MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three months period ended September 30, 2016 and 2015

The following interim management's discussion and analysis – quarterly highlights ("MD&A") relates to the condensed interim unaudited financial statements of Mason Graphite Inc. ("we", "our", "us", "Mason Graphite", ''Mason'', "LLG" or the "Company") for the three months period ended September 30, 2016 and 2015 ("Financial statements"). This MD&A reports on our activities through November 25, 2016 unless otherwise indicated. The Company's unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures.

Qualified persons consent

Jean L'Heureux, Eng., M. Eng., Executive Vice-President, Process Development for Mason Graphite, and a Qualified Person, as defined by NI 43-101, for Mason Graphite was responsible for verifying the data herein and has read and approved this MD&A.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

The Mineral Reserves are the basis of the 25-year Mine Life of the Feasibility Study published on September 25th, 2015 (amended on February 29, 2016) and are not included in the "In-Pit" Measured and Indicated Mineral Resources of 58.1 Mt grading 16.3% Cg (which have an equivalent drilling definition). The Mineral Reserves and the "In-Pit" Mineral Resources are included in the total Measured and Indicated Mineral Resources of 65.7 Mt grading 17.2% Cg (19.1 Mt of Measured Resources grading 17.9% Cg and 46.6 Mt of Indicated Resources grading 16.9% Cg) that were reported in the Company's press release dated December 15th, 2014. The reference point for the Mineral Reserves estimate is the mill feed. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability and were not included in the mine life or the economics of the Feasibility Study. Environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues may materially affect the estimate of Mineral Resources. In addition, there can be no assurance that Mineral Resources in a lower category may be converted to a higher category, or that Mineral Resources may be converted to Mineral Reserves.

1. DESCRIPTION OF BUSINESS AND OVERVIEW

The Company is engaged in the exploration and evaluation of its 100% owned Lac Guéret graphite property located in Québec, Canada. Substantially all of the Company's efforts are devoted to financing and developing this property. There has been a determination that the Company's exploration and evaluation assets contain mineral reserves which are economically recoverable according to the feasibility results. The Company has a National Instrument 43-101 compliant disclosure of its mineral resource estimate and feasibility study on the Lac Guéret property.

A) LAC GUÉRET PROJECT

Mason Graphite has a 100% interest in the Lac Guéret graphite property consisting of 11,630.34 hectares, located in the Côte-Nord region in northeastern Québec.

B) ENGINEERING, PROCUREMENT, CONSTRUCTION AND MANAGEMENT (EPCM) AND MINE CONTRUCTION

With the feasibility study completed in November 2015 and the recent financing completed in September 2016 (see section F – Corporate matters), the Company has undertaken the detailed engineering of the Lac Guéret project. The engineering work is being performed with Hatch and should be completed during 2017.

In order to complete the Procurement, Management and Construction and undertake the construction of the Lac Guéret project, additional financing will be required.

1. DESCRIPTION OF BUSINESS AND OVERVIEW (CONTINUED)

C) VALUE ADDED GRAPHITE STUDY

The Company is also running a second detailed study in order to enter the value-added graphite market. The Phase II (material design and performance testing for graphite grades for batteries) started in May 2016 and is being completed in partnership with the National Research Council of Canada, Corem and Hatch. The value added-market involves further purification, micronization and, in the case of anode material for Li-ion batteries, shaping and coating. During the current quarter, the Company incurred $43,448 of expenditures on this study. The Phase II should last about 2 years and the budget allowed to the project is about $1,070,000. With 3 different organizations (Innovation et Développement Manicouagan, National Research Council of Canada Industrial Research Assistance Program and Quebec government ministry of Économie, Science et Innovation), the Company secured financial contributions and grant for $657,000.

D) ENVIRONMENTAL STUDIES

On November 3, 2015 the Company announced the completion and filing, with the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC), of an Environmental Impact Study for its Lac Guéret Project located in northeastern Québec. The study was jointly prepared by Mason Graphite and the Environmental services of the engineering firm Hatch and represents an important milestone in the permitting process of the project.

The document consists of numerous technical analyses and provides a full and thorough assessment of the predicted project effects on the biophysical and human environments. Furthermore, the First Nation of Pessamit participated in the process by sharing their traditional knowledge and commenting on the text of the study.

The Company is now in communication with MDDELCC to complete the permitting and expecting to receive the *"Avis de Recevabilité"* from the MDDELCC in the upcoming months.

E) FIRST NATION RELATIONS

Following the announcement on July 23, 2014 of the signature of a cooperation agreement for the pre-construction period of the Lac Guéret project between the Company and the Innu council of Pessamit, the parties have begun discussions to define business, employment and training opportunities within the current pre-construction period. The discussions regarding the establishment of an Impact Benefits Agreement (IBA) were initiated in April 2015 and should be completed in the upcoming months.

1. DESCRIPTION OF BUSINESS AND OVERVIEW (CONTINUED)

F) CORPORATE MATTERS

Corporate matters – Share Capital transactions and financings

On September 27, 2016, the Company announced that it has closed a bought deal private placement. The Company issued a total of 26,162,500 common shares of the Company at a price of $1.10 per share for aggregate gross proceeds of $28,778,750. Insiders of the Company purchased an aggregate of 17,590,909 common shares in this private placement which represents 67% of the total private placement.

On September 13, 2016 and October 20, 2016, 366,667 and 40,000 options were exercised for total proceeds of $220,667 and $15,200 respectively. The weighted average share price at the date of the exercise was $1.14 and $1.37 per share respectively.

On October 26, 2016, the Board adopted a new stock option plan to replace its rolling stock option plan by a fixed number stock option plan. The TSX Venture Exchange has conditionally approved the New Stock Option Plan on November 3, 2016. The Company's previous stock option plan was adopted on September 11, 2012 and was last approved by the shareholders of the Company at its annual meeting on December 15, 2015. Under the new stock option plan, the Company is authorized to grant stock options for a maximum of 11,000,000 common shares, which is less than 10% of its issued and outstanding common shares. As of November 24, 2016, there is an aggregate of 7,413,333 options outstanding, which represents approximately 6.5% of the total number of issued and outstanding common shares of the Company.

Corporate matters – Participation in Group NanoXplore Inc.

On October 28, 2016, the Company purchase 55,463 Class A common shares of Group NanoXplore Inc. for gross proceeds of $1,000,000. After giving effect to the financing, the Company holds a 32% interest in NanoXplore.

(Expressed in Canadian dollars)

2. RESULTS OF OPERATIONS

For the three months period ended September 30, 2016 compared with the three months period ended September 30, 2015

The Company's loss totaled $3,592,832 for the three months period ended September 30, 2016. This compares with a loss of $1,152,835 for the three months period ended September 30, 2015 for an increase of $2,439,997. You will find the following significant variations:

Share-based compensation	($81,047)	The last significant amounts of options were granted in October 2014. These options are now almost all vested. No options have been granted during the current quarter.
Net FX loss or gain	($289,195)	Despite the fact that the average level of $US net debt ($US debt less cash held in $US) was higher this quarter than last year's corresponding quarter ($US 4,665,000 vs. $US 3,850,000), the net FX loss was lower in the current quarter compared to last year's corresponding quarter ($61,424 vs. $350,619). It is explained by the FX rate variation. During the current quarter, the FX rate increased by $0.01 (from ($US1.00:1.30 to $US1.00:$1.31 while during last year's corresponding quarter the FX rate increased by $0.09 (from $US1.00:1.25 to $US1.00:$1.34).
Share of loss of an associate	$86,700	NanoXplore spending has increased during the current quarter compared to last year's corresponding quarter in order to develop their business. Sales are still minimal as the company is in the development stage.
Finance costs	$2,701,488	Mainly explained by the embedded derivative due to valuation assumptions change (stock price of LLG increased significantly during the current quarter). During this current quarter, the Company recorded a loss of $2,659,439 on embedded derivative while during last year's corresponding quarter, it was a gain of $35,725
Others	$22,051	
Total	**$2,439,997**	

(Expressed in Canadian dollars)

3. SUMMARY OF QUARTERLY RESULTS

	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15
	Q1	Q4	Q3	Q2
	(Note 1)	(Note 2)	(Note 3)	
Loss for the period	$3,592,832	$1,296,317	$387,641	$1,106,673
Loss per share (basic and fully diluted)	$0.04	$0.01	$0.01	$0.01

	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14
	Q1	Q4	Q3	Q2
		(Note 4)		
Loss for the period	$1,152,835	$734,947	$1,162,409	$831,563
Loss per share (basic and fully diluted)	$0.01	$0.01	$0.01	$0.01

Note 1: The higher loss is mainly explained by the loss of $2,659,439 on the embedded derivative recorded during the quarter due to valuation assumptions change (stock price of LLG increased significantly during the quarter)

Note 2: The higher loss is mainly due to the embedded derivative due to valuation assumptions change (stock market (LLG) price increased significantly). During this quarter, the Company recorded a loss of $378,761

Note 3: The lower than usual loss is mainly due to a significant FX gain due to an increase of the Canadian dollar value during the current quarter and a general decline in most expenses.

Note 4: The lower than usual loss is mainly due to unusual items: gain on dilution of NanoXplore of $317,000 and a gain on embedded derivative of $295,000 partially offset by a deferred tax expenses of $507,000.

Each quarter has been prepared in accordance with IFRS as issued by the IASB. The Company has consistently applied the accounting policies used in the preparation of its interim IFRS financial statements. The Company's functional and presentation currency is the Canadian dollars.

4. CASH FLOW

	Three months ended Sept. 30	
Sources and uses of cash	**2016**	**2015**
	$	**$**
Cash used in operations prior to changes in working capital	(555,543)	(488,692)
Changes in non-cash working capital	170,282	237,283
Cash used in operations activites	(385,261)	(251,409)
Cash provided by financing activities	27,413,143	-
Cash used in investing activities	(283,339)	(366,596)
Effect of foreign exchange rate changes on cash and cash equivalents	-	54,018
Change in cash	**26,744,543**	**(563,987)**

4. CASH FLOW (CONTINUED)

Operating Activities

For the three months period ended September 30, 2016, cash used in operating activities increased by $66,851 before changes in non-cash working capital compared to the corresponding period of last year (from $488,692 in 2015 to $555,543 in 2016). There is no significant variation by expenditures categories between the periods.

For the three months period ended September 30, 2016 and 2015, non-cash working capital decreased by $170,282 and by $237,283 respectively. For the current quarter, the decrease is mainly explained by the increase of the accounts payable and accrued liabilities which is explained by the payment timing. For last year's corresponding quarter, the decrease is mainly explained by the sales taxes receivable. The taxable expenses incurred (feasibility and environmental studies expenses) during the quarter (Q1-2016) were significantly lower than the previous quarter (Q4-2015).

Financing Activities

For the three months period ended September 30, 2016, cash provided from financing activities was $27,413,143 compared to cash used of $nil for the corresponding period of last year. During this current quarter, the Company completed a private placement for gross proceeds of $27,778,750 and $1,586,274 fees have been paid for the private placement. Also, the Company received $220,667 for options exercised.

Investing Activities

For the three months period ended September 30, 2016, cash used in investing activities was $283,339 compared to $366,596 for the corresponding period of last year. During the current quarter, $340,277 was spent on the Lac Guéret project mainly for feasibility and environmental studies and $56,938 has been received as mining tax credit for the fiscal year 2014. During last year's corresponding quarter, $1,993,201 was spent on the Lac Guéret project mainly for feasibility and environmental studies and a short-term investments of $US 1,255,000 ($1,626,605) was cashed for the payment to Quinto (October 5, 2015).

(Expressed in Canadian dollars)

5. FINANCIAL POSITION

	Sept. 30, 2016	June 30, 2016
	$	$
Cash (Note 1)	28,091,546	1,347,003
Other current assets	283,760	363,391
Total current assets	**28,375,306**	**1,710,394**
Investment in associate	458,100	633,100
Exploration and evaluation assets (Note 2)	32,508,427	31,891,491
Total assets	**61,341,833**	**34,234,985**
Total liabilities (Note 3)	**16,357,299**	**12,916,090**
Equity	**44,984,534**	**21,318,895**

Note 1: Cash: the Company completed a private placement for gross proceeds of $27,778,750 on September 27, 2016.

Note 2: Exploration and evaluation assets: the Company continued to invest into the Lac Guéret project which explains the increase of $616,936 of the exploration and evaluation assets.

Note 3: Total liabilities: the increase of $3,441,209 is mainly explained by the debt increase due to accretion and FX rate increase for about $330,000 and the Company recorded a loss on embedded derivative of $2,659,439 due to valuation assumptions change on the convertible debenture (stock price of LLG increase significantly during the current quarter)

6. LIQUIDITY AND CAPITAL RESOURCES

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

As at September 30, 2016, the Company had a working capital of $21,249,154, had an accumulated deficit of $25,629,352 and incurred a loss of $3,592,832 for the period then ended. Working capital included cash of $28,091,546. The equity totaled $44,984,534.

As at September 30, 2016, Management believes that the Company has sufficient funds to meets its obligations and planned expenditures for the ensuing twelve months as they fall due. The Company's ability to continue its exploration and evaluation activities, the engineering, the procurement and the construction of the Lac Guéret project is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, a combination of strategic partnerships, joint venture arrangements, project debt finance, royalty financing and other capital market alternatives. Management will pursue such additional financial sources when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a detailed description of the financial instruments and risk management associated with the Company and its activities, please refer to the Note 17 *"Financial Instruments and Risk Management"* in the audited financial statements for the years ended June 30, 2016 and 2015 and Note 7 of the unaudited condensed interim financial statements for the three months period ended September 30, 2016 and 2015. The Company is not aware of any significant changes to financial instruments and risk management presented on those dates.

8. OFF-BALANCE SHEET ARRANGEMENTS

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

9. PROPOSED TRANSACTIONS

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

10. RELATED PARTY TRANSACTIONS

For a detailed description of all related party transactions, please refer to the Note 6 "Related party transactions" in the unaudited condensed interim financial statements for the three months period ended September 30, 2016 and 2015.

In addition to Note 6 of the unaudited condensed interim financial statements for the three months period ended September 30, 2016 and 2015, please find the following information:

- Scott Moore:
  - is the CEO of Copper One Inc;
  - is the COO of Forbes & Manhattan;
  - has a significant influence on 2227929 Ontario Inc.

- Benoit Gascon
  - is related to Gestion GBG
  - is the Chairman of the Board of Group NanoXplore Inc.

11. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

For a detailed description of the critical accounting judgments and estimates associated with the Company and its activities, please refer to the Note 3 *"Critical accounting judgments and estimates"* in the audited financial statements for the years ended June 30, 2016 and 2015. The Company was not required to make significant judgments, estimates and assumptions in areas other than those mentioned in the audited financial statements for the years ended June 30, 2016 and 2015.

12. NEW SIGNIFICANT ACCOUNTING POLICIES

No new significant accounting policies adopted during this quarter. For a detailed description of the new significant accounting policies, please refer to the Note 2 *"Summary of significant accounting policies"* in the audited financial statements for the years ended June 30, 2016 and 2015.

13. OUTSTANDING SHARE DATA

As at November 25, 2016, the Company has:

a) 113,682,327 common shares issued and outstanding;

b) 7,413,333 options outstanding with expiry dates ranging between April 23, 2018 and June 10, 2021 with exercise price from $0.38 to $0.68 (weighted average price: $0.58). If all the options were exercised, 7,413,333 shares would be issued for proceeds of $4,327,433;

d) $4,150,000 convertible debentures are convertible into common shares at a conversion price of $0.845 maturing June 11, 2019. If the convertible debentures were converted, 4,911,243 common shares would be issued;

14. RISKS AND UNCERTAINTIES

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

For a detailed description of the risk factors associated with the Company and its activities, please refer to the "Risks and Uncertainties" in the MD&A for the year ended June 30, 2016 and 2015. The Company is not aware of significant adverse change to the risk and uncertainties presented by that date.

15. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP

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

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

16. APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Audit Committee meets quarterly with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders. The Board of Directors has approved the unaudited condensed interim financial statements for the three months period ended September 30, 2016 and 2015 and the disclosure contained in this MD&A.