



MASON GRAPHITE INC.

**Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015**

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

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" or the "Company") for the three and nine months period ended March 31, 2016 and 2015 ("Financial statements"). This MD&A reports on our activities through May 26, 2016 unless otherwise indicated. The Company's Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures.

Qualified persons consent

Jean L'Heureux, Eng., M. Eng., Executive Vice-President, Process Development for Mason Graphite, 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

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

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.

Mason Graphite Inc. has continued out of the jurisdiction of the Business Corporations Act (Ontario) and into the jurisdiction of the Canadian Business Corporations Act, effective as of March 3, 2016. The Company was incorporated March 15, 2011 under the Business Corporations Act (Ontario). The Company's head office is located at 3030, Boul. Le Carrefour, Suite 600, Laval, QC, H7T 2P5, Canada.

On December 15, 2015, the Company's shareholder approved the continuance of the Company from the Business Corporations Act (Ontario) to the Canada Business Corporations Act.

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.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

B) FEASIBILITY RESULTS

On November 9, 2015 (amended on February 29, 2016), the Company reported that it has completed and filed the technical report entitled "NI 43-101 Technical Report: Resources Update and Feasibility Study, Lac Guéret Graphite Project, Québec, Canada" which has been prepared pursuant to Canadian Securities Administrators' National Instrument 43-101 in support of the September 25th, 2015 news release which detailed the results of a Feasibility Study for the Company's Lac Guéret Project in northeastern Québec

The feasibility Study was prepared in partnership with several Quebec-based engineering firms:

- GoldMinds Geoservices, for the Mineral Resources Estimate;
- Met-Chem Canada Inc., for the mining and Mineral Reserves Estimate;
- Soutex, for the process development; and
- Gesmine Inc., for the economic part, based on Engineering by Hatch.

Project Summary

Location

The Lac Guéret deposit is located some 285 km north of Baie-Comeau, the location chosen for the concentrator plant which will be located in the Jean-Noel-Tessier industrial park. The land is governed by a Memorandum of Understanding ratified with Baie-Comeau Development Company (la Société d'expansion de Baie-Comeau) and the City of Baie-Comeau, which will provide Mason Graphite, among other benefits, a decreasing property tax credit over 5 years and a commitment of the City to conduct the work necessary to allow the plant to connect to the City's infrastructures.

Mine & Concentrator

The Feasibility Study considers an open pit mining operation using a 100% owner-operated fleet which has been selected to deliver an average of 190,000 tonnes of ore per year (around 520 tonnes per day) of mill feed that will be crushed on site and then transported on an existing road to Baie-Comeau for processing. The concentrator will produce an average of 51,900 tonnes per year of finished products (142 tonnes per day).

For the 25-year life of the project, the ore mined is projected to yield an average grade of 27.8% Cg. At the concentrator, the ore will go through a process involving grinding, flotation, dewatering, drying and commercial sieving. The concentrator has been designed for the standard purity of 96% Cg for the coarse products and will be capable of reaching purities of up to 97.5% Cg for the same sizes (as demonstrated in the pilot plant). The final products will be bagged and shipped by road to North American markets or shipped overseas in containers.

The project will see the creation of approximately 100 jobs with the following distribution:

- 10 at the Lac Guéret site;
- 60 at the Baie-Comeau site (concentrator and administration); and
- 30 for the ore transportation.

Health & Safety and Environment

Health & safety as well as environmental protection were fundamental for the project and were fully integrated in the facilities and operations designs. Best available technology and engineering concepts were used while the footprints for both the mining and concentrator sites were minimized.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

B) FEASIBILITY RESULTS (continued)

Feasibility Study Results Highlights	Pre-Tax	Post-Tax
NPV at 8% Discount Rate	\$ 600 M	\$ 352 M
Internal Rate of Return (IRR)	44.1%	34.3%
Payback Period	2.3 years	2.6 years
Average annual graphite concentrate production	51,900 tonnes	
Average production costs of graphite concentrate	\$ 376 / tonne	
Weighted average selling price ⁽¹⁾ (in USD \$1,465 ⁽²⁾)	\$ 1,905 / tonne	
Direct CAPEX	\$ 115.6 M	
Indirect CAPEX	31.3 M	
Contingency (9.8%)	14.4 M	
Mason Graphite's Costs	4.6 M	
Total CAPEX	\$ 165.9 M	
Projected construction period	13 to 16 months	

Unless otherwise noted, all monetary figures presented herein are expressed in Canadian dollars.

- (1) FCA Baie-Comeau: Free Carrier Incoterms – Seller is responsible for delivery to the custody of buyer's carrier.
- (2) Foreign exchange rate \$ 0.77 USD = \$ 1.00 CAD.

Operational Highlights
Project life of 25 years
Mineral reserves of 4.7 million tonnes of ore processed at average project life grade of 27.8% Cg ⁽³⁾
Process designed for standard purity of 96% Cg in coarse products, capable of reaching up to 97.5% Cg in the same size fractions
Waste-to-Ore stripping ratio of 0.8:1

(3) The Mineral Reserves are included in the 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 15, 2014. The reference point for the Mineral Reserves Estimate included in the table above is the mill feed. Mineral Resources are not Mineral Reserves and do not have a demonstrated economic viability.

The management team has been deeply involved in every aspect of this study, working with all the partners from 25 different firms. These results give the Company, in a very detailed way, what is needed to successfully build and operate the project. All components have been derived using measured and calculated, not factored, values.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

B) FEASIBILITY RESULTS (continued)

The mining, the concentration process, the infrastructures and the operations were developed from the results of multiple studies, including metallurgical testing, piloting, equipment testing at manufacturers' facilities and trade-off studies. This has resulted in an improved and more flexible process, better suited for the range of ore types found in the deposit.

When compared with the results of the Company's Preliminary Economic Assessment ("PEA"), the following can be highlighted:

- The life of the project has been increased to 25 years from 22 years as reported in the PEA;
- The location of the concentrator has been moved to Baie-Comeau, which significantly reduces the size and CAPEX requirements for the camp at Lac Guéret;
- An additional polishing and flotation line has been added in the concentrator;
- An additional building at the concentrator site has been added for shipments preparation and warehousing;
- The OPEX has been reduced by 12% (at comparable scope, now with Incoterms delivery basis of FCA Baie-Comeau as opposed to FCA Lac Guéret); and
- The greenhouse gas emissions have been reduced through the use of hydroelectric power, making the operations greener and even more environmentally friendly.

The new location of the concentrator in Baie-Comeau also provides additional advantages such as improved access to skilled labour and its retention, considering workers will be able to enjoy a better quality of life and return home after work, and better access to service providers.

On a USD basis, the selling price assumed in the Feasibility Study is lower than the selling price assumed for the purposes of the PEA and is based on the 60-month weighted average graphite prices published by Industrial Minerals magazine for the 60-month period ending in July 2015 (this period is deemed representative as it includes a peak and a downturn in prices). To calculate the FCA Baie-Comeau weighted average sales price, Mason Graphite integrated the exchange rate, the transportation costs and the size distribution of the finished products. Furthermore, a pricing premium was applied on some sales for those markets with more stringent requirements.

The exchange rate and sales prices used for the feasibility study reflect the current market dynamics. Several sources forecast sales prices that, if they materialize, would have a positive impact on the project's economics.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
 For the three and nine months period ended March 31, 2016 and 2015
 (Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

B) FEASIBILITY RESULTS (continued)

Capital & operating Costs

Capital Costs Breakdown	
Mining and Crushing	\$ 14,460,640
Concentrator - Wet Process	39,528,462
Concentrator - Drying, Sieving and Packaging	19,818,604
Concentrator - Control, Services and Utilities	17,260,405
Tailings and Water Management	10,439,112
Building and Office Complex	14,072,326
Total Direct Costs	115,579,549
Indirect costs:	
Engineering, Procurement, Construction and Management	18,196,126
Construction – Temporary Facilities and Operations	7,263,503
Commissioning	1,600,675
Others	4,238,301
Total Indirect Costs	31,298,605
Contingency (9.8%)	14,394,059
Mason Graphite's Costs	4,621,545
Grand Total	\$ 165,893,758

A thorough risk analysis on the different components of the CAPEX (Direct and Indirect) was conducted and yielded a 9.8% contingency for an 80% confidence factor to meet the overall construction costs.

Cash Operating Costs Breakdown <i>(per tonne of finished product)</i>	
Mining and Crushing	\$ 33
Ore Transportation	128
Processing	176
General and Administration	39
Total	\$ 376

Operating Costs Breakdown <i>(for the Project Life of 25 years)</i>	Annual Average	Average <i>(per tonne of finished products)</i>
Labour	\$ 5,205,521	\$ 100
Energy	2,195,178	43
Supplies and Consumables	4,617,813	89
Ore Transportation	6,636,760	128
Fees and Services	833,573	16
Total	\$ 19,488,845	\$ 376
Projected Revenues from Sales	\$ 98,816,605	\$ 1,905

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

B) FEASIBILITY RESULTS (continued)

Sensitivity Analyses

Discount Rate	Net Present Value (NPV)	
	Before Tax	After Tax
6%	\$ 767 M	\$ 455 M
8%	\$ 600 M	\$ 352 M
10%	\$ 477 M	\$ 276 M

Sales Price	Net Present Value (NPV @ 8%)	
	Before Tax	After Tax
+ 5%	\$ 649 M	\$ 381 M
+ 10%	\$ 698 M	\$ 409 M
+ 15%	\$ 747 M	\$ 437 M

On February 29, 2016, the Company filed an updated technical report entitled "NI 43-101 Technical Report: Resources Update and Feasibility Study, Lac Guéret Graphite Project, Québec, Canada" which has been prepared pursuant to Canadian Securities Administrator' National Instrument 43-101; this updated version replaces the technical report filed by the Company on November 9th 2015.

Sections 1.9 and 15.3.6 have been modified to reflect the revised classification of the incremental tonnages contained within the pit design beyond the initial 25 year mine life of the Lac Guéret Graphite Project as "In-Pit Mineral Resources beyond Project Life of 25 years" instead of Mineral Reserves. These "In-Pit" Mineral Resources are identical in quality and metallurgical response to the Mineral Reserves included in the optimal pit design for the Project in that their economic viability has been evaluated, but they have not been included in the economic analysis presented in the Feasibility Study and therefore cannot be classified as Mineral Reserves. However, no further drilling will be necessary to conduct the economic evaluation required to eventually classify In-Pit Mineral Resources as Mineral Reserves. Moreover, the overall In-Situ graphite tonnage, the tonnage and grade of the Mineral Resources, the economic analysis included in the Feasibility Study (including the IRR, the NPV and the other Feasibility Study Results Highlights included in the Press Release dated September 25, 2015) and the effective date of the technical report all remain unchanged.

The updated Mineral Reserves, the In-Pit Mineral Resources beyond the Project Life of 25 years and the Mineral Reserves as presented in the original technical report dated November 9, 2015 are presented below (*totals may not add-up due to rounding*).

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

B) FEASIBILITY RESULTS (continued)

Mineral Reserves: Project Life – 1st 25 years

Ore Category	Tonnes	Grade (% Cg)	Graphite In-situ (t)
Proven	2,003,000	25.05	502,000
Probable	2,738,000	29.77	815,000
Proven & Probable	4,741,000	27.77	1,317,000

6% cut-off grade

In-Pit Mineral Resources Beyond Project Life of 25 years

Ore Category	Tonnes	Grade (% Cg)	Graphite In-situ (t)
Measured	16,929,000	16.98	2,874,000
Indicated	41,205,000	16.03	6,603,000
Measured & Indicated	58,134,000	16.30	9,478,000

6% cut-off grade

Mineral Reserves Before Update (Technical Report dated November 9th, 2015)

Ore Category	Tonnes	Grade (% Cg)	Graphite In-situ (t)
Proven	18,933,000	17.85	3,379,000
Probable	43,942,000	16.89	7,422,000
Proven & Probable	62,875,000	17.18	10,801,000

6% cut-off grade

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

B) FEASIBILITY RESULTS (continued)

Mineral Resources Estimates (unchanged)

Mineral Resources in Whittle 40 (price \$1,285)	Grade (% Cg)	Tonnes
Measured 5% < Cg < 25%	15.16	15,730,000
Measured Cg > 25% Cg	30.58	3,375,000
Total Measured	17.88	19,105,000
Indicated 5% < Cg < 25%	14.59	40,257,000
Indicated Cg > 25%	31.58	6,332,000
Total Indicated	16.90	46,589,000
Measured & Indicated 5% < Cg < 25%	14.75	55,986,000
Measured & Indicated Cg > 25% Cg	31.23	9,707,000
Total Measured & Indicated	17.19	65,693,000
Inferred 5% < Cg < 25%	14.90	15,201,000
Inferred Cg > 25%	31.75	2,450,000
Total Inferred	17.24	17,651,000

5% cut-off grade

In addition to the above noted changes, a new section entitled "Risks Specific to the Project" has been added, which summarizes the risks factors disclosed in the various sections of the technical report and provides an overview of the risk factors associated with the project.

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 I (benchmarking of graphite batteries grade) of this study has been completed in December 2015. The Phase II (material design and performance testing), started in May 2016, is being completed in partnership with the National Research Council, 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 nine months period, the Company incurred \$15,495 of expenditures on this study.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

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 which 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.

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 2016.

F) CORPORATE MATTERS

Corporate matters – Share Capital transactions and financings

On October 5, 2015, the Company proceeded with the reimbursement of \$US 1,250,000 of its long-term debt as scheduled in the Asset Purchase Agreement with Quinto Mining Corporation ("Quinto") entered into, in April 2012, for the acquisition of the Lac Guéret property.

On October 29, 2015, 4,986,253 common shares of the Company were released from escrow. It was the last release of the escrow release condition.

On April 26, 2016, 139,550 warrants were exercised for total proceeds of \$118,618. The weighted average share price at the date of the exercise was \$0.85 per share.

On April 28, 2016, 9,768,149 warrants expired.

Corporate matters – Board of director

On December 15, 2015, Guy Chamard was appointed as an independent director of the Company. Guy Chamard is the nominee of Ressources Québec, a subsidiary of Investissement Québec, appointed pursuant to its nomination rights granted by the Company on closing of the Company's bought deal private placement financing closed on April 28th 2014.

On February 16, 2016, Tayfun Eldem resigned from his position of Chairman of the Board of the Company. Tyrone Docherty was appointed Chairman. He was previously the Vice chairman.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

2. RESULTS OF OPERATIONS

For the three months period ended March 31, 2016 compared with the three months period ended March 31, 2015

The Company's loss totaled \$387,641 for the three months period ended March 31, 2016. This compares with a loss of \$1,162,409 for the three months period ended March 31, 2015 for a decrease of \$774,768. You will find the following significant variations:

Share-based compensation	\$163,399	Options granted in 2013 and 2014 are now almost all vested. No options have been issued during the current quarter and current nine months period.
Net FX loss or gain	\$725,902	Given that the debt is labeled in \$US, during the current quarter, the FX rate decreased by \$0.08 (from (\$US1.00:1.38 to \$US1.00:\$1.30) which has created a FX gain while during last year's quarter the FX rate increased by \$0.11 (from \$US1.00:1.16 to \$US1.00:\$1.27) which has created a FX loss. During last year's quarter, the Company had \$US2,500,000 in cash while \$nil during this current quarter which has reduced the FX loss of last year's quarter.
Share of loss of an associate	(\$57,100)	NanoXplore spending has increased during the current quarter compared to last year's quarter in order to develop their business. Sales are still in the development stage.
Finance costs	(\$103,929)	Mainly explained by the embedded derivative due to assumptions change. During this current quarter, the Company recorded a loss of \$21,922 on embedded derivative while during last year's quarter, it was a gain of \$75,965
Others	\$46,496	
Total	\$774,768	

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
 For the three and nine months period ended March 31, 2016 and 2015
 (Expressed in Canadian dollars)

2. RESULTS OF OPERATIONS (continued)

For the nine months period ended March 31, 2016 compared with the nine months period ended March 31, 2015

The Company's loss totaled \$2,647,149 for the nine months period ended March 31, 2016. This compares with a loss of \$2,918,369 for the nine months period ended March 31, 2015 for a decrease of \$271,220. You will find the following significant variations:

Share-based compensation	\$575,256	Options granted in 2013 and 2014 are now almost all vested. No options were issued during the current nine months period while during the last year's nine months period 1,760,000 options have been granted.
Other income	(\$92,544)	This is coming from the flow through shares premium liability amortization. Canadian exploration expense were incurred and renounced during last year's period while \$nil during the current period;
Net FX loss	\$470,647	Given that the debt is labeled in \$US and for both periods, the FX rate increased, there was a FX loss for both periods. The current period loss was lower than last year's period, because the FX increased by \$0.05 (\$US1.00:1.25 to \$US1.00:\$1.30) while last year the FX increased by \$0.20. (\$US1.00:1.07 to \$US1.00:\$1.27) Also, during last year's period, the Company had \$US2,500,000 in cash (weighted average) while \$US417,000 during this current period.
Share of loss of an associate	(\$83,700)	NanoXplore spending has increased during the current period compared to last year's period in order to develop their business. Sales are still in the development stage.
Gain on dilution of associate	(\$424,000)	A gain on dilution of NanoXplore was recorded during last year's period when NanoXplore completed a financing in December 2014.
Finance costs	(\$184,850)	Mainly explained by the embedded derivative due to assumptions change. During this current period, the Company recorded a loss of \$13,276 on embedded derivative while during last year's period, it was a gain of \$154,565
Others	\$10,414	
Total	\$271,223	

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

3. SUMMARY OF QUARTERLY RESULTS

	31-Mar-16	31-Dec-15	30-Sep-15	30-Jun-15
	Q3	Q2	Q1	Q4
	(Note 1)			(Note 2)
Loss for the period	\$387,641	\$1,106,673	\$1,152,835	\$734,947
Loss per share (basic and fully diluted)	\$0.01	\$0.01	\$0.01	\$0.01

	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14
	Q3	Q2	Q1	Q4
				(Note 3)
Loss for the period	\$1,162,409	\$831,563	\$924,397	\$2,265,342
Loss per share (basic and fully diluted)	\$0.01	\$0.01	\$0.01	\$0.01

Note 1: 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 2: 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.

Note 3: The higher than usual loss is mainly due to a deferred tax expense of \$1,260,000 recorded during that quarter

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

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

4. CASH FLOW

<u>Sources and uses of cash</u>	<u>Three months</u>		<u>Nine months</u>	
	<u>ended March 31</u>		<u>ended March 31</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$
Cash used in operations prior to				
changes in working capital	(506,173)	(561,669)	(1,506,758)	(1,504,491)
Changes in non-cash working capital	194,274	291,420	564,903	(490,131)
Cash used in operations activities	(311,899)	(270,249)	(941,855)	(1,994,622)
Cash provided by financing activities	19,000	-	(1,632,750)	(1,123)
Cash used in investing activities	(236,892)	(1,720,530)	(1,000,011)	(2,891,402)
Effect of foreign exchange rate changes				
on cash and cash equivalents	-	270,500	31,518	504,750
Change in cash	(529,791)	(1,720,279)	(3,543,098)	(4,382,397)

Operating Activities

For the three months period ended March 31, 2016, cash used in operating activities decreased by \$55,496 before changes in non-cash working capital compared to the same period of last year (from \$561,669 in 2015 to \$506,173 in 2016). The decrease is explained by a general decline in most expenses.

For the three months period ended March 31, 2016 and 2015, non-cash working capital decreased by \$194,274 and by \$291,420 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 the last year's quarter, more sales taxes receivable were refund during the quarter and there was a variation in the timing of payments of accounts payable and accrued liabilities.

For the nine months period ended March 31, 2016, cash used in operating activities increased by \$2,267 before changes in non-cash working capital compared to the same period of last year (from \$1,504,491 in 2015 to \$1,506,758 in 2016). The general decline in most expenses was offset by an increase of the royalties and a decrease of the interest revenues.

For the nine months period ended March 31, 2016 and 2015, non-cash working capital decreased by \$564,903 and increased by \$490,131 respectively. For the current period, the decrease is mainly explained by the decrease of the sales taxes receivable, because the taxable expenses incurred (feasibility and environmental studies expenses) during the current period were lower than the previous period and the increase of the accounts payable and accrued liabilities which is explained by the payment timing. For last year's period, the increase is mainly explained by the decrease of the payable: payment of the previous year incentives.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

4. CASH FLOW (continued)

Financing Activities

For the three months period ended March 31, 2016, cash provided from financing activities was \$19,000 compared to cash used of \$nil for the same periods of last year. During this current, \$19,000 of options have been exercised.

For the nine months period ended March 31, 2016, cash used from financing activities was \$1,632,750 compared to cash used of \$1,123 for the same period of last year. During this current period, a payment of \$US 1,250,000 (\$1 651 750) was completed to Quinto and \$19,000 of options have been exercised.

Investing Activities

For the three months period ended March 31, 2016, cash used in investing activities was \$236,892 compared to \$1,720,530 for the same period of last year. During the current quarter, \$236,892 was spent on the Lac Guéret project mainly for feasibility studies and environmental studies. During last year's quarter, \$1,806,456 was spent on the Lac Guéret project and \$85,926 was received as mining tax credit.

For the nine months period ended March 31, 2016, cash used in investing activities was \$1,000,011 compared to \$2,891,402 for the same period of last year. During the current period, \$2,635,616 was spent on the Lac Guéret project mainly for feasibility studies and environmental studies and a short-term investments of \$US 1,255,000 (\$1,626,605) was cashed for the next payment to Quinto (October 5, 2015). During last year's corresponding quarter, \$3,631,539 was spent on the Lac Guéret project and the Company received an amount of \$740,137 from Revenu Québec as a tax credit related to resources and as a mining tax credit.

5. FINANCIAL POSITION

	<u>Mar. 31,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
	\$	\$
Cash	2,111,943	5,655,041
Other current assets (Note 1)	269,413	2,202,129
Total current assets	2,381,356	7,857,170
Investment in associate	842,200	1,093,100
Exploration and evaluation assets (Note 2)	31,186,460	29,163,440
Total assets	34,410,016	38,113,710
Total liabilities (Note 3)	12,223,030	13,604,113
Equity	22,523,044	24,509,597

Note 1: Other current assets: the decrease of \$1,932,716 is mainly explained by the maturity of a term deposit of \$US 1,255,000 (\$1,626,905) and the decrease of the sales tax receivable.

Note 2: Exploration and evaluation assets: the Company continued to invest into the Lac Guéret project which explains the increase of \$2,023,020 of the exploration and evaluation assets.

Note 3: Total liabilities: the decrease of \$1,381,083 is mainly explained by the decrease of the accounts payable and accrued liabilities of \$1,247,660 (mainly E&E expenditures) and the payment of \$US1,250,000 (\$1,651,750) to Quinto partially offset by the LTD increase due to accretion and FX increase for about \$1,080,000 (FX rate increased from \$US1.00:\$CA1.25 to \$US1.00:\$CA1.30) and the Company recorded a deferred income tax expenses of \$220,000.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

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 principal sources of funding have been the issuance of equity securities for cash, debt, funds from the government of Quebec with respect to tax credit related to resource and mining tax credit based on eligible exploration expenditures and funds obtained from warrants and options exercised.

As at March 31, 2016, the Company had a working capital deficiency of \$1,236,320, had an accumulated deficit of \$20,740,203 and incurred a loss of \$2,647,149 for the nine months period then ended. Working capital included cash of \$2,111,943.

As at March 31, 2016, Management estimates that these funds will not be sufficient to meet the Company's obligation and planned expenses through the next year. Any funding shortfall may be met in the future in a number of ways, including but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. 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 on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these unaudited condensed interim financial statements.

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 19 "*Financial Instruments and Risk Management*" in the audited financial statements for the years ended June 30, 2015 and 2014 and Note 7 of the unaudited condensed interim financial statements for the three and nine months period ended March 31, 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.

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

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 and nine months period ended March 31, 2016 and 2015.

In addition to the Note 6 of the unaudited condensed interim financial statements for the three and nine months period ended March 31, 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 the brother of Normand Gascon which is a partner of Lacroix Gascon, s.e.n.c.;
 - 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, 2015 and 2014. 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, 2015 and 2014

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, 2015 and 2014.

13. OUTSTANDING SHARE DATA

As at May 26, 2016, the Company has:

- a) 86,727,340 common shares issued and outstanding;
- b) 2,075,000 warrants outstanding with an expiry date of June 11, 2016, with exercise price of \$0.91. If all the warrants were exercised, 2,075,000 shares would be issued for proceeds of \$1,888,250;
- c) 7,920,000 options outstanding with expiry dates ranging between April 23, 2018 and October 24, 2019 with exercise price from \$0.38 to \$0.61 (weighted average price: \$0.58). If all the options were exercised, 7,920,000 shares would be issued for proceeds of \$4,615,300;
- 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 would be issued;

MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and nine months period ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

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, 2015 and 2014. 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 inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis.

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 and nine months period ended March 31, 2016 and 2015 and the disclosure contained in this MD&A.