

Northern Graphite Corporation

(an Exploration Stage Company)

Condensed Interim Financial Statements

For the Six Months Ended June 30, 2014, and 2013

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 June 30 2014 \$ (unaudited)	As at December 31 2013 \$
Assets		
Current		
Cash and cash equivalents	2,507,753	3,358,399
HST receivable	53,946	99,979
Prepaid expenses and deposits	40,308	46,453
	2,602,007	3,504,831
Deposits	53,000	53,000
Reclamation deposit (note 12)	803,135	803,135
Property and equipment (note 4)	414,215	448,479
Exploration and evaluation assets (notes 5 and 6)	10,507,808	10,009,218
	14,380,165	14,818,663
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	454,109	280,079
	454,109	280,079
Reclamation and close down provision (note 12)	322,081	322,081
	776,190	602,160
Shareholders' equity		
Share capital (note 7)	20,317,304	20,317,304
Contributed surplus (note 7)	2,681,405	2,605,915
Retained deficit	(9,394,734)	(8,706,716)
Total shareholders' equity	13,603,975	14,216,503
Total liabilities and shareholders' equity	14,380,165	14,818,663

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

Approved by the Board of Directors and authorized for issue on August 19, 2014

(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 June 30		Six months ended June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
General and administrative expenses				
Management and consulting fees (note 10)	135,962	228,676	304,449	461,262
Legal and audit	37,482	14,918	64,509	34,092
Office and miscellaneous (note 10)	151,526	176,934	228,048	357,299
Share-based payments (notes 7 and 10)	75,490	(17,746)	75,490	(3,129)
Depreciation	17,227	15,147	34,264	33,272
Foreign exchange loss (gain)	(2,297)	77	(1,726)	219
	415,390	418,006	705,034	883,015
Loss from operations	(415,390)	(418,006)	(705,034)	(883,015)
Interest income	8,608	19,872	17,016	42,166
Income before taxes	(406,782)	(398,134)	(688,018)	(840,849)
Tax expense	-	-	-	-
Loss and comprehensive loss for the period	(406,782)	(398,134)	(688,018)	(840,849)
Loss per share	(0.01)	(0.01)	(0.01)	(0.02)
Weighted average number of shares – basic and fully diluted	49,131,281	49,081,281	49,131,281	49,081,281

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, 2013	49,131,281	20,317,304	-	2,605,915	(8,706,716)	14,216,503
Fair value of warrants expired	-	-	-	-	-	-
Share-based payment expense (note 7 and 10)	-	-	-	75,490	-	75,490
Net loss	-	-	-	-	(688,018)	(688,018)
Balance, June 30, 2014	49,131,281	20,317,304	-	2,681,405	(9,394,734)	13,603,975
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)	-	-	-	(3,129)	-	(3,129)
Net loss	-	-	-	-	(840,849)	(840,849)
Balance, June 30, 2013	49,081,281	20,292,304	-	2,6202,855	(8,054,053)	14,841,106

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Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Cash Flows

(unaudited)

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash provided by (used in)				
Operating activities				
Loss for the period	(406,782)	(398,134)	(688,018)	(840,849)
Items not affecting cash				
Depreciation	17,227	15,147	34,264	33,272
Share-based payments	75,490	(17,746)	75,490	(3,129)
HST receivable	(16,113)	(61,606)	46,033	(1,101)
Prepaid expenses and deposits	13,364	7,997	6,145	(4,973)
Accounts payable and accrued liabilities	141,255	40,448	120,861	13,963
Net cash used in operating activities	(175,559)	(413,894)	(405,225)	(802,817)
Financing activities				
Due to Mindesta	-	-	-	-
Issuance of share capital in private placement	-	-	-	-
Proceeds from the exercise of options	-	-	-	-
Proceeds from the exercise of warrants	-	-	-	-
Share issuance costs	-	-	-	-
Net cash generated from financing activities	-	-	-	-
Investing activities				
(Increase) decrease in deposits	-	(26,500)	-	(26,500)
Exploration and evaluation costs	(249,038)	(917,849)	(445,421)	(1,549,206)
Net cash used in investing activities	(249,038)	(944,349)	(445,421)	(1,575,706)
Net increase (decrease) in cash and cash equivalents	(424,597)	(1,358,243)	(850,646)	(2,378,523)
Cash and cash equivalents, beginning of period	2,932,350	7,261,445	3,358,399	8,281,725
Cash and cash equivalents, end of period	2,507,753	5,903,202	2,507,753	5,903,202

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

Northern Graphite Corporation

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Notes to Condensed Interim Financial Statements For the three and six months ended June 30, 2014 and 2013 (Unaudited)

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 to develop and hold title to a 100% interest in the Bissett Creek Graphite Property (the "Bissett Creek Property"). The Company was a wholly owned subsidiary of Mindesta Inc. ("Mindesta") until early in 2010. As at June 30, 2014, Mindesta no longer owned 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 and six month periods ended June 30, 2014, 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, 2013, present Northern's financial results of operations and financial position under IFRS as at and for the three and six months ended June 30, 2014, including 2013 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, 2013 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 August 19, 2014.

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 \$688,018 for the six months ended June 30, 2014 (2013 - \$840,849) and has an accumulated deficit of \$9,394,734 since the inception of the Company. As at June 30, 2014, working capital was \$2,147,898 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.

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Notes to Condensed Interim Financial Statements

For the three and six months ended June 30, 2014 and 2013

(Unaudited)

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 judgments are subject to uncertainty and the effect on the Interim Financial Statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgments.

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

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

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

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

3. Significant accounting policies

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Company's 2013 Annual Financial Statements.

Recent and future pronouncements issued

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning in or after March 31, 2014. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. Companies may early adopt IFRS 9 however there is no mandatory application date. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures.

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4. Property, plant and equipment

Cost	Building and	Equipment	Total property
	improvements		plant & equipment
	\$	\$	\$
December 31, 2012	800,097	646,994	1,447,091
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
June 30, 2014	800,097	646,994	1,447,091
Accumulated depreciation			
December 31, 2013	443,767	554,845	998,612
Additions	17,957	16,307	34,264
Disposals	-	-	-
Impairment	-	-	-
June 30, 2014	461,724	571,152	1,032,876
Net book value	338,373	75,842	414,215

Cost	Building and	Equipment	Total property
	improvements		plant & equipment
	\$	\$	\$
December 31, 2012	800,097	646,994	1,447,091
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
June 30, 2013	800,097	646,994	1,447,091
Accumulated depreciation			
December 31, 2012	408,546	521,960	930,506
Additions	16,966	16,306	33,272
Disposals	-	-	-
Impairment	-	-	-
June 30, 2013	425,514	538,266	963,780
Net book value	374,583	8,728	483,311

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 five unpatented claims totaling approximately 464 hectares, located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario. The Company submitted the application for renewal of the lease that will expire in 2014.

As of June 30, 2014, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	\$
Balance, December 31, 2013	10,009,218
Exploration expenditures made from January 1, 2014 to June 30, 2014:	
Drilling & exploration	26,008
Environmental & mine permitting	171,417
Metallurgical	87,004
Feasibility study	45,164
Engineering	78,399
Site & royalties	21,283
Geotechnical	69,315
Detailed engineering	-
Asset retirement obligation	-
Balance, June 30, 2014	10,507,808

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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 the claims was \$125,090 which it received during 2013. The Company recognized 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. \$116,407 of this amount was refunded in the first six months of 2014 and \$9,536 was refunded in 2013. These refunds resulted in a reduction of \$104,191 against Exploration and Evaluations 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, 2013 and June 30, 2014	49,131,281	20,317,304

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.

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A summary of the Option Plan activity is presented below:

	Number of options	Weighted average exercise price (\$)
Balance, December 31, 2013	3,400,000	0.87
Granted	200,000	0.75
Exercised	-	-
Forfeited	-	-
Balance, June 30, 2014	3,600,000	0.86

A summary of the Company's share options outstanding and exercisable at June 30, 2014 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$0.50	2,275,000	2,275,000	April 18,2016
\$0.94	25,000	25,000	November 16,2016
\$0.80	75,000	75,000	December 20,2016
\$2.50	525,000	525,000	April 11, 2017
\$0.75	200,000	200,000	May 15, 2017
\$0.85	500,000	500,000	December 20, 2017
	3,600,000	3,600,000	

The following is a summary of stock option grant activity and related Black-Scholes option pricing model input factors used for the periods ended June 30, 2014 and December 31, 2013:

	Six months ended June 30, 2014	Year ended December 31, 2013
Stock options granted during the period	200,000	NA
Weighted-average exercise price	\$0.75	NA
Expected stock option life ⁽¹⁾	3 years	NA
Expected volatility ⁽²⁾	77%	NA
Risk-free interest rate ⁽³⁾	1.33%	NA
Dividend yield	NA	NA
Forfeiture rate	NA	NA
Weighted-average fair value (Black-Scholes value)	\$0.38	NA

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

The fair value is calculated using the Black-Scholes option valuation model. As at June 30, 2014, there was \$nil (June 30, 2013 – \$3,060) of total unrecognized share-based compensation costs related to unvested stock option awards granted under the Option Plan.

Contributed surplus

	\$
Balance, December 31, 2013	2,605,915
Share-based payments	75,490
Balance, June 30, 2014	2,681,405

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Contributed surplus as at June 30, 2014 and December 31, 2013 consists of a share-based payment reserve related to stock options issued under the Option Plan.

8. Loss per share

	Three months ended June 30, 2014	Three months ended June 30, 2013
Loss and comprehensive loss for period	(406,782)	(398,134)
Weighted average number of shares – basic and fully diluted	49,131,281	49,081,281
Loss and comprehensive loss per share	(\$0.01)	(\$0.01)

	Six months ended June 30, 2014	Six months ended June 30, 2013
Loss and comprehensive loss for period	(688,018)	(840,849)
Weighted average number of shares – basic and fully diluted	49,131,281	49,081,281
Loss and comprehensive loss per share	(\$0.01)	(\$0.02)

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.

At June 30, 2014, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the Statement of Financial Position at fair value on a recurring basis are categorized as follows:

	Category	At June 30, 2014 \$	At December 31, 2013 \$	At January 1, 2013 \$
Cash and cash equivalents	Level 1	2,507,753	3,358,399	8,281,725

At June 30, 2014, there were no financial assets and liabilities measured and recognized at fair value on a non-recurring basis. The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the six months ended June 30, 2014.

At June 30, 2014, there were no financial assets or liabilities measured and recognized on the Consolidated Statement of Financial Position at fair value that would be categorized as Level 2 or Level 3 in the fair value hierarchy (December 31, 2013 - \$Nil; January 1, 2013 - \$Nil).

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

Currency risk

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars. The Company carries a portion of its accounts payable and accrued

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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 its 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

Key Management Compensation

In the six months ended June 30, 2014, the Company expensed management fees to companies owned and controlled by key management personnel of \$nil (2013 – \$57,750) and expensed salary to key management personnel of \$236,500 (2013 – \$236,500). In the six months ended June 30, 2014, the Company provided employee benefits totaling \$9,225 (2013 – \$12,168) to key management personnel. In the six months ended June 30, 2014, the Company expensed share-based compensation for stock options granted to key management personnel of \$nil. In the six months ended June 30, 2013, the Company expensed share-based compensation for stock options granted to key management personnel of \$20,124. 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 \$3,129 in share-based compensation expense for the six months ended June 30, 2013.

Other Related Party Transactions

During the six months ended June 30, 2014, the Company expensed office rental payments of \$11,850 (2013 – \$11,340) 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. Installments due were paid for during the year ended December 31, 2013 and the six months ended June 30, 2014. The advance will be credited against any future production royalty payments.

Contractual obligations

As at June 30, 2014, the Company had no contractual obligations (commitments as at December 31, 2013 – \$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 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 totals \$803,135 as at December 31, 2013 and June 30, 2014, 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. 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

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the commencement of commercial production. The provision for reclamation and close down represent the estimated amount that would be required to restore the Bissett Creek Property to its original environmental state after construction and operations. The Company has estimated \$322,081 for this provision as at December 31, 2013 and June 30, 2014. 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.