Northern Graphite Corporation

(an Exploration Stage Company)

Condensed Interim Financial Statements

For the Three and Nine Months Ended September 30, 2013, and 2012

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 2013 $ (unaudited)	As at December 31 2012 $
Assets		
Current		
Cash and cash equivalents	4,512,203	8,281,725
HST receivable	108,583	150,803
Prepaid expenses and deposits	27,522	46,785
	4,648,308	8,479,313
Deposits	53,000	26,500
Reclamation deposit (note 12)	799,200	319,590
Property and equipment (note 4)	465,895	516,583
Exploration and evaluation assets (notes 5 and 6)	9,926,232	7,143,817
	15,892,635	16,485,803
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	551,268	481,129
	551,268	481,129
Reclamation and close down provision (note 12)	799,200	319,590
	1,350,468	800,719
Shareholders' equity (deficiency)		
Share capital (note 7)	20,292,304	20,238,328
Warrants (note 7)	-	53,976
Contributed surplus (note 7)	2,604,691	2,605,984
Retained earnings (deficit)	(8,354,828)	(7,213,204)
Total shareholders' equity (deficiency)	14,542,167	15,685,084
Total liabilities and shareholders' equity (deficiency)	15,892,635	16,485,803

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 14, 2013

(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	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
General and administrative expenses				
Management and consulting fees (note 10)	212,190	218,037	673,452	835,792
Legal and audit	9,123	23,990	43,215	81,628
Office and miscellaneous (note 10)	75,165	136,191	432,464	794,865
Share-based payments (notes 7 and 10)	1,836	27,100	(1,293)	1,052,812
Depreciation	17,416	18,015	50,688	53,253
Foreign exchange loss (gain)	923	(618)	1,141	(1,058)
	316,653	422,715	1,199,667	2,817,292
Loss from operations	(316,653)	(422,715)	(1,199,667)	(2,817,292)
Interest income	15,877	27,960	58,043	58,015
Income before taxes	(300,776)	(394,755)	(1,141,624)	(2,759,277)
Tax expense	-	-	-	-
Loss and comprehensive loss for the period	(300,776)	(394,755)	(1,141,624)	(2,759,277)
Loss per share	(0.01)	(0.01)	(0.02)	(0.06)
Weighted average number of shares – basic and fully diluted	49,081,281	46,459,009	49,081,281	44,134,799

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, 2012	49,081,281	20,238,328	53,976	2,605,984	(7,213,204)	15,685,084
Fair value of warrants expired	-	53,976	(53,976)	-	-	-
Share-based payment expense (note 7 and 10)	-	-	-	(1,293)	-	(1,293)
Net loss	-	-	-	-	(1,141,624)	(1,141,624)
Balance, September 30, 2013	49,081,281	20,292,304	-	2,604,691	(8,354,828)	14,542,167
Balance at December 31, 2011	37,415,167	7,859,427	134,647	1,241,085	(3,577,869)	5,657,290
Share capital issued through private placement	6,206,377	10,550,841	-	-	-	10,550,841
Issued pursuant to the exercise of warrants	3,132,594	1,144,851	-	-	-	1,144,851
Issued pursuant to the exercise of options	225,000	112,500	-	-	-	112,500
Warrants issued in private placement	-	(53,976)	53,976	-	-	-
Fair value of warrants exercised	-	133,957	(133,957)	-	-	-
Fair value of warrants expired	-	690	(690)	-	-	-
Share issuance costs	-	(166,459)	-	-	-	(166,459)
Share-based payment expense	-	-	-	1,052,812	-	1,052,812
Net loss	-	-	-	-	(2,759,277)	(2,759,277)
Balance, September 30, 2012	46,979,138	19,581,831	53,976	2,293,897	(6,337,146)	15,592,558

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	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash provided by (used in)				
Operating activities				
Loss for the period	(300,776)	(394,755)	(1,141,624)	(2,759,277)
Items not affecting cash				
Depreciation	17,416	18,015	50,688	53,253
Share-based payments	1,836	27,100	(1,293)	1,052,812
HST receivable	43,321	35,363	42,220	8,919
Prepaid expenses and deposits	24,236	20,461	19,263	15,424
Accounts payable and accrued liabilities	(97,549)	(42,930)	10,381	51,767
Net cash used in operating activities	(311,516)	(336,746)	(1,020,365)	(1,577,102)
Financing activities				
Due to Mindesta	-	-	-	(16,127)
Issuance of share capital in private placement	-	-	-	10,550,841
Proceeds from the exercise of options	-	-	-	112,500
Advances on warrants	-	245,000	-	245,000
Proceeds from the exercise of warrants	-	170,100	-	1,144,851
Share issuance costs	-	-	-	(166,459)
Net cash generated from financing activities	-	415,100	-	11,870,606
Investing activities				
Purchase of fixed assets	-	(14,200)	-	(14,200)
(Increase) decrease in deposits	-	178,670	(26,500)	236,920
Increase in reclamation deposit	(479,810)	-	(479,610)	-
Exploration and evaluation costs	(599,873)	(1,018,027)	(2,243,047)	(2,525,128)
Net cash used in investing activities	(1,079,483)	(853,557)	(2,749,157)	(2,302,408)
Net increase (decrease) in cash and cash equivalents	(1,390,999)	(775,203)	(3,769,522)	7,991,096
Cash and cash equivalents, beginning of period	5,903,202	10,390,995	8,281,725	1,624,696
Cash and cash equivalents, end of period	4,512,203	9,615,792	4,512,203	9,615,792

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, under the name Industrial Minerals Canada Inc. The Company's name was changed to Northern on March 1, 2010. Northern was incorporated by its former parent company, Mindesta Inc. ("Mindesta" formerly Industrial Minerals, Inc.), to develop and hold title to a 100% interest in the Bissett Creek Graphite Property (the "Bissett Creek Property"). Mindesta is a Delaware corporation which trades on the OTC Bulletin Board ("MDST") in the United States. The Company was a wholly owned subsidiary of Mindesta until early in 2010. As at December 31, 2012, Mindesta's interest in Northern had decreased to less than 1%. Mindesta no longer owns any shares in Northern. Northern is listed on the TSX Venture Exchange and trades under the 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 month and nine month periods ended September 30, 2013, 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, 2012, present Northern's financial results of operations and financial position under IFRS as at and for the nine months ended September 30, 2013, including 2012 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, 2012 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 14, 2013.

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 $1,141,624 for the nine months ended September 30, 2013 (2012 - $2,759,277) and has an accumulated deficit of $8,354,828 since the inception of the Company. As at September 30, 2013, working capital was $4,079,040 and the Company's ability to continue as a going concern is dependent upon its ability to raise additional capital to continue the development of the Bissett Creek Project. The Company completed a private placement with proceeds of $10,550,841 during the first quarter of 2012, and an IPO with proceeds of $4,000,000 during the second quarter of 2011. However, substantial additional capital is required to ultimately build a mine and processing plant on the Bissett Creek Project 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. The Company's management believes that it can continue to finance operating expenses over the next twelve months with funds on hand. Given the continuation of negative investor sentiment and 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 discretionary 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 judgements
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 judgements 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 judgements.

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 judgements 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 2012 Annual Financial Statements.

Recent pronouncements issued
Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after September 30, 2013. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below.

The following amended or new Standards were issued by the IASB and are effective for annual periods beginning on or after January 1, 2014. The Company has not early adopted these Standards in these Interim Financial Statements:
- Amended IAS 32, *Financial Instruments: Presentation* (on or after January 1, 2014)
- New Standard IFRS 9, *Financial Instruments, Classification and Measurement* (on or after January 1, 2015)

4. *Property and equipment*

	Building and improvements	Equipment	Total property plant & equipment
Cost	**$**	**$**	**$**
December 31, 2012	800,097	646,994	1,447,091
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
September 30, 2013	800,097	646,994	1,447,091
Accumulated depreciation			-
December 31, 2012	408,548	521,960	930,508
Additions	26,092	24,596	50,688
Disposals	-	-	-
Impairment	-	-	-
September 30, 2013	434,640	546,556	981,196
Net book value	365,457	100,438	465,895

Cost	Building and improvements $	Equipment $	Total property plant & equipment $
December 31, 2011	800,097	632,794	1,432,891
Additions	-	14,200	14,200
Disposals	-	-	-
Impairment	-	-	-
September 30, 2012	800,097	646,994	1,447,091
Accumulated depreciation			-
December 31, 2011	367,809	490,917	858,726
Additions	30,498	22,755	53,253
Disposals	-	-	-
Impairment	-	-	-
September 30, 2012	398,307	513,672	911,979
Net book value	401,790	133,322	535,112

5. Exploration and evaluation asset

The Company has a 100% interest in the Bissett Creek Property which consists of a 565 hectare mining lease expiring September 22, 2014, a 1,938 hectare mining lease expiring June 30, 2034 and 5 unpatented claims totaling approximately 464 hectares, located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario. The Company will be required to submit the application for renewal of the lease that expires in 2014 within the 90 day period before the expiration of the lease.

As of September 30, 2013, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	$
Balance, December 31, 2012	7,143,817
Exploration expenditures made from January 1, 2013 to September 30, 2013:	
Drilling & exploration	195,120
Environmental & mine permitting	453,010
Metallurgical	260,967
Feasibility study	5,025
Engineering	56,977
Site & royalties	79,988
Geotechnical	245,425
Detailed engineering	1,006,293
Asset retirement obligation	479,610
Balance, September 30, 2013	9,926,232

The Company is required to make royalty payments of $20 per ton of graphite carbon 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.

6. Scientific research and experimental development program claims

The Company has filed federal and provincial claims under the scientific research and experimental development program in the amount of $317,736 related to the 2011 taxation year. The refundable portion of these claims is estimated at $125,090. On October 7, 2013, the Company was refunded $59,483 for the Ontario refundable tax credit portion of the claims. On October 21, 2013, the Company received confirmation of the assessment of the remaining $65,607 refundable portion of the claims. The Company could not be reasonably assured that it would receive these claims as filed as these were the Company's first claims under this program and as such, the Company has no history on the success of claims. The Company will recognize a reduction of $116,852 against Exploration and Evaluation assets and a reduction of $8,508 against Office and miscellaneous and management and consulting expenses in period in which the claims were accepted.

On October 18, 2013, the Company filed federal and provincial claims under the scientific research and experimental development program in the amount of $381,458 related to the 2012 taxation year. The refundable portion of these claims is $125,944. The Company cannot be reasonably assured that it will receive these claims as filed as the Company has not established a history on the success of claims. Upon acceptance of the claims, the Company will recognize most of these claims as a reduction against Exploration and Evaluation assets.

7. *Share capital*

Authorized
The Company is authorized to issue an unlimited number of common shares. On March 1, 2010, the Company subdivided its common shares on the basis of 11,750,000 common shares for the one common share outstanding.

Private placement
On March 16, 2012, the Company completed a private placement of 6,206,377 common shares at a price of $1.70 for gross proceeds of $10,550,841. In connection with the offering, the Company paid finders' fees totaling $121,517, and issued to the agents 71,480 common share purchase warrants entitling the holder to purchase one common share at a price of $2.00 until March 16, 2013.

Initial public offering
On April 18, 2011 the Company completed an initial public offering of 8,000,000 common shares at a price of $0.50 per share for gross proceeds of $4,000,000. In connection with the offering, the Company paid to the Agents a commission of $280,000 equal to 7% of the gross proceeds of the offering, and issued to the agents 560,000 common share purchase warrants entitling the holder to purchase one common share at a price of $0.50 per common share until April 18, 2012.

Issued

	Common shares	
	Number of shares	**Amount $**
Balance at December 31, 2012	49,081,281	20,238,328
Fair value of warrants expired	-	53,976
Balance at September 30, 2013	49,081,281	20,292,304

The fair value of the broker warrants of $53,976 was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.12%
Expected volatility	79%
Expected life of warrants	1 year
Expected dividend yield	Nil

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

	Number of Warrants	**Weighted average exercise price ($)**
Balance, December 31, 2012	71,480	2.00
Expired	(71,480)	2.00
Balance, September 30, 2013	-	-

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.

The exercise price of each option shall be determined by the Board of Directors at the time of grant, and shall not be less than the price permitted by any stock exchange on which the common shares are then listed or other regulatory body having jurisdiction. Currently, the TSX Venture Exchange (the "TSX-V") requires that the exercise price of the options must be equal to or greater than the Discounted Market Price (as defined in the policies of the TSX-V). The exercise price of options is solely payable in cash. The Board of Directors has the discretion to determine the term and vesting provisions of any options granted under the Option Plan at the time of grant subject to the policies of the TSX-V.

A summary of the Option Plan activity is presented below:

	Number of options	**Weighted average exercise price ($)**
Balance, December 31, 2012	4,000,000	0.83
Granted	-	-
Exercised	-	-
Forfeited	(75,000)	0.80
Balance, September 30, 2013	3,925,000	0.83

A summary of the Company's share options outstanding and exercisable at September 30, 2013 is presented below:

Exercise price	**Options outstanding**	**Options exercisable**	**Expiry date**
$0.50	2,725,000	2,725,000	April 18,2016
$0.94	25,000	25,000	November 16,2016
$0.80	150,000	112,500	December 20,2016
$2.50	525,000	525,000	April 11, 2017
$0.85	500,000	500,000	December 20, 2017
	3,925,000	3,887,500	

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, 2013 and December 31, 2012:

	Nine months ended September 30, 2013	**Year ended December 31, 2012**
Stock options granted during the period	NA	1,025,000
Weighted-average exercise price	NA	$1.70
Expected stock option life(1)	NA	5 years
Expected volatility(2)	NA	96%
Risk-free interest rate(3)	NA	1.40%-1.50%
Dividend yield	NA	0.00%
Forfeiture rate	NA	0.00%
Weighted-average fair value (Black-Scholes value)	NA	$1.26

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 average of certain comparative companies' historical volatilities which the Company had deemed to be an appropriate measure of volatility until the Company has sufficient trading history in order to use its own volatility measurement. Upon having achieved sufficient trading history, the Company based its expected volatility on its own trading history.
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, 2013, there was $1,224 (September 30, 2012 – $52,244) of total unrecognized share-based compensation costs related to unvested stock option awards granted under the Option Plan which are expected to be recognized over a weighted-average period of 0.13 years.

Contributed surplus

	$
Balance, December 31, 2012	2,605,984
Share-based compensation	(1,293)
Balance, September 30, 2013	2,604,691

Contributed surplus as at September 30, 2013 and December 31, 2012 consists of a share-based payment reserve related to stock options issued under the Option Plan. The Company recorded a credit balance of $1,293 in share-based compensation expense for the nine months ended September 30, 2013. In the nine months ended September 30, 2013, the Company expensed share-based compensation for stock options granted to key management personnel of $21,960. This expense was offset by a $23,253 adjustment to the estimate for forfeitures of unvested options.

8. Loss per share

	Three months ended September 30, 2013	Three months ended September 30, 2012
Loss and comprehensive loss for period	(300,776)	(394,755)
Weighted average number of shares – basic and fully diluted	49,081,281	46,459,009
Loss and comprehensive loss per share	($0.01)	($0.01)

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Loss and comprehensive loss for period	(1,141,624)	(2,759,277)
Weighted average number of shares – basic and fully diluted	49,081,281	44,134,799
Loss and comprehensive loss per share	($0.02)	($0.06)

9. *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.

The carrying value of cash and cash equivalents, subscription funds receivable, deposits, accounts payable and accrued liabilities, subscriptions received in advance, loans payable and due to (from) Mindesta Inc. approximates fair value due to the short-term nature of these financial instruments. The carrying value of the reclamation deposit and asset retirement obligations approximates fair value as they bear a market rate of interest. The carrying value of the liability portion of convertible notes approximates fair value as they have been recorded using 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 as outlined in note 9. Further discussion on liquidity and management's plans are outlined in note 1.

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.

10. *Related parties*

Major Shareholder
At the close of trading on January 25, 2012, Mindesta completed the distribution to Mindesta's shareholders of 9,413,581 shares of Northern owned by Mindesta. As at December 31, 2012, Mindesta's interest in Northern had decreased to less than 1%. As at September 30, 2013, Mindesta no longer owned any shares of Northern.

Key Management Compensation
In the nine months ended September 30, 2013, the Company expensed management fees to companies owned and controlled by key management personnel of $157,500 (2012 – $148,750) and expensed salary to key management personnel of $322,500 (2012 – $306,875). In the nine months ended September 30, 2013 and 2012, the Company provided short-term employee benefits totaling $18,266 (2012 –$18,016) to key management personnel. In the nine months ended September 30, 2013, the Company expensed share-based compensation for stock options granted to key management personnel of $21,960. This expense was offset by a $23,253 adjustment to the estimate for forfeitures of unvested options. As a result, the Company recorded a credit balance of $1,293 in share-based compensation expense for the nine months ended September 30, 2013. In the nine months ended September 30, 2012, the Company expensed share-based compensation for stock options granted to key management personnel of $100,960 and share-based payments of $906,525 to directors.

Other Related Party Transactions
During the nine months ended September 30, 2013, the Company expensed office rental payments of $17,010 (2012 – $13,500) to a Company whose CEO and a Director is also a Director of Northern.

11. *Commitments*

Leased mineral claims
In connection with the Bissett Creek Property, the Company is required to make production royalty payments of $20 per ton of graphite carbon 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 and has been paid for the year ended December 31, 2012. The advance will be credited against any future production royalty payments.

Contractual obligations
As at September 30, 2013, the Company had no contractual obligations (commitments as at December 31, 2012 – $Nil) which related to costs associated with work at the Bissett Creek Property.

12. Provisions

In 2004, a Mine Closure Plan ("MCP") was filed with, and accepted by, the Ministry of Northern Development and Mines ("MNDM"). The initial MCP reclamation deposit totaled $319,590. The Company filed a revised MCP for a new development scenario in 2012 and in August, 2013, the MNDM accepted the revised MCP. Upon this acceptance, the Company added an additional $479,610 to the reclamation deposit which now totals $799,200 (2012 - $319,590), including accrued interest. These amounts have been paid to the Minister of Finance for the Province of Ontario, and have been accounted for as a long term deposit with a corresponding provision for reclamation and close down. The reclamation deposit and corresponding 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 based on the original development plan. The money pledged for 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. As per the revised MCP, the overall required Financial Assurance has increased to $2,329,008. In addition to the $479,610 deposited in August of 2013, $800,000 will be deposited prior to placing any footings in the ground for construction of structures such as buildings and dams and $729,088 will be deposited prior to the commencement of commercial production.