Northern Graphite Corporation

Condensed Interim Financial Statements
For the Three Month Periods Ended March 31, 2019 and 2018

(expressed in Canadian dollars)

NOTICE
The Company's independent auditors have not performed a review of these condensed interim financial statements.

Northern Graphite Corporation
Unaudited Condensed Interim Statements of Financial Position
(expressed in Canadian dollars)

	As at March 31, 2019 $	As at December 31, 2018 $
Assets		
Current		
Cash and cash equivalents	2,106,520	2,370,622
HST receivable	34,270	50,485
Prepaid expenses and deposits	117,451	109,555
	2,258,241	2,530,662
Reclamation deposit (note 11)	831,631	829,131
Property and equipment	172,150	180,919
Exploration and evaluation assets (note 4)	13,084,742	12,940,056
Total assets	16,346,764	16,480,768
Liabilities		
Current		
Accounts payable and accrued liabilities	247,004	228,203
Reclamation and close down provision (note 11)	336,775	335,100
Total liabilities	583,779	563,303
Shareholders' equity		
Share capital (note 5)	25,105,383	25,262,083
Warrants (note 5)	939,092	782,392
Contributed surplus (note 5)	2,561,163	2,543,346
Accumulated deficit	(12,842,653)	(12,670,356)
Total shareholders' equity	15,762,985	15,917,465
Total liabilities and shareholders' equity	16,346,764	16,480,768

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 22, 2019

(signed) Gregory Bowes
Director

(signed) Donald Christie
Director

Northern Graphite Corporation
Unaudited Condensed Interim Statements of Loss and Comprehensive Loss
(expressed in Canadian dollars)

	Three months ended March 31,	
	2019	**2018**
	$	**$**
General and administrative expenses		
Legal and audit	7,712	8,755
Office, management and director fees (note 9)	108,109	129,383
Promotion and investor relations	29,189	91,863
Regulatory and transfer agent	12,972	11,438
Share-based payments (notes 5 and 9)	17,817	226,638
Depreciation	8,769	8,578
	184,568	476,655
Loss from operations	(184,568)	(476,655)
Interest income	12,271	12,732
Loss and comprehensive loss for the period	(172,297)	(463,923)
Loss per share – basic and diluted	(0.00)	(0.01)
Weighted average number of shares – basic and diluted	65,112,756	64,713,318

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

Northern Graphite Corporation
Unaudited Condensed Interim Statements of Changes in Shareholders' Equity
(expressed in Canadian dollars)

	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total
		$	$	$	$	$
Balance, December 31, 2018	65,112,756	25,262,083	782,392	2,543,346	(12,670,356)	15,917,465
Extension of warrant expiry (note 5)	-	(156,700)	156,700	-	-	-
Share-based payment expense (note 5 and 9)	-	-	-	17,817	-	17,817
Loss and comprehensive loss for the period	-	-	-	-	(172,297)	(172,297)
Balance, March 31, 2019	65,112,756	25,105,383	939,092	2,561,163	(12,842,653)	15,762,985
Balance, December 31, 2017	64,674,006	25,033,021	857,892	2,415,093	(11,764,075)	16,541,931
Exercise of warrants (note 5)	438,750	190,752	(37,190)	-	-	153,562
Share-based payment expense (note 5 and 9)	-	-	-	226,638	-	226,638
Loss and comprehensive loss for the period	-	-	-	-	(463,923)	(463,923)
Balance, March 31, 2018	65,112,756	25,223,773	820,702	2,641,731	(12,227,998)	16,458,208

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

Northern Graphite Corporation
Unaudited Condensed Interim Statements of Cash Flows
(expressed in Canadian dollars)

	Three months ended March 31, 2019	Three months ended March 31, 2018
	$	$
Cash provided by (used in)		
Operating activities		
Loss for the period	(172,297)	(463,923)
Items not affecting cash:		
Accretion of asset retirement obligation (note 11)	(825)	-
Depreciation	8,769	8,578
Share-based payments (note 5 and 9)	17,817	226,638
Change in non-cash working capital items:		
HST receivable	16,215	(2,904)
Prepaid expenses and deposits	(7,896)	(48,956)
Accounts payable and accrued liabilities	(90,476)	47,343
Net cash used in operating activities	(228,693)	(233,224)
Financing activities		
Proceeds from the exercise of warrants (note 5)	-	153,562
Net cash generated from financing activities	-	153,562
Investing activities		
Exploration and evaluation costs (note 4)	(35,409)	(86,846)
Net cash used in investing activities	(35,409)	(86,846)
Net decrease in cash and cash equivalents	(264,102)	(166,508)
Cash and cash equivalents, beginning of period	2,370,622	3,969,921
Cash and cash equivalents, end of period	2,106,520	3,803,413

Supplemental cash flow information (note 7)

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

1. Corporate information

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

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

2. Basis of preparation

a. ***Statement of compliance***
These unaudited condensed interim financial statements for the three month period ended March 31, 2019 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These Interim Financial Statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the years ended December 31, 2018 and 2017, which have been prepared in accordance with IFRS.

The Interim Financial Statements were approved and authorized for issue by the Board of Directors on May 22, 2019.

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 8). 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 $172,297 for the three month period ended March 31, 2019 (Year ended December 31, 2018 – $1,037,290) and has accumulated a deficit of $12,842,653 since the inception of the Company. As at March 31, 2019, the Company had working capital of $2,011,237 (December 31, 2018 – $2,302,459). 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. During the year ended December 31, 2017, the Company raised gross proceeds of $4,562,190 through private placements of shares and warrants. Substantial additional capital is required to ultimately build a mine and processing plant on the Bissett Creek Property. 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 weak capital markets in the resource sector, there exists a material uncertainty as to the Company's ability to raise additional funds on favourable terms. The Company's discretionary activities have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will thoroughly assess all such activities before undertaking them in advance of additional financing being secured. The Company's Interim Financial Statements do not include any adjustments that might result from negative outcomes with respect to these uncertainties.

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

e. Critical accounting estimates and 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 Interim 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 the valuation of 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

These Interim Financial Statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual financial statements for the years ended December 31, 2018 and 2017.

Recent and future accounting standards
Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2018. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.

IFRS 9, Financial Instruments (effective January 1, 2018) introduced new requirements for the classification and measurement of financial assets and replaced IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39. The Company adopted the new standard effective January 1, 2018. The adoption of IFRS 9 had no impact on the Company's results of operations, financial position, and disclosures.

IFRS 15, Revenue from Contracts with Customers provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard was effective for reporting periods beginning on or after January 1, 2018. The adoption of IFRS 15 had no impact on the Company's results of operations, financial position, and disclosures.

IFRS 16, Leases, was issued by the IASB in January 2016. The new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been adopted. The Company adopted IFRS 16 effective January 1, 2019 and there has been no impact of adoption of IFRS 16 on its financial statements.

(expressed in Canadian dollars)

4. Exploration and evaluation assets

The Company has a 100% interest in the Bissett Creek Property which consists of a 1,938 hectare mining lease, expiring in June, 2034, a 565 hectare mining lease, expiring in August, 2035, and 52 cells under Ontario's new claim system totaling approximately 1,159 hectares. All leases and cells are located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario. As of March 31, 2019, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	$
Balance, December 31, 2018	12,940,056
Exploration and evaluation expenditures made from January 1, 2019 to March 31, 2019:	
Environmental and mine permitting	76,269
Feasibility study	35,326
First Nations consultations	2,019
Site and royalties	31,072
Balance, March 31, 2019	13,084,742

As of March 31, 2018, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	$
Balance, December 31, 2017	11,917,905
Exploration and evaluation expenditures made from January 1, 2018 to March 31, 2018:	
Engineering	12,106
Feasibility study	10,505
Metallurgical	38,196
Product sales and marketing	13,578
Site and royalties	22,904
Balance, March 31, 2018	12,015,194

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

5. Share capital

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

Warrants and compensation options
Information with respect to the Company's warrants and compensation options is presented below:

	Number of warrants	Weighted average exercise price $
Balance, December 31, 2017	6,930,608	0.47
Compensation options exercised	(438,750)	0.35
Compensation options expired	(291,370)	0.60
Balance, December 31, 2018 and March 31, 2019	6,200,488	0.47

(expressed in Canadian dollars)

A summary of the Company's warrants and compensation options outstanding at March 31, 2019 is presented below:

Exercise price	Number of warrants outstanding	Expiry date
$0.40	3,909,166	March 24, 2021
$0.60	2,291,322	November 22, 2019
	6,200,488	

As at March 31, 2019, the weighted average remaining contractual life of warrants outstanding is 1.49 years. During January 2019, the Company extended the expiry date of the 3,909,166 warrants exercisable at $0.40 from March 24, 2019 to March 24, 2021. No warrants or compensation options were issued during the year ended December 31, 2018 or during fiscal 2019 to date.

Stock 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 stock options to purchase common shares of the Company for a period of up to ten years from the date of the grant. The maximum number of common shares reserved for issuance under the Option Plan together with any common shares reserved for issuance pursuant to any other stock options may not exceed 10% of the issued and outstanding common shares of the Company.

A summary of the Option Plan activity is presented below:

	Number of options	Weighted average exercise price $
Balance, December 31, 2017	3,575,000	0.53
Granted	800,000	0.50
Forfeited	(375,000)	0.55
Balance, December 31, 2018	4,000,000	0.53
Granted	150,000	0.25
Balance, March 31, 2019	4,150,000	0.52

A summary of the Company's outstanding stock options at March 31, 2019 is presented below:

Exercise price	Stock options outstanding	Stock options exercisable	Expiry date
$0.25	150,000	150,000	January 21, 2024
$0.50	500,000	500,000	June 25, 2019
$0.50	2,200,000	2,200,000	April 27, 2021
$0.50	200,000	200,000	November 27, 2022
$0.50	600,000	550,000	January 12, 2023
$0.70	100,000	100,000	June 25, 2019
$0.70	400,000	400,000	January 9, 2020
	4,150,000	4,100,000	

The weighted average remaining contractual life of stock options outstanding is 2.11 years. As at December 31, 2018, a total of 3,900,000 stock options were exercisable. During January 2019, the Company granted 150,000 stock options exercisable at $0.25 per share to a director of the Company. These stock options expire on January 21, 2024.

(expressed in Canadian dollars)

The values of stock options determined during the three month period ended March 31, 2019 and the year ended December 31, 2018 utilized the Black-Scholes option pricing model with input factors and assumptions as follows:

	Three months ended March 31, 2019	**Year ended December 31, 2018**
Stock options granted during the period	150,000	800,000
Weighted-average exercise price	\$0.25	\$0.50
Expected stock option life(1)	5 years	5 years
Expected volatility(2)	82.5%	75.1%
Risk-free interest rate(3)	1.83%	1.61%
Dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil
Weighted-average fair value (Black-Scholes value)	\$0.10	\$0.33

1. The Company estimates the expected stock option life (estimated period of time outstanding prior to exercise) based on the contractual term to expiry of stock options until such time that the Company can base its estimate on historical information pertaining to the Company's stock option exercise history.
2. The expected volatility was based on the Company's common share trading history over a period equal to the expected stock option life.
3. The risk-free interest rate is based on the yield of a Government of Canada marketable bond in effect at the time of grant with a term to maturity commensurate with the expected life of the stock option.

As at March 31, 2019, there was \$3,101 (December 31, 2018 – \$6,338) of unrecognized share-based compensation costs related to unvested stock option awards granted under the Option Plan.

Contributed surplus

	$
Balance, December 31, 2017	2,415,093
Share-based compensation	259,262
Expiry of stock options	(131,009)
Balance, December 31, 2018	2,543,346
Share-based compensation	17,817
Balance, March 31, 2019	2,561,163

Contributed surplus as at March 31, 2019 and December 31, 2018 consists of a share-based payment reserve related to stock options issued under the Option Plan.

6. Capital disclosures

The Company's capital consists of the equity attributable to the common shareholders, comprised of share capital and accumulated deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to explore and develop its mineral resource property for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company, it has no revenues and its principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company will spend its existing working capital and raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the periods presented in these Interim Financial Statements.

7. Supplemental cash flow information

Non-cash transactions not reflected in the statements of cash flows are as follows:

	Three months ended March 31, 2018	**Three months ended March 31, 2018**
Exploration and evaluation costs in accounts payable and accrued liabilities	109,277	10,443

8. Financial instruments and risk management

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

At March 31, 2019 and December 31, 2018, 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	**As at March 31, 2019 $**	**As at December 31, 2018 $**
Cash and cash equivalents	Level 1	2,106,520	2,370,622

At March 31, 2019 and December 31, 2018, 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 periods presented in these Interim Financial Statements. At March 31, 2019 and December 31, 2018, there were no financial assets or liabilities measured and recognized in the statements of financial position at fair value that would be categorized as Level 2 or Level 3 in the fair value hierarchy.

The carrying value of cash and cash equivalents 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 periodically carries a portion of its accounts payable and accrued liabilities in US dollars, and is subject to currency risk on these balances. However, the Company considers this risk to be minimal.

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

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

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

9. Related party transactions and compensation of key management

Key management compensation
During the three month period ended March 31, 2019, the Company expensed management fees to a company owned and controlled by key management personnel of $19,339 (Q1 2018 – $18,967) and salary and compensation to key management personnel of $45,000 (Q1 2018 – $62,500). During the three month period ended March 31, 2019, the Company expensed directors' fees of $15,000 (Q1 2018 – $17,500). During the three month period ended March 31, 2019, the Company expensed share-based compensation for stock options granted to key management personnel and directors of $17,817 (Q1 2018 – $226,638).

As at March 31, 2019, $31,853 (December 31, 2018 – $13,059) was included in accounts payable and accrued liabilities owing to officers and directors relating to management and director fees and for reimbursement of expenses.

10. Commitments

Leased mineral claims
In connection with the Bissett Creek Property, the Company is required to make royalty payments of $20 per ton of graphite concentrate produced to the previous owners and a 2.5% net smelter return is payable on any other minerals derived and sold from the Bissett Creek Property. An advance royalty of $27,000 per annum is payable in semi-annual installments. Installments were paid during February of 2019. The advances will be credited against any future production royalty payments.

Contractual obligations
As at March 31, 2019 and December 31, 2018, the Company had no contractual obligations which related to costs associated with work at the Bissett Creek Property.

11. Provisions

In 2012, the Company filed a revised Mine Closure Plan ("MCP") which was accepted by the Ontario Ministry of Energy, Northern Development and Mines ("MENDM"). In accordance with the MCP, the Company is required to deposit $2,329,008 with the Minister of Finance for the Province of Ontario prior to the commencement of commercial production. This represents the estimated amount that would be required to restore the Bissett Creek Property to its original environmental state after the mine has been constructed and operations cease. An initial deposit of $831,631 (December 31, 2018 – $829,131), including accrued interest, has been made and has been accounted for as a long term deposit. The Company has recorded a provision of $336,775 (December 31, 2018 – $335,100) which represents the estimated current cost of reclamation. The reclamation deposit will be returned to the Company once the MENDM 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 MENDM will restore the Bissett Creek Property site to its original environmental state using the funds from the reclamation deposit.

12. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of mineral resource properties. The Company's corporate and administrative offices are in Ontario, Canada. The Company's exploration and development activities are focused on the Bissett Creek Property in Ontario, Canada. All property and equipment and exploration and evaluation assets are located in Ontario, Canada.

13. Subsequent event

During May 2019, the Company announced that it had engaged Red Cloud Klondike Strike Inc. ("RCKS") to act as its strategic and financial advisor. RCKS will assist the Company in evaluating and pursuing alternatives to maximize shareholder value including identifying potential sources of financing and/or corporate partners needed to advance the development of the Bissett Creek project. In connection with this engagement, the Company has granted RCKS 450,000 stock options exercisable at $0.20 per share for a 12 month period from the date of grant.