



MASON GRAPHITE INC.

**Management's Discussion and Analysis
For the years ended June 30, 2016 and 2015**

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

The following Management's discussion and analysis ("MD&A") relates to the audited financial statements of Mason Graphite Inc. ("we", "our", "us", "Mason Graphite", "Mason" or the "Company") for the years ended June 30, 2016 and 2015 ("Financial statements"). This MD&A reports on our activities through October 20, 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.

Management's discussion and analysis

For the years ended June 30, 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 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.

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.

Management's discussion and analysis

For the years ended June 30, 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 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 first 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 direct 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.

Management's discussion and analysis

For the years ended June 30, 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.

Management's discussion and analysis

For the years ended June 30, 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.

Management's discussion and analysis

For the years ended June 30, 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.

Management's discussion and analysis

For the years ended June 30, 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.

Management's discussion and analysis

For the years ended June 30, 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 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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

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 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 current year, the Company incurred \$30,552 of expenditures on this study. The Phase II should last about 2 years and the budget allowed to the project is more than \$1,000,000.

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 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 and expecting to receive the "*Avis de Recevabilité*" for the MDDELCC by the end of calendar 2016.

During June 2016, the Company held several public meetings in Baie-Comeau and Pessamit as well as focused group's information meetings and the feedback received was excellent on our Project's social acceptance.

E) ENGINEERING, PROCUREMENT, CONSTRUCTION AND MANAGEMENT (EPCM) AND MINE CONSTRUCTION

With the recent financing completed in September 2016 (see section G – Corporate matters), the Company will undertake the detailed engineering of the Lac Guéret project. The engineering work will be 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.

F) 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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

G) CORPORATE MATTERS

Corporate matters – Share Capital transactions and financings

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 September 13, 2016, 366,667 options were exercised for total proceeds of \$220,667. The weighted average share price at the date of the exercise was \$1.14 per share.

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.

Corporate matters – Board of directors

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.

Corporate matters – Participation in Group NanoXplore Inc.

On October 11, 2016, the Company has committed, under certain conditions, to purchase 55,463 class A common share of NanoXplore for a consideration of \$1,000,000. The closing of the transaction should be completed on October 31, 2016 or such other date as the parties may agree. After given effect to this financing, the Company held an interest of approximatively of 32% (previously at 31%)

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

2. SELECTED ANNUAL FINANCIAL INFORMATION

The following selected financial data are derived from the Financial Statements of the Company for the following periods:

	For the years ended, June 30,		
	2016	2015	2014
	\$	\$	\$
Revenues	-	-	-
Loss and comprehensive loss	3,943,466	3,653,316	5,307,840
Loss per share (basic and fully diluted)	0.05	0.04	0.08
Total assets	34,234,985	38,113,710	38,865,933
Non-current financial liabilities	4,139,818	8,206,367	7,046,771

The Company has not, since the date of its incorporation, declared or paid dividends on its common shares. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The Company's functional and presentation currency is the Canadian dollars. The Company's Financial Statements have 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 IFRS financial statements, including the comparative figures.

Significant variation explanations of the selected annual financial information are as follows for the years 2016 and 2015:

- Loss and comprehensive loss: see below section 3) Results of operations;
- Total assets: the total assets decreased by \$3,878,725. The decrease is mainly coming from the decrease of the cash. The Company has no income and the Company spent \$3,102,256 on the Lac Guéret project (Exploration and evaluation assets), the total assets decreased because cash was spent on general corporate expenses and on Quinto debt reimbursement (\$US1,250,000 (\$1,651,750));
- Non-current liabilities: the decrease of \$3,756,549 is mainly explained by the following:
 - The Quinto debt is now presented in the current liabilities (\$4,734,154);
 - Partially offset by the convertible debenture increase (\$667,605) a loss has been recorded on the embedded derivative due to assumptions change (\$392,037) and the convertible debenture accretion (\$275,568)

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

2. SELECTED ANNUAL FINANCIAL INFORMATION (continued)

Variation explanations of the selected annual financial information are as follows for the years 2015 and 2014:

- Loss and comprehensive loss: The Company's loss totaled \$3,653,316 for year ended June 30, 2015. This compares with a loss of \$5,307,840 for year ended June 30, 2014 for a decrease of \$1,654,524. You will find the following significant variations:

Salaries & consulting fees	\$439,000	Decline in the number of consultants employed by the Company.
Salaries & consulting fees	\$376,000	No incentive compensation for the current year 2015.
General office expenses	\$180,000	Given the new agreement for less service used at the Company Toronto's office.
General office expenses	\$46,000	The move of the Company's headquarters to less expensive office premises.
Share-based compensation	\$274,000	Most of the options were granted in 2013 and they are almost completely vested (vesting period is 2 years).
Communication and promotion expenses	\$375,000	The visibility campaign was initiated in October 2013 and terminated in December 2014. Most of the expenses incurred during the first month of the campaign.
Other income	(\$224,000)	This is coming from the flow through shares premium liability amortization. More Canadian exploration expense renounced incurred during the 2014 period.
Net FX loss	(\$492,000)	Given that the debt is labeled in \$US and the FX rate increased from \$US1.00:\$CA1.07 to \$US1.00:\$CA1.25 there has been a loss on FX while during last year period FX rate increased from \$US1.00:\$CA1.05 to \$US1.00:\$CA1.07. Also, the current FX loss was reduced, because we had a \$US 2,168,000 weighted average cash or short-term investments during the current period.
Share of loss in an associate	(\$250,000)	During the current period, we shared 12 months of loss compared to 5 months of loss last year since the initial investment was completed in February 2014.
Gain on dilution of an associate	\$741,000	During the current period, 2 tranches of private placement were completed by NanoXplore. After given effect to both tranches, the Company held an interest of 31% (previously 40%) and recorded a gain on dilution on the deemed disposal of its ownership interest (\$nil in 2014).
Finance costs	(\$251,000)	The convertible debentures were issued in June 2014. The coupon interest and the convertible debenture accretion totaled \$749,000 for the 2015 period (\$39,000 in 2014). A gain on the embedded derivative of \$450,000 (2014: a loss of \$9,000) reduced the total finance cost.
Deferred income tax expenses	\$520,000	The Company recorded a deferred income tax expense of \$740,000 (2014: \$1,260,000) with respect to Quebec mining duties.
Others	(\$79,476)	
Total	\$1,654,524	

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

2. **SELECTED ANNUAL FINANCIAL INFORMATION (continued)**

- Non-current financial liabilities: the total increase of \$1,160,000 is mainly explained by the long-term debt given it is labelled in \$US and its accretion. The FX rate increased from \$US1.00:\$CA1.07 to \$US1.00:\$CA1.25.

3. **RESULTS OF OPERATIONS**

Year ended June 30, 2016 compared with year ended June 30, 2015

The Company's loss totaled \$3,943,466 for the year ended June 30, 2016 compared with a loss of \$3,653,316 for the corresponding last year period for an increase of \$290,150. You will find the following significant variations:

Share-based compensation	(\$660,571)	Options granted in 2013 and 2014 are now almost all vested. 100,000 options have been granted during the current year while during last year 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 have been incurred and renounced during last year while \$nil during the current year.
Net FX loss	(\$394,660)	Given that the debt is labeled in \$US and for both years, the FX rate increased (\$CA vs \$US), there was a FX loss for both years. The current year loss was lower than last year, because the FX rate increased by \$0.05 (\$US1.00:1.25 to \$US1.00:\$1.30) while last year the FX increased by \$0.18. (\$US1.00:1.07 to \$US1.00:\$1.25. The FX loss on the \$US denominated debt was partially offset by the cash held in \$US. During last year, the Company had \$US 2,168,000 in cash (weighted average) while \$US 313,750 during this current year. Without the US\$ cash, the variation would have been higher.
Share of loss of an associate	\$161,200	NanoXplore spending has increased during the current year compared to last year in order to develop their business. Sales are still minimal as the company is in the development stage.
Gain on dilution of associate	\$741,200	A gain on dilution of NanoXplore was recorded during last year when NanoXplore completed a financing in December 2014 of which the Company did not participate.
Finance costs	\$866,558	Mainly explained by the increase of the embedded derivative due to assumptions change (stock market (LLG) price increase significantly). During this current year, the Company recorded a loss of \$392,037 on embedded derivative while during last year, it was a gain of \$450,253.
Finance income	\$87,759	Interest income was lower than last year due to a lower level of cash this year compared to last year.
Deferred income tax expenses	(\$430,000)	During the current year, the Company recorded a deferred income tax expenses of \$310,000 while \$740,000 during last year with respect to Quebec mining duties. Less Canadian exploration expenses incurred during the current year vs. last year.
Others	(\$173,880)	Most of general expenses were lower this year compared to last year
Total	\$290,150	

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

4. SUMMARY OF QUARTERLY RESULTS

	30-Jun-16	31-Mar-16	31-Dec-15	30-Sep-15
	Q4	Q3	Q2	Q1
	(Note 1)	(Note 2)		
Loss for the period	\$1,296,317	\$387,641	\$1,106,673	\$1,152,835
Loss per share (basic and fully diluted)	\$0.01	\$0.01	\$0.01	\$0.01

	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14
	Q4	Q3	Q2	Q1
	(Note 3)			
Loss for the period	\$734,947	\$1,162,409	\$831,563	\$924,397
Loss per share (basic and fully diluted)	\$0.01	\$0.01	\$0.01	\$0.01

Note 1: The higher loss is mainly due to the embedded derivative due to assumptions change (stock market (LLG) price increase significantly). During this quarter, the Company recorded a loss of \$378,761

Note 2: 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 3: 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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

4. SUMMARY OF QUARTERLY RESULTS (continued)

Three months period ended June 30, 2016 compared with three months period ended June 30, 2015

The Company's loss totaled \$1,296,317 for the three months ended June 30, 2016. This compares with a loss of \$734,947 for the three months ended June 30, 2015 for an increase of \$561,370. You will find the following significant variations:

Share-based compensation	(\$85,315)	Options granted in 2013 and 2014 are now almost all vested. 100,000 options have been granted during the current quarter compared to 1,760,000 options granted during last year's.
Net FX loss	\$75,987	Given that the debt is labeled in \$US, the FX rate increased (\$CA vs. \$US) by \$0.01 during the current quarter and the FX rate decreased by \$0.02 during last year's quarter, a FX net loss of \$19,015 was recorded during the current quarter and a FX net gain of \$56,972 was recorded during last year's quarter. The FX gain on the debt of last year quarter was partially offset by the cash held in \$US. During last year's quarter, the Company had \$US 1,250,000 in cash (weighted average) while \$US nil during this current quarter.
Share of loss of an associate	\$77,500	NanoXplore spending has increased during the current quarter compared to last year's quarter in order to develop their business. Sales are still minimal as the company is in the development stage.
Gain on dilution of associate	\$317,200	A gain on dilution of NanoXplore was recorded during last year's quarter when NanoXplore completed a financing in December 2014 (2 nd tranche in June 2015) on which the Company did not participate.
Finance costs	\$681,708	Mainly explained by the embedded derivative due to assumptions change (stock market (LLG) price increase significantly). During this current quarter, the Company recorded a loss of \$378,761 on embedded derivative while during last year's quarter, it was a gain of \$295,688
Deferred income tax expenses	(\$417,000)	The Company recorded deferred income tax expenses of \$90,000 during the current quarter with respect to Quebec mining duties while during the last year's quarter, the Company recorded deferred income tax expenses of \$507,000 with respect to Quebec mining duties. More Canadian exploration expenses incurred last year.
Others	(\$88,710)	Most of general expenses were lower this quarter compared to last year's quarter.
Total	\$561,370	

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

5. CASH FLOW

<u>Sources and uses of cash</u>	<u>Three months</u>		<u>Years</u>	
	<u>ended June 30</u>		<u>ended June 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	\$	\$	\$	\$
Cash used in operations prior to changes in working capital	(325,684)	(481,948)	(1,832,442)	(1,986,439)
Changes in non-cash working capital	(179,716)	(247,500)	385,187	(737,631)
Cash used in operations activities	(505,400)	(729,448)	(1,447,255)	(2,724,070)
Cash provided by financing activities	238,618	(1,574,247)	(1,394,132)	(1,575,370)
Cash used in investing activities	(466,640)	(1,564,259)	(1,466,651)	(4,455,661)
Effect of foreign exchange rate changes on cash and cash equivalents	(31,518)	(504,750)	-	-
Change in cash	(764,940)	(4,372,704)	(4,308,038)	(8,755,101)

Operating Activities

For the three months period ended June 30, 2016, cash used in operating activities decreased by \$156,264 before changes in non-cash working capital compared to the same period of last year (from \$481,948 in 2015 to \$325,684 in 2016). The decrease is explained by a general decline in most expenses.

For the three months period ended June 30, 2016 and 2015, non-cash working capital increased by \$179,716 and by \$247,500 respectively. For the current quarter, the increase is mainly explained by a delay in sales tax refund (about \$79,000) and the decrease of accounts payable and accrued liabilities (about \$86,000) which it's explained by a lower level of expenses between the quarter June 2016 and March 2016. For the last year's quarter, a delay in the sales taxes refund explained the increase.

For the year ended June 30, 2016, cash used in operating activities decreased by \$153,997 before changes in non-cash working capital compared to the same period of last year (from \$1,986,439 in 2015 to \$1,832,442 in 2016). The decrease is explained by a general decline in most expenses.

For the years ended June 30, 2016 and 2015, non-cash working capital decreased by \$385,187 and increased by \$737,631 respectively. For the current year, the decrease is mainly explained by the decrease of the sales taxes receivable (about \$268,000), because the taxable expenses incurred (feasibility and environmental studies expenses) during the Q4-2016 were lower than the Q4-2015 and the increase of the accounts payable and accrued liabilities (\$112,000) mainly explained by the unpaid 2016 director's fees due to tight cash management. For last year, sales taxes receivables increased by \$244,000 due to a refund delay and more E&E expenditures incurred during Q4-2015 compared to Q4-2014 and the payable decreased by \$527,000 due to the payment of the incentive compensation of 2014 (\$nil in 2015).

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

5. CASH FLOW (continued)

Financing Activities

For the three months period ended June 30, 2016, cash provided from financing activities was \$238,618 compared to cash used of \$1,574,247 for the same period of last year. During this current quarter, \$120,000 of options and \$118,618 of warrants have been exercised. During last year's quarter, a payment of \$US 1,250,000 (\$1,573,125) has been made to Quinto.

For the year ended June 30, 2016, cash used from financing activities was \$1,394,132 compared to cash used of \$1,575,370 for the same period of last year. During this current year, a payment of \$US 1,250,000 (\$1 651 750) has been made to Quinto and \$139,000 of options and \$118,618 of warrants have been exercised. During last year, a payment of \$US 1,250,000 (\$1,573,125) has been made to Quinto.

Investing Activities

For the three months period ended June 30, 2016, cash used in investing activities was \$466,640 compared to \$1,564,259 for the same period of last year. During the current quarter, \$466,640 was spent on the Lac Guéret project mainly for feasibility studies and environmental studies. During last year's quarter, \$1,593,295 was spent on the Lac Guéret project mainly for feasibility studies and environmental studies, a tax credit related to resource of \$1,050,286 was received and a term deposit of \$US 1,250,000 was used for the payment to Quinto.

For the year ended June 30, 2016, cash used in investing activities was \$1,466,651 compared to \$4,455,661 for the same period of last year. During the current year, \$3,102,256 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 a payment to Quinto (October 5, 2015). During last year's year, the Company spent \$5,224,834 on the Lac Guéret project mainly for feasibility studies, environmental studies and exploration expenditures. A tax credit related to resources and a mining tax credit of \$1,790,423 have been received from Revenu Québec and a term deposit of \$US 1,250,000 was used for the payment to Quinto.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

6. FINANCIAL POSITION

	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
	\$	\$
Cash	1,347,003	5,655,041
Other current assets (Note 1)	363,391	2,202,129
Total current assets	1,710,394	7,857,170
Investment in associate	633,100	1,093,100
Exploration and evaluation assets (Note 2)	31,891,491	29,163,440
Total assets	34,234,985	38,113,710
Total liabilities (Note 3)	12,916,090	13,604,113
Equity	21,318,895	24,509,597

Note 1: Other current assets: the decrease of \$1,838,738 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 \$2,728,051 of the exploration and evaluation assets.

Note 3: Total liabilities: the decrease of \$688,023 is mainly explained by the decrease of the accounts payable and accrued liabilities of \$1,373,569 (mainly E&E expenditures payable) and the payment of \$US 1,250,000 (\$1,651,750) to Quinto partially offset by the LTD increase due to accretion (\$1,087,135), FX increase for about \$250,000 (FX rate increased from \$US1.00:\$CA1.25 to \$US1.00:\$CA1.30), convertible debenture accretion and a gain on embedded derivative (\$668,000) and the Company recorded a deferred income tax expenses of \$310,000 for Quebec mining duties.

7. 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 June 30, 2016, the Company had a working capital deficiency of \$4,755,878, had an accumulated deficit of \$22,036,520 and incurred a loss of \$3,943,466 for the year then ended. Working capital included cash of \$1,347,003.

As at June 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 considering the private placement of \$28,778,750 completed on September 27, 2016. 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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

8. 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*" Financial statements. This year identified financial instruments and risks are consistent with last year.

9. OFF-BALANCE SHEET ARRANGEMENTS

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

10. PROPOSED TRANSACTIONS

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

11. RELATED PARTY TRANSACTIONS

For a detailed description of all related party transactions, please refer to the Note 16 "*Related party transactions*" in the Financial statements.

In addition to the Note 16 of the Financial statements, please find the following information:

- Scott Moore:
 - 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.

- Tayfun Eldem (former director)
 - is managing director, Iron Ore of Hatch Ltd.

12. 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 Financial statements. This year, the Company added a new judgment regarding the Exploration and evaluations assets. For the other judgments and estimates, they are consistent with last year.

13. NEW SIGNIFICANT ACCOUNTING POLICIES

No new significant accounting policies adopted during this year.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

14. OUTSTANDING SHARE DATA

As at October 20, 2016, the Company has:

- a) 113,642,327 common shares issued and outstanding;
- b) 7,453,333 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, 7,453,333 shares would be issued for proceeds of \$4,342.623;
- 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;

15. 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.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, resource and reserve estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

15. RISKS AND UNCERTAINTIES (continued)

No Revenues

To date the Company has recorded no revenues from operations and the Company has not commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

Liquidity Concerns and Future Financings

The Company will require significant capital and operating expenditures in connection with the development of its property. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

Foreign Exchange

Mineral commodities are sold in US dollars and consequently, the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. To the extent Mason generates revenue upon reaching the production stage on its properties; it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the US dollar would result in a decrease in the real value of Mason's revenues and adversely affect its financial performance. The Company is exposed to currency risk by incurring certain expenditures and debt in currencies other than Canadian dollar.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. The accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as mineral prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

15. RISKS AND UNCERTAINTIES (continued)

Licences and Permits, Laws and Regulations

The Company's exploration and development activities, including mine, mill, road, rail and other transportation facilities, require permits and approvals from various government authorities and cooperation from certain First Nations groups, and are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that Mason will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

Mineral Commodity Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

Environmental

The Company's activities are subject to extensive federal, provincial state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Title to Properties

The acquisition and maintenance of titles to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

Dependence on Management and Key Personnel

The Company is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. The Company's development to date has largely depended, and in the future will continue to depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, in the short term, could have a material adverse impact upon the Company current schedule.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

15. RISKS AND UNCERTAINTIES (continued)

Uninsured Risks

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure 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 increasing costs and a decline in the value of the common shares of the Company.

Competition

Mason competes with other mining companies that have interesting resources. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Dependence on Outside Parties

Mason has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on Mason.

Qualified Personnel

Recruiting and retaining qualified personnel in the future is critical to the Company's success. As the Company develops the Lac Guéret property toward commercial production, the need for skilled labour will increase. The number of persons skilled in the exploration and development of mining properties is limited and competition for this workforce is intense. The development of the Company's properties may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

15. RISKS AND UNCERTAINTIES (continued)

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of Mason may have a conflict of interest in negotiating and concluding terms respecting such participation.

Litigation

Mason has entered into legally binding agreements with various third parties on a consulting and partnership basis. The interpretation of the rights and obligations that arise from such agreements is open to interpretation and Mason may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause Mason to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such disputes could have a material adverse effect on Mason.

16. 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.

MASON GRAPHITE INC.

Management's discussion and analysis

For the years ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

17. 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 Financial statements and the disclosure contained in this MD&A.