MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three and six months period ended December 31, 2015 and 2014

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 six months period ended December 31, 2015 and 2014 ("Financial statements"). This MD&A reports on our activities through February 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 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 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. is subject to the Business Corporations Act (Ontario) and was incorporated March 15, 2011. The Company's head office is located at 3030, Boul. Le Carrefour, Suite 600, Laval, QC, H7T 2P5, Canada and the registered address is 65 Queen Street West, Suite 800, Toronto, Ontario, Canada M5H 2M5.

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.

1. DESCRIPTION OF BUSINESS AND OVERVIEW (continued)

B) FEASIBILITY RESULTS

On November 9, 2015, 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.

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.

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.

(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 *(per tonne of finished product)*	
Mining and Crushing	$ 33
Ore Transportation	128
Processing	176
General and Administration	39
Total	**$ 376**

Operating Costs Breakdown *(for the Project Life of 25 years)*	**Annual Average**	**Average** *(per tonne of finished products)*
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**

(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*).

(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

(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.

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 study, which should be completed in 2016, is being completed in partnership with the National Research Council 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 semester, the Company incurred $15,495 of expenditures on this study.

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 analysis 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 during the first civil semester of 2016.

F) CORPORATE MATTERS

Corporate matters – Share Capital transactions and financings

On October 5, 2015, the Company proceeded with the reimbursement of U 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.

Corporate matters – Board of director

On February 16, 2016, Tayfun Eldem resigned from his position of Chairman of the Board of the Company.

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.

(Expressed in Canadian dollars)

2. RESULTS OF OPERATIONS

For the three months period ended December 31, 2015 compared with the three months period ended December 31, 2014

The Company's loss totaled $1,106,673 for the three months period ended December 31, 2015. This compares with a loss of $831,563 for the three months period ended December 31, 2014 for an increase of $275,110. You will find the following significant variations:

Professional fees	$72,620	The Réserve mondiale de la biosphère Manicouagan-Uapishka ("RMBMU") provided services to support the Company in the social acceptability of the Lac Guéret project ($22,000). Laboratory service of NanoXplore were used ($32,500)
Share-based compensation	($399,755)	During last year's quarter, the Company granted 1,760,000 stock options with a value of $810,000 of which one third was vested immediately. Nil during the current quarter.
Net FX loss	$89,126	Given that the debt is labeled in $US and for both periods, the FX rate increased by $0.04 (from ($US1.00:1.34 to $US1.00:$1.38 2015 and $US1.00:1.12 to $US1.00:$1.16 for 2014) which has created a FX loss for both periods. During last year's quarter, the Company had $US2,500,000 in cash while $nil during this current quarter which explained mainly the net FX loss increase
Gain on dilution of associate	$424,000	A gain on dilution of NanoXplore was recorded last year's quarter when NanoXplore completed a financing in December 2014.
Finance costs	$110,870	During this current quarter, the Company recorded a loss of $27,079 on embedded derivative while during last year's quarter, it was a gain of $78,600
Others	($18,751)	
Total	**$275,110**	

For the six months period ended December 31, 2015 compared with the six months period ended December 31, 2014

The Company's loss totaled $2,259,508 for the six months period ended December 31, 2015. This compares with a loss of $1,755,960 for the six months period ended December 31, 2014 for an increase of $503,548. You will find the following significant variations:

Share-based compensation	($411,857)	During last year's period, the Company granted 1,760,000 stock options with a value of $810,000 which one third was vested immediately.
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	$255,255	Given that the debt is labeled in $US and for both

(Expressed in Canadian dollars)

		periods, the FX rate increased, there was a FX loss for both periods. The current period loss was higher than last year period, because the FX increased by $0.13 ($US1.00:1.25 to $US1.00:$1.38) while last year the FX increased by $0.09. ($US1.00:1.07 to $US1.00:$1.16) Also, during last year's period, the Company had $US2,500,000 in cash while $US1,250,000 during this current period.
Gain on dilution of associate	$424,000	A gain on dilution of NanoXplore was recorded last year's semester when NanoXplore completed a financing in December 2014.
Finance costs	$80,921	Mainly explained by the embedded derivative. During this current period, the Company recorded a gain of $8,646 on embedded derivative while during last year's period, it was a gain of $78,600
Others	$62,685	
Total	**$503,548**	

3. SUMMARY OF QUARTERLY RESULTS

	31-Dec-15	30-Sep-15	30-Jun-15	31-Mar-15
	Q2	Q1	Q4	Q3
			(Note 1)	
Loss for the period	$1,106,673	$1,152,835	$734,947	$1,162,409
Loss per share (basic and fully diluted)	$0.01	$0.01	$0.01	$0.01

	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14
	Q2	Q1	Q4	Q3
			(Note 2)	
Loss for the period	$831,563	$924,397	$2,265,342	$981,960
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 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 2: 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.

(Expressed in Canadian dollars)

4. CASH FLOW

	Three months ended December		Six months ended December	
Sources and uses of cash	**2015**	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Cash used in operations prior to changes in working capital	(511,893)	(418,569)	(1,000,585)	(942,822)
Changes in non-cash working capital	133,346	(823,105)	370,629	(781,551)
Cash used in operations activites	(378,547)	(1,241,674)	(629,956)	(1,724,373)
Cash provided by financing activities	(1,651,750)	(1,123)	(1,651,750)	(1,123)
Cash used in investing activities	(396,523)	(1,143,635)	(763,119)	(1,170,872)
Effect of foreign exchange rate changes on cash and cash equivalents	(22,500)	98,250	31,518	234,250
Change in cash	**(2,449,320)**	**(2,288,182)**	**(3,013,307)**	**(2,662,118)**

Operating Activities

For the three months period ended December 31, 2015, cash used in operating activities increased by $93,324 before changes in non-cash working capital compared to the same period of last year (from $418,569 in 2014 to $511,893 in 2015). The increase is mainly explained by the increase of professional fees as previously explained.

For the three months period ended December 31, 2015 and 2014, non-cash working capital decreased by $133,346 and increased by $823,105 respectively. For the current quarter, 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 quarter (Q2-2016) were lower than the previous quarter (Q1-2016) and we had 2 months in sales tax receivable as at December 31, 2015 while we had 3 months of sales tax receivable as at September 30, 2015. For last year's quarter, the increase is explained by i) the increase of the sales tax receivable: more taxable expenses incurred (exploration expenses and feasibility study expenses) during last year's quarter than the previous last year's quarter one and ii) the decrease on the payable: payment of the previous year incentive.

For the six months period ended December 31, 2015, cash used in operating activities increased by $57,763 before changes in non-cash working capital compared to the same period of last year (from $942,822 in 2014 to $1,000,585 in 2015). The increase is mainly explained by the increase of professional fees as previously explained.

For the six months period ended December 31, 2015 and 2014, non-cash working capital decreased by $370,629 and increased by $781,551 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. For last year's period, the increase is explained by the increase of the sales tax receivable: more taxable expenses incurred (exploration expenses and feasibility study expenses) during last year's period than the previous one and the decrease of the payable: payment of the previous year incentives.

(Expressed in Canadian dollars)

4. CASH FLOW (continued)

Financing Activities

For the three and six months period ended December 31, 2015, cash used from financing activities was $1,651,750 compared to cash used of $1,123 for the same periods of last year. During this current quarter and current six months period, a payment of $US 1,250,000 ($1 651 750) was completed to Quinto.

Investing Activities

For the three months period ended December 31, 2015, cash used in investing activities was $396,523 compared to $1,143,635 for the same period of last year. During the current quarter, $405,523 was spent on the Lac Guéret project mainly for feasibility studies and environmental studies. During last year's quarter, $1,143,635 was spent on the Lac Guéret project.

For the six months period ended December 31, 2015, cash used in investing activities was $763,119 compared to $1,170,872 for the same period of last year. During the current period, $2,398,724 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, $1,825,083 was spent on the Lac Guéret project and the Company received an amount of $654,211 from Revenu Québec as a tax credit related to resources.

5. FINANCIAL POSITION

	Dec. 31, 2015	June 30, 2015
	$	$
Cash	2,641,734	5,655,041
Other current assets (Note 1)	296,904	2,202,129
Total current assets	**2,938,638**	**7,857,170**
Investment in associate	968,800	1,093,100
Exploration and evaluation assets (Note 2)	30,531,333	29,163,440
Total assets	**34,438,771**	**38,113,710**
Total liabilities (Note 3)	**11,915,727**	**13,604,113**
Equity	**22,523,044**	**24,509,597**

Note 1: Other current assets: the decrease of $1,905,225 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 $1,367,893 of the exploration and evaluation assets.

Note 3: Total liabilities: the decrease of $1,688,386 is mainly explained by the decrease of the accounts payable and accrued liabilities of $1,563,970 (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 $1,191,000 (FX rate increased from $US1.00:$CA1.25 to $US1.00:$CA1.38) and the Company recorded a deferred income tax expenses of $211,000.

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 December 31, 2015, the Company had a working capital deficiency of $419,531, had an accumulated deficit of $20,352,562 and incurred a loss of $2,259,508 for the six months period then ended. Working capital included cash of $2,641,734.

As at December 31, 2015, 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 six months period ended December 31, 3015 and 2014. The Company is not aware of any significant changes to financial instruments and risk management presented on those dates.

8. OFF-BALANCE SHEET ARRANGEMENTS

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

9. PROPOSED TRANSACTIONS

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

10. RELATED PARTY TRANSACTIONS

For a detailed description of all related party transactions, please refer to the Note 6 "Related party transactions" in the unaudited condensed interim financial statements for the three and six months period ended December 31, 2015 and 2014.

In addition to the Note 6 of the unaudited condensed interim financial statements for the three and six months period ended December 31, 2015 and 2014, 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.

- Tayfun Eldem is Managing director – Iron Ore of Hatch Ltd

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 February 26, 2016, the Company has:

a) 86,537,790 common shares issued and outstanding;

b) 11,982,699 warrants and broker warrants outstanding with expiry dates ranging between April 28, 2016 and June 11, 2016, with exercise price ranging from $0.65 to $0.91 (weighted average exercise price: $0.84). If all the warrants and broker warrants were exercised, 12,513,469 shares would be issued for proceeds of $10,548,640;

c) 7,970,000 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, 7,970,000 shares would be issued for proceeds of $4,634,300;

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;

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 six months period ended December 31, 2015 and 2014 and the disclosure contained in this MD&A.