "Board") and management to review, diligence and de-risk investment opportunities, and (ii) adopting a flexible approach to its investments.

**16. APPROVAL**

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The Board of Directors of the Company oversees management's responsibility for financial reporting through the Audit Committee. The Audit Committee meets quarterly with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders. The Board of Directors has approved the Financial Statements and the disclosure contained in this MD&A dated October 27, 2022.