Northern Graphite Corporation
(an Exploration Stage Company)

Condensed Interim Financial Statements
For the Three Months Ended March 31, 2013, and 2012

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

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Financial Position

(unaudited)

	As at March 31 2013 $ (unaudited)	As at December 31 2012 $
Assets		
Current		
Cash and cash equivalents	7,261,445	8,281,725
HST receivable	90,298	150,803
Prepaid expenses and deposits	59,755	46,785
	7,411,498	8,479,313
Deposits	26,500	26,500
Reclamation deposit (note 12)	319,590	319,590
Property and equipment (note 4)	498,458	516,583
Exploration and evaluation assets (notes 5 and 6)	7,668,417	7,143,817
	15,924,463	16,485,803
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	347,886	481,129
	347,886	481,129
Reclamation and close down provision (note 12)	319,590	319,590
	667,476	800,719
Shareholders' equity (deficiency)		
Share capital (note 7)	20,292,304	20,238,328
Warrants (note 7)	-	53,976
Contributed surplus (note 7)	2,620,602	2,605,984
Retained earnings (deficit)	(7,655,919)	(7,213,204)
Total shareholders' equity (deficiency)	15,256,987	15,685,084
Total liabilities and shareholders' equity (deficiency)	15,924,463	16,485,803

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

Approved by the Board of Directors and authorized for issue on May 23, 2013

(signed) Gregory Bowes
Director

(signed) Donald Christie
Director

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Comprehensive Loss

(unaudited)

	Three months ended March 31	
	2013	**2012**
	$	**$**
	(unaudited)	(unaudited)
General and administrative expenses		
Management and consulting fees (note 10)	232,586	186,617
Legal and audit	19,174	35,181
Office and miscellaneous (note 10)	180,365	416,402
Share-based payments (notes 7 and 10)	14,618	46,760
Depreciation	18,126	17,619
Foreign exchange loss (gain)	140	(765)
	465,009	701,814
Loss from operations	(465,009)	(701,814)
Interest income	22,294	4,144
Income before taxes	(442,715)	(697,670)
Tax expense	-	-
Loss and comprehensive loss for the period	(442,715)	(697,670)
Loss per share	(0.01)	(0.01)
Weighted average number of shares – basic and fully diluted	49,081,291	39,214,059

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

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Changes in Shareholders' Equity

(unaudited)

	Number of Shares	Share capital Amount $	Warrants reserve $	Contributed Surplus Reserve $	Deficit $	Total $
Balance at December 31, 2012	49,081,281	20,238,328	53,976	2,605,984	(7,213,204)	15,685,084
Fair value of warrants expired	-	53,976	(53,976)	-	-	-
Share-based payment expense	-	-	-	14,618	-	14,618
Net loss	-	-	-	-	(442,715)	(442,715)
Balance, March 31, 2013	49,081,281	20,292,304	-	2,620,602	(7,655,919)	15,256,987
Balance at December 31, 2011	37,415,167	7,859,427	134,647	1,241,085	(3,577,869)	5,657,290
Share capital issued through private placement	6,206,377	10,550,841	-	-	-	10,550,841
Issued pursuant to the exercise of warrants	2,245,858	842,911	-	-	-	842,911
Issued pursuant to the exercise of options	225,000	112,500	-	-	-	112,500
Warrants issued in private placement	-	(53,976)	53,976	-	-	-
Fair value of warrants exercised	-	122,271	(122,271)	-	-	-
Share issuance costs	-	(166,459)	-	-	-	(166,459)
Share-based payment expense	-	-	-	46,760	-	46,760
Net loss	-		-	-	(697,670)	(697,670)
Balance, March 31, 2012	46,092,402	19,267,515	66,352	1,287,845	(4,275,539)	16,346,173

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

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

	Three months ended March 31	
	2013	**2012**
	$	**$**
	(unaudited)	(unaudited)
Cash provided by (used in)		
Operating activities		
Loss for the period	(442,715)	(697,670)
Items not affecting cash		
Depreciation	18,126	17,619
Share-based payments	14,618	46,760
HST receivable	60,505	(71,346)
Prepaid expenses and deposits	(12,970)	(7,393)
Accounts payable and accrued liabilities	(26,487)	286,512
Net cash used in operating activities	(388,923)	(425,518)
Financing activities		
Issuance of share capital in private placement	-	10,550,841
Proceeds from the exercise of options	-	112,500
Proceeds from the exercise of warrants	-	842,911
Share issuance costs	-	(166,459)
Net cash generated from financing activities	-	11,339,793
Investing activities		
Decrease in deposits	-	84,749
Exploration and evaluation costs	(631,357)	(1,135,847)
Net cash used in investing activities	(631,357)	(1,051,098)
Net increase (decrease) in cash and cash equivalents	(1,020,280)	9,863,177
Cash and cash equivalents, beginning of period	8,281,725	1,624,696
Cash and cash equivalents, end of period	7,261,445	11,487,873

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

1. Corporate Information

Northern Graphite Corporation ("Northern" or "the Company") was incorporated under the laws of the Province of Ontario on February 25, 2002, under the name Industrial Minerals Canada Inc. The Company's name was changed to Northern on March 1, 2010. Northern was incorporated by its former parent company, Mindesta Inc. ("Mindesta" formerly Industrial Minerals, Inc.), to develop and hold title to a 100% interest in the Bissett Creek Graphite Property (the "Bissett Creek Property"). Mindesta is a Delaware corporation which trades on the OTC Bulletin Board ("MDST") in the United States. The Company was a wholly owned subsidiary of Mindesta until early in 2010. As at December 31, 2012, Mindesta's interest in Northern had decreased to less than 1%. Mindesta no longer owns any shares in Northern. Northern is listed on the TSX Venture Exchange and trades under the symbol "NGC".

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

2. Basis of Preparation

a. Statement of compliance
The unaudited condensed interim financial statements for the three month period ended March 31, 2013, and the notes thereto (the "Interim Financial Statements"), together with the Company's annual audited financial statements issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2012, present Northern's financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2013, including 2012 comparative periods. The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company adopted in its financial statements for the year ending December 31, 2012 based on current standards. The Interim Financial Statements do not include all the necessary annual disclosures in accordance with IFRS.

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

The Interim Financial Statements were approved and authorized for issue by the Board of Directors on May 23, 2013.

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

c. Going Concern
The Company is an exploration stage company that incurred a net loss of $442,715 for the three months ended March 31, 2013 (2012 - $697,670) and has an accumulated deficit of $7,655,919 since the inception of the Company. As at March 31, 2013, the Company had working capital of $7,063,612 (December 31, 2012 – $7,998,184) 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 Property. On March 16, 2012, the Company raised financing with gross proceeds of $10,550,841 as described in note 7. While the Company has been successful in raising capital to advance the Bissett Creek Property, substantial additional capital is required to ultimately build a mine and processing plant on the Bissett Creek Property and to enable the Company to continue its operations. However, 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 endeavors.

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 will continue to be able to generate sufficient funds from public or private debt or equity financings for the Company to continue to operate. The Interim Financial Statements do not include any adjustments that might result from negative outcomes with respect to these uncertainties.

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

e. Critical accounting estimates and judgments

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

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

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

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

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

3. Significant accounting policies

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Company's 2012 Annual Financial Statements.

Recent pronouncements issued

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after March 31, 2013. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below.

The following amended or new Standards were issued by the IASB and are effective for annual periods beginning on or after January 1, 2014. The Company has not early adopted these Standards in these Interim Financial Statements:

- Amended IAS 32, *Financial Instruments: Presentation* (on or after January 1, 2014)
- New Standard IFRS 9, *Financial Instruments, Classification and Measurement* (on or after January 1, 2015)

4. Property and equipment

	Building and improvements	Equipment	Total property plant & equipment
Cost	**$**	**$**	**$**
December 31, 2012	800,097	646,994	1,447,091
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
March 31, 2013	800,097	646,994	1,447,091
Accumulated depreciation			-
December 31, 2012	408,546	521,960	930,506
Additions	10,019	8,108	18,127
Disposals	-	-	-
Impairment	-	-	-
March 31, 2013	418,565	530,068	948,633
Net book value	381,532	116,926	498,458

Cost			
December 31, 2011	800,097	632,794	1,432,891
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
March 31, 2012	800,097	632,794	1,432,891
Accumulated depreciation			-
December 31, 2011	367,809	490,917	858,726
Additions	10,129	7,490	17,619
Disposals	-	-	-
Impairment	-	-	-
March 31, 2012	377,938	498,407	876,345
Net book value	422,159	134,387	556,546

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 and 18 unpatented claims totaling approximately 2,424 hectares, located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario.

As of March 31, 2013, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	$
Balance, December 31, 2012	7,143,817
Exploration expenditures made from January 1, 2013 to March 31, 2013:	
Drilling & exploration	89,895
Environmental & mine permitting	118,761
Metallurgical	40,090
Feasibility study	4,850
Engineering	21,556
Site & royalties	36,340
Geotechnical	80,001
Detailed engineering	133,107
Balance, March 31, 2013	7,668,417

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 for scientific research and experimental development program in the amount of $317,736. The refundable portion of these claims is $101,708. The Company cannot be reasonably assured that it will receive these claims as filed as these are the Company's first claims under this program and as such, the Company has no history on the success of claims. Upon acceptance of the claims, the Company will recognize a reduction of $99,787 against Exploration and Evaluation assets and a reduction of $1,921 against Office and miscellaneous expenses.

7. *Share capital*

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

Private placement

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

Initial public offering

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

Issued

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

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

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

Warrants

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

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

Share options

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

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

A summary of the Option Plan activity is presented below:

	Number of options	Weighted average exercise price $
Balance, December 31, 2011	4,000,000	0.83
Granted	-	-
Exercised	-	-
Balance, March 31, 2013	4,000,000	0.83

A summary of the Company's share options outstanding and exercisable at March 31, 2013 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
$0.50	2,725,000	2,566,667	April 18,2016
$0.94	25,000	25,000	November 16,2016
$0.80	225,000	112,500	December 20,2016
$2.50	525,000	525,000	April 11, 2017
$0.85	500,000	500,000	December 20, 2017
	4,000,000	3,729,167	

The following is a summary of stock option grant activity and related Black-Scholes option pricing model input factors used for the periods ended March 31, 2013 and December 31, 2012:

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

1. The Company estimates the expected stock option life (estimated period of time outstanding) of options granted to be the length of time before the stock option's expiry until such time that the Company can base its estimate on historical information on the Company's options.
2. The expected volatility was based on the average of certain comparative companies' historical volatilities which the Company had deemed to be an appropriate measure of volatility until the Company has sufficient trading history in order to use its own volatility measurement. Upon having achieved sufficient trading history, the Company based its expected volatility on its own trading history.
3. The risk-free rate is based on the yield of a Government of Canada marketable bond in effect at the time of grant with an expiry commensurate with the expected life of the award.

The fair value is calculated using the Black-Scholes option valuation model. As at March 31, 2013, there was $14,687 (March 31, 2012 – $129,141) of total unrecognized share-based compensation costs related to unvested stock option awards granted under the Option Plan which are expected to be recognized over a weighted-average period of 0.4 years.

Contributed surplus

	$
Balance, December 31, 2012	2,605,984
Share-based compensation	14,618
Balance, March 31, 2013	2,620,602

Contributed surplus as at March 31, 2013 and December 31, 2012 consists of a share-based payment reserve related to stock options issued under the Option Plan.

8. Loss per share

	Three months ended March 31, 2013	Three months ended March 31, 2012
Loss and comprehensive loss for period	(442,715)	(697,670)
Weighted average number of shares – basic and fully diluted	49,081,281	39,214,059
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.

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

Currency risk

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 9. Further discussion on liquidity and management's plans are outlined in note 1.

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

10. *Related parties*

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

Key Management Compensation
In the three months ended March 31, 2013, the Company expensed management fees to companies owned and controlled by key management personnel of $57,750 (2012 – $48,125) and expensed salary to key management personnel of $118,250 (2012 – $101,063). In the three months ended March 31, 2013 and 2012, the Company provided short-term employee benefits totaling $6,013 (2012 –$5,930) to key management personnel. In the three months ended March 31, 2013, the Company expensed share-based compensation for stock options granted to key management personnel of $14,618 (2012 - $46,760).

Other Related Party Transactions
During the three months ended March 31, 2013, the Company expensed office rental payments of $5,670 (2012 – $4,500) to a Company whose CEO and a Director is also a Director of Northern.

11. *Commitments*

Leased mineral claims
In connection with the Bissett Creek Property, the Company is required to make production royalty payments of $20 per ton of graphite carbon concentrate produced to the previous owners and a 2.5% net smelter return payable on any other minerals derived and sold from the Bissett Creek Property. An advance royalty of $27,000 per annum is payable in semi-annual installments and has been paid for the year ended December 31, 2012. The advance will be credited against any future production royalty payments.

Contractual obligations
As at March 31, 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. As at March 31, 2013, the Company had a contractual obligation in the amount of $29,600 (December 31, 2012 – $43,200) which relates to the cost of marketing services and which are due within one year.

12. Provisions

A Mine Development and Closure Plan has been filed with, and accepted by, the Ministry of Northern Development and Mines ("MNDM"). A reclamation deposit which now totals $319,590 (2012 - $319,590), including accrued interest, has been paid to the Minister of Finance for the Province of Ontario, and has been accounted for as a long term deposit with a corresponding provision for reclamation and close down. The reclamation deposit and corresponding provision for reclamation and close down represent the estimated amount that would be required to restore the Bissett Creek Property to its original environmental state based on the original development plan. The money pledged for the reclamation deposit will be returned to the Company once the MNDM is satisfied that the obligations contained in the Mine Development and Closure Plan have been performed by the Company. Should the Company not perform its obligations contained in the Mine Development and Closure Plan the MNDM will restore the Bissett Creek Property site to its original environmental state using the funds from the reclamation deposit. The Company is liable for any costs in excess of the reclamation deposit. The Company is in the process of filing a revised Mine Development and Closure Plan for a new development scenario and an increased reclamation deposit will be required. The amount of the increase has not yet been determined.