MASON GRAPHITE INC.

Interim management's discussion and analysis – Quarterly highlights
For the three months period ended September 30, 2017 and 2016

The following interim management's discussion and analysis – quarterly highlights ("MD&A") relates to the condensed interim unaudited financial statements of Mason Graphite Inc. ("we", "our", "us", "Mason Graphite", ''Mason'', "LLG" or the "Company") for the three months period ended September 30, 2017 and 2016 ("Financial statements"). This MD&A reports on our activities through November 23, 2017 unless otherwise indicated. The Company's unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures.

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

1. DESCRIPTION OF BUSINESS AND OVERVIEW

The Company is engaged in the development 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. The Company has a National Instrument 43-101 compliant technical report for its mineral reserve and resource estimate and for a feasibility study on the Lac Guéret property. As at June 30, 2017, management determined that the technical feasibility and commercial viability of the Lac Guéret project had been established and accordingly, the development phase for the Lac Guéret project has commenced.

A) LAC GUÉRET PROJECT

Mason Graphite has a 100% interest in the Lac Guéret graphite property located in the Côte-Nord region in northeastern Québec.

B) ENGINEERING, PROCUREMENT, CONSTRUCTION AND MANAGEMENT AND MINE CONSTRUCTION

The timing of the construction start will be mostly dictated by the timing of the decree from the Provincial Government, which is expected early 2018. The construction start will be possible shortly after as detailed engineering for the mine and the concentrator civil work is sufficiently advanced. Purchase orders for engineering of the processing equipment with long leads (such as grinding mills) have been placed with the suppliers.

While advancing with detailed engineering, Mason Graphite is following an owner's built construction model. In parallel, the Company is also evaluating a potential Engineering, Procurement and Construction ("EPC") contract. In both models, the Company has full oversight and ownership of the Project.

Since the publication of the Feasibility Study results in 2015, improvements have been made to the design of the operations, such as: changes to the layout of the buildings at plant site to take advantage of geotechnical work performed in 2015 and 2016, re-location of the crusher from the mine to the plant and streamlining of the dry process. Several other aspects of the operations were optimized throughout the pre-execution work and detailed engineering.

Moreover, following consultation with the local communities, the Company has changed the tailings' storage method from a submerged tailing pond to dry-stacking, which eliminates the risk of a dam breach. Over the life of the Project, dry stacking requires less total capital expenditures than a tailing pond. Sustaining capital expenditures will be lower (no dam walls to build) but the initial investment will be higher to account for the filtration plant and effluent treatment plant construction. Another advantage of dry stacking is the possibility to do progressive rehabilitation.

Considering all of the above, the advanced detailed engineering, the completed pre-execution works, the finalized negotiations with the main equipment manufacturers and costs inflation since 2015, the overall final construction capital expenditures should be about C$200M of which approximately C$25M was originally included in the sustaining capital expenditures. Consequently, these are reduced accordingly over the life of the project. This permutation has a marginal impact on the economics of the project.

Furthermore, the Company has been working with external technical partners to neutralize and transform those tailings into sellable products, which could have a meaningful impact on the economics of the project. Further information on this topic will be communicated later.

(Expressed in Canadian dollars)

C) VALUE-ADDED GRAPHITE PRODUCTS STUDY

The Company is also running distinct detailed work in order to enter the value-added graphite market. The Phase II (material design and performance testing for graphite grades for batteries) started in May 2016 and is being completed in partnership with the National Research Council of Canada, Corem, Soutex and equipment manufacturers. The value-added market involves further purification, micronization and, in the case of anode material for Li-ion batteries, shaping and coating. Phase II should last about 2 years. With 3 different organizations (Innovation et Développement Manicouagan, National Research Council of Canada Industrial Research Assistance Program and Quebec government Ministry of Économie, Science et Innovation), the Company secured financial contributions and grant for $657,000.

Since the beginning of the project, the Company incurred the following expenditures:

	Value-added graphite products		
	Expenditures	**Government assistance**	**Net**
For the year ended June 30, 2015	229,246	41,000	188,246
For the year ended June 30, 2016	30,552	9,000	21,552
For the year ended June 30, 2017	1,107,683	290,936	816,747
For the three-month period ended Sept. 30, 2017	345,306	151,325	193,981
	1,712,787	**492,261**	**1,220,526**

D) ENVIRONMENTAL STUDIES

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

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

In September 2017, the Company has been informed by the Ministry of Développement durable, Environnement et Lutte contre les changements climatiques (MDDELCC) that the Company will not be subject to a public hearing by the Bureau des audiences publiques en environnement (BAPE) for the Lac Guéret graphite project.

Consequently, the Ministry will now complete its environmental analysis of the project and will report to the Minister who will forward his recommendation to the Members of Cabinet for a decision from the Government of Quebec to authorize the project and under what conditions which is expected in early civil 2018.

E) FIRST NATION RELATIONS

On June 16, 2017, the Company and the Innu Council of Pessamit signed the Mushalakan Agreement, an Impact Benefit Agreement ("IBA") resulting from the 2014 Cooperation Agreement between the parties.

The Mushalakan Agreement, negotiated directly between the Pessamit Council and the executives of Mason Graphite, reflects the willingness of the Parties to work closely together to ensure that the Lac Guéret graphite mining project is a success and benefits the Pessamit Community and the population of Manicouagan.

Under the Mushalakan Agreement, both parties commit to develop a specific training and employment strategy for the Pessamiuilnut. This strategy will be developed in such a way as to ensure employment opportunities at all levels for the Pessamiuilnut and to encourage their retention and advancement within the project. In addition to the strategy, this agreement will allow the Innus of Pessamit to participate in the project concretely, through contracting opportunities and will ensure fair and equitable financial and socio-economic benefits. The latter will promote and protect the rights, the way of life and the culture of the Pessamiuilnut in addition to supporting the economic development of present and future generations.

(Expressed in Canadian dollars)

2. RESULTS OF OPERATIONS

For the three months period ended September 30, 2017 compared with the three months period ended September 30, 2016

The Company's loss totaled $2,798,587 for the three months period ended September 30, 2017. This compares with a loss of $3,592,832 for the three months period ended September 30, 2016 for a decrease of $794,245. You will find the following significant variations:

	September 2017	**September 2016**	**Variance**	
Share-based compensation	$234,202	$30,336	$203,866	3,240,000 options were granted during Q3-2017 which explains the increase while during last year period, no significant number options were granted.
Value-added graphite products	$345,306	-	$345,306	The Company incurred these expenses for value-added graphite products work.
Government assistance	($151,325)	-	($151,325)	Related to added-value graphite products work.
Share of loss of an associate	630,000	175,000	455,000	On August 29, 2017, NanoXplore completed a RTO transaction and became a public company. The increase is mainly explained by the RTO expenses.
Gain on dilution of investment in associate	($980,000)	-	($980,000)	During the current period, a private placement was completed by NanoXplore in which the Company participated for $1M. After given effect to the private placement, the Company holds an interest of 25% (previously 32%) and recorded a gain on dilution on the deemed disposal of its ownership interest
Finance costs	$2,261,625	$2,856,829	($595,204)	Mainly explained by the embedded derivative components of the Debentures due to valuation assumptions change (stock price of LLG increased significantly for both periods). During this current period, the Company recorded a loss of $2,065,973 on embedded derivative while during last year period; it was a loss of $2,659,439.
Others	$458,779	$530,667	($71,888)	
Total	**$2,798,587**	**$3,592,832**	($794,245)	

(Expressed in Canadian dollars)

3. SUMMARY OF QUARTERLY RESULTS

	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16
	Q1	**Q4**	**Q3**	**Q2**
	(Note 1)	(Note 2)	(Note 3)	(Note 4)
Loss (profit) for the period	$2,798,587	$2,913,372	$2,344,346	($143,723)
Loss (profit) per share (basic and fully diluted)	$0.02	$0.03	$0.02	($0.001)

	30-Sep-16	30-Jun-16	31-Mar-16	31-Dec-15
	Q1	**Q4**	**Q3**	**Q2**
	(Note 5)	(Note 6)	(Note 7)	
Loss for the period	$3,592,832	$1,296,317	$387,641	$1,106,673
Loss per share (basic and fully diluted)	$0.04	$0.01	$0.01	$0.01

Note 1: The higher loss is mainly explained by the loss of $2,065,973 on the embedded derivative recorded during the quarter due to valuation assumptions change (stock price of LLG increased significantly during the quarter) and the value-added graphite products work ($345,306) partially offset by a gain on dilution of investment in associate ($980,000).

Note 2: The higher loss is mainly explained by the loss of $1,346,240 on the embedded derivative recorded during the quarter due to valuation assumptions change (stock price of LLG increased significantly during the quarter), value-added graphite products work ($314,234) and natural graphite production for customers and tests ($237,028).

Note 3: The higher loss is mainly explained by the incentive compensation paid to the management ($325,000), value-added graphite products work ($524,175) and the grant of stock options ($648,000).

Note 4: The unusual profit is mainly explained by the gain on debt settlement of $1,176,353 for an early and reduced payment to Quinto and by a gain of $588,017 on the embedded derivative recorded during the quarter due to valuation assumptions change (stock price of LLG decreased during the quarter).

Note 5: The higher loss is mainly explained by the loss of $2,659,439 on the embedded derivative recorded during the quarter due to valuation assumptions change (stock price of LLG increased significantly during the quarter).

Note 6: The higher loss is mainly due to the embedded derivative due to valuation assumptions change (stock price of LLG increased significantly). During this quarter, the Company recorded a loss of $378,761.

Note 7: 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.

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.

(Expressed in Canadian dollars)

4. CASH FLOW

Sources and uses of cash	Three-month periods ended Sept. 30 2017	2016
	$	$
Cash used in operations prior to changes in working capital	(772,444)	(555,543)
Changes in non-cash working capital	28,829	170,282
Cash used in operations activites	(743,615)	(385,261)
Cash provided by financing activities	657,000	27,413,143
Cash used in investing activities	(2,162,581)	(283,339)
Change in cash	**(2,249,196)**	**26,744,543**

Operating Activities

For the three months period ended September 30, 2017, cash used in operating activities increased by $216,901 before changes in non-cash working capital compared to the corresponding period of last year (from $555,543 in 2016 to $772,444 in 2017). The increase is mainly explained by the value-added graphite products project ($193,981, net of the government assistance).

For the three months period ended September 30, 2017 and 2016, non-cash working capital decreased by $28,829 and by $170,282 respectively. For both periods, no unusual variations were noted.

Financing Activities

For the three months period ended September 30, 2017, cash provided from financing activities was $657,000 compared to cash provided of $27,413,143 for the corresponding period of last year. During this quarter, options have been exercised for $657,000. During last year's quarter, the Company completed a private placement for gross proceeds of $28,778,750 and $1,586,274 fees have been paid for the private placement.

Investing Activities

For the three months period ended September 30, 2017, cash used in investing activities was $2,162,581 compared to $283,339 for the corresponding period of last year. During the current quarter, $1,000,000 was invested in NanoXplore Inc and $1,162,582 was spent on the development of the Lac Guéret project. During last year's corresponding quarter, $340,277 was spent on the Lac Guéret project mainly for feasibility and environmental studies and $56,938 has been received as mining tax credit for the fiscal year 2014.

(Expressed in Canadian dollars)

5. FINANCIAL POSITION

	Sept. 30, 2017	June 30, 2017
	$	**$**
Cash	13,204,274	15,453,470
Other current assets	477,496	475,334
Total current assets	**13,681,770**	**15,928,804**
Investment in associate (note 1)	2,229,160	879,160
Property, plant and equipment	37,914,023	36,619,786
Total assets	**53,824,953**	**53,427,750**
Total liabilities	**13,659,466**	**11,862,245**
Equity	**40,165,487**	**41,565,505**

Note 1: The Company invested $1,000,000 in NanoXplore and recorded a gain on dilution on investment on NanoXplore of $980,000

6. LIQUIDITY AND CAPITAL RESOURCES

The Lac Guéret property is in the development stage since June 30, 2017 and as result the Company has no current source of operating revenue and is dependent on external financing to fund its continued 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 September 30, 2017, the Company had a working capital of $12,067,352, had an accumulated deficit of $33,541,934 and incurred a loss of $2,798,587 for the three-month period then ended. Working capital included cash of 13,204,274.

As at September 30, 2017, Management believes that the Company has sufficient funds to meets its obligations, operating expenses and some development expenditures for the ensuing twelve months as they fall due. The Company's ability to continue its development activities, the engineering, the procurement and the construction of the Lac Guéret project is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, a combination of strategic partnerships, joint venture arrangements, project debt finance, royalty financing and other capital market alternatives. Management will pursue such additional financial sources when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

For a detailed description of the financial instruments and risk management associated with the Company and its activities, please refer to the Note 18 *"Financial Instruments and Risk Management"* in the audited financial statements for the years ended June 30, 2017 and 2016 and Note 8 of the Financial statements. 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 7 "Related party transactions" in the Financial statements

In addition to Note 7 of the Financial statements, please find the following information:

- Scott Moore:
  - has a significant influence on 2227929 Ontario Inc.

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

11. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

For a detailed description of the critical accounting judgments and estimates associated with the Company and its activities, please refer to the Note 3 *"Critical accounting judgments and estimates"* in the audited financial statements for the years ended June 30, 2017 and 2016. 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, 2017 and 2016.

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, 2017 and 2016.

13. OUTSTANDING SHARE DATA

As at November 23, 2017, the Company has:

a) 115,780,145 common shares issued and outstanding;

b) 8,958,333 options outstanding with expiry dates ranging between April 23, 2018 and March 13, 2022 with exercise price from $0.38 to $1.27 (weighted average price: $0.83). If all the options were exercised, 8,958,333 shares would be issued for proceeds of $7,422,833;

d) $3,950,000 convertible debentures are convertible into common shares at a conversion price of $0.845 maturing June 11, 2019. If the convertible debentures were converted, 4,674,556 common shares would be issued;

14. RISKS AND UNCERTAINTIES

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

For a detailed description of the risk factors associated with the Company and its activities, please refer to the "Risks and Uncertainties" in the MD&A for the year ended June 30, 2017 and 2016. The Company is not aware of significant adverse change to the risk and uncertainties presented by that date.

15. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

16. APPROVAL

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Audit Committee meets quarterly with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders. The Board of Directors has approved the unaudited condensed interim financial statements for the three months period ended September 30, 2017 and 2016 and the disclosure contained in this MD&A.