

2014 MANAGEMENT INFORMATION CIRCULAR MASON GRAPHITE INC.

ABOUT THE SHAREHOLDER MEETING

Solicitation of Proxies

You have received this management information circular (the “Circular”) because you owned common shares (“Common Shares”) of Mason Graphite Inc. (“Mason Graphite” or the “Corporation”) as of November 11, 2014. You are therefore entitled to vote at the 2014 annual and special meeting of shareholders (the “Meeting”) to be held on December 16, 2014, and any postponement(s) or adjournment(s) thereof.

The board of directors of the Corporation has set the record date for the Meeting at November 11, 2014 (the “Record Date”).

Management is soliciting your proxy for the Meeting. The Board has fixed 10:00 a.m. (Montreal time) on Friday, December 12, 2014, or 48 hours (excluding Saturdays, Sundays or holidays) before any adjournment(s) of the Meeting, as the time by which proxies to be acted upon at the Meeting shall be deposited with the Corporation’s transfer agent.

These materials are being sent to both registered and non-registered owners of the securities. The Corporation or its agent has obtained information regarding non-registered owners in accordance with the applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

The Corporation shall make a list of all persons who are registered shareholders (“Shareholders”) on the Record Date and the number of Common Shares registered in the name of each person on that date. Each Shareholder is entitled to one vote on each matter to be acted on at the Meeting for each Common Share registered in his name as it appears on the list.

Unless otherwise stated, the information contained in this Circular is as of the Record Date. All dollar amount references in this Circular, unless otherwise indicated, are expressed in Canadian dollars.

Voting

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **You may appoint some other person or entity to represent you at the Meeting** by inserting such person’s name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent of the Corporation indicated on the enclosed envelope not later than the times set out above.

In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy given pursuant to this solicitation by depositing an instrument in writing (including another proxy bearing a later date) executed by the Shareholder or by an attorney authorized in writing at 3030 Le Carrefour Blvd., Suite 600, Laval, Quebec, H7T 2P5 at any time up to and including the last business day preceding the day of the Meeting.

Voting of Proxies

Registered Shareholders

You can vote in person or vote by proxy. Voting by proxy is the easiest way to vote because you can appoint anyone to be your proxyholder to attend the meeting and vote your shares according to your instructions. This person does not need to be a Shareholder. The executive officers named in the proxy form can act as your proxyholder and vote your shares according to your instructions.

If you appoint the Mason Graphite proxyholders and do not indicate your voting instructions, they will vote your shares:

- for the appointment of the auditors;
- for the approval of the Stock Option Plan (as defined below); and
- for the appointment of the nominated directors.

If you want to appoint someone else as your proxyholder, print that person's name in the blank space provided in the proxy form (or complete another proxy form) and send the form to the Corporation's transfer agent. Make sure this person is aware that you appointed them as your proxyholder and that they must attend the meeting to vote on your behalf and according to your instructions. If you do not indicate your voting instructions, your proxyholder can vote as he or she sees fit.

At the time of printing this Circular, management is not aware of any amendments, variations or other matters to come before the Meeting. If other matters are properly brought before the Meeting, your proxyholder can vote as he or she sees fit.

The transfer agent must receive the completed proxy form by 10:00 a.m. (Montreal time) on December 12, 2014, or 48 hours (excluding Saturdays, Sundays or holidays) before any adjournment(s) of the Meeting.

Non-Registered Shareholders

Non-Registered Shareholders are those holders who beneficially own common shares of the Corporation registered in the name of an intermediary with whom the Non-Registered Holder deals in respect of the Common Shares, such as, banks, trust companies, securities dealers (all, an "Intermediary") or in the name of a clearing agency such as CDS&Co. Securities laws require the Corporation to send the meeting materials to the Intermediaries and clearing agencies so they can distribute them to our Non-Registered Shareholders. These materials include the notice of the Meeting, the Circular, a proxy or voting instruction form, a consent form to receive supplemental mailings, a copy of the Corporation's 2014 annual report if the Non-Registered Shareholder requested a copy and documents by electronic delivery.

Intermediaries and clearing agencies must forward the Meeting materials to Non-Registered Shareholders unless the Shareholder has waived the right to receive them. If you are a Non-Registered Shareholder and have not waived the right to receive the materials, your package includes either a voting instruction form (not signed by your intermediary), or a proxy form (signed by your Intermediary).

Either form instructs your Intermediary (the registered shareholder) to vote your shares according to your instructions. Be sure to send back your completed form as soon as possible to ensure your Intermediary carries out your voting instructions.

Voting Securities and Principal Holders

The authorized capital of the Corporation consists of an unlimited number of Common Shares. As of the Record Date, the Corporation has 85,786,034 Common Shares issued and outstanding. To the knowledge of the directors and officers of the Corporation, as at the Record Date, set forth below are shareholders who beneficially own, directly or indirectly, or exercise control or direction over, voting securities carrying more than 10% of the voting rights attached to the voting securities of the Corporation.

To the knowledge of the directors and officers of the Corporation, Mr. Fahad Tamimi owns 9,134,000 Common Shares, which represents 10.65% of the outstanding Common Shares.

To the knowledge of the directors and officers of the Corporation, Fidelity owns 9,797,900 Common Shares, which represents 11.42% of the outstanding Common Shares. "Fidelity" may include the following: Fidelity Management & Research Company, Pyramis Global Advisors, LLC, Pyramis Global Advisors Trust Company, Strategic Advisers Incorporated, FIL Limited, Crosby Advisors LLC and Fidelity SelectCo, LLC.

BUSINESS OF THE MEETING

Other than in respect of the election of directors and approval of the Stock Option Plan (as defined below), no informed person (as such term is defined under applicable securities laws) of the Corporation or Nominee (and each of their associates or affiliates) has had any direct or indirect material interest in any transaction involving the Corporation since July 1, 2013 or in any proposed transaction which has materially affected or would materially affect the Corporation or its subsidiaries other than as disclosed herein.

Mr. Luc Veilleux, Executive Vice President and Chief Financial Officer of the Corporation and Mr. Jean L'Heureux, Executive Vice President of Process Development of the Corporation each subscribed for 8,335 Common Shares at a price per share equal to \$0.80 in the private placement financing completed by the Corporation on January 22, 2014. The spouse of Mr. Benoit Gascon, President and Chief Executive Officer of the Corporation, subscribed for 8,330 Common Shares at a price per share equal to \$0.80 in the private placement financing completed by the Corporation on January 22, 2014.

Financial Statements

The financial statements for the financial year ended June 30, 2014, together with the auditor's report thereon, will be presented to Shareholders for review at the Meeting and were mailed to Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

Appointment of Auditors

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of PricewaterhouseCoppers LLP as auditors of the Corporation until the close of the next annual meeting of Shareholders and to authorize the directors to fix their remuneration. PricewaterhouseCoppers LLP have been the auditors of the Corporation since November 12, 2013.

The following table sets out the audit and audit-related fees billed by the Corporation's auditors for the years ended June 30, 2013 and 2014.

Service	2013	2014
Audit Fees	\$30,000	\$42,400
Audit-Related Fees	\$17,840	\$22,000
Tax Fees	\$33,600	\$12,525
Other Fees	\$0	\$5,500
Total:	\$81,440	\$82,425

For additional information about the Corporation's auditors and the Audit Committee, please refer to the section "Audit Committee".

Stock Option Plan

The Corporation's stock option plan (the "Stock Option Plan") is designed to advance the interests of the Corporation by encouraging employees, officers and consultants to have equity participation in the Corporation through the acquisition of Common Shares. Accordingly, the Corporation has adopted the Stock Option Plan, which was approved by the shareholders of the Corporation at its last annual meeting on December 11, 2013. A copy of the Stock Option Plan is attached at Schedule "A" hereto. The following is a summary of the terms of the proposed Plan, which is qualified in its entirety by the provisions of the Plan.

The Corporation's stock option plan (the "Stock Option Plan") is a "rolling" stock option plan under the policies of the TSX Venture Exchange as under the Stock Option Plan the Corporation is authorized to grant stock options of up to 10% of its issued and outstanding Common Shares at the time of the stock option grant, from time to time, with or without vesting provisions. As of November 11, 2014 there is an aggregate of 7,970,000 stock options outstanding under the Corporation's existing stock option plan, which represents approximately 9.3% of the total issued and outstanding Common Shares.

Directors, officers, employees and certain consultants are eligible to receive stock options under the Stock Option Plan. Upon the termination of an optionholder's engagement with the Corporation, the stock options held by such optionholder will be cancelled 90 days following such optionholder's termination from the Corporation. Stock options granted under the Stock Option Plan are not assignable.

The terms and conditions of each option granted under the Stock Option Plan will be determined by the Board upon the recommendation of the Compensation Committee. Options will be priced in the context of the market and in compliance with applicable securities laws and TSX Venture Exchange guidelines. Vesting terms will be determined at the discretion of the Board on the recommendation of the Compensation Committee. The Board shall also determine the term of stock options granted under the Stock Option Plan, provided that no stock option shall be outstanding for a period greater than five years.

The Board believes that except for certain material changes to the Stock Option Plan it is important that the Board has the flexibility to make changes to the Stock Option Plan without shareholder approval, include appropriate adjustments to outstanding options in the event of certain corporate transactions, the addition of provisions requiring forfeiture of options in certain circumstances, specifying practices with respect to applicable tax withholdings and changes to enhance clarity or correct ambiguous provisions.

The Stock Option Plan does not provide for the transformation of stock options granted under the Stock Option Plan into stock appreciation right involving the issuance of securities from the treasury of the Corporation.

The Corporation will not provide financial assistance to any optionholder to facilitate the exercise of options under the Stock Option Plan.

The Corporation is required to obtain the approval of its Shareholders of any stock option plan that is a “rolling” plan yearly at the Corporation’s annual meeting of Shareholders. Accordingly, at the Meeting, Shareholders will be asked to approve the following ordinary resolution approving the Stock Option Plan:

“BE IT RESOLVED THAT:

1. the Stock Option Plan of Mason Graphite Inc. (the “Corporation”), as described in the management information circular of the Corporation dated November 11, 2014, is hereby approved; and
2. any director or officer of the Corporation is hereby authorized to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the true intent of these resolutions.”

The Board recommends that shareholders vote in favour of the approval of the Corporation’s Stock Option Plan. PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE STOCK OPTION PLAN UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE COMMON SHARES ARE TO BE VOTED AGAINST SUCH ORDINARY RESOLUTION.

Election of Directors

The Board currently consists of six directors. The Corporation has nominated six persons (the “**Nominees**”) for election as directors of the Corporation, who will hold office until the next annual meeting of the Corporation or until his or her successor is elected or appointed. At the Meeting, Shareholders will be asked to elect these Nominees as directors of the Corporation. **The persons named in the enclosed form of proxy intend to vote for the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director.**

As the Corporation has adopted a Majority Voting Policy, the process for voting for election of each director will be by individual voting and not by slate. The Shareholders can vote for or withhold from voting on the election of each director on an individual basis. See “About the Board” for more information on our Majority Voting Policy.

Director Profiles

Each of the five nominated directors is profiled below, including his background and experience, committee memberships, share ownership and other public company directorships. All of the director nominees were elected as directors by the Shareholders at the last annual meeting.

TAYFUN ELDEM
QUEBEC, CANADA

DIRECTOR SINCE NOVEMBER 23, 2012

Mr. Eldem has been involved in the mining and mineral processing industry for over 24 years and currently serves as the President and CEO of Alderon Iron Ore Corp. – a Canadian TSX and NYSE listed development stage mining company focused on advancing their Kami Iron Ore Project towards production. Prior to joining Alderon, Mr. Eldem worked for the Iron Ore Company of Canada, a Rio Tinto subsidiary, for more than 20 years, including 3 years as a Director on the

FRANCOIS LAURIN
QUEBEC, CANADA

DIRECTOR SINCE OCTOBER 15, 2012

Mr. Laurin has held senior management positions with several Canadian companies with international operations. He served as Chief Financial Officer of Consolidated Thompson Iron Mines Ltd. from 2009 to its sale in 2011 and was Chief Financial Officer of Transat A.T. Inc., the Canadian leading international tour operator specialized in holiday travel listed on the TSX from 2005 to 2009. He is currently the Chief Financial Officer of Alderon Iron Ore Corp. Mr. Laurin also has extensive experience in the transportation, telecommunication, media and private equity industries. He is currently a member of the Board of Directors of Cap-Ex Ventures Inc. and McGill University Health Centre and member of the Audit Committee of McGill University. Mr. Laurin holds the FCPA, CA and CFA designations. He also earned a graduate diploma in Public Accountancy and a Bachelor of Commerce degree from McGill University. He earned his Director designation (ICD.D) from the Institute of Corporate Directors.

Shareholdings: 783,333 Common Shares.

Other Public Company Boards: Cap-Ex Iron Ore Ltd.

Committee Memberships: Audit Committee and Compensation Committee.

ALASTAIR NEILL
ULAAN BATAAR, MONGOLIA

DIRECTOR SINCE OCTOBER 15, 2012

Mr. Neill has over 20 years experience in the resource industry. From May 1995 to April 2004, he was the Vice President Sales, Rare Earth Division and Vice President, Business Development for AMR Technologies Inc. (formerly Neo-Material Technologies Inc., now a subsidiary of Molycorp Inc.). From 2009 to 2011, Mr. Neill served as President of Rare Earth Industries Ltd. Mr. Neill serves on the Advisory Board of Rare Earth Element World. He holds a Master of Business Administration from York University and a Bachelor of Engineering in Material Science from the University of Western Ontario.

Shareholdings: 50,760 Common Shares.

Other Public Company Boards: IBC Advanced Alloys Corp.

Committee Memberships: Audit Committee

BENOIT GASCON
QUEBEC, CANADA

DIRECTOR SINCE OCTOBER 15, 2012

Mr. Gascon, the President and CEO of the Corporation, brings over 20 years of experience in the Graphite & Carbon industries. From 1990 to 1999, he was the CEO of Stratmin Graphite Inc. which operates the Lac-des-Iles deposit, which currently has a graphite mine in production. He was involved with the negotiation of the take-over of Stratmin Graphite by Imerys SA, to form Timcal Graphite & Carbon Inc. From 1999 to 2009, at Timcal, he held various executive positions from Senior Vice-President Sales and Deputy General Manager to Senior Vice-President, Business Development and Strategy. Mr. Gascon was the Senior Vice President, Business Development at Standard Graphite Corp. (TSXV, April to May 2012). Mr. Gascon is a CPA, CA and holds a Bachelor in Business Administration from École des Hautes Études Commerciales (HEC).

Shareholdings: 362,830 Common Shares.

Other Public Company Boards: Copper One Inc.

Committee Memberships: Audit Committee

Other Information about the Director Nominees

No proposed director of the Corporation (a) is, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) no proposed director of the Corporation (i) is, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; and (c) no proposed director has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

CORPORATE GOVERNANCE

The Corporation and the Board recognize the importance of corporate governance in effectively managing the company, protecting employees and shareholders, and enhancing shareholder value.

The Board fulfills its mandate directly at regularly scheduled meetings or as required. The directors are kept informed regarding the Corporation's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Corporation's affairs and in light of opportunities or risks that the Corporation faces.

The Corporation believes that its corporate governance practices are in compliance with applicable Canadian requirements for TSX Venture Exchange listed issuers. The Corporation is committed to monitoring governance developments to ensure its practices remain current and appropriate.

Ethical Business Conduct

The Board is apprised of the activities of the Corporation and ensures that it conducts such activities in an ethical manner. The Board had not adopted a written code of business conduct

and ethics, however, the Board encourages and promotes an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations; providing guidance to consultants, officers and directors to help them recognize and deal with ethical issues; promoting a culture of open communication, honesty and accountability; and ensuring awareness of disciplinary actions for violations of ethical business conduct. In particular, the Board ensure that directors exercise independent judgement in considering transactions and certain activities of the Corporation by holding in camera sessions of independent directors, when applicable, and by having each director declare his or her interest in a particular transaction and abstaining from voting on such matters, where applicable.

ABOUT THE BOARD

Independence of the Board

The Board is currently comprised of six members; their independence is as follows:

Director	Independent	Not Independent	Reason for Non-Independence
Tayfun Eldem	√		
Tyrone Docherty	√		
Scott Moore	√		
Francois Laurin	√		
Alastair Neill	√		
Benoit Gascon		√	President and Chief Executive Officer of the Corporation

To facilitate the functioning of the Board independently of management, the following structures and processes are in place:

- a majority of the directors are not management of the Corporation and are considered independent of the Corporation;
- under the by-laws of the Corporation, any two directors may call a meeting of the Board; and
- the Board practice is to hold in-camera meetings with the independent directors at the end of each Board or committee of the Board meeting to the extent required.

Nomination of Directors

The Board is solely responsible for identifying new candidates for nomination to the Board. The process by which candidates are identified is through recommendations presented to the Board, which establishes and discusses qualifications based on corporate law and regulatory requirements as well as education and experience related to the business of the Corporation.

Compensation

The Compensation Committee is responsible for recommending to the Board the compensation of the directors and senior officers of the Corporation. The process for determining executive compensation is relatively informal, in view of the size and stage of the Corporation and its operations. The Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. Upon the recommendation of the Compensation Committee, the Board of Directors may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board of Directors deem as worthy of recognition.

The Compensation Committee considers and discusses proposals received from its members and the Chief Executive Officer of the Corporation regarding the compensation of management and the directors. Please refer to the section “Compensation Committee”.

Board Assessments

The Board and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. The Chairman of the Board encourages discussion amongst the Board as to evaluation of the effectiveness of the Board as a whole and of each individual director. All directors are free to make suggestions for improvement of the practice of the Board at any time and are encouraged to do so.

Majority Voting Policy

The Corporation has adopted a Majority Voting Policy to provide a meaningful way for the Corporation's shareholders to hold individual directors accountable and to require the Corporation to closely examine directors that do not have the support of a majority of Shareholders. The policy provides that forms of proxy for the election of directors will permit a Shareholder to vote in favour of, or to withhold from voting, separately for each director nominee and that where a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered not to have received the support of the Shareholders, even though duly elected as a matter of corporate law. Pursuant to the policy, such a nominee will forthwith submit his or her resignation to the Board, such resignation to be effective on acceptance by the Board. The Board will then establish an advisory committee (the "Committee") to which it shall refer the resignation for consideration. In such circumstances, the Committee will make a recommendation to the Board as to the director's suitability to continue to serve as a director after reviewing, among other things, the results of the voting for the nominee and the Board will consider such recommendation. This policy does not apply where an election involves a proxy battle (i.e., where proxy material is circulated in support of one or more nominees who are not part of the director nominees supported by the Board).

Orientation and Continuing Education

The Board will be responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and obligations of directors, the business and operations of the Corporation, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board notes that it has benefited from the experience and knowledge of individual members of the Board in respect of the evolving governance regime and principles. The Board ensures that all directors are apprised of changes in the Corporation's operations and business.

AUDIT COMMITTEE

The purposes of the Audit Committee are to assist the Board's oversight of: the integrity of the Corporation's financial statements; the Corporation's compliance with legal and regulatory requirements; the qualifications and independence of the Corporation's independent auditors; and the performance of the independent auditors and the Corporation's internal audit function. Please see Schedule "B" for the Audit Committee Charter.

The Corporation's audit committee is currently comprised of three directors: Francois Laurin (Chair), Alastair Neill and Benoit Gascon. Each of the members of the Audit Committee is considered financially literate and, except for Mr. Gascon, who is the President and CEO of the Corporation, independent. The Company intends to appoint an independent director to the audit committee to replace Mr. Gascon in the near future. Please refer to "Director Profiles",

commencing on page 6, for the relevant education and experience of each of the members of the Audit Committee.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year has there been a recommendation of the audit committee to nominate or compensate an external auditor which was not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on either (a) an exemption in section 2.4 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (the "Instrument"); or (b) an exemption from the Instrument, in whole or in part, granted under Part 8 (*Exemptions*) of the Instrument. As the Corporation is listed on the TSX Venture Exchange, it is relying on the exemption provided in section 6.1 of the Instrument, part 5 (Reporting Obligations).

External Auditor

The Audit Committee pre-approves all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer's external auditors.

Please see page 4 for the fees paid to external auditors in 2014 and 2013.

COMPENSATION COMMITTEE

The Corporation's Compensation Committee is comprised of three directors: Tyrone Docherty, Francois Laurin and Scott Moore. Each of the members of the Compensation Committee is independent. The Compensation Committee is established by the Board to assist the Board in fulfilling its responsibilities relating to human resources and compensation issues.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

For the financial year, ended June 30, 2014, the objectives of the Corporation's compensation strategy was to ensure that compensation for its Named Executive Officers, as defined below ("NEOs") is sufficiently attractive to recruit, retain and motivate high performing individuals to assist Mason Graphite in achieving its goals.

The process for determining executive compensation is relatively informal, in view of the size and stage of the Corporation and its operations. Executive officers are involved in the process and make recommendations to the Compensation Committee, which considers and recommends to the Board for approval the discretionary components (e.g. cash bonuses) of the annual compensation of senior management (other than the Chief Executive Officer). Except as otherwise described below, the Corporation does not maintain specific performance goals or use benchmarks in determining the compensation of executive officers. Upon the recommendation of the Compensation Committee, the Board may at its discretion award either a cash bonus or stock options for high achievement or for accomplishments that the Board deem as worthy of recognition.

Compensation for the NEOs is composed primarily of three components: base fees, performance bonuses and stock based compensation. In establishing the levels of base fees, performance bonuses and the award of stock options, the Compensation Committee takes into consideration a

variety of factors, including the financial and operating performance of the Corporation, and each NEO's individual performance and contribution towards meeting corporate objectives, responsibilities and length of service.

Salary

Amounts paid to executive officers as base salary, including merit salary increases, are determined in accordance with an individual's performance and salaries in the marketplace for comparable positions. However, certain of the NEOs provide their services in similar capacities to other reporting issuers, in addition to Mason Graphite. There is no mandatory framework that determines which of these factors may be more or less important and the emphasis placed on any of these factors may vary among the executive officers. The determination of base salaries relies principally on negotiations between the respective NEO and the Corporation and is therefore heavily discretionary.

Bonus

Mason Graphite's cash bonus awards are designed to reward an executive for the direct contribution which he or she can make to the Corporation. NEOs are entitled to receive discretionary bonuses from time to time as determined or approved by the Board, upon the recommendation of the Compensation Committee, or the Chief Executive Officer, as applicable. The Corporation does not currently prescribe a set of formal objective measures to determine discretionary bonus entitlements. Rather the Corporation uses informal goals which may include an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation. Precise goals or milestones are not pre-set by the Board.

Stock Option Grants

Options are granted pursuant to the Corporation's Stock Option Plan and in accordance with the rules of the TSX Venture Exchange. The Stock Option Plan is administered by the Board, upon the recommendations of the Compensation Committee. See above under the section "Business of the Meeting – Stock Option Plan."

The table below sets out the outstanding options under the Stock Option Plan, being the Corporation's only compensation plan under which Common Shares are authorized for issuance, as of June 30, 2014.

	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available under equity compensation plans (excluding securities reflected in column (a)) as of June 30, 2014
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by security holders	6,410,000	\$0.57	2,168,603
Equity compensation plans not approved by security holders	N/A	N/A	N/A
TOTAL	6,410,000	\$0.57	2,168,603

Other Compensation Matters

Indebtedness of Directors and Officers

As at the date of this Circular, and during the financial year ended June 30, 2014, no director or executive officer of the Corporation or Nominee (as defined herein) (and each of their associates and/or affiliates) was indebted, including under any securities purchase or other program, to (i) the Corporation or its subsidiaries, or (ii) any other entity which is, or was at any time during the financial year ended June 30, 2014, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or its subsidiaries.

Directors' and Officers' Insurance and Indemnification

The Corporation maintains insurance for the benefit of its directors and officers against liability in their respective capacities as directors and officers. The Corporation has purchased in respect of directors and officers an aggregate of \$5,000,000 in coverage. The approximate amount of premiums paid by the Corporation during the financial year ended June 30, 2014 in respect of such insurance was \$10,200.

The Corporation has not, as yet, adopted a policy restricting its Named Executive Officers or directors from purchasing instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officers or directors.

In light of the Corporation's size, the Board does not deem it necessary to consider at this time the implications of the risks associated with its compensation policies and practices.

Summary Compensation Table

The following table summarizes the compensation paid during the three financial years ended June 30, 2014, June 30, 2013 and March 31, 2012 in respect of the individuals who were carrying out the role of the Chief Executive Officer ("CEO") of the Corporation and Chief Financial Officer ("CFO") of the Corporation and each of the three most highly compensated executive officers other than the CEO and CFO at the end of the most recently completed financial year whose total compensation was individually more than \$150,000 for that financial year (the "Named Executive Officers"). Other than as identified in the table below, no other executive officer received compensation of \$150,000 or more in the year ended June 30, 2014.

SUMMARY COMPENSATION TABLE

Name and principal position	Year Ended	Salary (\$) ⁽¹⁾	Share awards (\$)	Option awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)		All other compensation (\$) ⁽⁴⁾	Total compensation (\$)
					Annual incentive plans ⁽³⁾	Long-term incentive plans		
Benoit Gascon, President and Chief Executive Officer	2014	300,000	NIL	32,000	150,000	NIL	8,872	490,872
	2013	305,000	NIL	510,000	NIL	NIL	3,039	818,039
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Luc Veilleux, Chief Financial Officer	2014	216,000	NIL	120,000	54,000	NIL	8,484	398,484
	2013	117,000	NIL	153,000	NIL	NIL	3,600	273,600
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jean L'Heureux, Executive Vice-President, Process Development	2014	180,000	NIL	120,000	45,000	NIL	8,778	353,778
	2013	90,000	NIL	153,000	NIL	NIL	3,327	246,327
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Simon Marcotte, Vice-President, Corporate Development	2014	120,000	NIL	126,000	125,000	NIL	3,982	374,982
	2013	100,000	NIL	140,250	NIL	NIL	NIL	240,250
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Compensation has been paid as consulting fees under the independent contractor agreement with the Named Executive Officer as described under the heading "Executive Compensation – Termination of Employment, Change in Responsibilities and Employment Contracts" of this Circular.
- (2) The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Scholes Model as at the date of grant using the following assumptions: expected dividend yield of 0%, expected volatility of 125%, risk-free interest rate of 1.70% - 1.77% and an expected life of five years.
- (3) Compensation paid in the form of discretionary performance based bonuses.
- (4) Other benefits did not exceed the lesser of \$50,000 and 10% of the total annual compensation for the Named Executive Officer.

Long Term Incentive Plan

The Corporation does not currently have a long term incentive plan.

Incentive Plan Awards

The following table provides information regarding the incentive plan awards for each Named Executive Officer outstanding as of June 30, 2014.

Name	Option Awards				Share Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Benoit Gascon, President and Chief Executive Officer	100,000 1,000,000	0.38 0.60	October 29, 2018 April 23, 2018	26,000 40,000	N/A	N/A
Luc Veilleux, Chief Financial Officer and Executive Vice-President	125,000 200,000 300,000	0.38 0.60 0.60	October 29, 2018 July 2, 2018 April 23, 2018	32,500 8,000 12,000	N/A	N/A
Jean L'Heureux, Executive Vice-President, Process Development	125,000 200,000 300,000	0.38 0.60 0.60	October 29, 2018 July 2, 2018 April 23, 2018	32,500 8,000 12,000	N/A	N/A
Simon Marcotte, Vice-President, Corporate Development	175,000 175,000 275,000	0.38 0.60 0.60	October 29, 2018 July 2, 2018 April 23, 2018	45,500 7,000 11,000	N/A	N/A

Notes:

(1) Based on the closing market price of \$0.64 of the Common Shares on June 30, 2014.

The following table provides information regarding the value vested or earned of incentive plan awards for the financial year ended June 30, 2014.

Value of Incentive Plan Awards Vested or Earned

Name	Option awards – Value vested during the year (\$)	Share awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Benoit Gascon, President and Chief Executive Officer	180,667	N/A	180,667
Luc Veilleux, Chief Financial Officer	91,000	N/A	91,000
Jean L'Heureux, Executive Vice-President, Process Development	91,000	N/A	91,000
Simon Marcotte, Vice-President, Corporate Development	88,750	N/A	88,750

Defined Benefit or Actuarial Plan

The Corporation does not currently have a defined benefit or actuarial plan under which benefits are determined primarily by final compensation (or average final compensation) and years of services.

Termination of Employment, Change in Responsibilities, and Employment Contracts

The following describes the respective consulting and employment agreements entered into by the Corporation and its executive officers as of November 11, 2014.

Name	Monthly Fees	Severance on Termination	Severance on Change of Control ⁽¹⁾
Benoit Gascon President and Chief Executive Officer	\$26,250	12 months' fees	24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change in Control in the event that the Change of Control is approved by the Board. Otherwise 36 months base fees plus aggregate cash bonuses paid in the 36 months prior to the Change in Control.
Luc Veilleux, Chief Financial Officer	\$18,900	12 months' fees	24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change in Control in the event that the Change of Control is approved by the Board. Otherwise 36 months base fees plus aggregate cash bonuses paid in the 36 months prior to the Change in Control.

Jean L'Heureux, Executive Vice President, Process Development	\$15,750	12 months' fees	24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change in Control in the event that the Change of Control is approved by the Board. Otherwise 36 months base fees plus aggregate cash bonuses paid in the 36 months prior to the Change in Control.
Simon Marcotte, Vice President, Corporate Development	\$15,000	12 months' fees	24 months base fees plus aggregate cash bonuses paid in the 24 months prior to the Change in Control in the event that the Change of Control is approved by the Board. Otherwise 36 months base fees plus aggregate cash bonuses paid in the 36 months prior to the Change in Control.

- (1) Severance upon a change of control becomes payable in the event of a Change of Control of the Corporation and within one year following the date of the Change of Control the Corporation either terminates the executive officer's appointment or alters the executive officer's position and/or responsibilities in a materially adverse manner.

For the purpose of the agreements set forth above, "Change of Control" is defined as the acquisition by any person (person being defined as an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the *Canada Business Corporations Act*) of: (1) shares or rights or options to acquire shares of the Corporation or securities which are convertible into shares of the Corporation or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 30% or more of the votes entitled to be cast at a meeting of the shareholders of the Corporation; (2) shares or rights or options to acquire shares of any material subsidiary of the Corporation or securities which are convertible into shares of the material subsidiary or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 30% or more of the votes entitled to be cast at a meeting of the shareholders of the material subsidiary; or (3) more than 50% of the material assets of the Corporation, including the acquisition of more than 50% of the material assets of any material subsidiary of the Corporation.

Summary of Termination Payments

The estimated incremental payments, payables and benefits that might be paid to the officers pursuant to the above noted agreements in the event of termination without cause or after a Change of Control (assuming such termination or Change of Control is effective as of the Record Date) are detailed below:

Named Executive Officer	Termination not for Cause (\$)	Termination on a Change of Control Approved by Board (\$)	Termination on a Change of Control Not Approved by Board (\$)
Benoît Gascon			
Salary and Quantified Benefits	315,000	630,000	945,000
Bonus	N/A	150,000	150,000
Total	315,000	780,000	1,095,000
Luc Veilleux			
Salary and Quantified Benefits	226,800	453,600	680,400
Bonus	N/A	54,000	54,000
Total	226,800	507,600	734,400
Jean L'Heureux			
Salary and Quantified Benefits	189,000	378,000	567,000
Bonus	N/A	45,000	45,000
Total	189,000	423,000	612,000
Simon Marcotte			
Salary and Quantified Benefits	180,000	360,000	540,000
Bonus	N/A	125,000	125,000
Total	180,000	485,000	665,000

DIRECTOR COMPENSATION

Compensation of directors for the financial year ended June 30, 2014 was determined on a case-by-case basis with reference to the role that each director provided to the Corporation. The following information details compensation paid in the recently completed financial year.

Directors may receive cash bonuses from time to time, which the Corporation awards to directors for serving in their capacity as a member of the Board. In addition, directors are entitled to participate in the Corporation's Stock Option Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. Individual grants are determined by an assessment of an individual's current and expected future performance, level of responsibilities and the importance of his/her position and contribution to the Corporation.

Presently the Chairman of the Board is paid \$60,000 per annum and each director other than the Chairman is paid director fees of \$10,000 per annum. The Chair of the Audit Committee and the Compensation Committee are paid an additional \$5,000 per annum and each member of the Audit Committee and Compensation Committee other than the Chair are paid an additional \$2,500 per annum. Executive officers who also act as directors of the Corporation do not receive any additional compensation for services rendered in their capacity as directors.

During the financial year ended June 30, 2014, directors were granted the fees, options and bonuses in their capacity as directors of the Corporation as is set out in the table below, other than for Mr. Gascon which may be found under the "Summary Compensation Table", above.

DIRECTOR COMPENSATION TABLE

The following table provides information regarding compensation paid to the Corporation's directors during the financial year ended June 30, 2014.

Name	Fees earned (\$)	Share awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Tayfun Eldem	60,000	NIL	0	NIL	NIL	60,000
Tyrone Docherty	11,250	NIL	0	NIL	NIL	11,250
Scott Moore	10,000	NIL	0	NIL	NIL	10,000
Francois Laurin	15,000	NIL	0	NIL	NIL	15,000
Alastair Neill	12,500	NIL	0	NIL	NIL	12,500
TOTALS	108,750	NIL	0	NIL	NIL	108,750

Incentive Plan Awards

The following table provides information regarding the incentive plan awards held by each director of the Corporation as at June 30, 2014.

Outstanding Share Awards and Option Awards

Name	Option Awards				Share Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Tayfun Eldem	300,000	\$0.60	April 23, 2018	12,000	N/A	N/A
Tyrone Docherty	200,000	\$0.60	April 23, 2018	8,000	N/A	N/A
Scott Moore	200,000	\$0.60	April 23, 2018	8,000	N/A	N/A
Francois Laurin	200,000	\$0.60	April 23, 2018	8,000	N/A	N/A
Alastair Neill	200,000	\$0.60	April 23, 2018	8,000	N/A	N/A

Notes:

(1) Based on the closing market price of \$0.64 of the Common Shares on June 30, 2014.

The following table provides information regarding the value vested or earned of incentive plan awards for the financial year ended June 30, 2014.

Value of Incentive Plan Awards Vested or Earned

Name	Option awards – Value vested during the year (\$)	Share awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Pay-out during the year (\$)
Tayfun Eldem	51,000	N/A	51,000
Tyrone Docherty	34,000	N/A	34,000
Scott Moore	34,000	N/A	34,000
Francois Laurin	34,000	N/A	34,000
Alastair Neill	34,000	N/A	34,000

ADDITIONAL INFORMATION AND CONTACT INFORMATION

Additional information relating to the Corporation may be found under the profile of the Corporation on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's audited financial statements and related management's discussion and analysis for the financial year ended June 30, 2014, which can be found under the profile of the Corporation on SEDAR. Shareholders may also request these documents from the Corporate Secretary of the Corporation by email at lveilleux@masongraphite.com or by telephone at (514) 289-3582.

Board of Directors Approval

The contents of this Circular and the sending thereof to the shareholders of the Corporation have been approved by the Board.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Benoit Gascon"

President and Chief Executive Officer

Laval, Quebec
November 11, 2014

SCHEDULE "A"

MASON GRAPHITE INC. (the "Corporation")

STOCK OPTION PLAN

1. STATEMENT OF PURPOSE

1.1 **Principal Purposes** – The principal purposes of the Plan are to provide the Company with the advantages of the incentive inherent in share ownership on the part of employees, officers, directors and consultants responsible for the continued success of the Company; to create in such individuals a proprietary interest in, and a greater concern for, the welfare and success of the Company; to encourage such individuals to remain with the Company; and to attract new employees, officers, directors and consultants to the Company.

1.2 **Benefit to Shareholders** – The Plan is expected to benefit shareholders by enabling the Company to attract and retain skilled and motivated personnel by offering such personnel an opportunity to share in any increase in value of the Shares resulting from their efforts.

2. INTERPRETATION

2.1 **Defined Terms** – For the purposes of this Plan, the following terms shall have the following meanings:

- (a) **"Act"** means the *Securities Act* (Ontario), as amended from time to time;
- (b) **"Associate"** shall have the meaning ascribed to such term in the Act;
- (c) **"Board"** means the Board of Directors of the Company;
- (d) **"Change in Control"** means:
 - (i) a takeover bid (as defined in the Act), which is successful in acquiring Shares,
 - (ii) the change of control of the Board resulting from the election by the members of the Company of less than a majority of the persons nominated for election by management of the Company,
 - (iii) the sale of all or substantially all the assets of the Company,
 - (iv) the sale, exchange or other disposition of a majority of the outstanding Shares in a single transaction or series of related transactions,
 - (v) the dissolution of the Company's business or the liquidation of its assets,
 - (vi) a merger, amalgamation or arrangement of the Company in a transaction or series of transactions in which the Company's shareholders receive less than 51% of the outstanding shares of the new or continuing corporation, or
 - (vii) the acquisition, directly or indirectly, through one transaction or a series of transactions, by any Person, of an aggregate of more than 50% of the outstanding Shares;

- (e) **"Committee"** means a committee of the Board appointed in accordance with this Plan, or if no such committee is appointed, the Board itself;
- (f) **"Company"** means Mason Graphite Inc., a company incorporated under the laws of the Province of Ontario;
- (g) **"Consultant"** means an individual, other than an Employee, senior officer or director of the Company or a Subsidiary Company, or a Consultant Company, who;
 - (i) provides ongoing consulting, technical, management or other services to the Company or a Subsidiary Company, other than services provided in relation to a distribution of the Company's securities,
 - (ii) provides the services under a written contract between the Company or a Subsidiary Company and the individual or Consultant Company,
 - (iii) in the reasonable opinion of the Company spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Subsidiary Company, and
 - (iv) has a relationship with the Company or a Subsidiary Company that enables the individual or Consultant Company to be knowledgeable about the business and affairs of the Company;
- (h) **"Consultant Company"** means, for an individual Consultant, a company of which the individual is an employee or shareholder, or a partnership of which the individual is an employee or partner;
- (i) **"Date of Grant"** means the date specified in the Option Agreement as the date on which the Option is effectively granted;
- (j) **"Disability"** means any disability with respect to an Optionee which the Board, in its sole and unfettered discretion, considers likely to prevent permanently the Optionee from:
 - (i) being employed or engaged by the Company, a Subsidiary Company or another employer, in a position the same as or similar to that in which he was last employed or engaged by the Company or a Subsidiary Company; or
 - (ii) acting as a director or officer of the Company or a Subsidiary Company;
- (k) **"Disinterested Shareholder Approval"** means an ordinary resolution approved by a majority of the votes cast by members of the Company at a shareholders' meeting, excluding votes attaching to Shares beneficially owned by Insiders to whom Options may be granted and Associates of those persons;
- (l) **"Effective Date"** means the effective date of this Plan, which is the later of the day of its approval by the shareholders of the Company and the day of its acceptance for filing by the Exchange if such acceptance for filing is required under the rules or policies of the Exchange;
- (m) **"Eligible Person"** means:

- (i) an Employee, senior officer or director of the Company or any Subsidiary Company,
 - (ii) a Consultant,
 - (iii) an individual providing Investor Relations Activities for the Company;
 - (iv) a company, all of the voting securities of which are beneficially owned by one or more of the persons referred to in (i), (ii) or (iii) above.
- (n) **"Employee"** means:
- (i) an individual who is considered an employee under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),
 - (ii) an individual who works full-time for the Company or a Subsidiary Company providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source,
 - (iii) an individual who works for the Company or a Subsidiary Company, on a continuing and regular basis for a minimum amount of time per week, providing services normally provided by an employee and who is subject to the same control and direction by the Company or a Subsidiary Company over the details and methods of work as an employee of the Company or a Subsidiary Company, but for whom income tax deductions are not made at source;
- (o) **"Exchange"** means the stock exchange or over the counter market on which the Shares are listed;
- (p) **"Exchange Act"** means the United States *Securities Exchange Act* of 1934, as amended;
- (q) **"Fair Market Value"** means, where the Shares are listed for trading on an Exchange, the last closing price of the Shares before the Date of Grant on the Exchange which is the principal trading market for the Shares, as may be determined for such purpose by the Committee, provided that, so long as the Shares are listed only on the TSXVE, the "Fair Market Value" shall not be lower than the last closing price of the Shares before the Date of Grant;
- (r) **"Guardian"** means the guardian, if any, appointed for an Optionee;
- (s) **"Insider"** shall have the meaning ascribed to such term in the Act;
- (t) **"Investor Relations Activities"** means any activities or oral or written communications, by or on behalf of the Company or a shareholder of the Company that promote or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:
- (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company
 - (A) to promote the sale of products or services of the Company, or

- (B) to raise public awareness of the Company,

that cannot reasonably be considered to promote the purchase or sale of securities of the Company,
- (ii) activities or communications necessary to comply with the requirements of
 - (A) applicable securities laws,
 - (B) the rules and policies of the TSXVE, if the Shares are listed only on the TSXVE, or the by-laws, rules or other regulatory instruments of any other self-regulatory body or exchange having jurisdiction over the Company,
- (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if
 - (A) the communication is only through the newspaper, magazine or publication and
 - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer, or
- (iv) activities or communications that may be otherwise specified by the TSXVE, if the Shares are listed only on the TSXVE;
- (u) “**Option**” means an option to purchase unissued Shares granted pursuant to the terms of this Plan;
- (v) “**Option Agreement**” means a written agreement between the Company and an Optionee specifying the terms of the Option being granted to the Optionee under the Plan;
- (w) “**Option Price**” means the exercise price per Share specified in an Option Agreement, adjusted from time to time in accordance with the provisions of Sections 6.3 and 10;
- (x) “**Optionee**” means an Eligible Person to whom an Option has been granted;
- (y) “**Person**” means a natural person, company, government or political subdivision or agency of a government; and where two or more Persons act as a partnership, limited partnership, syndicate or other group for the purpose of acquiring, holding or disposing of securities of an issuer, such syndicate or group shall be deemed to be a Person;
- (z) “**Plan**” means this Stock Option Plan of the Company;
- (aa) “**Qualified Successor**” means a person who is entitled to ownership of an Option upon the death of an Optionee, pursuant to a will or the applicable laws of descent and distribution upon death;

- (bb) **"Shares"** means the common shares in the capital of the Company as constituted on the Date of Grant, adjusted from time to time in accordance with the provisions of Section 10;
- (cc) **"Subsidiary Company"** shall mean a company which is a subsidiary of the Company;
- (dd) **"Term"** means the period of time during which an Option may be exercised; and
- (ee) **"TSXVE"** means the TSX Venture Exchange.

3. **ADMINISTRATION**

3.1 **Board or Committee** – The Plan shall be administered by the Board or by a Committee appointed in accordance with Section 3.2.

3.2 **Appointment of Committee** – The Board may at any time appoint a Committee, consisting of not less than three of its members, to administer the Plan on behalf of the Board in accordance with such terms and conditions as the Board may prescribe, consistent with this Plan. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and appoint new members in their place, fill vacancies however caused, or remove all members of the Committee and thereafter directly administer the Plan. In the absence of the appointment of a Committee by the Board, the Board shall administer the Plan.

3.3 **Quorum and Voting** – A majority of the members of the Committee shall constitute a quorum, and, subject to the limitations in this Section 3, all actions of the Committee shall require the affirmative vote of members who constitute a majority of such quorum. No member of the Committee who is a director to whom an Option may be granted may participate in the decision to grant such Option (but any such member may be counted in determining the existence of a quorum at any meeting of the Committee in which action is to be taken with respect to the granting of an Option to him).

3.4 **Powers of Board and Committee** – The Board shall from time to time authorize and approve the grant by the Company of Options under this Plan, and any Committee appointed under Section 3.2 shall have the authority to review the following matters in relation to the Plan and to make recommendations thereon to the Board;

- (a) administration of the Plan in accordance with its terms,
- (b) determination of all questions arising in connection with the administration, interpretation and application of the Plan, including all questions relating to the value of the Shares,
- (c) correction of any defect, supply of any information or reconciliation of any inconsistency in the Plan in such manner and to such extent as shall be deemed necessary or advisable to carry out the purposes of the Plan,
- (d) prescription, amendment and rescission of the rules and regulations relating to the administration of the Plan;
- (e) determination of the duration and purpose of leaves of absence from employment which may be granted to Optionees without constituting a termination of employment for purposes of the Plan,
- (f) with respect to the granting of Options:

- (i) determination of the employees, officers, directors or consultants to whom Options will be granted, based on the eligibility criteria set out in this Plan,
- (ii) determination of the terms and provisions of the Option Agreement which shall be entered into with each Optionee (which need not be identical with the terms of any other Option Agreement) and which shall not be inconsistent with the terms of this Plan,
- (iii) amendment of the terms and provisions of an Option Agreement, provided the Board obtains:
 - (A) the consent of the Optionee, and
 - (B) if required, the approval of any stock exchange on which the Shares are listed,
- (iv) determination of when Options will be granted,
- (v) determination of the number of Shares subject to each Option,
- (vi) determination of the vesting schedule, if any, for the exercise of each Option, and
- (g) other determinations necessary or advisable for administration of the Plan.

3.5 **Obtain Approvals** – The Board will seek to obtain any regulatory, Exchange or shareholder approvals which may be required pursuant to applicable securities laws or Exchange rules.

3.6 **Administration by Committee** – The Committee shall have all powers necessary or appropriate to accomplish its duties under this Plan. In addition, the Committee's administration of the Plan shall in all respects be consistent with the Exchange policies and rules.

4. **ELIGIBILITY**

4.1 **Eligibility for Options** – Options may be granted to any Eligible Person.

4.2 **Insider Eligibility for Options** – Notwithstanding Section 4.1, if the Shares are listed only on the TSXVE, grants of Options to Insiders shall be subject to the policies of the TSXVE.

4.3 **No Violation of Securities Laws** – No Option shall be granted to any Optionee unless the Committee has determined that the grant of such Option and the exercise thereof by the Optionee will not violate the securities law of the jurisdiction in which the Optionee resides.

5. **SHARES SUBJECT TO THE PLAN**

5.1 **Number of Shares** – The maximum number of Shares issuable from time to time under the Plan, and all other equity compensation plans of the Company, is that number of Shares as is equal to 10% of the number of issued Shares at the Date of Grant of an Option. The maximum number of Shares issuable under the Plan shall be adjusted, where necessary, to take account of the events referred to in Section 10.

5.2 **Expiry of Option** – If an Option expires or terminates for any reason without having been exercised in full, the unpurchased Shares subject thereto shall again be available for the purposes of the Plan.

5.3 **Reservation of Shares** – The Company will at all times reserve for issuance and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

6. **OPTION TERMS**

6.1 **Option Agreement** – Each Option granted to an Optionee shall be confirmed by the execution and delivery of an Option Agreement and the Board shall specify the following terms in each such Option Agreement:

- (a) the number of Shares subject to option pursuant to such Option, subject to the following limitations if the Shares are listed only on the TSXVE:
 - (i) the number of Shares reserved for issuance under Options granted to Insiders under the Plan, and any other equity compensation plan of the Company, shall not exceed 10% of the issued Shares,
 - (ii) the grant to Insiders, within a 12 month period, of Options under the Plan, and any other equity compensation plan of the Company, shall not exceed 10% of the issued Shares,
 - (iii) the issuance of Shares on exercise of Options to any one Optionee under the Plan and any other equity compensation plan of the Company, shall not exceed 5% of the issued Shares in any 12-month period,
 - (iv) the number of options granted to any one Optionee under the Plan, and any other equity compensation plan of the Company, shall not exceed 5% of the issued Shares in any 12-month period,
 - (v) the number of Options granted to any one Consultant under the Plan, and any other equity compensation plan of the Company, shall not exceed 2% of the issued Shares in any 12-month period,
 - (vi) the aggregate number of Options granted to persons employed to provide Investor Relations Activities shall not exceed 2% of the issued Shares in any 12-month period;
- (b) the Date of Grant;
- (c) the Term, provided that, if the Shares are listed only on the TSXVE, the length of the Term shall in no event be greater than five years following the Date of Grant, except, if the Company is designated as “Tier 1” listed company by the TSXVE, then the Term shall be no greater than ten years following the Date of Grant, for all Optionees;
- (d) the Option Price, provided that the Option Price shall not be less than the Fair Market Value of the Shares on the Date of Grant;
- (e) subject to Section 6.2 below, any vesting schedule upon which the exercise of an Option is contingent;
- (f) if the Optionee is an Employee, Consultant or an individual providing Investor Relations Activities for the Company, a representation by the Company and the Optionee that the Optionee is a bona fide Employee, Consultant or an individual providing Investor Relations Activities for the Company, as the case may be, of the Company or a Subsidiary Company; and

- (g) such other terms and conditions as the Board deems advisable and are consistent with the purposes of this Plan.

6.2 **Vesting Schedule** – The Board, as applicable, shall have complete discretion to set the terms of any vesting schedule of each Option granted, including, without limitation, discretion to:

- (a) permit partial vesting in stated percentage amounts based on the Term of such Option; and
- (b) permit full vesting after a stated period of time has passed from the Date of Grant.

6.3 **Amendments to Options** – Amendments to the terms of previously granted Options are subject to regulatory approval, if required. Disinterested Shareholder Approval shall be required for any reduction in the Option Price of a previously granted Option.

6.4 **Uniformity** – Except as expressly provided herein, nothing contained in this Plan shall require that the terms and conditions of Options granted under the Plan be uniform.

7. **EXERCISE OF OPTION**

7.1 **Method of Exercise** – Subject to any limitations or conditions imposed upon an Optionee pursuant to the Option Agreement or Section 6 hereof, an Optionee may exercise an Option by giving written notice thereof, specifying the number of Shares in respect of which the Option is exercised, to the Company at its principal place of business at any time after the Date of Grant until 4:00 p.m. (Toronto time) on the last day of the Term, such notice to be accompanied by full payment of the aggregate Option Price to the extent the Option is so exercised and an indication as to suitable arrangements made with the Corporation, in accordance with Section 15.7, for the receipt by the Corporation of an amount sufficient to satisfy any withholding tax requirements under applicable tax legislation in respect of the exercise of an Option (the "Withholding Obligations"). Such amounts shall be in lawful money (Canadian funds) by cash, cheque, bank draft or wire transfer. Payment by cheque made payable to the Company in the amount of the aggregate Option Price shall constitute payment of such Option Price unless the cheque is not honoured upon presentation, in which case the Option shall not have been validly exercised. Such payment shall be in lawful money (Canadian funds) by cash, cheque, bank draft or wire transfer. Payment by cheque made payable to the Company in the amount of the aggregate Option Price shall constitute payment of such Option Price unless the cheque is not honoured upon presentation, in which case the Option shall not have been validly exercised.

7.2 **Issuance of Certificates** – Not later than the third business day after exercise of an Option in accordance with Section 7.1, the Company shall issue and deliver to the Optionee a certificate or certificates evidencing the Shares with respect to which the Option has been exercised. Until the issuance of such certificate or certificates, no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to such Shares, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the certificate is issued, except as provided by Section 10 hereof.

7.3 **Compliance with U.S. Securities Laws** – As a condition to the exercise of an Option, the Board may require the Optionee to represent and warrant in writing at the time of such exercise that the Shares are being purchased only for investment and without any then-present intention to sell or distribute such Shares. At the option of the Board, a stop-transfer order against such Shares may be placed on the stock books and records of the Company and a legend, indicating that the stock may not be pledged, sold or otherwise transferred unless an opinion of counsel is provided stating that such transfer is not in violation of any applicable law or regulation, may be stamped on the certificates representing such Shares in order to assure an exemption from registration. The Board may also require such other documentation as may from

time to time be necessary to comply with United States' federal and state securities laws. The Company has no obligation to undertake registration of Options or the Shares issuable upon the exercise of the Options.

8. TRANSFERABILITY OF OPTIONS

8.1 **Non-Transferable/Legending** – Except as permitted by applicable securities laws and the policies of the Exchange, and as provided otherwise in this Section 8, Options are non-assignable and non-transferable. If the Shares are listed only on the TSXVE, then, in addition to any resale restrictions under applicable securities laws, if the Company is, at the Date of Grant of an Option, designated as a “Tier 2” listed company by the TSXVE or, if the Company is not so designated but the Option Price is based on a discount from the last closing price of the Shares on the TSXVE, the Option Agreement and the certificates representing the Shares issued on the exercise of such Option shall bear the TSXVE legend with a four-month hold period commencing on the Date of Grant.

8.2 **Death of Optionee** – Subject to Section 8.3, if the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities, or the position of the Optionee as a director or senior officer of the Company or any Subsidiary Company, terminates as a result of such Optionee's death, any Options held by such Optionee shall pass to the Qualified Successor of the Optionee and shall be exercisable by such Qualified Successor until the earlier of a period of not more than one year following the date of such death and the expiry of the Term of the Option.

8.3 **Disability of Optionee** – If the employment of an Optionee as an Employee of, or the services of a Consultant providing services to, the Company or any Subsidiary Company, or the employment of an Optionee as an individual providing Investor Relations Activities for the Company, or the position of the Optionee as a director or senior officer of the Company or any Subsidiary Company, is terminated by reason of such Optionee's Disability, any Options held by such Optionee that could have been exercised immediately prior to such termination of employment or service shall be exercisable by such Optionee, or by his Guardian, for a period of not more than one year following the date of such following the termination of employment or service of such Optionee. If such Optionee dies within that period of not more than one year, any Option held by such Optionee that could have been exercised immediately prior to his or her death shall pass to the Qualified Successor of such Optionee, and shall be exercisable by the Qualified Successor until the earlier of a period of not more than one year following the death of such Optionee and the expiry of the Term of the Option.

8.4 **Vesting** – Options held by a Qualified Successor or exercisable by a Guardian shall, during the period prior to their termination, continue to vest in accordance with any vesting schedule to which such Options are subject.

8.5 **Deemed Non-Interruption of Employment** – Employment shall be deemed to continue intact during any military or sick leave or other bona fide leave of absence if the period of such leave does not exceed 90 days or, if longer, for so long as the Optionee's right to reemployment with the Company or any Subsidiary Company is guaranteed either by statute or by contract. If the period of such leave exceeds 90 days and the Optionee's reemployment is not so guaranteed, then the Optionee's employment shall be deemed to have terminated on the ninety-first day of such leave.

9. TERMINATION OF OPTIONS

9.1 **Termination of Options** – To the extent not earlier exercised or terminated in accordance with Section 8, an Option shall terminate at the earliest of the following dates:

- (a) the termination date specified for such Option in the Option Agreement;

- (b) where the Optionee's position as an Employee, a Consultant, a director or a senior officer of the Company or any Subsidiary Company, or an individual providing Investor Relations Activities for the Company, is terminated for cause, the date of such termination for cause;
- (c) where the Optionee's position as an Employee, a Consultant, a director or a senior officer of the Company or any Subsidiary Company or an individual providing Investor Relations Activities for the Company terminates for a reason other than the Optionee's Disability or death or for cause, not more than 90 days after such date of termination or, if the Shares are listed only on the TSXVE and if the Company is designated as a "Tier 2" listed company by the TSXVE, then in the case of a person employed to provide Investor Relations Activities, not more than 30 days after such person ceases to be employed to provide Investor Relations Activities; PROVIDED that if an Optionee's position changes from one of the said categories to another category, such change shall not constitute termination or cessation for the purpose of this Subsection 9.1(c); and
- (d) the date of any sale, transfer, assignment or hypothecation, or any attempted sale, transfer, assignment or hypothecation, of such Option in violation of Section 8.1.

9.2 **Lapsed Options** – If Options are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options. If an Option has been surrendered in connection with the regranting of a new Option to the same Optionee on different terms than the original Option granted to such Optionee, then, if required, the new Option is subject to approval of the Exchange.

9.3 **Exclusion From Severance Allowance, Retirement Allowance or Termination Settlement** – If the Optionee retires, resigns or is terminated from employment or engagement with the Company or any Subsidiary Company, the loss or limitation, if any, pursuant to the Option Agreement with respect to the right to purchase Option Shares which were not vested at that time or which, if vested, were cancelled, shall not give rise to any right to damages and shall not be included in the calculation of nor form any part of any severance allowance, retiring allowance or termination settlement of any kind whatsoever in respect of such Optionee.

10. **ADJUSTMENTS TO OPTIONS**

10.1 **Alteration in Capital Structure** – If there is any change in the Shares through or by means of a declaration of stock dividends of the Shares or consolidations, subdivisions or reclassifications of the Shares, or otherwise, the number of Shares available under the Plan, the Shares subject to any Option and the Option Price therefor shall be adjusted proportionately by the Board and, if required, approved by the Exchange, and such adjustment shall be effective and binding for all purposes of the Plan.

10.2 **Effect of Amalgamation, Merger or Arrangement** – If the Company amalgamates, merges or enters into a plan of arrangement with or into another corporation, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Optionee would have received upon such amalgamation, merger or arrangement if the Optionee had exercised the Option immediately prior to the record date applicable to such amalgamation, merger or arrangement, and the exercise price shall be adjusted proportionately by the Board and such adjustment shall be binding for all purposes of the Plan.

10.3 **Acceleration on Change in Control** – Upon a Change in Control, all Options shall become immediately exercisable, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject.

10.4 **Acceleration of Date of Exercise** – Subject to the approval of the Exchange, if required, the Board shall have the right to accelerate the date of vesting of any Option which remains unvested.

10.5 **Determinations to be Binding** – If any questions arise at any time with respect to the Option Price or exercise price or number of Option Shares or other property deliverable upon exercise of an Option following an event referred to in this Section 10, such questions shall be conclusively determined by the Board, whose decisions shall be final and binding.

10.6 **Effect of a Take-Over** – If a *bona fide* offer (the “Offer”) for Shares is made to an Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer constitutes a take-over bid within the meaning of the Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of full particulars of the Offer, whereupon any Option held by an Optionee may be exercised in whole or in part, notwithstanding any contingent vesting provisions to which such Options may have otherwise been subject, by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the “Optioned Shares”) to the Offer. If:

- (a) the Offer is not completed within the time specified therein; or
- (b) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror pursuant thereto;

the Optioned Shares or, in the case of clause (b) above, the Optioned Shares that are not taken up and paid for, may be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Optioned Shares, the Option shall be reinstated as if it had not been exercised. If any Optioned Shares are returned to the Company under this Section, the Company shall refund to the Optionee any Option Price paid for such Optioned Shares.

11. **APPROVAL, TERMINATION AND AMENDMENT OF PLAN**

11.1 **Shareholder Approval** – This Plan, if the Shares are listed only on the TSXVE, is subject to shareholder approval on a yearly basis at the Company’s next ensuing annual general meeting.

11.2 **Power of Board to Terminate or Amend Plan** – Subject to the approval of the Exchange, if required, the Board may terminate, suspend or discontinue the Plan at any time or amend or revise the terms of the Plan; provided, however, that, except as provided in Section 10, the Board may not do any of the following without obtaining, within 12 months either before or after the Board’s adoption of a resolution authorizing such action, approval by the Company’s shareholders at a meeting duly held in accordance with the applicable corporate laws:

- (a) increase the maximum number of Shares which may be issued under the Plan;
- (b) materially modify the requirements as to eligibility for participation in the Plan; or
- (c) materially increase the benefits accruing to participants under the Plan;

however, the Board may amend the terms of the Plan to comply with the requirements of any applicable regulatory authority, or as a result of changes in the policies of the Exchange relating to director, officer and employee stock options, without obtaining the approval of the Company’s shareholders.

11.3 **No Grant During Suspension of Plan** – No Option may be granted during any suspension, or after termination, of the Plan. Amendment, suspension or termination of the Plan

shall not, without the consent of the Optionee, alter or impair any rights or obligations under any Option previously granted.

12. CONDITIONS PRECEDENT TO ISSUANCE OF SHARES

12.1 **Compliance with Laws** – Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such shares shall comply with all relevant provisions of law, including, without limitation, any applicable United States' state securities laws, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations thereunder and the requirements of any Exchange or automated interdealer quotation system of a registered national securities association upon which such Shares may then be listed or quoted, and such issuance shall be further subject to the approval of counsel for the Company with respect to such compliance, including the availability of an exemption from registration for the issuance and sale of such Shares. The inability of the Company to obtain from any regulatory body the authority deemed by the Company to be necessary for the lawful issuance and sale of any Shares under this Plan, or the unavailability of an exemption from registration for the issuance and sale of any Shares under this Plan, shall relieve the Company of any liability with respect to the non-issuance or sale of such Shares other than with respect to a refund of any Option Price paid.

13. USE OF PROCEEDS

13.1 **Use of Proceeds** – Proceeds from the sale of Shares pursuant to the Options granted and exercised under the Plan shall constitute general funds of the Company and shall be used for general corporate purposes, or as the Board otherwise determines.

14. NOTICES

14.1 **Notices** – All notices, requests, demands and other communications required or permitted to be given under this Plan and the Options granted under this Plan shall be in writing and shall be either delivered personally to the party to whom notice is to be given, in which case notice shall be deemed to have been duly given on the date of such personal delivery; telecopied, in which case notice shall be deemed to have been duly given on the date the telecopy is sent; or mailed to the party to whom notice is to be given, by first class mail, registered or certified, return receipt requested, postage prepaid, and addressed to the party at his or its most recent known address, in which case such notice shall be deemed to have been duly given on the tenth postal delivery day following the date of such mailing.

15. MISCELLANEOUS PROVISIONS

15.1 **No Obligations to Exercise** – Optionees shall be under no obligation to exercise Options granted under this Plan.

15.2 **No Obligation to Retain Optionee** – Nothing contained in this Plan shall obligate the Company or any Subsidiary Company to retain an Optionee as an employee, officer, director or consultant for any period, nor shall this Plan interfere in any way with the right of the Company or any Subsidiary Company to reduce such Optionee's compensation.

15.3 **Binding Agreement** – The provisions of this Plan and of each Option Agreement with an Optionee shall be binding upon such Optionee and the Qualified Successor or Guardian of such Optionee.

15.4 **Use of Terms** – Where the context so requires, references herein to the singular shall include the plural, and vice versa, and references to a particular gender shall include either or both genders.

15.5 **Headings** – The headings used in this Plan are for convenience of reference only and shall not in any way affect or be used in interpreting any of the provisions of this Plan.

15.6 **No Representation or Warranty** – The Company makes no representation or warranty as to the future value of any Shares issued in accordance with the provisions of this Plan.

15.7 **Income Taxes** – Upon the exercise of an Option by an Optionee, the Company shall have the right to require the Optionee to remit to the Company an amount sufficient to satisfy any Withholding Obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the Board or by applicable law, satisfaction of the amount of the Withholding Obligations (the "Withholding Amount") may be accomplished by any of the following methods or by a combination of such methods as determined by the Company in its sole discretion:

- (a) the tendering by the Optionee of cash payment to the Company in an amount less than or equal to the Withholding Amount; or
- (b) the withholding by the Company from the Shares otherwise due to the Optionee such number of Shares as it determines are required to be sold by the Company, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the Option Agreement, the Optionee shall be deemed to have consented to such sale and have granted to the Company an irrevocable power of attorney to effect the sale of such Shares and to have acknowledged and agreed that the Company does not accept responsibility for the price obtained on the sale of such Shares; or
- (c) the withholding by the Company from any cash payment otherwise due by the Company to the Optionee, including salaries, directors fees, consulting fees and any other forms of remuneration, such amount of cash as is required to pay and satisfy the Withholding Amount;

provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the Option Agreement shall provide that the Optionee (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Option Plan and an acknowledgement that neither the Board nor the Company shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Option Plan and none of the Board, the Company, nor any of its employees or representatives shall have any liability to an Optionee (or its beneficiaries) with respect thereto.

15.8 **Compliance with Applicable Law** – If any provision of the Plan or any Option Agreement contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange or over the counter market having authority over the Company or the Plan, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

15.9 **Conflict** – In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

15.10 **Governing Law** – This Plan and each Option Agreement issued pursuant to this Plan shall be governed by the laws of the Province of Ontario.

15.11 **Time of Essence** – Time is of the essence of this Plan and of each Option Agreement. No extension of time will be deemed to be, or to operate as, a waiver of the essentiality of time.

15.12 **Entire Agreement** – This Plan and the Option Agreement sets out the entire agreement between the Company and the Optionees relative to the subject matter hereof and supersedes all prior agreements, undertakings and understandings, whether oral or written.

16. **EFFECTIVE DATE OF PLAN**

16.1 **Effective Date of Plan** – This Plan shall be effective on the later of the day of its approval by the shareholders of the Company given by way of ordinary resolution and the day of its acceptance for filing by the Exchange.

SCHEDULE “B”

Audit Committee Charter

1. PURPOSE

1.1 The primary functions of the Audit Committee of Mason Graphite Inc. (the “Company”) are to fulfill its responsibilities in relation to reviewing the integrity of the Company’s financial statements, financial disclosures and internal controls over financial reporting; monitoring the system of internal control; monitoring the Company’s compliance with legal and regulatory requirements; selecting the external auditors for shareholder approval; and reviewing the qualifications, independence and performance of the external auditors.

2. MEMBERSHIP AND ORGANIZATION

2.1 Composition - Subject to paragraph 2.6, the Audit Committee shall consist of not less than three independent members of the Board. At the invitation of the Audit Committee, members of the Company’s management and others may attend Audit Committee meetings as the Audit Committee considers necessary or desirable.

2.2 Appointment and Removal of Audit Committee Members - Each member of the Audit Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of (a) the close of the next annual meeting of shareholders of the Company at which the member’s term of office expires, (b) the death of the member or (c) the resignation, disqualification or removal of the member from the Audit Committee or from the Board. The Board may fill a vacancy in the membership of the Audit Committee.

2.3 Chair - At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a Chair of the Audit Committee. The Chair shall be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee’s compliance with this mandate, work with management to develop the Audit Committee’s annual work-plan and provide reports of the Audit Committee to the Board. The Chair may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

2.4 Independence - Subject to paragraph 2.6, each member of the Audit Committee shall be an “independent” (as such term is used in National Instrument 52-110 - Audit Committees (“NI 52-110”).

2.5 Financial Literacy - Subject to paragraph 2.6, members of the Audit Committee shall be financially literate or agree to become financially literate within a reasonable period of time following the member’s appointment. An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

2.6 Venture Issuer - For so long as the Company is a “venture issuer” as defined in NI 52-110, it is not required to comply with the provisions of paragraph 2.1 “Composition”, 2.4 “Independence” or 2.4 “Financial Literacy” above. In the event the Company cannot comply with all or a part of these provisions, then the Committee shall be comprised of not less than three members of the Board, a majority of whom are not officers or employees of the Company or a subsidiary of the Company.

3. MEETINGS

3.1 Meetings - The members of the Audit Committee shall hold meetings as are required to carry out this mandate, and in any case no less than four meetings annually. The external auditors are entitled to attend and be heard at each Audit Committee meeting. The Chair, any member of the Audit Committee, the external auditors, the Chairman of the Board or the President and CEO may call a meeting of the

Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a Chair from their number for a meeting.

3.2 Secretary and Minutes - The Secretary, his or her designate or any other person the Audit Committee requests, shall act as secretary at Audit Committee meetings. Minutes of Audit Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Audit Committee for approval.

3.3 Quorum - A majority of the members of the Audit Committee shall constitute a quorum. If a quorum cannot be obtained for an Audit Committee meeting, members of the Board who would qualify as members of the Audit Committee may, at the request of the Chair or the Chairman of the Board, serve as members of the Audit Committee for that meeting.

3.4 Access to Management and Outside Advisors - The Audit Committee shall have unrestricted access to management and employees of the Company, and, from time to time may hold meetings with the external auditor, the CFO or the President and CEO. The Audit Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors without consulting or obtaining the approval of the Board or any officer of the Company. The Company shall provide appropriate funding, as determined by the Audit Committee, for the services of these advisors.

3.5 Meetings Without Management - The Audit Committee shall hold unscheduled or regularly scheduled meetings, or portions of regularly scheduled meetings, at which management is not present.

4. FUNCTIONS AND RESPONSIBILITIES

The Audit Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Audit Committee by the Board. In addition to these functions and responsibilities, the Audit Committee shall perform the duties required of an audit committee by applicable corporate securities laws, the binding requirements of the stock exchanges on which the securities of the Company are listed, and all other applicable laws.

4.1 Financial Reports

- (a) **General** - The Audit Committee is responsible for reviewing the integrity of the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The external auditors are responsible for auditing the Company's annual consolidated financial statements and, if requested by the Company, for reviewing the Company's unaudited interim financial statements.
- (b) **Review of Annual Financial Reports** - The Audit Committee shall review the annual consolidated audited financial statements of the Company, the external auditors' report thereon and the related management's discussion and analysis of the Company's financial condition and results of operation to determine whether they present fairly, in all material respects in accordance with Canadian generally accepted accounting principles, or any other generally accepted accounting principles in which the financial statements of the Company are prepared from time to time, the financial condition, results of operations and cash flows of the Company. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.
- (c) **Review of Interim Financial Reports** - The Audit Committee shall review the interim consolidated financial statements of the Company, the external auditors review report thereon, if

applicable, and the related MD&A to determine whether they present fairly, in all material respects in accordance with IFRS, the financial condition, results of operations and cash flows of the Company. After completing its review, if advisable, the Audit Committee shall, if so authorized by the Board, approve the interim financial statements and the related MD&A, or if not authorized by the Board, then approve and recommend for Board approval.

- (d) **Review Considerations** - In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee shall:
- (i) meet with management and the external auditors to discuss the financial statements and MD&A;
 - (ii) review the disclosures in the financial statements;
 - (iii) review the audit report or review report prepared by the external auditors;
 - (iv) discuss with management, the external auditors and legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
 - (v) review critical accounting and other significant estimates and judgments underlying the financial statements as presented by management;
 - (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management;
 - (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;
 - (viii) review management's report on the effectiveness of internal controls over financial reporting;
 - (ix) review results of the Company's whistleblowing program; and
 - (x) review any other matters, related to the financial statements, that are brought forward by the external auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or applicable law.

4.2 Approval of Other Financial Disclosures - The Audit Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Company, press releases disclosing financial results of the Company and any other material financial disclosure, including in Management Information Circulars and Annual Information Forms

4.3 External Auditors

- (a) **General** -The Audit Committee shall be responsible for oversight of the work of the external auditors in auditing and reviewing the Company's financial statements and internal controls over financial reporting.
- (b) **Appointment and Compensation** - The Audit Committee shall review and, if advisable, select and recommend (i) for shareholder approval, the appointment of the external auditors and (ii) for shareholder or Board approval, as applicable, the compensation of the external auditors.
- (c) **Annual Review Report** - At least annually, the Audit Committee shall obtain and review a report by the external auditors describing: (i) their internal quality-control procedures and (ii) any material issues raised by their most recent internal quality-control review, peer review or by any inquiry or investigation by governmental or professional authorities within the preceding five years

respecting one or more independent audits carried out by the external auditors and any steps taken to deal with any of these issues.

- (d) **Audit Plan** - At least annually, the Audit Committee shall review a summary of the external auditors' annual audit plan. The Audit Committee shall consider and review with the external auditors any material changes to the scope of the plan.
- (e) **Quarterly Review Report** - If the external auditors review the Company's unaudited interim financial statements, then the Audit Committee shall review a quarterly review report prepared by the external auditors in respect of each of the interim financial statements of the Company.
- (f) **Independence of External Auditors** - At least annually, and before the external auditors issue their report on the annual financial statements, the Audit Committee shall obtain from the external auditors a formal written statement describing all relationships between the external auditors and the Company, discuss with the external auditors any disclosed relationships or services that may affect the objectivity and independence of the external auditors, and obtain written confirmation from the external auditors that they are objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which it belongs.
- (g) **Evaluation and Rotation of Lead Partner** - At least annually, the Audit Committee shall review the qualifications and performance of the lead partners of the external auditors. The Audit Committee shall obtain a report from the external auditors annually verifying that the lead partner of the external auditors has served in that capacity for no more than five fiscal years of the Company and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.
- (h) **Pre-Approval of Non-Audit Services** - The Audit Committee shall pre-approve any retainer of the external auditors for any non-audit service to the Company in accordance with applicable law and Board approved policies and procedures. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.
- (i) **Hiring Practices** - The Audit Committee shall review and approve guidelines regarding the hiring of employees or former employees of the external auditors.

4.4 Internal Controls

- (a) **General** - The Audit Committee shall monitor the system of internal control.
- (b) **Establishment, Review and Approval** - The Audit Committee shall require management to implement and maintain appropriate systems of internal control in accordance with applicable laws, regulations and guidance, including internal control over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the external auditors: (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions; (ii) any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings; (iii) any material issues raised by any inquiry or investigation by the Company's regulators; (iv) any related significant issues and recommendations of the external auditors

together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

4.5 Whistleblowing Procedures - The Audit Committee shall review and approve the establishment by management of procedures for the receipt, retention and treatment of complaints received by the Company from employees or others, regarding accounting, internal accounting controls, or auditing matters.

4.6 Succession Planning - In consultation with the Board, the Audit Committee shall review succession plans for the CFO and the Chief Accountant or Controller of the Company. The Audit Committee shall review candidates for the position of CFO of the Company and make recommendations to the Board with respect to the appointment of a CFO.

4.7 Adverse Investments and Transactions - The Audit Committee shall review any investments and transactions that could adversely affect the well-being of the Company.

4.8 Audit Committee Disclosure - The Audit Committee shall review and approve any audit committee disclosures required by securities regulators in the Company's disclosure documents.

4.9 Assessment of Regulatory Compliance - The Audit Committee shall review management's assessment of compliance with laws and regulations as they pertain to responsibilities under this mandate, report its findings to the Board and recommend changes it considers appropriate.

4.10 Delegation - The Audit Committee may designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.

5. REPORTING TO THE BOARD

5.1 The Chair shall report to the Board, as required by applicable law or as deemed necessary by the Audit Committee or as requested by the Board, on matters arising at Audit Committee meetings and, where applicable, shall present the Audit Committee's recommendation to the Board for its approval.