

# **CEYLON GRAPHITE CORP.**

**For the Year Ended March 31, 2024**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Date of Report: June 25, 2025**

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the years ended March 31, 2024 and 2023 should be read in conjunction with the audited consolidated financial statements and accompanying for the years ended March 31, 2024 and 2023 which were prepared in accordance with IFRS<sup>®</sup>. All amounts are stated in Canadian dollars unless otherwise indicated. The MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors of the Company.

For more information about the Company, see Ceylon Graphite website at <http://www.ceylongraphite.com>. The Company has not filed an AIF Annual Information Form.

### **Forward Looking Statements**

This MD&A includes certain statements that may be deemed "forward-looking statements". Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "estimate", "expect", "may", "project", "predict", "potential", "could", "might", "should" and other similar expressions. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guaranteeing of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

### **Nature of Business and Overall Performance**

Ceylon Graphite Corp. (the "Company" or "Ceylon") was incorporated on April 3, 1986 under the Canada Business Corporations Act as NWest Energy Corp. On December 30, 2016, the Company acquired Plumbago Refining Corp. B.V. ("Plumbago") through a reverse acquisition transaction. Plumbago was a private limited liability company organized under the laws of Curacao.

Concurrent with the closing of the reverse acquisition transaction, the Company changed its name from NWest Energy Corp. to Ceylon Graphite Corp. and effected a change in directors, management and business.

On July 13, 2019, the Company incorporated a subsidiary BPA Lanka (Private) Limited ("BPA") in Sri Lanka and retained 49% interest. As at March 31, 2023, the shareholder of the remaining 51% interest has relinquished their interest in favor of Plumbago and management is in the process of reallocating the 51% interest. As Plumbago is the sole decision maker in the operations of BPA, for accounting purposes, Plumbago has control over BPA and thus the operating results of BPA have been consolidated.

On July 19, 2021, the Company incorporated a subsidiary Ceylon Graphite Technologies Ltd. ("CGT"), in the United Kingdom. This subsidiary is inactive as of the date of these consolidated financial statements.

The address of the Company's corporate office is #250 – 750 West Pender St. Vancouver, BC, V6C 2T7 and its principal place of business is in Canada with its mining assets being in Sri Lanka. This is done through a wholly owned subsidiary Sarcon Development (Private) Limited ("Sarcon"), JADS Enterprise

(Pvt) Limited (“JADS”), C Y L Lanka (Private) Limited (“Lanka”), JADS Enterprise (Private) Limited (“JADS”), Mine Street (Private) Limited (“Mine Street”), BPA and CGT.

### **Operational Highlights**

On July 19, 2023, the Company announced that Ceylon graphite achieved new concentration and conductivity records when studied in the manufacture of an adaptable sensing platform for chemical sensing. The research, published in the Royal Society of Chemistry’s “Nanoscale” Journal, was conducted by partners at the Molecular Sciences Research Hub at Imperial College London and specifically incorporated Ceylon’s vein graphite to produce a low-surface-tension sprayable graphene ink that was key to the sensor’s functionality.

On July 6, 2023, the Company announced the Company has received new inbound sales inquiries and continues to advance commercial discussions with a range of buyers including those seeking direct ship material, others for value-added end products, graphene products and anode material production.

During July 2024, the Company entered into a purchase and distribution agreement with GES Europe GmbH, a global leader in graphite product distribution and sales. GES expects the range of products using Ceylon graphite to include, amongst others, 95%+ C direct ship graphite as well as thermally purified 99% C grade. GES will provide customer outreach, market entry strategy development, market research and contract negotiation. The distribution agreement provides GES preferred pricing FOB Colombo and guaranteed supply if certain volume thresholds are maintained for an initial period of 12 months. The agreement provides certain distribution exclusivity within Europe but does not restrict Ceylon from any other direct sales or agreements.

The Company also entered into a distribution agreement with Advanced Performance Materials LLC, a materials and chemical technology company, in August 2023. Advanced Performance Materials expects the range of products using Ceylon graphite to include energy storage, nuclear energy, lubricant, coating, flame retardant and engineered products and materials. The distribution agreement provides APM with preferred pricing and guaranteed supply if certain volume thresholds are maintained. The distribution agreement is not exclusive and does not restrict Ceylon from any other sales or agreements related to its graphite.

During May 2024, the Company renewed its IML C license at its M1 mine. The renewal was previously delayed due to a series of changes in the licensing process, requirements and personnel. The Company does not anticipate any further delays in licensing and intends to apply for the IML A license shortly which will allow high volume production. Graphite mining and the removal of material via the mine shaft will re-commence immediately following the renewal, with separation of high-grade graphite taking place on site. Construction of an incline tunnel will also begin which will allow for rail access via a 200m tunnel, significantly increasing the volume of material which can be moved daily.

### **Going concern**

During the year ended March 31, 2024, the Company incurred a net loss of \$1,453,454 and as at March 31, 2024 had a deficit of \$21,986,361 which has been funded by the issuance of equity and a working capital deficiency of \$4,459,207. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating sufficient revenues to cover its operating costs. The Company has not yet determined whether its property contains graphite reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property. The outcome of these matters cannot be predicted at this time and

form a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern.

The Company has been able to fund operations and mineral property exploration through equity financings. The continued uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make it more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

## Results of Operations

### Selected Annual Information and Result of Operations

	March 31, 2024	March 31, 2023
	\$	\$
Net loss	(1,453,454)	(3,424,406)
Basic and diluted loss per share	(0.01)	(0.02)
Cash	150,310	207,936
Current assets	253,235	420,734
Total assets	4,872,472	4,772,814
Current liabilities	4,712,442	4,135,877
Total liabilities	4,772,771	4,249,659
Total equity	99,701	523,155

### *Year Ended March 31, 2024*

These consolidated financial statements include the assets and operations of the Company and entities it controls, Plumbago, Sarcon Development (PVT) Limited (“Sarcon”), C Y L Lanka (Private) Limited (“Lanka”), JADS Enterprise (Private) Limited (“JADS”), Mine Street (Private) Limited (“Mine Street”), BPA and CGT.

The Company reported a net loss of \$1,453,454 for the year ended March 31, 2024, as compared to a net loss of \$3,424,406 for the year ended March 31, 2023. The net loss included share-based compensation of \$69,569 during the year ended March 31, 2024 (2023 - \$238,842).

Advertising and promotion decreased to \$26,266 from \$277,382 in the year ended March 31, 2024 mainly due to less marketing efforts as the Company focused more on operational activities during the year. Advertising and promotion activities included corporate presentations, corporate materials and marketing and promotional efforts and actively promoting its business and market awareness.

During the year, the Company incurred consulting fees of \$300,964 compared to \$439,288 during the year ended March 31, 2023 due to reducing third party consulting and operational activities.

Interest, finance, accretion and bank charges decreased to \$300,042 during the year ended March 31, 2024 from \$358,280 in the 2023 year-end. This decrease was due to the settlement and derivative liability reallocation of the remaining amount payable for the Sarcon Development purchase consideration during the year ended March 31, 2024. Interest and accretion expenses were recognized on this amount payable

for only part of the Company's 2024 year-end whereas such expenses were incurred for all of the 2023 comparative period.

The Company recognized \$81,528 in license fee on its mining properties as expenses during the year ended March 31, 2024. No similar expenses were recognized during the 2023 comparative period.

Office and administrative expenses incurred were \$229,582 compared to the prior year of \$263,875 mainly due to decreased activities during the 2024 year-end compared to the prior year.

During the year ended March 31, 2024, the Company incurred professional fees of \$566,196 compared to \$660,410 during the year ended March 31, 2023 due to a decrease in third party consulting services and operational activities. The professional fees include legal fees and other related matters in Canada and Sri Lanka. The professional fees also include fees paid to officers.

Rent expenses incurred were \$Nil compared to the prior year of \$24,099 mainly due to a lack of activity in the UK subsidiary during the year compared to the prior year.

Share-based payment expenses were \$69,569 during the year ended March 31, 2024 compared to \$238,842 during the 2023 comparative period. This decrease was due to options issued to a former grantee fully vesting in the year ended March 31, 2023. Lower share-based payment expenses were recognized on the remaining options outstanding during the year ended March 31, 2024.

The Company incurred travel expenses in the amount of \$21,320 during the year ended March 31, 2024 compared to \$81,628 during the year-end. This decrease was due to extensive travel conducted in Sri Lanka and other locations during the 2023 comparative period.

### ***Three Months Ended March 31, 2024***

The Company reported a net loss of \$218,078 for the three months ended March 31, 2024, in relation to a net loss of \$1,568,415 for the comparative period ended March 31, 2023. The net loss included share-based compensation of \$17,066 during the year ended March 31, 2024 (2023 - \$192,212 recovery).

Advertising and promotion decreased to \$1,089 from \$84,583 during the three months ended March 31, 2024 relative to 2023 mainly due to sustained lower marketing efforts as the Company focused more on operational activities during the period. Advertising and promotion services included corporate presentations, corporate materials and marketing and promotional efforts and actively promoting its business and market awareness activities conducted during the period.

Amortization expenses decreased to \$148 during the three months ended March 31, 2024 from \$32,747 in the comparative period. This decrease was due to the Company holding fewer leased right-of-use assets to amortize during the three months ended March 31, 2024 relative to the 2023 comparative period.

During the three months ended March 31, 2024, the Company incurred consulting fees of \$253,837 compared to \$146,838 during the year ended March 31, 2023. This increase was due to the Company identifying consulting fee expenses owing to consultants during the three months ended March 31, 2024 that had not been previously recognized.

The Company recognized a \$504,457 recovery of interest, finance, accretion and bank charges decreased during the three months ended March 31, 2024 relative to \$206,564 in expenses the 2023 comparative period. This recovery was due to the settlement and derivative liability reallocation of the remaining amount payable for the Sarcon Development purchase consideration earlier in the year ended March 31, 2024. Interest and accretion expenses previously recognized throughout the year-end were recovered during the three months ended March 31, 2024.

The Company recognized \$81,528 in license fee on its mining properties as expenses during the three months ended March 31, 2024. No similar expenses were recognized during the 2023 comparative period.

Office and administrative expenses incurred were \$125,786 during the three months ended March 31, 2024 compared to \$104,860 in the prior year comparative period. This increase was due to the accrual of interest, bank charges and other expenses during the three months ended March 31, 2024 that were not captured during prior periods.

During the three months ended March 31, 2024, the Company incurred professional fees of \$120,954 compared to \$269,558 during the 2023 comparative period due to a decrease in third party consulting services retained and operational activities. The professional fees include legal fees and other related matters in Canada and Sri Lanka. The professional fees also include fees paid to officers.

Share-based payment expenses were \$17,066 during the year ended March 31, 2024 compared to a \$192,212 recovery during the 2023 comparative period. This increase was due to a reversal of share-based payment expenses on options vesting and cancelled during the three months ended March 31, 2023 that was not in place during the current period.

The Company incurred wage and benefit expenses in the amount of \$58,571 during the three months ended March 31, 2024 compared to \$32,305 during the 2023 comparative period. This increase was due to the accrual of additional wages and benefits with an employee of the Company that were not previously captured in previous periods.

### Summary of Quarterly Results

	March 31, 2024	December 31, 2023	September 30, 2023	June 30, 2023
	\$	\$	\$	\$
Net Loss	(218,078)	(282,452)	(456,621)	(496,303)
Loss per Share	(0.00)	(0.00)	(0.00)	(0.00)
	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
	\$	\$	\$	\$
Net Loss	(1,596,913)	(622,272)	(608,257)	(625,462)
Loss per Share	(0.01)	(0.00)	(0.00)	(0.00)

Significant factors and trends that have impacted Ceylon's results during the years presented above include the following:

- a) The Company incurred a \$740,665 decline in operating expenses, particularly for advertising and professional and legal and other professional activities, as a result of scaling back operations throughout the year ended March 31, 2024. The Company also only incurred \$300,042 in interest, finance and bank charges during the year ended March 31, 2024 pursuant to settling and reallocating amounts payable on its Sarcon Development purchase.

- b) The Company recorded a \$361,749 gain pertaining to changes in the fair value of its derivative liability in the year ended March 31, 2024. A \$7,259 loss was recognized on derivative liabilities during the year ended March 31, 2023.
- c) The Company incurred \$238,842 of stock-based compensation in the year ended March 31, 2023 for issuing stock options, to consultants, directors and officers of the Company. Share-based payment expenses fell to \$69,569 during the year ended March 31, 2024.

## **Liquidity**

The Company has total assets of \$4,872,472 as at March 31, 2024 consisting of cash, amounts receivable, prepaid expenses, property and equipment, exploration and evaluation assets, and right of use assets. The Company had a working capital deficit of \$4,459,207.

At March 31, 2024, the Company had cash of \$150,310. The Company has a derivative liability of \$673,435 (US\$497,000) (2023 - \$788,310 (US\$582,703)) related to the amount due to the former shareholder of Sarcon in connection with the Agreement described in Note 6 in the audited consolidated financial statements for the year ended March 31, 2024. The amount is unsecured and non-interest bearing.

During the year ended March 31, 2024, the Company:

- i) Used cash of \$33,184 (2023 - \$2,369,716 used) on operating activities.
- ii) Used cash of \$245,023 (2023 - \$497,932 used) in investing activities, consisting of \$213,163 (2023 - \$274,312) on exploration expenditures and \$11,393 (2023 - \$223,620) on property and equipment purchases.
- iii) Received cash of \$236,462 (2023 - \$3,089,409 received) from financing activities, primarily from proceeds received from convertible debentures. During the year ended March 31, 2023, the Company also received cash from the completion of a private placement and the exercise of options.

## **Capital Resources**

### **Convertible Debentures #1**

On May 23, 2018, the Company closed a non-brokered private placement offering of units, at a purchase price \$1.00 per unit for aggregate gross proceeds of \$2,000,000. Each unit is comprised of \$1.00 in principal amount of convertible debentures and two common share purchase warrants. The principal amount of the convertible debentures will be convertible at the holder's option into fully-paid common shares in the capital of the Company at any time prior to maturity in three years, at a conversion price of \$0.25 per share. Each whole warrant will be exercisable into one common share on or before maturity at an exercise price of \$0.25 per share. Interest on the debentures shall be paid upon maturity, at an annual rate of interest of 6% per annum. The Company paid \$67,500 in finders' fees related to the convertible debentures.

On February 5, 2021, the Company modified the maturity date of the convertible debentures from May 23, 2021 to November 23, 2021. In addition, the interest rate increased from 6% to 8%. In connection with the modification, the Company issued 1,000,000 warrants exercisable at \$0.22 per warrant, expiring in one year, as compensation to the debenture holders. The value of the warrants arising from the debt modification was \$273,168, which was recorded as a transaction cost and applied against the carrying value of the debt.

On November 24, 2021, the maturity date of the convertible debentures was extended to November 23, 2022 and the expiry date of the original 4,000,000 warrants issued was extended to November 23, 2022.

On November 1, 2022, the maturity date of the convertible debentures was further extended to November 23, 2023 and the expiry date of the original 4,000,000 warrants issued was further extended to November 23, 2023.

On November 23, 2023, the Company amended the conversion price of an aggregate principal amount of \$1,750,000 of the 2018 convertible debentures to \$0.15 and amended the maturity date to November 23, 2024. In addition, the Company has agreed to issue 5,833,333 warrants, valued at \$95,682 to replace the warrants originally issued. Each replacement warrant is exercisable for one common share of the Company at a price of \$0.15 until November 23, 2024. A total principal amount of \$100,000 of the convertible debentures were not extended and matured on November 23, 2023. All securities issued and issuable in connection with the Replacement Warrants are subject to a four month and one day hold period from the dated of issuance in accordance with Canadian securities laws.

### **Convertible Debentures #2**

On October 26, 2023, the Company closed a non-brokered private placement of C\$365,000 (the “Financing”) of 9% senior secured convertible debenture units of the Company (the “Debenture Units”). The net proceeds from the Financing shall be used for operating expenses for the Company’s mining projects and deposits for the renewal of mining licenses in Sri Lanka, and for working capital and general corporate purposes. Each Debenture Unit consists of: (i) C\$1,000 principal amount of 9% senior secured convertible debenture of the Company (each, a “Debenture”); and (ii) 20,000 common share purchase warrants of the Company (each, a “Warrant”), with each Warrant exercisable for one common share of the Company (a “Warrant Share”) at an exercise price of C\$0.06 per Warrant Share for a period of one year from the date of issuance. A total of 7,300,000 Warrants were issued and are exercisable for 7,300,000 Warrant Shares. An aggregate of C\$365,000 principal amount of Debentures was subscribed for and are convertible for up to 7,300,000 common shares of the Company (each, a “Debenture Share”) at the option of the holder thereof at any time prior to the date that is one year from the date of issuance at a conversion price of C\$0.05 per Debenture Share. The Debentures shall bear interest at an annual rate of 9%, payable in cash semi-annually in arrears. Interest on the Debentures may alternatively be paid in common shares of the Company (the “Common Shares”) at the Company’s option, subject to the approval of the TSXV. An entity controlled by the Company’s CEO has pledged publicly traded shares of a third party to secure the Company’s obligations under the Debentures. In addition, the Debentures are secured against all of the present and after acquired personal property of the Company. In connection with the Financing, the Company has issued to eligible finders an aggregate of: (i) 455,000 finders warrants (the “Finder’s Warrants”) entitling the holder to acquire one unit of the Corporation (a “Finder Unit”) at an exercise price of \$0.05 at any time up to one year from the date of issuance, with each Finder Unit comprised of one Common Share and one Warrant, with each such Warrant exercisable for one Warrant Share at a price of \$0.06 per Warrant Share for a period of one year from the date of issuance of the Finder Unit, and (ii) 455,000 Finder Units.

### **Capital Management**

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the sourcing and exploration of its resource properties. The Company does not have any externally imposed capital requirements to which it is subject to.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company’s investment policy is to invest its cash in large financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations. The Company

expects its current capital resources will be sufficient to carry its acquisition plans and operations through its current operating period.

There has been no change to the Company’s approach to the management of capital during the year ended March 31, 2024.

### **Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

### **Transactions with Related Parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Key management personnel receive compensation in the form of short-term employee benefits, share-based payments, and post-employment benefits. Key management personnel include the Chief Executive Officer, Chief Financial Officer, and directors of the Company. The remuneration of key management is as follows:

	<b>March 31, 2024</b>	<b>March 31, 2023</b>
	\$	\$
Consulting fees – Sasha Jacob - CEO	161,257	50,000
Consulting fees – Mike Kinley - CFO	35,000	-
Consulting fees – Abbey Abdiye - Former CFO	52,250	-
Consulting fees – Don Baxter - Former CEO	-	152,400
Consulting fees – Jody Lenihan - Director	-	160,224
Directors’ fees – Kevin Alyward – Director	12,000	12,000
Directors’ fees – Brett James - Director	12,000	12,000
Directors’ fees – Rita Theil - Director	12,000	12,000
Professional fees – Abbey Abdiye – Former CFO	-	114,000
	<b>284,507</b>	<b>512,624</b>

The Company also incurred \$39,055 (2023 - \$168,695) in share-based payment expenses with directors and officers during the year ended March 31, 2024.

The Company has a derivative liability of \$673,435 (2023 - \$788,310) related to amounts due to the former shareholder of Sarcon in connection with the Agreement described in Note 6 of the audited financial statements. The amount is unsecured and non-interest bearing.

As at March 31, 2024, the Company has amounts payable of \$343,096 (2023 - \$56,750) due to certain directors and officers of the Company. The amounts payable are unsecured and non-interest bearing.

### **Commitment and Contingencies**

From time to time, the Company is engaged in various legal proceedings and claims that have arisen in the normal course of business. The outcome of all the proceedings and claims against the Company is subject to future resolution, including the uncertainties of litigation. Management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company.

In March 2018, Plumbago acquired 40% interest in Lanka by paying 2,849,925 Rupees. Subsequent to the acquisition of Lanka, Lanka entered into an acquisition agreement with the sole shareholder (“transferor”) of JADS whereby Lanka acquired all issued and outstanding shares of JADS by paying 2,296,536 Rupees. Pursuant to the terms and conditions of the acquisition agreement, the transferor is entitled to 5% of net profits, which will be paid out in the form of the shares of Lanka or its nominee, for the first 5 years and 3% for the next 5 years. To date, no profit has been earned and as a result no shares have been issued.

### **Changes in Accounting Policies, Critical Accounting Estimates and Judgments**

There was no change in accounting policies for the year ended March 31, 2024. The significant accounting policies are set out in Note 2 of the audited consolidated financial statements for the years ended March 31, 2024 and 2023. The Company’s critical accounting estimates and judgments are set out in Note 3 of the audited consolidated financial statements for the years ended March 31, 2024 and 2023.

### **Financial Instruments and Other Instruments**

Please refer to Note 12 in the audited consolidated financial statements for the years ended March 31, 2024 and 2023.

### **Outstanding Shares, Options, Warrants and Debentures**

#### Common Shares

As at March 31, 2024, the Company had 174,009,123 common shares outstanding. As of the date of this MD&A, the Company had 190,046,656 common shares outstanding.

#### Stock Options

As of the date of this MD&A, the Company had options outstanding enabling holders to acquire the following:

Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Expiry Date
2,750,000	2,750,000	\$0.22	19-Nov-25
1,000,000	1,000,000	\$0.36	20-Jan-26
100,000	100,000	\$0.22	1-Mar-26
85,714	85,714	\$0.14	2-Sep-26
4,000,000	4,000,000	\$0.20	26-Jan-27
500,000	500,000	\$0.16	20-May-27
2,500,000	1,250,000	\$0.05	22-Nov-28
<b>10,935,714</b>	<b>9,685,714</b>		

As of March 31, 2024, the Company had 10,985,714 options outstanding. 50,000 of these options expired on May 15, 2024.

#### Warrants convertible into shares

As of the date of this MD&A, the Company had nil warrants outstanding.

As of March 31, 2024, the Company had 88,487,524 warrants outstanding.

#### **Subsequent Events**

Subsequent to March 31, 2024, the Company issued 6,882,000 common shares on April 16, 2024 and 6,814,000 common shares on July 15, 2024 pursuant to the Restated Sarcon Agreement in the amount of \$250,000 USD for each issuance.

On April 26, 2024, the Company issued 548,999 common shares in satisfaction of interest due on secured convertible debenture units of the Company. The aggregate interest payable settled by the Company is \$16,470. In accordance with the policies of the TSX Venture Exchange and the terms of the debentures, the interest shares were issued at a deemed price of \$0.03 for an aggregate of 548,999 common shares in satisfaction of the aggregate interest payable. The interest shares will be subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

On March 20, 2025, the company's M1 license expired. Application for renewal will be made post raising additional capital.

On April 22, 2025, the company issued 1,792,534 shares to Manning Elliot to settle past fees.

#### **RISK FACTORS**

An investment in Ceylon Graphite is subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. Prospective investors should carefully consider the information presented in this Annual Information Form, including the following risk factors, which are not an exhaustive list of all risk factors associated with an investment in the Company or the Company's shares or in connection with the operations of the Company:

##### *General Exploration & Mining Risks*

The Company is engaged in the business of mineral exploration and production of graphite in historic resource jurisdictions in Sri Lanka. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs and its development of its properties, which may be affected by a number of factors beyond its control.

Any exploration, development and operation of a mine is inherently dangerous and involves many risks, that even a combination of experience, knowledge and careful evaluation may not be able to reduce or eliminate, including: unusual or unexpected geological formations; metallurgical and other processing problems; metal losses; environmental hazards; power outages; labour disruptions; industrial accidents; periodic interruptions due to inclement or hazardous weather conditions; flooding, explosions, fire, rock bursts, cave-ins and landslides; mechanical equipment and facility performance problems; and the availability of materials and equipment. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, including to the Company's employees, environmental damage, delays in mining, increased production costs, asset write-downs, monetary losses and possible legal liability. The Company may become subject to liability for such matters against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on its financial position.

The Company will continue to rely upon consultants and others for exploration and development expertise. Expenditures will be required to establish ore reserves through drilling, to develop processes to extract minerals from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of minerals mined, fluctuations in precious and base metal markets, production limits, importing and exporting of minerals and environmental protection.

#### *Dependence on the Property*

The Company is an early production stage company with several exploration stage properties and as such does not anticipate receiving significant revenue from its mineral properties for some time. The Company is focused on the exploration and development of its exploration stage properties, which may not have any identified mineral resources or reserves. Any adverse developments affecting its current properties could have a material adverse effect upon the Company and would materially and adversely affect any profitability, financial performance and results of operations of the Company.

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development programs at its exploration stage properties will result in the definition of bodies of commercial mineralization. There is also no assurance that even if commercial quantities of mineralization are discovered that any of these properties will be brought into commercial production. Failure to do so will have a material adverse impact on the Company's operations and potential future profitability. The discovery of bodies of commercial mineralization is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the Company's control.

#### *Limited Operating History*

The Company is an early stage company and owns certain producing properties as well as exploration stage properties. As such, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The current state of the Company's properties may require additional expenditures before cash flow may be generated. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

#### *Mining Decision*

The Company may choose to initiate mining operations on any part of its various current or future properties, without basing its production decision on a feasibility study, preliminary economic assessment or mining study of mineral reserves demonstrating economic and technical viability, and therefore be subject to a higher risk of uncertainty. There is no assurance, given all of the known and potentially unknown risks associated with such properties that the Company will be able to profitably carry on mining operations. In addition, there is no assurance that continued exploration of the properties will demonstrate adequate additional mineralization which can be mined economically, such that mining operations on those properties may not be sustainable.

#### *Mining Operations and Insurance*

Mining operations generally involve a high degree of risk. The Company's operations will be subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, water

inflows, fires and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, periodic interruptions due to adverse weather conditions, labor disputes, political unrest and theft. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. The Company does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with losses or liabilities not covered by insurance coverage may have a material adverse effect upon the Company's financial condition.

*Cost Overruns, Delays and Construction Risk*

Subject to securing future mine development financing, the Company may encounter risks associated to potential cost overruns, delays and construction.

*Governmental and Environmental Regulation, Permits and Compliance*

The future operations of the Company, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labor standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. The Company believes that all of its properties are in compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that the Company will obtain on reasonable terms or at all the permits and approvals, and the renewals thereof, which it may require for the conduct of its future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on plans to develop the M1 and K1 properties. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delay on the Company's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

*Reliance on Management and Experts*

The success of the Company will be largely dependent upon the performance of its senior management and directors. Due to the relative small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company has not purchased any "key-man" insurance nor has it entered into any non-competition or non-disclosure agreements with any of its directors, officers or key employees and has no current plans to do so

The Company has hired and may continue to rely upon consultants and others for geological and technical expertise. The Company's current personnel may not include persons with sufficient technical expertise to carry out the future development of the Company's properties. There is no assurance that suitably qualified personnel can be retained or will be hired for such development.

*Competition*

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. The mining

industry is facing a shortage of equipment and skilled personnel and there is intense competition for experienced geologists, field personnel, contractors and management. There is no assurance that the Company will be able to compete successfully with others in acquiring such equipment or personnel.

#### *Conflicts of Interest*

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company should be made in accordance with their fiduciary duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Canada Business Corporations Act* and other applicable laws.

#### *Competitive Conditions*

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other entities in the search for and acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may be unable to acquire attractive properties in the future on terms it considers acceptable. The Company also competes for financing with other resources companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

#### *Country Risks*

The Company's mineral properties are located in and its activities are conducted in Sri Lanka and as such the Company is and will be exposed to various levels of political, economic and other risks and uncertainties associated with carrying on business in Sri Lanka. These risks include but are not limited to, political instability, an unpredictable legal system, civil unrest, inconsistent and unsophisticated land tenure system, government land policy and government ownership of or participation in mining projects, high levels of corruption, significant delays in permitting and approvals, fluctuations in currency exchange rates, high rates of inflation, excessive import duties and taxes on the importation of equipment, expropriation and nationalization, restrictions on foreign ownership, possible future restrictions on foreign exchange and repatriation, changes in taxation, labour and mining regulations and policies, and changing political conditions, currency controls, and government regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ local citizens.

Changes, if any, in mining or investment policies, or shifts in political attitude in Sri Lanka, may adversely affect the Company's operations or profitability. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications, and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Recent political instability in Sri Lanka has resulted in an environment of uncertainty surrounding the Company's ability to procure sufficient resources in order to continue its exploration activities and to renew or maintain its exploration and mining licenses in good standing. To address the risk associated with the uncertainty, management is working pro-actively to secure supplies required for the Company's operations in bulk using foreign currency. For any licenses currently under renewal, the Company continues to make the required maintenance payments while awaiting the issuance of the new licenses.

#### *Title Risks*

Title to mineral properties, as well as the location of boundaries on the ground may be disputed. While the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. There can be no assurance that the Company's interests in such properties will not be subject to undetected defects including but not limited to prior unregistered agreements or transfers or native land claims which may affect title. Management believes that the Company has sufficient contractual, statutory, or common law rights to all of its properties in order to carry out its activities.

#### *Commodity Prices*

The price of the Company's securities, its financial results and its exploration, development and mining activities have previously been, or may in the future be, significantly adversely affected by declines in the price of graphite. Industrial mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of industrial minerals by various dealers, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand, and international political and economic trends, conditions and events. The prices of industrial minerals have fluctuated widely in recent years, and future price declines could cause continued exploration and development of all of its properties to be impracticable.

Further, reserve calculations and life-of-mine plans using significantly lower graphite prices could result in material write-downs of the Company's investment in all of its properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and the Company's financial condition, declining graphite prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

#### *Market for Securities*

In recent years, securities markets in Canada and elsewhere have from time to time experienced high levels of price and volume volatility. Consequently, the market prices of the securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors such as commodity prices, government regulation, interest rates, share price movements of the Company's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company's securities.

#### *Financing Risks*

The Company is focused solely on its mining and exploration efforts in a cost-effective manner. The failure to generate future cash flow could have a significant and adverse effect on the Company. Management is continuing in its efforts to attract additional equity and capital investors and implement cost control measures to maintain adequate levels of working capital. Nevertheless, there can be no assurance provided with respect to the successful outcome of these ongoing actions nor can there be assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects and could cause the Company to reduce or terminate

its operations. Additional funds raised by the Company from treasury share issuances may result in further dilution to the shareholders of the Company or a change of control.

#### *Infrastructure*

Exploration, development and processing activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect access, capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration or development of the properties. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploration or development of the properties will be commenced or completed on a timely basis, if at all. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect the Company's operations.

#### *Corruption and Anti-Bribery*

The Company must comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act as well as similar laws in the countries in which the Company conducts its business. Such laws apply to all directors, officers, employees, consultants and agents of the Company and each subsidiary thereof. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company, which may have a material adverse effect on it.

#### *No Assurances*

There is no assurance that economic mineral deposits will ever be discovered, or if discovered, subsequently put into production. Most exploration activities do not result in the discovery of commercially mineable deposits. The Company's future growth and profitability will depend, in part, on its ability to identify and expand its mineral reserves through additional exploration of its properties and on the costs and results of continued exploration and development programs.

Mining exploration is highly speculative in nature, involves many risks and frequently is not productive. Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any anticipated level of recovery of mineral reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. There can be no assurance that the Company's exploration efforts at its properties will be successful.

#### *Operating Hazards, Uninsurable Risks and Insurance*

The ownership, exploration, operation and development of a mine or mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to reduce or eliminate. These risks include environmental hazards, industrial accidents, explosions and third-party accidents, the encountering of unusual or unexpected geological formations, ground falls and cave-ins, mechanical failure, unforeseen metallurgical difficulties, power interruptions, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in environmental damage and liabilities, work stoppages, delayed production and resultant losses, increased production costs, damage to, or destruction of, mineral properties or production facilities and resultant losses, personal injury or death and resultant losses, asset write downs, monetary losses, claims for compensation of loss of life and/or damages by third parties in connection with accidents (for loss of life and/or damages and related pain and suffering) that occur on Company property, and punitive awards in connection with those claims and other liabilities.

It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance 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 an increase in costs and a decline in value of the Company's securities. Liabilities that the Company incurs may exceed the policy limits of

insurance coverage or may not be covered by insurance, in which event the Company could incur significant costs that could adversely impact its business, operations, potential profitability or value. Despite efforts to attract and retain qualified personnel, as well as the retention of qualified consultants, to manage the Company's interests, even when those efforts are successful, people are fallible and human error could result in significant uninsured losses. These could include loss or forfeiture of mineral interests or other assets for non-payment of fees or taxes, significant tax liabilities in connection with any tax planning effort the Company might undertake and legal claims for errors or mistakes by personnel.

#### *Environmental Risks and Hazards*

All phases of the Company's operations will be subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation and provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

While management of the Company believes that the Company is in compliance with all material laws and regulations which currently apply to the activities of the Company. There is no assurance that, notwithstanding the precautions and limited history of activities of the Company, breaches of environmental laws (whether inadvertent or not) or environmental pollution will not result in additional costs or curtailment of planned activities and investments, which could have a material and adverse effect on future cash flows, earnings, results of operations and financial condition of the Company. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Companies engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws even where there has been no intentional wrong-doing.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or any future production costs or require abandonment or delays in the development of new mining properties. Companies engaged in the exploration and development of mineral properties may from time to time experience increased costs and delays in exploration and production as a result of the need to comply with applicable laws, regulations and permits.

#### *General Economic Conditions*

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the mining industry, continue to be negatively impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and devalued precious and base metal markets combined with a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, tax rates and base and precious metals pricing may adversely affect the Company's growth and profitability.

#### *Land Reclamation Requirements*

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. Reclamation may include requirements to: control dispersion of potentially deleterious effluents; and reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on the Company in connection with exploration, development and production activities, the Company must allocate financial resources, including funds required to post reclamation bonds, that might otherwise be spent on further exploration and development programs.

#### *Dilution*

The Company may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance its operations, exploration, development, acquisitions or other projects. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Company's shares.

#### *Future Sale of Shares*

Future sales of the Company's shares by large shareholders or other shareholders could decrease the value of the Company's shares. Sales of a substantial number of Company's Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for the Company's Common Shares.

#### *Dividends*

The Company has not declared or paid any dividends on the Company's Common Shares. The Company intends to retain future earnings, if any, to finance the growth and development of its business and does not intend to pay cash dividends on the Company's Common Shares in the foreseeable future.

#### *The Company may Incur Losses for the Foreseeable Future*

The Company expects to incur losses unless and until such time as the Company's operations generate sufficient revenues to fund continuing operations. The Company cannot provide assurance that it will ever achieve profitability.

#### *Litigation*

The Company and/or its directors and officers may be subject to a variety of civil or other legal proceedings, with or without merit. From time to time in the ordinary course of its business, the Company may become involved in various legal proceedings, including commercial, employment and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Company's business, operating results or financial condition.

#### **Additional Sources of Information**

Additional information relating to the Company can be found on the SEDAR website at [www.sedarplus.ca](http://www.sedarplus.ca).