



MASON GRAPHITE INC.

**Management's Discussion and Analysis
For the years ended June 30, 2020 and 2019**

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

The following Management's discussion and analysis ("MD&A") relates to the audited financial statements of Mason Graphite Inc. ("we", "our", "us", "Mason Graphite", "Mason" or the "Company") for the years ended June 30, 2020 and 2019 ("Financial statements"). This MD&A reports on our activities through October 22, 2020 unless otherwise indicated. The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures with the exception of the new standards adopted and the change in accounting policy as described in the financial statements.

Qualified persons consent

Jean L'Heureux, Eng., M. Eng., Chief Operations Officer for Mason Graphite, is a Qualified Person, as defined by NI 43-101, for Mason Graphite. He was responsible for verifying the scientific and technical data herein and has read and approved this MD&A.

All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under our profile at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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, the future price of and supply and demand for graphite, 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", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate" 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 statements involve 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 Value-added product Project 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

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

industry; political instability, terrorism, insurrection or war; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, the COVID-19 epidemic being declared as a pandemic by the World Health Organisation during the year ended June 30, 2020, as well as those factors discussed in the section entitled "*Risk and uncertainties*". Such forward-looking statements are 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 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 Quebec 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 statements contained herein are 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 forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

The Mineral Reserves and the "In-Pit" Mineral Resources are included in the total Measured and Indicated Mineral Resources of 65.5 Mt grading 17.2% Cg (19.0 Mt of Measured Resources grading 17.9% Cg and 46.5 Mt of Indicated Resources grading 16.9% Cg) that were reported in the Company's press release dated December 5th, 2018. The Mineral Reserves are the basis of the 25-year Mine Life of the Feasibility Study published on September 25th, 2015 (amended on February 29th, 2016 and updated on December 12th, 2018) and are not included in the "In-Pit" Measured and Indicated Mineral Resources of 58.0 Mt grading 16.3% Cg (which have an equivalent drilling definition). The reference point for the Mineral Reserves estimate is the mill feed. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability and were not included in the mine life or the economics of the Feasibility Study. Environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues may materially affect the estimate of Mineral Resources. In addition, there can be no assurance that Mineral Resources in a lower category may be converted to a higher category, or that Mineral Resources may be converted to Mineral Reserves.

1. DESCRIPTION OF BUSINESS AND OVERVIEW

Until the quarter ended March 31st, 2020, Mason Graphite was engaged in the development of its 100% owned Lac Guéret graphite property located in Québec, Canada. Substantially, all of the Company's efforts were devoted to financing and developing this property. The Company has a National Instrument 43-101 compliant technical report for its mineral reserve and resource estimate and for a feasibility study on the Lac Guéret property.

But, since April 2020, due to the current situation of surplus natural graphite on the world markets, combined with the very unfavorable conditions of the stock markets for the financing of natural resources projects and, moreover, with the global pandemic of COVID-19, the Company has taken the decision to postpone, until such time as is deemed appropriate, the development of the mine and the concentrator (Lac Guéret primary processing project). Management now focuses mainly its resources on the value-added product project (PVA or secondary processing products).

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

A) LAC GUÉRET PROJECT

Mason Graphite has a 100% interest in the Lac Guéret graphite property located in the Côte-Nord region in northeastern Québec.

B) CORPORATE

Mr. Benoit Gascon, President, Chief Executive Officer and Director of the Company, has left on March 31st, 2020. Paul Carmel, Chairman of the Board of Directors of Mason Graphite, has assumed the functions of Acting President and CEO of Mason Graphite for the period between April 1, 2020 to August 31, 2020. Mr. Carmel stepped down as Chairman of the Board of Directors and Interim Chief Executive Officer on August 31, 2020. Mr. Gilles Gingras was appointed Chairman of the Board of Directors, replacing Mr. Carmel. The position of Chief Executive Officer has not yet been filled as of October 22, 2020. A special committee of the Board of Directors has been formed with the mandate to fill the position of Chief Executive Officer.

C) PRIORITY TO THE VALUE-ADDED PRODUCTS PROJECT

Due to reasons explained above to focus its resources on the value-added products (VAP), management has completed internally a high-level technical and economic study at the beginning of the year which demonstrated that a VAP plant, for the production of coated spherical graphite used for Li-ion batteries, presents sufficient potential to justify further analysis. However, this study is based on the prior realization of the first transformation. The latter having been postponed, the Company is working to adapt its strategic development plan accordingly.

D) COATED SPHERICAL NATURAL GRAPHITE PROJECT

The work related to the coated spherical natural graphite grades ("CSNG") development, which covers the purification, the micronization, the classification, the spheronization and the coating processes, has been completed, with success, during the fall of 2018. The end results are CSNG grades that fully meet the performance required by Li-ion battery makers. CSNG grades were developed for, and specifically meet, the requirements for batteries aimed at electric vehicles and energy storage; grades were also developed for other applications such as power tools and cellular phones.

The CSNG grades were developed using Mason Graphite's own fine natural graphite concentrate (< 106 µm, produced through pilot production of the Lac Guéret ore) as feed material and meet the following industry's requirements:

- Tap density higher than 1 g/cm³;
- Purity above 99.95% carbon;
- Reversible capacity of 355 to 360 mAh/g (milliamperes-hour per gram, for which the theoretical maximum capacity is 372);
- Adequate particle size distribution from 10 to 30 µm;
- Appropriate form factor (shape, size and volume of the particles); and
- Specific surface area less than 3 m²/g.

Microphotographs of Mason Graphite's CSNG grades can be seen at:

<http://www.masongraphite.com/projects/photo-gallery/default.aspx>

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

Pilot plant, scaling and process reproducibility

Mason Graphite commissioned its brand-new pilot plant for micronization, spheronization and classification. This pilot plant, located in the Quebec City region, is used to produce spherical graphite samples in large quantities for potential customers with whom the Company is in discussion. This plant allows significant reduction of sample delivery times and tailoring of product specifications to users' highly diverse specifications.

In addition, new batches of coated spherical graphite, meeting the very stringent requirements of Li-ion batteries for electric vehicles, have recently been produced. These new results demonstrate once again the efficiency and reproducibility of purification, micronization, spheronization, classification and coating processes developed to treat the Lac Guéret graphite.

Mason Graphite has conducted internally a technical and economic study on the future 2nd transformation plant. This study aimed to industrialize processes, maximize the reuse of reagents, define effluent treatment needs and estimate the construction and operation costs. The results obtained have demonstrated sufficient potential to justify more in-depth studies. However, with the postponement of the first transformation, the overall development strategy, and consequently this study, must be reviewed and adapted.

Since the beginning of the project, the Company incurred the following expenditures:

	<u>Value-added graphite products</u>		
	<u>Expenditures</u>	<u>Government assistance</u>	<u>Net</u>
For the year ended June 30 th , 2015	229,246	41,000	188,246
For the year ended June 30 th , 2016	30,552	9,000	21,552
For the year ended June 30 th , 2017	1,107,683	290,936	816,747
For the year ended June 30 th , 2018	1,068,132	334,366	733,766
For the year ended June 30 th , 2019	1,816,527	280,813	1,535,714
For the year ended June 30 th , 2020	1,903,437	204,853	1,698,584
	<u>6,155,577</u>	<u>1,160,968</u>	<u>4,994,609</u>

E) ENGINEERING, PROCUREMENT, CONSTRUCTION AND MANAGEMENT AND MINE CONSTRUCTION

Given the postponement of the mine and concentrator project, all major activities related to the first transformation have been put on hold for the moment. The management of Mason Graphite will resume the project at a time deemed appropriate so that it is profitable and conducive to current and future investors.

Mason Graphite has decided to utilize the "Owner's Built" construction model after thorough review of all options available. This approach relies on an integrated Owner team which manages the project, including construction. This execution strategy maintains the control of the project within the company while reinforcing the project team spirit. Since its creation, this total and direct implication approach for the project has always been a trademark of the Mason Graphite identity.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

Engineering and Construction:

Montreal, QC based BBA Inc., as lead engineering firm, complemented by Soutex Inc. of Québec, QC (Process Engineering), Groupe TDA Construction Inc. of Baie-Comeau, QC (Forest Road and Mining Camp Engineering) and WSP of Quebec and Baie-Comeau, QC (mine engineering) have mostly completed the engineering related to the following disciplines: mining, concentration process, civil works, concrete, structure and mechanical. Overall engineering progress (all disciplines) has reached 76% completion (approximately 65,000 hours).

On December 12th, 2018, Mason Graphite issued a press release reporting that it had completed and filed the technical report NI 43-101. The preparation of the study have been supervised by Jean L'Heureux, Eng., M. Eng., Executive Vice President, Process Development.

The six grinding Mills, which are major equipment at the Process Plant, were delivered in Baie-Comeau in February 2019. The two Press Filters have also been delivered in Baie-Comeau in May 2019 et the manufacturing of the 3 thickeners was completed in Baie-Comeau.

Research and development work on the management of waste rock and tailings, which potentially generate acids, has been launched and is continuing with various partners.

In April 2019, Mason Graphite proceeded with the acquisition of the land in Baie-Comeau to install its future concentrator, which makes the Company a corporate citizen of Baie-Comeau.

F) FIRST NATION RELATIONS

The Company and the Innu Council of Pessamit signed the Mushalakan Agreement in June 2017, an Impact Benefit Agreement ("IBA for the construction and operation of the Lac Guéret project (Lac Guéret mine and Baie-Comeau concentrator). Under this agreement, both parties commit to develop a specific training and employment strategy for the Pessamiuilnut (members of the Innus of Pessamit community). Additionally, this agreement 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.

2. SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial data are derived from the Financial Statements of the Company for the following periods:

	For the years ended June 30,		
	2020	2019	2018
	\$	\$	\$
Revenues	-	-	-
Net loss (net income) and comprehensive loss (income)	26 453 954	(839 913)	1 115 553
Net loss (net income) per share (basic and fully diluted)	0.19	(-0.01)	0.08
Total assets	33 241 792	62 488 652	65 227 167
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 Company's functional and presentation

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

currency is the Canadian dollars. The Company's Financial Statements have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures, with the exception of the new standards adopted and the change in accounting policy as described in the financial statements.

Significant variation explanations of the selected annual financial information are as follows for the years ended on June 30, 2020 and 2019:

- Net loss (net income) and comprehensive loss (income): see section 3 Operational results;
Total assets: During the fiscal year ended June 30, 2020, the Company estimated that the recoverable amount of the production equipment of the Lac Guéret project is approximately \$ 4,950,000 and reflects the resale of this equipment on the industrial equipment market. used less disposal costs (level 3). In addition, the Company has estimated that the recoverable amount of the construction in progress category is limited to the value of the land less disposal costs, or approximately \$ 625,000. Thereby, a charge for impairment of \$ 41,961,793 was recorded. Almost, all of the "Construction in progress" item and part of the "Production equipment" item were recorded as a charge for impairment in the statement of loss (income) and comprehensive loss (income).

Significant variation explanations of the selected annual financial information are as follows for the years closed on June 30, 2019 and 2018:

- Net loss (net income) and comprehensive loss (income): see below section 3 Operational results.

3. OPERATIONAL RESULTS

Year ended June 30, 2020 compared with year ended June 30, 2019

The Company's loss is \$26,453,954 for the year ended June 30, 2020. This compares with an income of \$839,913 for the year ended June 30, 2019 for a variance of \$27,293,867. You will find the following significant variations:

	Year ended June 30 th , 2020 \$	Year ended June 30 th , 2019 \$	Variance \$	
Salaries and consulting fees	1,293,120	1,017,101	276,019	The variance is explained by end-of-contract compensation which were paid out in the year 2020.
Value-added graphite product expenses	1,903,437	1,816,527	86,910	As expected, the Company has maintained its activities for the value-added graphite products work during the year 2020 compared to the year 2019.
Natural graphite production for customers and tests	-	197,811	(197,811)	No pilot runs were made in 2020.
Research and development expenses	12,143	445,268	(433,125)	As discussed, the Company ceased spending on the tailings upgrading project compared to

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

	Year ended June 30 th , 2020 \$	Year ended June 30 th , 2019 \$	Variance \$	
				fiscal 2019.
Charge for impairment	41,961,793	-	41,961,793	As at June 30, 2020, following the impairment test of its assets, the Company recorded an impairment charge of 41M\$ since its book value exceeded its estimated recoverable value.
Care and maintenance for Lac Gueret project	381,195	-	381,195	Since April 2020, all costs related to maintaining the Lac Gueret project are now expensed compared to fiscal year 2019 when they were capitalized in property, plant and equipment.
Share of loss and comprehensive loss of an associate	374,015	1,926,500	(1,552,485)	The Company disposed of its investment in NanoXplore on September 9th, 2019.
Loss (gain) on dilution of investment in associate	583,600	(5,370,000)	5,953,600	During the first quarter of fiscal year 2020, prior to the disposition of his investment in NanoXplore, Mason's stake in this company had decreased from 18.9% to 18.3% which resulted in a loss from the presumed dilution of its stake. During the year ended June 30, 2019, NanoXplore had acquired Sigma Industries Inc. and partially paid for the acquisition by issuing shares. Mason's stake had decreased from 23.8% to 18.9%, resulting in a profit from the presumed dilution of its stake.
Net loss (net gain) on financial assets at fair value through profit or loss	(261,000)	910,000	(1,171,000)	The value of the NanoXplore share increased, which explains the gain for fiscal year 2020. This increase in the value of the share has the effect of creating a profit on the net assets related to the warrants in NanoXplore. During the year ended June 30, 2020, the Company exercised its warrants as of August 2nd, 2019.
Net finance costs	-	(2,424,688)	2,424,688	As of June 30, 2019, the Company has completely reimbursed its

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

	Year ended June 30 th , 2020 \$	Year ended June 30 th , 2019 \$	Variance \$	
				convertible debenture and therefore has no more financial costs.
Net gain on disposition of investment in associate	(20,057,682)	-	(20,057,682)	During the year ended June 30, 2020, the Company sold its interest in NanoXplore, generating a gain on disposition of investment in associate of approximately \$20M.
Other expenses and revenues	263,333	641,568	(378,235)	Non-significant net decrease of all other expenses and revenues.
Total	26,453,954	(839,913)	27,293,867	

Year ended June 30, 2019 compared with year ended June 30, 2018

The Company's income is \$839,913 for the year ended June 30, 2019. This compares with a loss of \$1,115,553 for the year ended June 30, 2018 for a variance of \$1,955,466. You will find the following significant variations:

	Year ended June 30 th , 2019 \$	Year ended June 30 th , 2018 \$	Variance \$	
Value-added graphite products	1,816,527	1,068,132	748,395	As planned, the Company has established a pilot plant in St-Nicolas, Quebec
Natural graphite production for customers and tests	197,811	1,584,227	(1,386,416)	In 2018, the Company incurred expenses for the 3 rd phase of natural graphite production to ship samples to future customers and for internal testing. No pilot runs were made in 2019.
Share-based compensation	110,850	765,920	(655,070)	In 2019, there were fewer vested options. No option was issued in 2019.
Share of loss and comprehensive loss of an associate	1,926,500	1,487,000	439,500	In the financial year 2019, NanoXplore has incurred a loss greater than the one from 2018.
Gain on dilution of investment in associate	(5,370,000)	(2,769,010)	(2,600,990)	In the financial year 2019, NanoXplore Inc. has completed various transactions which have

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

	Year ended June 30 th , 2019 \$	Year ended June 30 th , 2018 \$	Variance \$	
				affected its market Capitalization. Following those transactions, ownership of the Company in NanoXplore Inc. went from 24% to 19% and have recorded a gain on dilution based on deemed dispositions in its participation.
Net loss (net gain) on financial assets at fair value through profit or loss	910,000	(1,304,000)	2,214,000	NanoXplore stock value went from \$1.90 in 2018 to \$1.30 in 2019 which explains the loss in 2019. This decrease of stock value creates an expense on net assets related to the warrants in nanoXplore.
Net finance costs	(2,424,688)	(1,659,095)	(765,593)	Mainly explained by the embedded derivative components of the debentures due to valuation assumptions update (LLG stock price decreased significantly from \$1.35 to \$0.34 during the 2019 financial year, while during financial year 2018 LLG stock decreased from \$1.71 to \$1.35). During the financial year 2019, the Company recorded a gain of \$2,424,688 on the embedded derivative while during the year 2018, a gain of \$1,659,095 was recorded.
Other expenses and revenues	1,993,087	1,942,379,	50,708	Non-significant net decrease of all other expenses and revenues.
Total	(839,913)	1,115,553	(1,955,466)	

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

4. SUMMARY OF QUARTERLY RESULTS

	June 30, 20	March 31, 20	Dec 31, 19	Sept 30, 19
	Q4	Q3	Q2	Q1
	(note 1)	(note 2)	(note 3)	(note 4)
Net loss (net income) for the period	\$4 306 422	\$39 857 871	\$1 105 799	(\$18 816 138)
Net loss (net income) per share (basic and fully diluted)	\$0,03	\$0,29	\$0,01	(\$0,14)

	June 30, 19	March 31, 19	Dec 31, 18	Sept 30, 18
	Q4	Q3	Q2	Q1
	(note 5)	(note 6)		(note 7)
Net loss (net income) for the period	\$1 910 361	(\$2 059 581)	\$568 233	(\$1 258 926)
Net loss (net income) per share (basic and fully diluted)	\$0,01	(\$0,02)	\$0,00	(\$0,01)

Note 1: The loss is explained by an impairment charge due to an impairment test of non-financial assets. The postponement of the primary transformation project subjected LLG to an asset impairment test, which resulted in a charge for impairment of \$ 3,098,083 for the last quarter of 2020. For the quarter ended March 31, 2020, the charge for impairment was understated by \$ 1,315,968 since property, plant and equipment and accrued liabilities were understated by this same amount as of March 31, 2020. During the year ended June 30, 2020, the charge for impairment is correctly assessed.

Note 2: The loss is explained by a charge for impairment due to an impairment test of non-financial assets. The postponement of the primary transformation project subjected LLG to an asset impairment test, which resulted in a charge for impairment of \$ 38,863,710.

Note 3: The loss was due to significant planned expenditures on the 2nd transformation project.

Note 4: The income is primarily attributable to the sale of 22,188,333 common shares of NanoXplore for a net total consideration of \$28,137,803. This transaction resulted in a net gain on disposal of assets of \$20,057,682. After this sale, Mason Graphite no longer holds any shares of NanoXplore.

Note 5: The loss is due to significant planned expenditures related to the start-up of a new pilot plant in the 2nd transformation project. In addition, the share of the loss of NanoXplore is \$800,000.

Note 6: The income is mainly attributable to the \$3,620,000 dilution gain in NanoXplore as a result of transactions in its capital stock.

Note 7: The income is mainly due to the gain of \$1,202,723 on the embedded derivative recorded during the quarter due to changes in the valuation assumptions (the share price decreased during the quarter) and a gain on dilution \$1,650,000 in NanoXplore Inc. as a result of transactions in its capital stock.

The quarterly financial statements have been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the accounting policies used in the preparation of its interim IFRS financial statements with the exception of the new standards adopted and the change in accounting policy as described in the financial statements. The Company's functional and presentation currency is the Canadian dollar.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

5. CASH FLOW

<u>Sources and uses of cash</u>	<u>Year ended</u> <u>June 30</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$</u>	<u>\$</u>
Cash from operating activities prior to changes in working capital	(3 801 318)	(3 989 363)
Changes in non-cash working capital	(357 496)	(363 337)
Cash from operating activities	(4 158 814)	(4 352 700)
Cash from financing activities	-	(3 843 400)
Cash from investing activities	20 178 519	(21 658 723)
Change in cash	16 019 705	(29 854 823)

Operating Activities

For the year ended June 30, 2020, cash outflows from operating activities decreased by \$188,045 before changes in non-cash items compared to the same period last year (from \$3,989,363 in 2019 to \$3,801,318 in 2020). No significant variation.

For the years ended June 30, 2020 and 2019, non-cash working capital decreased by \$357,496 in 2020 and decreased by \$363,337 in 2019. No significant variation.

Financing Activities

For the year ended June 30, 2020, there was no cash inflow from financing activities, compared to cash outflows of \$3,843,400 for the same period last year. In 2019, the Company repaid all of its debenture for a total of \$ 3,950,000.

Investing Activities

Cash received from investing activities for the twelve months ended June 30, 2020 were \$20,178,519 compared to outflows of \$21,658,723 for the same period last year. For the year ended June 30, 2020, the Company paid \$778,000 to exercise its NanoXplore warrants and sold its investment in NanoXplore for \$28,137,803. During the year ended June 30, 2020, \$7,181,284 had been invested in the development of the Lac Guéret project compared to \$21,658,723 for the year ended June 30, 2019.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

6. FINANCIAL POSITION

	<u>June 30,</u> <u>2020</u>	<u>June 30,</u> <u>2019</u>
	\$	\$
Cash (note 1)	26 638 101	10 618 396
Other current assets	853 691	808 256
Total current assets	27 491 792	11 426 652
Financial assets through profit or loss (note 2)	-	561 000
Investment in associate (note 3)	-	7 437 735
Property, plant and equipment (note 4)	5 750 000	43 063 265
Total assets	33 241 792	62 488 652
Total liabilities	3 012 029	5 861 095
Equity	30 229 763	56 627 557

Note 1: The increase is due to the inflow of funds attributable to the sale of the investment in NanoXplore.

Note 2: The decrease is explained by the fact that the Company exercised its warrants.

Note 3: The decrease is due to the sale of the investment in NanoXplore.

Note 4: The decrease in property, plant and equipment is explained by a charge for impairment due to an impairment test of non-financial assets.

7. LIQUIDITY AND CAPITAL RESOURCES

Until April 2020 the Lac Guéret property was in the development stage but, since April 2020, due to the current situation of surplus natural graphite on the world markets, combined with the very unfavorable conditions of the stock markets for the financing of natural resources projects, management now focuses mainly on the value-added product project (PVA or secondary processing products) and the Company has no operating income, is mainly dependent on external funding for its development projects. Until now, 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 at June 30, 2020, the working capital of the Corporation was \$24,479,763, its accumulated deficit was \$88,696,597 and the net loss amounted to \$26,453,954 for the year then ended. Working capital includes a cash amount of \$26,638,101.

Management believes that the Company has sufficient funds to meet 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. Management continues to assess all of these possibilities. Although management has been successful in securing funding in the past, there can be no

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

assurance that it will achieve such funding in the future, or that such funding sources or measures will be available to the Company or that they will be available on good terms and conditions acceptable to the Company.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a detailed description of the financial instruments and risk management associated with the Company and its activities, please refer to the Note 17 "*Financial Instruments and Risk Management*" in the audited financial statements for the years ended June 30, 2020 and 2019. The Company is not aware of any significant changes to financial instruments nor any management risk presented on those dates.

9. OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company did not have any off-balance sheet arrangements.

10. PROPOSED TRANSACTIONS

There is no proposed transaction of a material nature being considered by the Company.

11. FOURTH QUARTER

Three-month period ended June 30, 2020 compared with three-month period ended June 30, 2019

The Company's loss is \$4,306,422 for the three-month period ended June 30, 2020. This compares with a loss of \$1,910,361 for the three-month period ended June 30, 2019 for a variance of \$2,396,061. The following table shows the significant variances:

	Three-month period ended June 30, 2020 \$	Three-month period ended June 30, 2019 \$	Variance \$	
Salaries and consulting fees	130,915	205,224	(74,309)	The decrease is explained by the reduction in headcount between the 4th quarter of 2020 and the same quarter in 2019.
Professional fees	71,801	163,354	(91,553)	Professionals fees for the quarter ended June 30, 2020 have been lower given the reduced activities of the Lac Gu��r��t mine development.
Value-added graphite product expenses	503,647	678,749	(175,102)	As discussed, the Company incurred less expenses for value-added graphite products during the quarter compared to the same period in 2019.
Research and development expenses	2,800	115,842	(113,042)	As planned, the Company has stopped spending on the tailings project, compared to the same period in 2019.
Government assistance	-	(169,533)	169,533	During the 4th quarter of 2019 a provision for government assistance was recorded. For fiscal year 2020 government assistance was recorded in previous quarters.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

Charge for impairment	3,098,083	-	3,098,083	During the quarter ended June 30, 2020, the Company recorded an impairment charge of 3M\$ since its book value exceeded its estimated recoverable value. For the quarter ended March 31, 2020, the charge for impairment was understated by \$ 1,315,968 since property, plant and equipment and accrued liabilities were understated by this same amount as of March 31, 2020. During the year ended June 30, 2020, the charge for impairment is correctly assessed.
Care and maintenance for Lac Guéret project	381,195	-	381,195	Since April 2020, all costs related to maintaining the Lac Gueret project are now expensed compared to fiscal year 2019 when they were capitalized in fixed assets.
Share of loss of associate	-	798,000	(798,000)	The Company disposed of its investment in NanoXplore on September 9, 2019 therefore no share of loss of associate was recorded in the 4th quarter of the current year.
Other expenses and revenues	117,981	118,725	(744)	Non-significant variances in other expenses and revenues items.
Total	4,306,422	1,910,361	2,396,061	

12. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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 audited financial statements for the years ended June 30, 2020 and 2019. Judgments and estimates are in line with last year.

13. NEW SIGNIFICANT ACCOUNTING POLICIES

Some new significant accounting policies were adopted during the exercise ended June 30, 2020: "Change in accounting policy" See Note 16 of the Financial Statements.

For a detailed description of the significant accounting policies, please refer to the Note 2 "*Summary of significant accounting policies*" in the audited financial statements for the years ended June 30, 2020 and 2019.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

14. OUTSTANDING SHARE DATA

As at October 22, 2020, the Company has:

- a) 136,227,585 common shares issued and outstanding;
- b) 1,570,000 options outstanding with expiry dates ranging between June 10th, 2021 and April 4th, 2023 with exercise price from \$0.68 to \$2.54 (weighted average price: \$1.38). If all the options were exercised, 1,570,000 shares would be issued for proceeds of \$2,166,600.

15. RISKS AND UNCERTAINTIES

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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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.

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 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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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.

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 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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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 Gueret 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.

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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

16. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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 financial statements.

In contrast to the certificate required under *National Instrument 52-109 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;
- A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

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. APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This 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 audited financial statements for the years ended June 30, 2020 and 2019 and the disclosure contained in this MD&A dated October 22, 2020.