CEYLON GRAPHITE CORP.
For the Period ended June 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date of Report: August 28, 2023

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the period ended June 30, 2023 prepared should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended March 31, 2023 which are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

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.

1.2 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 1100-1111 Melville Street, Vancouver, BC, Canada 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.

1.3 Overall Performance

There were no announcements and highlights during the period:

1.4 Results of Operations

Period ended June 30, 2023

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 $496,303 for the period ended June 30, 2023, as compared to a net loss of $625,462 for the period ended June 30, 2022. The net loss included share-based compensation of $nil during the period ended June 30, 2023 (period ended June 30, 2022 - $175,314).

During the year, the Company incurred professional fees of $142,202 compared to $90,384 during the period ended June 30, 2022 due to increased 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 management fees paid to officers. See related party section.

Advertising and marketing decreased to $22,112 from $43,850 in the period ended June 30, 2023 mainly due to less marketing efforts as the Company focused more on the operational activities during the period. This included corporate presentation, corporate materials and marketing and promotional efforts and actively promoting its business and market awareness during the period.

During the year, the Company incurred consulting fees of $73,488 compared to $119,845 during the period ended June 30, 2022 due to decreased third party consulting and operational activities. During the period ended June 30, 2023, the Company recovered consulting fee of $70,000. See related party section. As of June 30, 2023, net of consulting fee recoveries is $3,488.

Office and administrative expenses incurred were $54,233 compared to the prior year of $80,631 mainly due to decreased activities during the period compared to the prior year.

Rent expenses incurred were $10,914 compared to the prior year of $nil mainly due to activities in UK subsidiary during the period compared to the prior year.

Interest expense increased to $298,476 during the year in 2023 from $59,228 in 2022 mainly due to the interest expense and interest accretion of the convertible debentures and derivative liability. The transfer fees and filings increased to $15,391 from $4,455 during the prior year due to filings and other fees compared to prior year.

During the period ended June 30, 2023, the Company incurred travel expenses in the amount of $nil (period ended June 30, 2022 - $37,668) related to extensive travel to Sri Lanka and other locations during the period.

During the period ended June 30, 2023, the Company recorded $123,780 (June 30, 2022 – ($341,122)) gain (loss) in foreign exchange translation loss to its cumulative translation account due to the changes resulting from the fluctuation of foreign exchange rates.

Wage and benefits incurred were $17,813 compared to the prior year of $nil mainly due to wage and benefits for an employee in UK subsidiary during the period compared to the prior year.

Summary of Quarterly Results

	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	$	$	$	$
Expenses	591,983	721,971	622,272	608,257
Net Loss	(496,303)	(1,596,913)	(622,272)	(608,257)
Loss per Share	(0.00)	(0.01)	(0.00)	(0.00)

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
	$	$	$	$
Expenses	625,462	839,518	1,034,532	1,012,824
Net Loss	(625,462)	(843,144)	(1,034,522)	(1,012,767)
Loss per Share	(0.00)	(0.01)	(0.01)	(0.01)

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

a) The Company incurred a one-time expenses of Conversion inducement $533,333 for the fourth quarter of 2020.

b) The Company incurred $1,005,648 of stock-based compensation in third and fourth quarter of the 2021 for issuing a total of 5,000,000 stock options, to consultants, directors and officers of the Company during the previous year.

c) The Company incurred the $1,279,684 of stock-based compensation in the year ended March 31, 2022 for issuing stock options, to consultants, directors and officers of the Company.

d) The Company incurred the $238,841 of stock-based compensation in the year ended March 31, 2023 for issuing stock options, to consultants, directors and officers of the Company.

e) The Company incurred the $821,493 of loss on settlement of liability in the year ended March 31, 2023.

1.5 Liquidity

The Company has total assets of $4,708,273 as at June 30, 2023 consisting of cash, amounts receivable, prepaid expenses, equipment and exploration and evaluation assets. The Company has negative working capital of $4,224,223.

At June 30, 2023, the Company had cash of $37,436. The Company has an amount payable of $1,046,566 (US$1,375,000) (March 31, 2023 - $875,836 or US$1,375,000) and a derivative liability of $692,630 (US$582,703) (March 31, 2023 - $788,310 (US$582,703)) related the amount due to the former shareholder of Sarcon in connection with the Agreement described in Note 6. The amount is unsecured and non-interest bearing.

During the period ended June 30, 2023, the Company used $77,545 in operating activities.

At June 30, 2023, share capital was $15,340,737 comprising 159,113,350 issued and outstanding common Shares.

At June 30, 2023, the value of exploration and evaluation assets was $4,030,505 (March 31, 2023 - $3,913,305). The increase is due to fluctuation of foreign exchange.

At present, the Company's operations do not generate cash inflows and its financial success after June 30, 2023 is dependent on management's ability to quickly explore its grids and commence mining. To do this management will need to continue to obtain funding to sustain operations through the development stages of the mining process to the point that these operations lead to the Company being cash flow positive. The mining development process may take substantial time and is subject to factors that may be beyond the Company's control.

In order to finance the Company's future mining and development and to cover administrative and overhead expenses in the coming years the Company may raise money through equity sales. Many factors influence the Company's ability to raise funds, including the Company's track record, and the experience and caliber of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of operational activities. Management believes it will be able to meet its operational targets and raise capital if and when required through future equity issuance and or borrowings, but recognizes there may be risks involved that may be beyond their control.

1.6 Share Capital

As at June 30, 2023, there were 159,113,350 (March 31, 2023 – 159,113,350) common shares issued and outstanding.

During the period ended June 30, 2023, there were no shares issued.

During the year ended March 31, 2023, the Company issued the following common shares:

The Company issued 4,291,875 common shares pursuant to the Restated Sarcon Agreement in the amount of $250,000 USD (Note 6).

The Company issued 500,000 common shares pursuant to the exercise of options for total proceeds of $80,000. Contributed surplus in the amount of $30,925 was reversed upon exercise of these options.

The Company completed a brokered private placement and issued 21,875,000 units at a price of $0.16 per unit for aggregate gross proceeds of $3,500,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at an exercise price of $0.25 until May 10, 2025. In connection with the private placement, a 7.5% cash finder's fee was paid together with the issuance of finder warrants equal to 7.5% of the total number of units placed, each exercisable for the purchase of one additional unit at a price of $0.16 at any time until May 10, 2025. Total cash paid for finders' fees was $304,682 and fair value of the agents' warrants was calculated to be $158,421.

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During the year ended March 31, 2022, the Company issued the following common shares:

The Company issued 1,175,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of $176,250.

The Company issued 681,818 common shares pursuant to an agreement to settle liability in the amount of $150,000.

The Company issued 1,970,624 common shares pursuant to the convertible debenture interest payments of $325,153.

The Company issued 714,286 common shares pursuant to the exercise of options for total proceeds of $100,000.

The Company issued 1,500,000 common shares to the former CEO in the amount of $300,000, in which $100,000 was to settle outstanding liabilities and $200,000 for consulting fees.

1.7 Stock Options

As of June 30, 2023, the Company has 8,485,714 stock options outstanding, of which 8,235,714 options were exercisable.

1.8 Share Warrants

As of June 30, 2023, the Company has 81,744,191 warrants outstanding.

1.9 Exploration and Evaluation assets

The Company has accumulated the following acquisition, exploration and evaluation costs for the period ended June 30, 2023:

	$
Balance, March 31, 2023	**3,913,305**
Costs incurred during the period:	
Geological and Other Consultancy Services	3,998
Labour and Operating Costs	37,920
Drilling and Exploration	2,036
Mine and Camp Costs	3,661
Site preparation expenses	6,160
Land Rent Charges	1,666
	55,441
Effect of foreign exchange	61,759
Balance, June 30, 2023	**4,030,505**

1.10 Property and Equipment

For the period ended June 30, 2023, the Company did not acquire or dispose any property and equipment. Amortization of assets for the period ended June 30, 2023 was $7,797 (June 30, 2022 - $5,087). Net book value of property and equipment as of June 30, 2023 was $346,144 (June 30, 2022 - $157,570). Any change on property and equipment balance other than amortization was due to foreign exchange adjustments.

1.11 Capital Resources

The Company is not a party to any off -balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

1.12 Off Balance Sheet Arrangements

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

1.13 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:

	June 30, 2023	**June 30, 2022**
	$	$
Consulting fees – CEO	40,500	-
Consulting fees – Director	-	38,300
Consulting fees – former CEO	-	38,100
Directors' fees	9,000	9,000
Professional fees – CFO	28,500	28,500
Share-based payments	-	69,687
	78,000	183,587

The Company has an amount payable of $1,046,566 (US$1,375,000) (March 31, 2023 - $875,836 or US$1,375,000) and a derivative liability of $692,630 (US$582,703) (March 31, 2023 - $788,310 (US$582,703)) related to amounts due to the former shareholder of Sarcon in connection with the Agreement described in Note 6. The amount is unsecured and non-interest bearing.

As at June 30, 2023, the Company has amounts payable of $134,500 (March 31, 2023 - $56,750) due to certain directors and officers of the Company. The amounts payable are unsecured and non-interest bearing.

1.14 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.

1.15 Subsequent events

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.

On July 19, 2023, the Company announced that Ceylon graphite achieved new concentrafion and conducfivity records when studied in the manufacture of an adaptable sensing plafform 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 funcfionality.

August 1, 2023, the Company announces today that it was not in a position to file its audited financial statements, CEO and CFO certifications, and management discussion and analysis (the "Annual Filings") for the year ended March 31, 2023 on or before July 31, 2023. The Company currently anticipates being able to file the Annual Filings on or before August 14, 2023.

August 2, 2023 - Ceylon Graphite Corp. ("Ceylon") (TSX-V: CYL) (OTC: CYLYF) (FSE: CCY) is pleased to announce it has entered into a distribufion agreement dated August 1, 2023, with Advanced Performance Materials LLC ("APM"), a materials and chemical technology specialist company.

On August 15, 2023, the Company announced that, further to the Company's press release dated August 1, 2023, the Company's audited financial statements and management discussion and analysis (the "Annual Filings") for the year ended March 31, 2023 have now been released and filed under the Company's profile on www.sedarplus.ca.

1.16 **Critical Accounting Estimates**

Critical Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews the estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that a rebelieved to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include assessment of decommissioning provision, valuation of share-based provisions, valuation of the convertible debentures, assessment of impairment of exploration and evaluation assets and the recoverability and measurement of deferred tax assets.

The most significant judgments in applying the Company's financial statements is the classification of financial instruments and the going concern assumption.

1.17 Changes in Accounting Policies

There was no change in accounting policies for the period ended June 30, 2023.

1.18 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, amounts receivable, accounts payable, amounts payable, loan payable and convertible debentures.

The Company's financial instruments are exposed to the following risks:

(i) *Currency risk*

	June 30, 2023 Rupees	**June 30, 2023 US$**	**March 31, 2023 Rupees**	**March 31, 2023 US$**
Cash	1,661,430	9,178	1,970,529	1,438
Accounts payable	(5,944,424)	-	(6,213,856)	-
Amounts payable	-	(1,375,000)	-	(1,375,000)
Total in foreign currency	(4,282,994)	(1,365,822)	(893,327)	(1,373,562)
Canadian dollar equivalents	(15,855)	(1,848,367)	(3,663)	(1,858,841)

Based on the net Canadian dollar denominated asset and liability exposures as at March 31, 2023, a 10% fluctuation in the Canadian/US exchange rates would impact the Company's earnings for the period ended June 30, 2023 by $184,000 (March 31, 2023 - $186,000). A 10% fluctuation in the Canadian/Rupee exchange rates would impact the Company's earnings for the period ended June 30, 2023 by $1,586 (March 31, 2023 - $400). The Company has not entered into any foreign currency contracts to mitigate this risk.

(ii) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates.

(iii) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The credit risk on cash is limited because the cash balances are composed of financial instruments issued by Canadian banks with high credit ratings as assigned by international credit-rating agencies. Therefore, the Company is not exposed to significant credit risk.

(iv) Liquidity risk

In managing of liquidity risk, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations. As at June 30, 2023, the Company had a working capital deficit of $4,224,223. As at June 30, 2023, the Company had cash of $37,436 to settle accounts payable, capital lease obligation, convertible debentures, amounts payable and loans payable of $4,450,644 which fall due for payment within 12 months of the consolidated financial position date.

	Carrying value $	Principal amount $	Less than 1 year $	Between 2 – 5 years $	More than 5 years $
Accounts payable	614,574	614,574	614,574	-	-
Amounts payable	1,046,566	1,860,788	1,095,808	764,980	-
Capital lease obligations	106,995	181,829	41,927	122,632	12,270
Loans payable	41,541	41,541	41,541	-	-
Convertible loans	2,030,139	2,091,224	2,091,224	-	-

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

1.19 **Other MD&A Requirements**

A. 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.

B. Information required in the following section of National Instrument 51-102, if applicable:

i) Section 5.3– *Additional Disclosure for Venture Issuers without Significant Revenue*

Analysis of material components of the Company's general and administrative expenses is disclosed in the Consolidated Financial Statement of Comprehensive Loss forming part of the Financial Statements for the period ended June 30, 2023 to which this MD&A relates.

ii) Section 5.4– *Disclosure of Outstanding Share Data*

a. Authorized: Unlimited common shares without par value

Common Shares Issued and Outstanding as at this MD&A report date was 159,113,350 shares.

As at June 30, 2023, there were no common shares held in escrow.

(iii)Section5.7 – *Additional Disclosure for Reporting Issuers with Significant Equity Investees.*

Not applicable.

C. Disclosure required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Filings.*

Not applicable.

1.20 Loans Payable

During the year ended March 31, 2021, the Company received a $40,000 loan from the Canada Emergency Business Account (CEBA). The loan has 0% interest until December 31, 2023, thereafter interest is at 5% per annum starting on January 1, 2024. No principal repayments are required before December 31, 2023, and if the loan remains outstanding after December 31, 2023, only interest payments are required until full principal is due on December 31, 2025. Payment of the loan balance on or before December 31, 2023 will result in loan forgiveness of 25% (up to $10,000).

1.21 Risk Factors

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.

The Company's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. In addition, there can be no assurance that the Company will be able to continue to attract and retinal personnel necessary for the development and operation of its business.

The Company has incurred a net loss for the period ended June 30, 2023 of $496,303 and has a deficit of $21,029,208 as at June 30, 2023. Management is continuing 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 the seagoing actions. If the Company is unable to obtain additional financing on reasonable terms, the Company may be required to reduce its operations to continue as a going concern.

In addition, the Company's negative working capital could affect the Company's ability to seize upon opportunities requiring investment, or to reinvest in its products in a timely manner.

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.

Global COVID-19 Outbreak & Future Pandemic

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses in Canada and throughout the world as a result of the restrictions put in place by the federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, this outbreak may also hinder the Company's ability to raise financing due to uncertain capital markets, reduced customer demand, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition. In addition, it is unclear what further impact COVID-19 or any other future pandemic may have on the Company's future operations in Sri Lanka. There can be no assurance that COVID-19 or any future pandemic will not disrupt the mining operations of the Company. Increased government regulations, mandatory quarantine orders and other health and safety protocols may result in reduced or limited operations, temporary or permanent closures of properties, loss of personnel or other unanticipated results.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in Ceylon Graphite's information circular dated August 2, 2022 for the most recent annual meeting of the Company's shareholders held on September 13, 2022. Additional information is provided in the Company's audited financial statements and the Company's management discussion and analysis for the year ended March 31, 2023. Copies of the foregoing documents may be obtained by shareholders upon request from the Corporate Secretary of the Company. These documents, as well as additional information relating to Ceylon Graphite, are available on SEDAR under the Company's SEDAR profile at www.sedar.com.