



## **MASON GRAPHITE INC.**

**Interim management's discussion and analysis – Quarterly highlights  
For the three and six-month periods ended December 31, 2019 and  
2018**

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The following interim management's discussion and analysis – quarterly highlights ("MD&A") relates to the condensed interim unaudited financial statements of Mason Graphite Inc. ("we", "our", "us", "Mason Graphite", "Mason", "LLG" or the "Company") for the three and six-month periods ended December 31, 2019 and 2018 ("Financial statements"). This MD&A reports on our activities through February 25, 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.

## Qualified persons consent

Jean L'Heureux, Eng., M. Eng., Executive Vice-President, Process Development 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](http://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 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

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completion of development or construction activities, 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 5<sup>th</sup>, 2018. The Mineral Reserves are the basis of the 25-year Mine Life of the Feasibility Study published on September 25<sup>th</sup>, 2015 (amended on February 29<sup>th</sup>, 2016 and updated on December 12<sup>th</sup>, 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**

Mason Graphite is engaged in the development of its 100% owned Lac Guéret graphite property located in Québec, Canada. Substantially all of the Company's efforts are 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. As at June 30, 2017, management determined that the technical feasibility and commercial viability of the Lac Guéret project had been established and accordingly, the development phase for the Lac Guéret project has commenced.

### **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.

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### **B) ENGINEERING, PROCUREMENT, CONSTRUCTION AND MANAGEMENT AND MINE CONSTRUCTION**

Mason Graphite has decided to utilize the "Owner's Built" construction model after thorough review of all options available. Following receipt of the Decree (608-2018) from the Québec government (the "Decree"), pursuant to which the Project is authorized, and following advancements made toward detailed engineering and procurement, Mason Graphite has focused on building its construction team.

Mason Graphite executives' greater than 60 years of aggregate graphite experience, combined with the newly acquired construction team, have positioned the Company to maintain control and ownership of the Project within the Company and best represent the identity of Mason Graphite since inception.

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, QC (mine engineering) have mostly completed the engineering related to the following disciplines: mining, concentration process, civil works, concrete, structure and mechanical. Engineering for the following disciplines is also being advanced: piping, electrical, instrumentation and automation.

On December 12<sup>th</sup>, 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.

Wood clearing at the Lac Guéret Mine Site was completed in mid-December 2018.

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. Three thickeners are currently under fabrication in Baie-Comeau.

The project in a few key figures:

- Engineering (all disciplines): 76% progress (64,900 hours completed);
- Procurement: Of a total of 63 packages, 8 are 100% issued, 32 are ready to be issued and 23 are in preparation;
- Contracts (supply and installation): Out of 47 contracts, 14 are ready to be issued and 33 are in preparation.

In April of 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.

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### **C) 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/cm<sup>3</sup>;
- 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 m<sup>2</sup>/g.

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

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

#### **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 is significantly reducing sample delivery times and tailor 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 is currently conducting a technical and economic study on the future 2<sup>nd</sup> transformation plant. This study, which will be spread over several months, aims to industrialize processes, maximize the reuse of reagents and define effluent treatment needs.

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

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	<u>Value-added graphite products</u>		
	<u>Expenditures</u>	<u>Government assistance</u>	<u>Net</u>
For the year ended June 30, 2015	229,246	41,000	188,246
For the year ended June 30, 2016	30,552	9,000	21,552
For the year ended June 30, 2017	1,107,683	290,936	816,747
For the year ended June 30, 2018	1,068,132	334,366	733,766
For the year ended June 30, 2019	1,816,527	280,813	1,535,714
For the six-month period ended Dec. 31, 2019	823,490	92,773	730,717
	<u>5,075,630</u>	<u>1,048,888</u>	<u>4,026,742</u>

### D) FIRST NATION RELATIONS

On June 16, 2017, the Company and the Innu Council of Pessamit signed the Mushalakan Agreement, an Impact Benefit Agreement ("IBA") resulting from the 2014 Cooperation Agreement between the parties.

The Mushalakan Agreement, negotiated directly between the Pessamit Council and the executives of Mason Graphite, reflects the willingness of the Parties to work closely together to ensure that the Lac Guéret graphite mining Project is a success and benefits the Pessamit Community and the population of Manicouagan.

Under the Mushalakan Agreement, both parties commit to develop a specific training and employment strategy for the Pessamiuilnut. This strategy will be developed in such a way as to ensure employment opportunities at all levels for the Pessamiuilnut and to encourage their retention and advancement within the Project. In addition to the strategy, 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. The latter will promote and protect the rights, the way of life and the culture of the Pessamiuilnut in addition to supporting the economic development of present and future generations.

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## 2. RESULTS OF OPERATIONS

### For the three-month period ended December 31<sup>st</sup>, 2019 compared with the three-month period ended December 31<sup>st</sup>, 2018

The Company's loss totaled \$1,105,799 for the three-month period ended December 31<sup>st</sup>, 2019. This compares with a loss of \$568,233 for the three-month period ended December 31<sup>st</sup>, 2018 for a variance of \$537,566. You will find the following significant variations:

	Three-month period ended Dec. 31 <sup>st</sup> 2019 \$	Three-month period ended Dec. 31 <sup>st</sup> 2018 \$	Variance \$	
Salaries and consulting fees	398,161	301,548	96,613	The variance is explained by an end-of-contract compensation which was paid out in October of 2019.
Professional fees	197,986	147,827	50,159	Additional work related to audit procedures was performed for the financial statements of June 2019, mainly explained by the impairment test.
Value-added graphite products study	615,821	333,297	282,524	As expected, the Company incurred more expenses for value-added graphite products during this quarter, compared to the same quarter in 2018.
Natural graphite production for customers and tests	-	110,250	(110,250)	As expected, the Company incurred no expenses for natural graphite production during this quarter, compared to the same quarter in 2018.
Research and development expenses	2,450	273,821	(271,371)	As planned, the Company has stopped spending on the tailings project, compared to the same quarter in 2018.
Share of loss of an associated business	-	353,000	(353,000)	The Company disposed of its investment in NanoXplore on September 9, 2019.
Net loss (net gain) on financial assets	-	208,000	(208,000)	The Company exercised its NanoXplore warrants as of August 2, 2019.
Finance costs net	-	(1,105,000)	1,105,000	As of June 30 <sup>th</sup> , 2019, the Company has completely reimbursed its convertible debenture and therefore no longer has financial expense.
Government assistance	(275,577)	(104,043)	(171,534)	The Company received its mining credit for the year ended June 2018.
Other expenses and revenues	166,958	49,533	117,425	Non-significant net increase of all other uncovered expenses and revenues.
<b>Total</b>	<b>1,105,799</b>	<b>568,233</b>	<b>537,566</b>	

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### For the six-month period ended December 31<sup>st</sup>, 2019 compared with the six-month period ended December 31<sup>st</sup>, 2018

The Company's profit totaled \$17,710,339 for the six-month period ended December 31<sup>st</sup>, 2019. This compares with a profit of \$690,693 for the six-month period ended December 31<sup>st</sup>, 2018 for a variance of \$17,019,646. You will find the following significant variations:

	Six-month period ended Dec. 2019 \$	Six-month period ended Dec. 2018 \$	Variance \$	
<b>Salaries and consulting fees</b>	641,360	534,900	106,460	The variance is explained by an end-of-contract compensation which was paid out in October of 2019.
<b>Value-added graphite products study</b>	823,490	704,237	119,253	As expected, the Company incurred more expenses for value-added graphite products during this quarter, compared to the same quarter in 2018.
<b>Production and tests on natural graphite for customers expenses</b>	-	174,323	(174,323)	As expected, the Company incurred no expenses for natural graphite production during this quarter, compared to the same quarter in 2018.
<b>Research and development expenses</b>	6,790	299,426	(292,636)	As planned, the Company has stopped spending on the tailings project, compared to the same quarter in 2018.
<b>Share of loss of an associated business</b>	374,015	725,500	(351,485)	The Company disposed of its investment in NanoXplore on September 9, 2019.
<b>Net loss (net gain) on financial assets</b>	(261,000)	598,000	(859,000)	For the 2019 semester, the Company exercised its warrants as of August 2, 2019. And, during the 2018 semester, the loss on the value of NanoXplore warrants, mainly due to the decline in the stock between June 30, 2018 and December 31, 2018 (\$1.90 to \$1.45) explains the loss of \$598,000.
<b>Net financial expenses</b>	-	(2,307,723)	2,307,723	As of June 30 <sup>th</sup> , 2019, the Company has completely reimbursed its convertible debenture and therefore no longer has financial expense.
<b>Profit from the dilution of an associated business</b>	583,600	(1,710,000)	2,293,600	On September 9, 2019, the Company disposed of its investment in NanoXplore. During the 2018 semester, NanoXplore had acquired Sigma Industries Inc. and partially paid for the acquisition by issuing shares. Mason's stake had increased from 23.8% to 22.5%, resulting in a profit from the presumed dilution of its stake.
<b>Net gain on disposal</b>	(20,057,682)	-	(20,057,682)	During the six-month period ending



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	Six-month period ended Dec. 2019 \$	Six-month period ended Dec. 2018 \$	Variance \$	
of an associated company's stake				December 31, 2019, the Company sold its interest in NanoXplore, generating a gain on disposal of an interest in an associated business of approximately \$20M.
Government assistance	(357,830)	(161,573)	(196,257)	The Company received its mining credit for the year ended June 2018.
Other expenses and revenues	536,918	452,217	84,701	Non-significant net increase of all other uncovered expenses and revenues.
<b>Total</b>	<b>(17,710,339)</b>	<b>(\$690,693)</b>	<b>(17 019 646)</b>	

### 3. SUMMARY OF QUARTERLY RESULTS

	Dec 31, 19	Sept 30, 19	June 30, 19	Mar 31, 19
	Q2	Q1	Q4	Q3
	(note 1)	(note 2)	(note 3)	(note 4)
Loss (income) for the period	\$1 105 799	(\$18 816 139)	\$1 910 361	(\$2 059 581)
Loss (income) per share (basic and fully diluted)	\$0,01	(\$0,14)	\$0,01	(\$0,01)

	Dec 31, 18	Sept 30, 18	June 30, 18	Mar 31, 18
	Q2	Q1	Q4	Q3
		(note 5)	(note 6)	(note 7)
Loss (income) for the period	\$568 233	(\$1 258 926)	\$59 245	(\$2 160 318)
Loss (income) per share (basic and fully diluted)	\$0,01	(\$0,03)	\$0,03	(\$0,01)

**Note 1:** The loss was due to significant planned expenditures on the 2nd transformation project.

**Note 2:** The exceptional gain 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 3:** 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 4:** The extraordinary gain is mainly attributable to the \$3,620,000 dilution gain in NanoXplore as a result of transactions in its capital stock.

**Note 5:** The unusual profit 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.

**Note 6:** The lower loss is mainly due to the gain of \$2,469,170 on the embedded derivative recorded during the quarter due to changes in the valuation assumptions (the share price decreased significantly during the quarter) partially offset by high but planned expenditures for natural graphite production for customers and testing (\$1,136,058).

**Note 7:** The unusual profit is mainly due to the gain of \$2,783,417 on the embedded derivative recorded during the quarter due to changes in the valuation assumptions (the share price decreased significantly during the

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quarter) and a dilution gain of \$1,265,000 on the deemed disposition of the Company's interest in NanoXplore Inc. partially offset by a general increase in expenses.

Each quarter has 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. The Company's functional and presentation currency is the Canadian dollars.

## 4. CASH FLOW

<b>Sources and uses of cash</b>	<b>Six-month periods ended December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash used for operations prior to changes in working capital	(1 615 538)	(1 927 507)
Changes in non-cash working capital	(74 376)	(834 071)
Cash used in operating activities	(1 689 914)	(2 761 578)
Cash provided by financing activities	-	106 600
Cash used in investing activities	23 040 572	(10 591 814)
<b>Change in cash</b>	<b>21 350 658</b>	<b>(13 246 792)</b>

### Operating Activities

For the six months ended December 31, 2019, cash outflow from operating activities decreased by \$311,969 before changes in non-cash items compared to the same period last year (from \$1,927,507 in 2018 to \$1,615,538 in 2019). No significant variance was noted.

For the six-month periods ended December 31, 2019 and 2018, non-cash working capital decreased by \$67,587 and \$823,408 respectively. The decrease in non-cash items in the current period is due to lower accounts payable and accrued liabilities of \$471,063.

### Financing Activities

For the six months ended December 31, 2019, there was no cash inflow from financing activities, compared to cash inflows of \$106,600 for the same period last year. Options were exercised in 2018 compared to none in 2019.

### Investing Activities

Cash received from investing activities for the six months ended December 31, 2019 were \$23,040,572 compared to outflows of \$10,591,814 for the same period last year. For the six months period finishing on December 31<sup>st</sup> 2019, the Company paid \$778,000 to exercise its NanoXplore warrants and sold its investment in NanoXplore for \$28.2 million. During the six-month periods ended December 2018, \$10,591,814 had been invested in the development of the Guéret Lake project.

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## 5. FINANCIAL POSITION

	<u>Dec 31, 2019</u>	<u>Jun 30, 2019</u>
	\$	\$
Cash (note 1)	31 969 054	10 618 396
Other current assets	486 878	808 256
<b>Total current assets</b>	<b>32 455 932</b>	<b>11 426 652</b>
Financial assets through profit or loss (note 2)	-	561 000
Investment in associate (note 3)	-	7 437 735
Property, plant and equipment (note 4)	78 897 232	76 795 921
<b>Total assets</b>	<b>111 353 164</b>	<b>96 221 308</b>
<b>Total liabilities</b>	<b>5 740 245</b>	<b>8 370 095</b>
<b>Equity</b>	<b>105 612 919</b>	<b>87 851 213</b>

**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 increase is due to the amounts invested for the Lac Guéret project

## 6. LIQUIDITY AND CAPITAL RESOURCES

The Lac Guéret property is in the development stage since June 30, 2017 and as result the Company has no current source of operating revenue and is dependent on external financing to fund its continued development program. The Company principal sources of funding have been the issuance of equity securities for cash, debt, funds from the government of Quebec with respect to tax credit related to resource and mining tax credit based on eligible exploration expenditures and funds obtained from warrants and options exercised.

As at December 31, 2019, the working capital of the Corporation was \$29,224,687, its accumulated deficit was \$13,308,648 and the net profit amounted to \$17,710,339 for the quarter then ended. Working capital includes a cash amount of \$31,969,054.

Management believes that the Company has sufficient funds to meets its obligations, operating expenses and some development expenditures for the ensuing twelve months given the sale of the shares of NanoXplore on September 9, 2019 for a total amount of \$28.2 million. The Company's ability to continue its development activities, the engineering, the procurement and the construction of the Lac Guéret project depends on management's ability to obtain additional funding in the future, which can be done in a variety of ways, including strategic partnerships, joint venture arrangements, debt project financing, royalty financing or other options offered by financial markets. Management is currently seeking such sources of funding. Although management has been successful in securing funding in the past, there can be no 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.

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## **7. 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 15 "*Financial Instruments and Risk Management*" in the audited financial statements for the years ended June 30, 2019 and 2018. The Company is not aware of any significant changes to financial instruments nor any management risk presented on those dates.

## **8. OFF-BALANCE SHEET ARRANGEMENTS**

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

## **9. PROPOSED TRANSACTIONS**

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

## **10. 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, 2019 and 2018. The Company was not required to make significant judgments, estimates and assumptions in areas other than those mentioned in the audited financial statements for the years ended June 30, 2019 and 2018.

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

A new significant accounting policy was adopted during the six-month periods ending December 31, 2019: leases contracts. See section 2 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, 2019 and 2018.

## **12. OUTSTANDING SHARE DATA**

As at February 25, 2020, the Company has:

- a) 136,227,585 common shares issued and outstanding;
- b) 7,170,000 options outstanding with expiry dates ranging between February 25, 2020 and April 4, 2023 with exercise price from \$0.61 to \$2.54 (weighted average price: \$0.90). If all the options were exercised, 7,170,000 shares would be issued for proceeds of \$6,453,000;

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## **13. 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.

For a detailed description of the risk factors associated with the Company and its activities, please refer to the "*Risks and Uncertainties*" in the MD&A for the year ended June 30, 2019 and 2018. The Company is not aware of significant adverse change to the risk and uncertainties presented by that date.

## **14. 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 any other 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 unaudited condensed interim financial statements for the three and six-month periods ended December 31, 2019 and 2018 and the disclosure contained in this MD&A.