Northern Graphite Corporation

(an Exploration Stage Company)

Condensed Interim Financial Statements

For the Three and Nine Month Periods Ended September 30, 2017 and 2016

The following statements have not been reviewed by the Company's auditors.

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Financial Position

(unaudited)

	As at September 30 2017 $ (unaudited)	As at December 31 2016 $
Assets		
Current		
Cash and cash equivalents	2,253,151	705,577
HST receivable	13,271	16,434
Prepaid expenses and deposits	24,518	45,478
	2,290,940	767,489
Reclamation deposit (note 11)	815,689	815,689
Property and equipment (note 4)	224,501	252,579
Exploration and evaluation assets (note 5)	11,854,488	11,569,893
	15,185,618	13,405,650
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	96,484	75,306
Reclamation and close down provision (note 11)	327,110	327,110
	423,594	402,416
Shareholders' equity		
Share capital (note 6)	23,322,245	21,459,258
Warrants (note 6)	571,708	116,833
Contributed surplus (note 6)	2,738,768	2,907,743
Retained deficit	(11,870,697)	(11,480,600)
Total shareholders' equity	14,762,024	13,003,234
Total liabilities and shareholders' equity	15,185,618	13,405,650

The accompanying notes are an integral part of these condensed interim financial statements

Approved by the Board of Directors and authorized for issue on November 9, 2017

(signed) Gregory Bowes
Director

(signed) Donald Christie
Director

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Comprehensive Loss

(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
General and administrative expenses				
Management and consulting fees (note 9)	84,657	72,233	261,980	190,592
Legal and audit	7,354	7,453	35,726	23,354
Office and miscellaneous (note 9)	90,832	56,247	241,568	248,617
Share-based payments (notes 6 and 9)	-	42,421	54,573	935,620
Depreciation	8,686	13,983	28,078	47,126
Foreign exchange loss (gain)	(68)	-	(68)	(44)
	191,461	192,337	621,857	1,445,265
Loss from operations	(191,461)	(192,337)	(621,857)	(1,445,265)
Interest income	5,354	788	8,212	3,746
Gain on disposal of equipment		22,000		22,000
Income before taxes	(186,107)	(169,549)	(613,645)	(1,419,519)
Tax expense	-	-	-	-
Loss and comprehensive loss for the period	(186,107)	(169,549)	(613,645)	(1,419,519)
Loss per share	(0.00)	(0.00)	(0.01)	(0.03)
Weighted average number of shares – basic and fully diluted	59,817,612	51,484,279	57,284,035	51,406,907

The accompanying notes are an integral part of these condensed interim financial statements

Northern Graphite Corporation
(an exploration stage company)
Condensed Interim Statements of Changes in Shareholders' Equity
(unaudited)

	Number of Shares	Share capital Amount	Warrants reserve	Contributed Surplus Reserve	Deficit	Total
		$	$	$	$	$
Balance at December 31, 2016	51,484,279	21,459,258	116,833	2,907,743	(11,480,600)	13,003,234
Proceeds from the issuance of shares	8,333,333	2,500,000	-	-	-	2,500,000
Issuance of warrants	-	(533,142)	533,142	-	-	-
Issuance of compensation options	-	(38,566)	38,566	-	-	-
Share issuance costs	-	(182,138)	-	-	-	(182,138)
Share-based payment expense (note 6 and 9)	-	-	-	54,573	-	54,573
Expiry of warrants	-	116,833	(116,833)	-	-	-
Expiry of stock options	-	-	-	(223,548)	223,548	-
Net loss	-	-	-	-	(613,645)	(613,645)
Balance, September 30, 2017	59,817,612	23,322,245	571,708	2,738,768	(11,870,697)	14,762,024
Balance at December 31, 2015	51,284,279	21,256,057	130,029	2,930,493	(10,733,725)	13,582,854
Proceeds from the exercise of options	200,000	100,000	-	-	-	100,000
Fair value of options exercised		90,005	-	(90,005)	-	-
Fair value of warrants expired		13,196	(13,196)		-	-
Share-based payment expense (note 7 and 10)	-	-	-	935,620	-	935,620
Net loss	-	-	-	-	(1,419,519)	(1,419,519)
Balance, September 30, 2016	51,484,279	21,459,258	116,833	3,776,108	(12,153,244)	13,198,955

The accompanying notes are an integral part of these condensed interim financial statements

Northern Graphite Corporation
(an exploration stage company)
Condensed Interim Statements of Cash Flows
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Cash provided by (used in)				
Operating activities				
Loss for the period	(186,107)	(169,549)	(613,645)	(1,419,519)
Items not affecting cash				
Depreciation	8,686	13,983	28,078	47,126
Share-based payments	-	42,421	54,573	935,620
Gain on disposal of equipment	-	(22,000)	-	(22,000)
HST receivable	(2,963)	(1,112)	3,163	(5,184)
Prepaid expenses and deposits	28,090	14,944	20,960	23,298
Accounts payable and accrued liabilities	(67,354)	(20,929)	11,381	(111,263)
Net cash used in operating activities	(219,648)	(142,242)	(495,490)	(551,922)
Financing activities				
Proceeds from the issuance of shares in private placement	-	-	2,500,000	-
Proceeds from the exercise of options	-	-	-	100,000
Share issuance costs	-	-	(180,192)	-
Net cash generated from financing activities	-	-	2,319,808	100,000
Investing activities				
Proceeds from the disposal of equipment	-	22,000	-	22,000
Exploration and evaluation costs	(102,852)	(48,135)	(276,744)	(163,316)
Net cash used in investing activities	(102,852)	(26,135)	(276,744)	(141,316)
Net increase (decrease) in cash and cash equivalents	(322,500)	(168,377)	1,547,574	(593,238)
Cash and cash equivalents, beginning of period	2,575,651	1,033,101	705,577	1,457,962
Cash and cash equivalents, end of period	2,253,151	864,724	2,253,151	864,724

The accompanying notes are an integral part of these condensed interim financial statements

1. Corporate Information

Northern Graphite Corporation ("Northern" or "the Company") was incorporated under the laws of the Province of Ontario on February 25, 2002. Northern holds a 100% interest in the Bissett Creek Graphite Property (the "Bissett Creek Property") and is listed on the TSX Venture Exchange (symbol "NGC").

The Company's address and head office is 290 Picton Avenue, Suite 201, Ottawa, Ontario K1Z 8P8 Canada.

2. Basis of Preparation

a. Statement of compliance

The unaudited condensed interim financial statements for the three and nine month periods ended September 30, 2017, and the notes thereto (the "Interim Financial Statements"), together with the Company's annual audited financial statements issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2016, present Northern's financial results of operations and financial position under IFRS as at and for the three and nine month periods ended September 30, 2017, including 2016 comparative periods. The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company adopted in its financial statements for the year ending December 31, 2016 based on current standards. The Interim Financial Statements do not include all the necessary annual disclosures in accordance with IFRS.

The policies set out in note 3 were consistently applied to all the periods.

The Interim Financial Statements were approved and authorized for issue by the Board of Directors on November 9, 2017.

b. Basis of measurement

The Interim Financial Statements have been prepared on a historical cost basis except those accounts as noted in the financial instruments section (note 9). In addition, the Interim Financial Statements have been prepared using the accrual basis of accounting.

c. Going Concern

The Company is an exploration stage company that incurred a net loss of $613,645 for the nine months ended September 30, 2017 (2016 - $1,419,519) and has an accumulated deficit of $11,870,697 since its inception. The Company completed a private placement on March 24, 2017 for gross proceeds of $2,500,000 and as at September 30, 2017 had working capital of $2,194,456. The Company's management believes this level of working capital will enable the Company to continue as a going concern for at least the next 12 months. However, substantial additional capital is required to ultimately build a mine and processing plant at Bissett Creek and to enable the Company to enter production and continue its operations. There is a high degree of risk and many inherent uncertainties in the mining industry and there is no assurance management will be successful in its endeavours.

The Interim Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Given that there continues to be negative investor sentiment in the graphite sector and that there has been an extended period of weak capital markets in the resource sector, there exists a material uncertainty as to the Company's ability to raise additional funds on favourable terms. The Company's activities have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will thoroughly assess all such activities before undertaking them in advance of additional financing being secured. The Company's Interim Financial Statements do not include any adjustments that might result from negative outcomes with respect to these uncertainties.

d. Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar.

e. Critical accounting estimates and judgments

The preparation of the Interim Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses for the period. By their nature, these estimates and judgments are subject to uncertainty and the effect on the Interim Financial Statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgments.

Significant estimates used in the preparation of the Interim Financial Statements include, but are not limited to:

(i) asset carrying values and impairment charges;
(ii) the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from development expenditures incurred;
(iii) the expected costs of asset retirement obligations; and
(iv) the calculation of share-based compensation and warrants which includes the assumptions used in the Black-Scholes option pricing model including volatility, estimated forfeiture rates and expected time until exercise.

Significant judgments used in the preparation of these Interim Financial Statements include, but are not limited to:

(i) those relating to the assessment of the Company's ability to continue as a going concern;
(ii) the useful lives and related depreciation of property and equipment;
(iii) the identification of separately identifiable components in property and equipment where their respective cost is significant in comparison to the total cost;
(iv) the classification of expenditures as exploration and evaluation assets; and
(v) the recognition of deferred tax.

3. Significant accounting policies

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Company's 2016 Annual Financial Statements.

Recent and future pronouncements issued

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2016. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below. The Company is currently evaluating the potential impacts of these new standards.

IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39. IFRS 15 Revenue from Contracts with Customers provides a single principle-based framework to be applied to all contracts with customers.

IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

IAS 1 Presentation of Financial Statements amendments are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments is January 1, 2016.

4. *Property, plant and equipment*

Cost	Building and improvements $	Equipment $	Total property plant & equipment $
December 31, 2016	803,497	590,919	1,394,416
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
September 30, 2017	803,497	590,919	1,394,416
Accumulated depreciation			
December 31, 2016	552,501	589,336	1,141,837
Additions	26,886	1,192	28,078
Disposals	-	-	-
Impairment	-	-	-
September 30, 2017	579,387	590,528	1,169,915
Net book value	224,110	391	224,501
December 31, 2015	803,497	646,994	1,450,491
Additions	-	-	-
Disposals	-	(56,075)	(56,075)
Impairment	-	-	-
September 30, 2016	803,497	590,919	1,394,416
Accumulated depreciation			
December 31, 2015	516,191	620,613	1,136,804
Additions	27,183	19,943	47,126
Disposals	-	(56,075)	(56,075)
Impairment	-	-	-
September 30, 2016	543,374	584,481	1,127,855
Net book value	260,123	6,438	266,561

5. *Exploration and evaluation asset*

The Company has a 100% interest in the Bissett Creek Property which consists of a 1,938 hectare mining lease, expiring in June, 2034, a 565 hectare mining lease, expiring in August, 2035, and five unpatented claims totaling approximately 464 hectares. All leases and claims are located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario. As of September 30, 2017, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	$
Balance, December 31, 2016	11,569,893
Exploration expenditures made from January 1, 2017 to September 30, 2017:	
Drilling & exploration	-
Environmental & mine permitting	64,114
Metallurgical	127,414
Feasibility study	-
Engineering	22,123
Site & royalties	67,744
Geotechnical	-
Detailed engineering	-
Other	3,200
Balance, September 30, 2017	11,854,488

As of September 30, 2016, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	$
Balance, December 31, 2015	11,416,388
Exploration expenditures made from January 1, 2016 to September 30, 2016:	
Drilling & exploration	
Environmental & mine permitting	21,819
Metallurgical	18,129
Feasibility study	-
Engineering	47,993
Site & royalties	50,472
Geotechnical	-
Detailed engineering	-
Balance, September 30, 2016	11,554,801

The Company is required to make royalty payments of $20 per ton of graphite concentrate produced to the previous owners and is subject to a 2.5% net smelter return payable on any other minerals derived and sold from the Bissett Creek Property. An advance royalty of $27,000 per annum is payable in semi-annual installments and is recorded in exploration and evaluation assets. The advance will be credited against any future royalty payments.

6. Share capital

Authorized
The Company is authorized to issue an unlimited number of common shares.

Private placement
On March 24, 2017, the Company completed a non-brokered private placement and issued 8,333,333 units at a price of $0.30 per unit for gross proceeds of $2,500,000. Each unit was comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.40 per share for a period of 24 months from the closing of the private placement. In connection with the private placement, the Company paid fees totaling $136,500 to the agents, and issued to the agents 455,000 compensation options. Each compensation option entitles the holder to purchase one common share at an exercise price of $0.35 per share for a period of 12 months from the closing of the private placement. The Company intends to use the net proceeds from the private placement to finalize operational permitting necessary for the construction and operation of a mine at the Bissett Creek Property, to update the bankable Full Feasibility Study, to conduct a pilot plant test of the Company's proprietary purification process, and for general working capital.

Issued

	Common shares	
	Number of shares	**Amount $**
Balance at December 31, 2016	51,484,279	21,459,258
Issued pursuant to private placement	8,333,333	2,500,000
Issuance of warrants	-	(533,142)
Issuance of compensation options	-	(38,566)
Share issuance costs	-	(182,138)
Expiry of warrants	-	116,833
Balance at September 30, 2017	59,817,612	23,322,245

Warrants
A summary of the Company's warrants is presented below:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2016	1,051,499	0.80
Warrants issued	4,166,666	0.40
Compensation options issued	455,000	0.35
Warrants expired	(1,051,499)	0.80
Balance, September 30, 2017	4,621,666	0.40

Exercise price	Number of warrants outstanding	Expiry date
$0.35	455,000	March 24, 2018
$0.40	4,166,666	March 24, 2019

The following is a summary of warrant activity and related Black-Scholes option pricing model input factors used for the nine months ended September 30, 2017 and the year ended December 31, 2016:

	Nine months ended September 30, 2017	Year ended December 31, 2016
Warrants granted during the period	4,621,666	Nil
Weighted-average exercise price	$0.40	Nil
Expected stock option life(1)	1-2 years	Nil
Expected volatility(2)	80.2%-90.0%	Nil
Risk-free interest rate(3)	0.76%-0.77%	Nil
Dividend yield	NA	NA
Forfeiture rate	NA	NA
Weighted-average fair value (Black-Scholes value)	$0.12	Nil

1. The Company estimates the expected warrant life (estimated period of time outstanding) of warrants granted to be the length of time before the warrant's expiry until such time that the Company can base its estimate on historical information on the Company's warrants.
2. The expected volatility was based on the Company's trading history over a period equal to the expected warrant life.
3. The risk-free rate is based on the yield of a Government of Canada marketable bond in effect at the time of grant with an expiry commensurate with the expected life of the award.

Share options
The Company has adopted a stock option plan (the "Option Plan") for directors, officers, employees and consultants of the Company. Under the Option Plan, the Company may grant non-transferable options to purchase common shares of the Company for a period of up to ten years from the date of the grant. The maximum number of common shares reserved for issuance under the Option Plan together with any common shares reserved for issuance pursuant to any other stock options may not exceed 10% of the issued and outstanding common shares of the Company.

A summary of the Option Plan activity is presented below:

	Number of options	Weighted average exercise price ($)
Balance, December 31, 2016	4,525,000	0.60
Expired	(650,000)	0.71
Balance, September 30, 2017	3,875,000	0.58

A summary of the Company's outstanding share options at September 30, 2017 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
$0.85	500,000	500,000	December 20, 2017
$0.70	600,000	600,000	January 9, 2020
$0.50	2,775,000	2,775,000	April 27, 2021
	3,875,000	3,875,000	

The weighted average remaining contractual life of options outstanding is 2.88 years.

The following is a summary of stock option grant activity and related Black-Scholes option pricing model input factors used for the periods ended September 30, 2017 and December 31, 2016:

	Nine months ended September 30, 2017	Year ended December 31, 2016
Stock options granted during the period	Nil	3,050,000
Weighted-average exercise price	Nil	$0.50
Expected stock option life[(1)]	Nil	1-5 years
Expected volatility[(2)]	Nil	94%
Risk-free interest rate[(3)]	Nil	0.89%
Dividend yield	NA	NA
Forfeiture rate	NA	NA
Weighted-average fair value (Black-Scholes value)	Nil	$0.34

1. The Company estimates the expected stock option life (estimated period of time outstanding) of options granted to be the length of time before the stock option's expiry until such time that the Company can base its estimate on historical information on the Company's options.
2. The expected volatility was based on the Company's trading history over a period equal to the expected stock option life.
3. The risk-free rate is based on the yield of a Government of Canada marketable bond in effect at the time of grant with an expiry commensurate with the expected life of the award.

The fair value is calculated using the Black-Scholes option valuation model. As at September 30, 2017, there was $nil (September 30, 2016 – $113,125) of total unrecognized share-based compensation costs related to unvested stock option awards and stock option awards subject to an escrow agreement granted under the Option Plan.

Contributed surplus

	$
Balance, December 31, 2016	2,907,743
Share-based payments	54,573
Expiry of stock options	(223,548)
Balance, September 30, 2017	2,738,768

Contributed surplus as at September 30, 2017 and December 31, 2016 consists of a share-based payment reserve related to stock options issued under the Option Plan.

7. Loss per share

	Three months ended September 30, 2017	Three months ended September 30, 2016
Loss and comprehensive loss for period	(186,107)	(169,549)
Weighted average number of shares – basic and fully diluted	59,817,612	51,484,279
Loss and comprehensive loss per share	($0.00)	($0.00)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Loss and comprehensive loss for period	(613,645)	(1,419,519)
Weighted average number of shares – basic and fully diluted	57,284,035	51,406,907
Loss and comprehensive loss per share	($0.01)	($0.03)

8. Financial instruments and risk management

Fair value

Certain of the Company's accounting policies and disclosures require the determination of fair value. Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:
● Level 1: defined as observable inputs such as quoted prices in active markets.
● Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
● Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

At September 30, 2017, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the Statement of Financial Position at fair value on a recurring basis are categorized as follows:

	Category	At September 30, 2017 $	At June 30, 2017 $	At March 31, 2017 $
Cash and cash equivalents	Level 1	2,253,151	2,575,651	2,840,522

At September 30, 2017, there were no financial assets and liabilities measured and recognized at fair value on a non-recurring basis. The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the nine months ended September 30, 2017.

At September 30, 2017, there were no financial assets or liabilities measured and recognized on the Consolidated Statement of Financial Position at fair value that would be categorized as Level 2 or Level 3 in the fair value hierarchy (December 31, 2016 - $Nil).

The carrying value of cash and cash equivalents, deposits and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments. The carrying value of the reclamation deposit approximates its fair value as it bears a market rate of interest.

Currency risk

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars. The Company carries a portion of its accounts payable and accrued liabilities and notes payable in US dollars, and is subject to currency risk on these balances. However, the Company considers this risk to be minimal.

Credit risk
Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions, and considers this risk to be minimal.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure. Further discussion on liquidity and management's plans are outlined in note 2.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

9. Related parties

Key Management Compensation
In the nine months ended September 30, 2017, the Company expensed management fees to companies owned and controlled by key management personnel of $nil (2016 – $50,088), and salary and compensation to key management personnel of $187,500 (2016 – $127,115). In the nine months ended September 30, 2017, the Company provided employee benefits totaling $nil (2016 - $5,457) to key management personnel.

Other Related Party Transactions
There were no related party transactions.

10. Commitments

Leased mineral claims
In connection with the Bissett Creek Property, the Company is required to make royalty payments of $20 per ton of graphite concentrate produced to the previous owners and a 2.5% net smelter return payable on any other minerals derived and sold from the Bissett Creek Property. An advance royalty of $27,000 per annum is payable in semi-annual installments. Installments were paid for during the year ended December 31, 2016 and the nine months ended September 30, 2017. The advance will be credited against any future production royalty payments.

Contractual obligations
As at September 30, 2017 and December 31, 2016, the Company had no contractual obligations which related to costs associated with work at the Bissett Creek Property.

11. Provisions

In 2012 the Company filed a revised Mine Closure Plan ("MCP") which was accepted by the Ministry of Northern Development and Mines ("MNDM"). The Company's obligations under the MCP are secured by a deposit of $815,689 (December 31, 2016 - $815,689), including accrued interest. This amount has been paid to the Minister of Finance for the Province of Ontario and has been accounted for as a long term deposit. As per the MCP, the overall required reclamation deposit has increased to $2,329,008. In addition to the existing deposit, $800,000 must be deposited prior to placing any footings in the ground for the construction of structures such as buildings and dams and $729,088 must be deposited prior to the commencement of commercial production. The provision for reclamation and close down represent the estimated amount that would be required to restore the Bissett Creek Property to its original environmental state after construction and operations. The Company has a provision of $327,110 on its balance sheet (December 31, 2016 - $327,110) which represents the estimated current cost of reclamation. The reclamation deposit will be returned to the Company once the MNDM is satisfied that the obligations contained in the MCP have been performed by the Company. Should the Company not perform its obligations contained in the MCP, the MNDM will restore the Bissett Creek Property site to its original environmental state using the funds from the reclamation deposit.

11. Subsequent Event

On November 2, 2017 the Company announced that it plans to complete a non-brokered private placement of 3.33 million units at a price of $0.45 per unit for gross proceeds of $1.5 million. Each unit will consist of one common share and one half of one common share purchase warrant with each full warrant entitling the holder to purchase one common share at a price of $0.60 per share for a period of two years. The securities to be issued will be subject to a four month hold period from the date of closing and the placement is subject to approval by the TSX Venture Exchange. Finders' fees will be payable on part of the placement and consist of 6.5% in cash, and warrants equal to 6.5% of the units issued with each warrant exercisable to acquire one common share at a price of $0.60 for a period of one year.