

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2013

Management's discussion and analysis ("MD&A") of the financial position and results of the operations of Northern Graphite Corporation ("Northern" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine month periods ended September 30, 2013 compared to the three and nine month periods ended September 30, 2012. This MD&A is dated and has been prepared with information available as of November 14, 2013.

This MD&A should be read in conjunction with the Company's financial statements for the three and nine month periods ended September 30, 2013 and related notes (the "Interim Financial Statements"). The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to carry out the Bissett Creek Project and programs related thereto, in addition to the need for future financing, are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to the cautionary language at the end of this MD&A and readers are advised to refer to it when reading any forward-looking statements.

The MD&A is prepared in conformity with 51-102F1 and has been approved by the Board of Directors prior to its release.

Introduction

The Company was incorporated on February 25, 2002 under the *Business Corporations Act* (Ontario) under the name Industrial Minerals Canada Inc. The Company's name was changed to Northern Graphite Corporation on March 1, 2010. The Company was incorporated by its former parent company, Mindesta Inc., formerly Industrial Minerals, Inc., ("Mindesta") to develop and hold title to the Bissett Creek graphite project.

The Company was a wholly-owned subsidiary of Mindesta until early in 2010. As the result of a number of financings and debt settlement transactions by the Company, Mindesta's interest was reduced and 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 on the basis of one share of Northern for each share of Mindesta held. As at December 31, 2012, Mindesta's interest in Northern was less than 1% and as at September 30, 2013, Mindesta no longer owns any shares of Northern.

Nature of Operations

The Company's sole focus is the potential development of the Bissett Creek graphite project located in the County of Renfrew, Province of Ontario (the "Bissett Creek Project"). The Company has no other properties or rights to acquire other properties. On July 9, 2012, the Company released results from its full bankable feasibility study ("FS") for the Bissett Creek Project which confirmed the technical and financial viability of constructing and operating an open pit mine and 2,500 tpd processing plant. A National Instrument 43-101 technical report based on the FS has been filed on SEDAR. On March 7, 2013, the Company announced positive results from a 61 hole, 3,425 meter drilling program and on May 7, 2013, the Company released a new resource estimate for the Bissett Creek graphite project based on results from this drill program. The drill program successfully achieved its objective of upgrading a significant portion of inferred resources to the measured and indicated categories. On September 23, 2013, the Company announced that the economics in the previously released FS were updated to incorporate the new and larger resource estimate, some modifications to the capital and operating cost assumptions, and lower graphite prices.

The Company originally filed a mine closure plan ("MCP") with the Ministry of Northern Development and Mines ("MNDM") in 2004 and was authorized to begin production based on a dry recovery process but a commercial operation was never established due to technical problems and financial difficulties. In the fourth quarter of 2012, the Company filed an amended MCP to increase the size of the potential operation and to use a conventional flotation recovery process as outlined in the FS. On August 26, 2013, the Company announced that the MNDM had accepted

the Company's MCP for filing. The Company is in a position to begin construction of a mine on the Bissett Creek Project, subject to the availability of financing.

The Bissett Creek Project

The Company holds a 100% interest in the Bissett Creek Project, which contains a large flake graphite deposit, and is located approximately 15 km from the Trans-Canada Highway (Highway 17) between the towns of Deep River and Mattawa, Ontario. The Bissett Creek Project is located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Province of Ontario, approximately 300 km northeast of Toronto and 200 km west of Ottawa, Ontario.

The Bissett Creek Project consists of a 565 hectare mining lease expiring September 22, 2014 (Ontario Mining Lease number 106693), a 1,938 hectare mining lease expiring June 30, 2034 (Ontario Mining Lease number 109335) and five unpatented claims totalling approximately 464 hectares. The Company intends to renew the lease that expires in 2014 having met the requirement of moving the lease toward production based on the substantial amount of work done and expenditures incurred. The application for renewal must be submitted within the 90 day period before the expiration of the lease.

Royalties on the Bissett Creek Project consist of an annual advance payment of \$27,000 to the three original prospectors that discovered the deposit which will be credited against a royalty of \$20 per ton of concentrate sold once the mine is operational, and a 2.5% Net Smelter Royalty ("NSR") on any other minerals derived from the Bissett Creek Property.

The Bissett Creek Project was extensively explored in the 1980's and over 8,400 metres of drilling was completed. A full feasibility study, including the calculation of a proven and probable reserve, was completed but the Bissett Creek Project was not developed due to a subsequent decline in graphite prices. The feasibility study and reserve estimate pre-date NI 43-101 standards and therefore, are non-compliant and cannot be relied upon. The price of graphite has increased since 2005 due to the ongoing industrialization of emerging economies which has led to increased demand in traditional steel and automotive markets. In addition, lithium-ion batteries, fuel cells, vanadium redox batteries and new nuclear technologies are all large users of graphite and have the potential to create substantial additional demand in the future. As a result, there is renewed interest in graphite projects.

In May 2007, Mindesta retained SGS Canada Inc., formerly and then named Systèmes Geostat International Inc. ("SGS"), to prepare a NI 43-101 compliant technical report on the Bissett Creek Project. In 2010 SGS updated their 2007 work and produced a technical report (the "**Technical Report**") entitled "Technical Report Preliminary Economic Assessment on the Bissett Creek Graphite Property of Industrial Minerals, Inc. & Northern Graphite Corporation" dated July 16, 2010 and revised February 2, 2011. The Technical Report was prepared by Gilbert Rousseau P.Eng and Claude Duplessis P.Eng of SGS, each of whom is an independent Qualified Person pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). The Technical Report is available under the Company's profile at www.sedar.com.

2011 Mineral Resource Estimate

In September, 2011 The Company announced a significant increase in estimated resources based on the results from a 51 hole, 2,927 meter drilling program. In order to establish a reasonable prospect of economic extraction in an open-pit context, mineral resources were constrained within an optimized Whittle pit shell using an average graphite price of US\$2,000 per tonne along with operating and capital costs that were updated from the Technical Report.

The 2011 mineral resource estimate was prepared by François Thibert, M.Sc. P. Geo. from SGS Canada Inc. (Geostat), independent Qualified Person under NI 43-101, using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves, Definitions and Guidelines.

2013 Mineral Resource Estimate

On May 7, 2013, the Company announced a new resource estimate for the Bissett Creek graphite project based on results from the 2012 61 hole, 3,782 meter drill program. This drill program successfully achieved its objective of

upgrading a significant portion of inferred resources to the measured and indicated categories. Measured and indicated resources are now estimated at 69.8 million tonnes grading 1.74% graphitic carbon (“Cg”) based on a 1.02% Cg cutoff grade compared to the previous estimate of 26 million tonnes grading 1.81% Cg at a cutoff of 0.98% Cg. Inferred resources declined to 24 million tonnes grading 1.65% Cg (at a 1.02% Cg cutoff) in the latest resource estimate due to a significant portion being upgraded to higher categories..

Bissett Creek Resource Estimate, May 6, 2013

Cutoff	Measured + Indicated Resources			Inferred Resources		
	Tonnage	Cg%	In Situ Graphite (t)	Tonnage	Cg%	In Situ Graphite (t)
1.02	69,791,000	1.74	1,213,000	24,038,000	1.65	396,000
1.50	37,565,000	2.14	803,000	11,971,000	2.02	242,000
1.75	23,439,000	2.45	574,000	6,274,000	2.39	150,000
2.00	15,902,000	2.73	435,000	3,564,000	2.79	100,000

- Notes:
- Resource shell is based on Measured, Indicated and Inferred material, tonnages rounded to the nearest thousand
 - Graphite price used is US\$1,800 per tonne with an exchange rate of \$1Cdn=\$1 US
 - Dilution and ore loss are considered to be zero
 - Feasibility Study costs and information have been used for Resource Shell generation:

Overburden Mining Cost	\$1.85	per tonne material
Waste Mining Cost	\$3.24	per tonne material
Ore Mining Cost	\$4.15	per tonne ore
Process Cost	\$9.61	per tonne ore
General and Administrative	\$3.41	per tonne ore
Recovery	95%	
Royalty	\$20	per tonne of concentrate
 - No mining restrictions relating to permitting were applied
 - Pit slopes of 45 degrees in rock and 30 degrees in overburden
 - Cutoff of 1.02% Cg

Mineral resources are estimated in conformance with the CIM Mineral Resource definitions referred to in NI 43-101 Standards of Disclosure for Mineral Projects. Pierre Desautels, P.Geo., Principal Resource Geologist, and Gordon Zurowski, P.Eng., Principal Mining Engineer, both of AGP Mining Consultants and Qualified Persons under NI 43-101 who are independent of the Company, have prepared and authorized the release of the mineral resource estimates presented herein.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there has been insufficient exploration drilling to define these inferred mineral resources as indicated or measured mineral resources and it is uncertain if further exploration will result in upgrading them to indicated or measured mineral resources.

Exploration and Development

As at September 30, 2013, the Company had capitalized \$9,926,232 of exploration and evaluation expenditures relating to the Bissett Creek Project. Over the next 12 months the Company expects to spend approximately \$385,000 to complete the mine permitting work relating to construction and operations and initiate the initial phases of the updated FS. On January 18th, 2013, the Company announced that it had awarded a \$3.5 million contract for the detailed engineering and design of the Bissett Creek Project which is part of the capital cost in the FS. The contract allows for cancellation on 30 days notice. The Company has slowed the pace of expenditures and may suspend them depending on cash resources and market conditions.

Feasibility Study

The Company completed a bankable feasibility study (“FS”) for the Bissett Creek Project and filed it on SEDAR on August 27, 2012. The FS was prepared by GMining Services Inc. and included contributions from SGS Canada Inc. (Lakefield–metallurgy and Geostat-resource modelling), Knight Piesold Ltd. (environmental, permitting, tailings management and road infrastructure) and Met-Chem Canada Inc. (process engineering). The FS confirmed the technical and financial viability of constructing and operating an open pit mine and 2,300 tpd processing plant on the Bissett Creek property.

The Company revised the mine plan in the existing FS based on the new 2013 resource model and on September 23, 2013, announced updated FS economics (“FS Update”). The FS Update incorporated a new and larger resource estimate, some modifications to the capital and operating cost assumptions, and lower graphite prices. The update was prepared by AGP Mining Consultants.

The FS Update indicates a pre-tax internal rate of return (“IRR”) of 19.8% (17.3% after tax) and a pre-tax net present value (“NPV”) of \$129.9 million (\$89.3 million after tax) in the base case which uses a weighted average price of US\$1,800/tonne for the concentrates that will be produced. This represents a substantial improvement in project economics over the FS which had a 15.6% pre-tax IRR at a price of US \$2,100/t. The project has significant leverage to higher prices as the pre tax IRR increases from 19.8% to 25.7% and the pre-tax NPV from \$129.9 million to \$201.1 million at a price of US \$2,100/t.

Summary of Updated Feasibility Study Economics

	FS Update (base case)	Original FS
Probable reserves (million tonnes)	28.3Mt*	19.0Mt
Feed Grade (% graphitic carbon)	2.06%*	1.89%
Waste to ore ratio (excl. low grade stockpile)	0.79	0.50
Processing rate (tonnes per day - 92% availability)	2,670	2,300
Mine life*	28 years	23 years
Mill recovery	94.7%	92.7-94.7%
Average annual production	20,800t	15,900t
Capital cost (\$ millions - including 10% contingency)	\$101.6M	\$102.9M
Cash operating costs (\$/tonne of concentrate)*	\$795/t	\$968/t
Mining costs (\$/tonne of ore)	\$5.63	\$5.79
Processing costs (\$/tonne of ore)	\$8.44	\$9.60
General and administrative costs (\$/tonne of ore)	\$2.50	\$2.94
CDN/US dollar exchange rate	0.95	1.00
Graphite prices (US\$ per tonne)	\$1,800	\$2,100
Pre tax Net Present Value @8% (CDN\$ millions)	\$129.9	\$71.7
Pre tax IRR (%)	19.8%	15.6%
After tax Net Present Value @8% (CDN\$ millions)	\$89.3	\$46.9
After tax IRR (%)	17.3%	13.7%

*Includes 24 million tonnes (“Mt”) grading 2.20% Cg and 4.0 Mt grading 1.26% Cg of low grade stockpile (“LGS”) to be processed at the end of the mine life. An additional 12.5 Mt LGS grading 1.26%Cg is stored in the pit and is available for processing through a future expansion or at the end of the mine life. The waste to ore ratio is 0.24 if the low grade stockpile is processed. All grades are diluted.

(a) Project Description

The proposed development of the Bissett Creek graphite deposit consists of an open pit mine and a processing plant with conventional crushing, grinding and flotation circuits followed by concentrate drying and screening. The capacity of the plant has been increased slightly to 2,670tpd in the updated FS economics from 2,300tpd (based on 92% availability) and the update assumes that compressed natural gas (“CNG”) will be trucked from the main Trans Canada line, approximately 15 kms away, rather than brought in by pipeline. These changes had minimal effect on estimated capital costs. The processing plant includes a sulphide flotation circuit to remove enough sulphides to make approximately 97% of the tailings benign. All sulphide and non-sulphide generating waste rock will be backfilled into mined out areas of the pit after five years of operation, and all sulphide tailings after eight years, resulting in low final

closure costs. The CNG will fuel five 1.0 MW-generators to produce electrical power and waste heat from the generators will be used to dry the concentrate. This will result in low overall energy costs.

(b) Resources and Reserves

Probable mining reserves for the Bissett Creek deposit were established based on measured and indicated resources of 69.8 million tonnes (“Mt”) grading 1.74% graphitic carbon (“Cg”) based on a 1.02% Cg cutoff. The resource estimate was prepared by AGP who established a breakeven cut-off grade (“COG”) and ran optimized Whittle pits on the measured and indicated resources based on a number of parameters including those outlined in summary above. The final mine plan only contemplated a 25 to 30 year operation and resulted in probable reserves of 28.3 Mt of ore grading 2.06% Cg based on a COG of 0.96%Cg. Probable reserves include 24.3 Mt grading 2.20%Cg that will be processed first and 4.0 Mt grading 1.26%Cg from a low grade stockpile (“LGS”) that will be processed at the end of the mine life. In order to increase head grades in the initial years of production while maintaining a reasonable stripping ratio, measured and indicated resources grading between 0.96%Cg and 1.5%Cg will be stockpiled, largely within the mined out areas of the pit. The total LGS will be 16.5 Mt grading 1.26%Cg and will provide a great deal of flexibility in future operations as it will be available for processing at a later date, either through an expanded facility or at the end of the mine life. It also represents a low cost source of ore that could be processed during periods of depressed prices.

The mine plan was also designed to supply blasted rock and glacial till for tailings dam construction during pre-production and to allow for sulphide and non-sulphide waste disposal in mined out areas by year five. Sulphide tailings may also be stored in the mined out pit starting in year eight. Contact dilution was estimated at 1% overall. Due to the gradational nature of the deposit, contact block grades were queried and utilized in individual block dilution calculations. A one metre dilution skin was assumed between waste and ore with negligible grade dilution except along the base of the deposit. The resulting global dilution was determined to be 1%. Backhoe support will be utilized to minimize dilution along this and other contacts.

(c) Metallurgy

SGS-Lakefield has completed the full suite of metallurgical tests on the Bissett Creek deposit including lab and bench scale work, a bulk sample/pilot plant test, and variability testing to determine if recoveries and flake size distribution are consistent across the deposit. A similar program was also carried out in the 1980’s as part of a previous feasibility study (non NI 43-101 compliant) with consistent results.

The FS is largely based on pilot plant results from the processing of slightly weathered material that does not respond as well to flotation as unweathered rock. The locked cycle tests, which were performed on fresh drill core, were better in terms of recoveries, concentrate grades and flake size distribution which represents potential upside in the project. The FS assumes recoveries of 92.7% in the first year of operation, 93.7% in year two and 94.7% over the balance of the project. Recoveries in the eight locked-cycle test averaged 97.2% and ranged from 95.2% to 99.1%. The updated FS assumes recoveries of 94.7% for the entire project.

The FS assumed an average concentrate grade of 94.5% Cg compared to 94.9% Cg in the locked-cycle tests. However, the locked cycle tests generated average grades of 98.1%, 97.0% and 95.1% for the important +32 (XXL), +50 (XL) and +80 (L) mesh size fractions respectively. Based on pilot plant results, the FS assumes that production will consist of 18% +32 mesh at 95.1% Cg, 31% +50 mesh at 95.1% Cg, 28.2% +80 mesh at 94.5% Cg, 5% +100 mesh at 97.3% Cg, 7% +150 mesh at 98% Cg and 11% -150 mesh at 92.7% Cg.

Flake graphite is sold based on 80% meeting the required specification. Therefore, smaller flake sizes can be blended into larger as long as the carbon content is maintained. The -100 flake concentrate produced by Bissett Creek is at least 94%Cg and therefore is suitable for this purpose. After blending, the FS Update assumes 60% of Bissett Creek production will be +50 mesh and a third of this material is actually +32 mesh, 97-98%Cg. Because of the latter, the price for the +50 mesh concentrates was estimated at US\$2,100/t. Current prices of US\$1,400/t were used for the 35% of production that will be +80 mesh, 95%+Cg and US\$1,200/t has been used for the 5% that will be +100 mesh, 95-97%Cg. Therefore, the weighted average price that would be realized by Bissett Creek concentrates in the current market is estimated at US\$1,800/t in the FS Update.

Additional testing is underway to determine if waste rock and the low grade stockpile will be acid generating. The FS Update assumed this is the case and included the cost of a lined pad and additional financial assurance.

(d) Production

In the FS Update, an average of 20,800 tonnes of graphite concentrate at 94.5% Cg is expected to be produced yearly over the course of 28 years compared to an average of 15,900 tonnes in the FS. The increase was mainly due to higher grades and slightly higher throughput.

(e) Operating Costs

Cash mine operating costs were estimated to average \$795 per tonne of concentrate in the FS Update (compared to \$968/t in the FS) over the mine life. The decline in operating costs is mainly due to a switch from contract to owner mining, increased grades and throughput, and shorter haul distances in the new mine plan.

(f) Capital Costs

In the FS Update, the capital cost to construct the processing plant, power plant and all associated mine infrastructure is estimated at \$101.6 million including a \$9.3 million contingency, compared to \$102.9 million in the FS including contingency. Increased capital costs of approximately \$6.5 for mining equipment due to the switch from contractor to owner mining were largely offset by the removal of costs for detailed engineering which is already under way (\$4.5 million), modifications to the SAG mill drive and discharge (\$1.3 million), switching to a mobile crusher (\$1.0 million) and removal of a redundant mill circuit (\$750k).

The Company is required to deposit a financial assurance of \$2.3 million with the Province of Ontario (\$799,200 is already deposited) to guarantee its obligations with respect to the Mine Closure Plan, compared to the \$3.57 million estimate used in the FS. \$800,000 will be paid prior to placing any footings in the ground for construction of structures such as buildings and dams and \$729,088 will be paid prior to the commencement of commercial production. The Company will be discussing additional financial assurance requirements relating to the new mine plan with government ministries and has included an additional potential provision of \$2.5 million over four years in the FS Update.

(g) Sensitivities (pre-tax)

Sensitivity Analysis - September 23, 2013 Update:

	\$2,100		\$1,800		\$1,500	
	NPV*	IRR	NPV*	IRR	NPV*	IRR
Base Case	\$201.1	25.7%	\$129.9	19.8%	\$58.7	13.6%
Grade +10%	\$250.6	29.7%	\$172.3	23.4%	\$93.9	16.8%
Grade -10%	\$151.6	21.6%	\$87.6	16.2%	\$23.6	10.3%
Operating costs -10%	\$218.8	27.1%	\$147.6	21.3%	\$76.5	15.2%
Operating costs +10%	\$183.4	24.2%	\$112.2	18.3%	\$41.0	11.9%
Capex -10%	\$212.3	28.4%	\$141.2	22.0%	\$70.0	15.3%
Capex +10%	\$189.8	23.4%	\$118.7	18.0%	\$47.5	12.2%
*\$ millions @ 8%						

Significant Project Opportunities

A number of significant, low risk opportunities exist to improve upon the FS including.

- There is scope to reduce capital costs through the purchase of used equipment, lease financing of the mining fleet and natural gas generators, and additional permitting of lower cost tailings options.
- The Company has released the results of a Preliminary Economic Assessment that show the economics of doubling production in three or four years based on measured and indicated resources only to meet the anticipated growth in graphite demand. Due to the flat lying nature of the deposit, production can be expanding without a significant increase in the stripping ratio or capital and operating costs and can take advantage of lower grade material currently planned to be stockpiled in the mined out pit.

- Testing of waste rock and the low grade stockpile is ongoing to determine if it has acid generating potential. The FS Update includes the cost of a lined storage pad and additional financial assurance, neither of which would be required if the material is not acid generating.
- The Company has carried out extensive purification testing over the last two years and is developing a commercial process to produce and sell high purity (99.95% Cg+) products.
- The Company has successfully upgraded Bissett Creek concentrate for use in Lithium ion batteries. Testing to define the capital and operating costs of constructing an upgrading facility is underway.

No revenues or costs associated with mine expansion or upgrading and purifying to sell into value added markets are included in the FS or the FS update.

(h) Environmental, Permitting and Local Community

In 2012, the Company filed a revised MCP with the MNDM and in August, 2013, it was accepted for filing. The MCP is a comprehensive document that describes in detail the scope of the project including the nature of mining and processing operations, buildings and infrastructure, potential effects on the environment, mitigation measures to protect the environment, a description of First Nation, government agency and local community consultation, and the Company's plan to rehabilitate the site and return it to its natural state at the end of operations including an estimate of the cost of doing so. The Company will be required to post a \$2.3 million financial assurance to ensure that funds are available to meet its obligations under the MCP. Approval of the MCP enables the Company to initiate construction, subject to securing financing, and to apply for a number of other permits that relate to operations.

(i) Qualified Persons

The FS was prepared in accordance with NI 43-101 standards by G Mining Services Inc. Louis Gignac, ing., Nicolas Ménard, ing., Antoine Champagne, ing., Ahmed Bouajila, ing., Robert Menard, ing., and Robert Marchand, ing. are the independent "qualified persons" under NI 43-101 who were responsible for preparing the FS on behalf of G Mining Services Inc.

Gordon Zurowski, P.Eng., Principal Mining Engineer, of AGP Mining Consultants and Qualified Persons under NI 43-101 and who is independent of the Company, prepared and authorized the release of the updated economics for the FS.

Readers should refer to the NI 43-101 technical report relating to the FS for further details.

(j) Expansion Case Preliminary Economic Assessment

On October 23, 2013, the Company announced the results of a Preliminary Economic Assessment (the "PEA") on an expansion case for its Bissett Creek project. The PEA was undertaken to demonstrate the ability to meet expected future growth in graphite demand by substantially increasing production from the Bissett Creek deposit based on measured and indicated resources only. The PEA builds on the FS completed by G Mining in August, 2012 and the expanded resource model and updated FS economics subsequently completed by AGP. The PEA was authored by Marc Leduc P. Eng. A NI 43-101 Technical Report will be filed on www.sedar.com within 45 days of October 23, 2013.

The PEA estimates the economics of doubling mill throughput after three years of operation and indicates that Bissett Creek has very attractive economics even at or below current depressed graphite price levels. The pre-tax internal rate of return ("IRR") is 26.3% (22.0% after tax) and the pre-tax net present value ("NPV") is \$231.1 million (\$150.0 million after tax) in the base case which uses an 8% discount rate and a weighted average price of US\$1,800/tonne of concentrate. The PEA notes that the deposit was extensively investigated in the 1980s and this work was essentially redone over the last three years with consistent results and brought up to NI 43-101 standards. In addition, resources have been infill drilled and significantly expanded.

Summary of October 23, 2013 PEA Results:

	PEA	FS Update
Reserves/resources (million tonnes)*	39.4Mt*	28.3Mt*
Feed Grade (% graphitic carbon)	1.85%*	2.06%*
Waste to ore ratio	0.24	0.79
Processing rate (tonnes per day - 92% availability)	2,670-5,340	2,670
Mine life	22 years	28 years
Mill recovery	94.7%	94.7%
Average annual production	33,183t	20,800t
Initial capital cost (\$ millions - including 10% contingency)	\$101.6M	\$101.6M
Expansion capital	\$45.2M	NA
Sustaining capital	\$58.7M	\$43.0
Cash operating costs (\$/tonne of concentrate)	\$695/t	\$795/t
Mining costs (\$/tonne of ore)	\$4.05	\$5.63
Processing costs (\$/tonne of ore)	\$7.35	\$8.44
General and administrative costs (\$/tonne of ore)	\$1.45	\$2.50
CDN/US dollar exchange rate	0.95	0.95

*The probable reserve in the FS update consists of 24 million tonnes (“Mt”) grading 2.20% Cg and 4.0 Mt of low grade stockpile (“LGS”) grading 1.26% Cg. The PEA accelerates the processing of the probable reserve and processes an additional 11.1 million tonnes of measured and indicated resources from the LGS at the end of the mine life. All grades are diluted.

Sensitivity Analysis - October 23, 2013 PEA:

	FS Update	PEA Expansion Case		
		(base case)		
Graphite prices (US\$ per tonne)	\$1,800	\$2,100	\$1,800	\$1,500
Pre tax Net Present Value @8% (CDN\$ millions)	\$129.9	\$335.6	\$231.0	\$126.6
Pre tax IRR (%)	19.8%	33.0%	26.3%	18.8%
After tax Net Present Value @8% (CDN\$ millions)	\$89.3	\$221.9	\$150.0	\$77.3
After tax IRR (%)	17.3%	27.7%	22.0%	15.7%

The PEA assumes that the processing plant is expanded after three years of operation, except for the crusher which has excess capacity, and that the capacity of the plant is effectively doubled. Corresponding adjustments were made to the power plant, mine fleet and tailings storage facilities and other infrastructure to account for the increased throughput.

The PEA uses the same mine plan as the FS Update but accelerates the mining of the high grade ore and processes all of the LGS thereafter. There are an additional 27.3 million tonnes of measured and indicated resources grading 1.62% Cg which are not included in the mine plan and 24 million tonnes of inferred resources grading 1.65% Cg which are treated as waste. Also, resources have not yet been closed off by drilling and therefore further expansions are possible. Over the first ten years of operation almost 38,000 tonnes of graphite concentrate will be produced yearly and an average of 33,100 tonnes will be produced over the project life.

The PEA estimates that cash mine operating costs will average \$695 per tonne of concentrate over the mine life. Due to the flat lying nature of the deposit, production can be expanded without any capital investment required for

additional stripping or pushback of the pit walls. The waste to ore ratio actually declines in the PEA and contributes to lower operating costs. The initial capital cost estimate to construct the processing plant, power plant and all associated mine infrastructure remains at \$101.6 million including a \$9.3 million contingency. Under the PEA, an additional \$45.2 million in expansion capital has been added in year three for the parallel mill circuits and sustaining capital over the mine life was increased by \$15.7M for additional mining equipment, tailings facilities and other infrastructure.

PEA Sensitivities (pre-tax):

Graphite Price	\$2,100		\$1,800		\$1,500	
	NPV*	IRR	NPV*	IRR	NPV*	IRR
Base Case	\$335.6	33.0%	\$231.1	26.3%	\$126.6	18.8%
Grade +10%	\$408.3	37.4%	\$293.3	30.4%	\$178.3	22.6%
Grade -10%	\$263.0	28.4%	\$168.9	21.9%	\$74.9	14.8%
Operating costs -10%	\$358.7	34.5%	\$254.2	27.8%	\$149.7	20.6%
Operating costs +10%	\$312.6	31.5%	\$208.1	24.7%	\$103.6	17.1%
Capex -10%	\$351.2	36.2%	\$246.7	29.0%	\$142.2	21.1%
Capex +10%	\$320.1	30.3%	\$215.6	23.9%	\$111.1	16.9%
*\$ millions @ 8%						

Qualified Persons

Pierre Desautels, P.Geo., Principal Resource Geologist, and Gordon Zurowski, P.Eng., Principal Mining Engineer, both of AGP Mining Consultants and Qualified Persons under NI 43-101 who are independent of the Company, prepared the mineral resource estimates in the PEA. Gordon Zurowski, P.Eng., prepared the reserve estimate and the updated Feasibility Study economics. Marc Leduc, P.Eng., who is independent of the Company, prepared the PEA and approved and authorized the release of the information contained therein.

Recent Developments and Subsequent Events

(i) Recent Developments

On January 8, 2013, the Company announced that it had signed a Letter of Intent with Caterpillar Financial Services Corporation (“Cat Financial”) to provide financing for up to US\$17.5 million in mining and power equipment financing for the Bissett Creek Project. Cat Financial has preliminarily indicated its additional interest in participating in a Project Debt Facility, subject to receipt of an Information Memorandum relating thereto and its agreement with the terms and conditions thereof. This facility will cover the cost of the mobile mining fleet and the purchase and installation of natural gas powered generators including the engineering, procurement and construction management related thereto. Closing of the facility is contingent on customary requirements for due diligence, satisfaction of conditions precedent, Cat Financial credit approval and negotiation and execution of definitive legal documentation.

On July 8, 2013, the Company announced that Don Baxter had resigned as President of the Company. The Company plans to hire a COO as part of its efforts to finance and build the Bissett Creek Project.

On September 30, 2013, the Company announced that it had developed a proprietary process for purifying concentrates from the Bissett Creek Project and had consistently achieved 99.95%+C purity levels in extensive independent laboratory and bench scale testing. High purity graphite is required for many value added applications including lithium ion batteries.

(ii) Subsequent Events

On October 23, 2013, the Company announced the results of a PEA on an expansion case for its Bissett Creek project. The PEA was undertaken to demonstrate the ability to meet expected future growth in graphite demand by substantially increasing production from the deposit based on measured and indicated resources only. A NI 43-101 Technical Report will be filed on www.sedar.com within 45 days of October 23, 2013.

On November 11, 2013, the Company announced that it has partnered with Coulometrics LLC to manage development of the Company's proprietary technologies for manufacturing spherical graphite ("SPG") and improving the performance of lithium ion ("Li-ion") batteries. The initial focus is on the development of nano-material based surface coatings for SPG. SPG is manufactured from flake graphite concentrate is the anode material in Li-ion batteries.

Adoption of IFRS

The Company adopted IFRS effective January 1, 2011. The financial results discussed in this MD&A were prepared in accordance with IFRS unless otherwise stated.

Selected Information

The selected financial information set out below is based on and derived from the Financial Statements which have been prepared in accordance with IFRS.

	Nine months ended September 30, 2013 \$	Nine months ended September 30, 2012 \$
Statement of Operations and Comprehensive Loss Data		
Total Revenue	Nil	Nil
Total Expenses	1,199,667	2,817,292
Net Income/(Loss)	(1,141,624)	(2,759,277)
Net Income/(Loss) per Share – basic and diluted	(0.02)	(0.06)
Statement of Financial Position Data		
	As at September 30, 2013	As at December 31, 2012
Total Assets	15,892,635	16,485,803
Total Long-Term Debt	Nil	Nil
Total Liabilities	1,350,468	800,719
Shareholders' Equity:		
Share Capital	20,292,304	20,238,328
Equity	14,542,167	15,685,084

Results of Operations

	Three months ended September		Nine months ended	
	2013 \$	2012 \$	2013 \$	2012 \$
General and administrative expenses				
Management and consulting fees	212,190	218,037	673,452	835,792
Legal and audit	9,123	23,990	43,215	81,628
Office and miscellaneous	75,165	136,191	432,464	794,865
Share-based payments	1,836	27,100	(1,293)	1,052,812
Depreciation	17,416	18,015	50,688	53,253
Foreign exchange (gain) loss	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)

Management and consulting fees decreased from \$835,792 in the first nine months of 2012 to \$673,452 in the first nine months of 2013 primarily as a result of incentive payments being made to key management in the prior year. Office and miscellaneous expenses decreased from \$794,865 in the first nine months of 2012 to \$432,464 in the first nine months of 2013 as a result of decreased expenditures related to public company costs and investor relations activity compared to the prior year period. Depreciation expenses decreased slightly to \$53,253 in 2013 from \$50,688 last year due to a decrease in the carrying value of assets.

For the nine months ended September 30, 2013, the Company recorded a loss and comprehensive loss of \$1,141,624, or \$0.02 per share, compared to a loss and comprehensive loss of \$2,759,277, or \$0.06 per share, in the same period of last year, as a result of lower office and miscellaneous expenses. In addition, the loss and comprehensive loss in the first nine months of 2013 included non-cash charges for share-based payments and depreciation totalling (\$1,293), compared to \$1,052,812 in the first nine months of 2012. The decrease in non-cash charges was the result of lower share-based payments. 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. The decrease in non-cash charges was the result of lower share-based payments.

Expenses capitalized to the Company's exploration and evaluation assets during the nine months ended September 30, 2013 increased to \$2,782,414 compared to \$2,684,398 in the same period last year. Environmental and mine permitting expenses decreased from \$750,050 to \$453,010 as the first nine months of 2012 included expenses related to the MCP. Metallurgical expenses fell from \$1,083,156 to \$260,967 and feasibility expenses declined from \$439,131 to \$5,025 as both of these areas were the focus of significant activity related to the FS in the first nine months of 2012. Spending on drilling increased to \$195,120 from \$175,453 in the same period last year as the Company completed the drill program that it initiated in 2012. Spending on detailed engineering was \$1,006,293 versus nil in the same period last year as the Company initiated work on detailed engineering in 2013. Spending on engineering totalled \$56,977 versus \$23,042 in the same period last year. Other expenses capitalized to the Company's exploration and evaluation assets included site and royalty expenses, which totalled \$79,988 compared to \$94,651 in the first nine months of 2012; geotechnical expenditures of \$245,425 versus \$113,945 in the same period last year; and surveying and geophysics of \$nil in 2013 versus \$4,970 in the first nine months of 2012. In August 2013, the Company deposited \$479,610 to increase its reclamation deposit with the Province of Ontario.

Summary of Quarterly Results

The summary of quarterly results has been prepared in accordance with IFRS.

Year ended Dec 31	Quarter	Interest Income \$	Total Loss \$	Income (Loss) Per share \$
2013	3	15,877	(300,776)	(0.01)
	2	19,872	(398,134)	(0.01)
	1	22,294	(442,715)	(0.01)
2012	4	25,936	(876,058)	(0.02)
	3	27,960	(394,755)	(0.01)
	2	25,911	(1,666,852)	(0.04)
2011	1	4,144	(697,137)	(0.02)
	4	4,062	(377,930)	(0.01)

The Company, as an exploration stage company, experiences a high degree of variability in its quarterly results. The Company's expenses are not related to the regular and continuous activities that take place when a mine is in production. In the fourth quarter of 2012, the Company awarded stock options which contributed \$385,834 to an increase in loss & comprehensive loss. In the second quarter of 2012, the Company awarded stock options which contributed \$978,952 to an increase in loss & comprehensive loss of \$1,666,852.

Liquidity and Capital Resources

As at September 30, 2013, the Company had \$551,268 in accounts payable and accrued liabilities, compared to accounts payable and accrued liabilities of \$481,129 as at December 31, 2012 due to the timing of supplier invoicing. The Company had cash of \$4,512,203 as at September 30, 2013 compared to \$8,281,725 as at December 31, 2012. The decrease in cash was primarily the result of the expenditures by the Company on exploration and evaluation.

The Company's working capital has decreased from \$7,998,185 at December 31, 2012 to \$4,079,040 primarily as a result of the exploration expenditures. As at September 30, 2013 the Company had \$4,648,308 in cash, receivables, and prepaid expenses, compared to \$8,479,314 as at December 31, 2012. Current liabilities have increased from \$481,129 as at December 31, 2012 to \$551,268 as at September 30, 2013.

In March 2010, the Company completed a non-brokered private placement of 7,327,000 units at \$0.25 per unit for total proceeds of \$1,831,750. Each unit consisted of one common share and one common share purchase warrant exercisable at a price of \$0.35 per share until October 7th, 2012. All of these warrants were exercised by the end of 2012.

The Company has increased its long-term reclamation deposit with the Ministry of Finance for the Province of Ontario to the amount of \$799,200 from \$319,590. The MCP require the Company to deposit \$800,000 prior to placing any construction and \$729,088 prior to the commencement of commercial production. The Company will be discussing additional financial assurance requirements relating to the new mine plan with government ministries and has included an additional potential provision of \$2.5 million over four years in the updated FS economics. The deposit accrues interest and represents a financial guarantee to the Province of Ontario that the Company will effect the proper reclamation and closure of the Bissett Creek site when activities are terminated pursuant to a Mine Development and Closure Plan that was filed with, and accepted by, the MNM in accordance with the *Mining Act* (Ontario), including the standards, procedures and requirements of the Mining Code of Ontario. The Company is responsible for any reclamation costs in excess of the deposit.

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.

Use of the Proceeds from Private Placement

Net proceeds of \$10,429,323 from the private placement were to be used to finance the completion of the FS and permitting with respect to the Company's Bissett Creek Project, certain engineering work and the acquisition of long lead time equipment upon the positive completion of the FS and for working capital and general corporate purposes. As at September 30, 2013, the Company has used \$9,884,417 of the proceeds.

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. Purchase obligations represent agreements to purchase goods or services that are enforceable and legally binding on the Company.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Transactions with Related Parties

Major Shareholder

The Company has no major shareholder

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.

Proposed Transactions

The Company continually reviews potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value. At the current time, there are no reportable proposed transactions.

Changes in Accounting Policies

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)

Critical Accounting Estimates and Judgements

The preparation of the Financial Statements requires Management to make estimates, assumptions, and judgements about the future that affect the amounts recorded in the Financial Statements. These estimates, assumptions, and judgements are based on the Company’s experience and management’s expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates, assumptions and judgements. The effect of a change in an accounting estimate is recognized prospectively in the period of change and future periods if the change impacts both periods.

Significant estimates used in the preparation of the 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 the 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
- (vi) the recognition of deferred tax.

Critical Accounting Policies

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its interim financial statements:

Going Concern

The critical assumption made by management of the Company is that the Company will continue to operate as a 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, estimated at \$101.6M in the Company's recent BFS update, 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.

Impairment of Long-Lived Assets

At each balance sheet date, the Company assesses whether there is any indication that any long-lived assets or finite life tangible assets are impaired. The Company monitors the recoverability of long-lived assets based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the assets. An impairment is recognized if the recoverable amount, determined as the higher of an asset's fair value less cost to sell and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that

the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

Mining properties and exploration and evaluation expenditures

Mining properties correspond to acquired interests in mining exploration permits/claims/leases which include the rights to explore, mine, extract and sell all minerals from such permits/claims/leases. All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrated.

General and administration expenditures relating to exploration are capitalized where they can be directly attributed to the site undergoing exploration and evaluation.

Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrated for an area of interest, the Company stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment, and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

Share-based compensation

The Company has a share option plan (the “Plan”) described in Note 7 of the Financial Statements. The Company measures the compensation cost of stock options issued under the Plan using the fair-value method as determined using the Black-Scholes option pricing model. Compensation costs are measured at the grant date based on the fair value of the award and are recognized over the vesting period in net income (loss) with a corresponding increase to contributed surplus. Upon exercise, common shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, as adjusted for any consideration paid.

The Black-Scholes option pricing model incorporates highly subjective assumptions, including volatility, estimated forfeiture rates and expected time until exercise, which affect the calculated values. At the end of each reporting period, the Company reviews the option pricing model and updates model inputs for any changes for the purposes of determining the fair value of new grants, and reflects the impact of changes to non-market input estimates for previous grants in net income (loss) with a corresponding adjustment to contributed surplus.

Restoration and site closure provision

The Company has an obligation to reclaim its mining property after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. The fair value of an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is adjusted to reflect the passage of time (accretion expense) and for changes in estimated future cash flows. Accretion expense is charged to the statement of comprehensive profit or loss, while adjustments related to changes in estimated cash flows are recorded as increases or decreases in the carrying value of the asset. The capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax is determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Deferred tax is measured using

the enacted tax, or substantially enacted tax rates which will be in effect when the temporary differences are likely to reverse. The effect on deferred tax of a change in tax rates is included in operations in the period in which the change is enacted. The amount of deferred tax recognized is limited to the amount of the benefit that is probable.

Deferred tax and the recognition and measurement of uncertain tax positions are subject to various assumptions and management judgement. Actual results may differ from these estimates. In circumstances where the applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates could occur that materially affect the amounts of deferred tax recorded at September 30, 2013.

Financial instruments

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends upon whether the financial instrument is classified as fair value through profit or loss (“FVTPL”), available-for-sale assets, held-to-maturity investments, loans and receivables, or other liabilities measured at amortized cost (“Other Financial Liabilities”). Financial instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of operations. Available-for-sale asset financial instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Financial assets classified as held-to-maturity investments, loans and receivables and Other Financial Liabilities, are measured at amortized cost. Transaction costs in respect of financial assets and liabilities which are FVTPL are recognized in profit or loss immediately. Transaction costs in respect of Other Financial Instruments are included in the initial fair value measurement of the financial instrument.

The Company may enter into derivative contracts or, financial instruments and non-financial contracts containing embedded derivatives. Embedded derivatives are required to be accounted for separately at fair value as derivatives when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract, and the host contract is not carried at fair value.

Disclosure of Outstanding Share Data (as at November 14, 2013):

Common Shares

Authorized: Unlimited number of common shares.

Outstanding: 49,131,281 common shares.

Share Options

A summary of the Company’s share options outstanding and exercisable at November 14, 2013 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$0.50	2,675,000	2,675,000	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
	3,875,000	3,837,500	

Trends

There are significant uncertainties regarding the prices of industrial minerals and in the availability of equity financing for the purposes of mineral exploration and development. For instance, the prices of industrial minerals, including graphite, have fluctuated widely in recent years and it is expected that wide fluctuations may continue. Management of the Company is not aware of any trend, commitment, event or uncertainty both presently known or

reasonably expected by the Company to have a material adverse effect on the Company's business, financial condition or results of operations other than the normal speculative nature of the natural resource industry and the risks disclosed below under the heading "Risk Factors".

Risk Factors

An investment in the Company's common shares is speculative and subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. The risk factors noted below, in no specific order, are not an exhaustive list of all risk factors associated with an investment in the Company's common shares or in connection with the operations of the Company.

- Exploration stage company developing one single asset;
- The highly speculative nature of mineral exploration and development;
- No history of mineral production;
- Mining operations and no insurance coverage on the inherent risks of such operations;
- Limited operating history and financial resources;
- Government regulation and compliance;
- The reliability of results of prior exploration work;
- Reliance on management and experts;
- Competition;
- The possibility of conflicts of interest for the Company's directors and/or officers;
- Competitive conditions;
- Title to property;
- Aboriginal land claims;
- Environmental risks and hazards;
- Cost of land reclamation;
- Commodity prices;
- Price volatility and lack of active market;
- Litigation;
- No earning or dividend record and no anticipation of paying in foreseeable future.

For a more detailed discussion of the above risk factors, refer to the Company's Annual Information Form filed for the year ended December 31, 2012.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains "forward-looking statements" which reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements may include, but are not limited to, statements with respect to the future financial or operating performance of the Company and its projects, the future price of graphite or other metal prices, the estimation of Mineral Resources, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; fluctuations in currency exchange rates; changes in project parameters as plans continue to be refined; changes in labor costs or other costs of production; future prices of graphite or other industrial mineral prices; possible variations of mineral grade or recovery rates; failure of plant,

equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; actual results of reclamation activities, and the factors discussed in the section entitled “Risk Factors” in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Qualified Person

Mehmet F. Taner, Ph.D., P.Geo., a Consulting Geologist who is independent of the Company, is the Company’s Qualified Person as that term is defined within National Instrument 43-101 and has reviewed and approved the technical content of the MD&A.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.