



NORTHERN GRAPHITE CORPORATION

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2012**

April 9, 2013

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form contains “forward-looking statements” which reflect management’s expectations regarding the Corporation’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 Corporation and its projects, the future price of graphite or other metal and mineral 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 Corporation 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 Annual Information Form. Although the Corporation 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 Annual Information Form and the Corporation 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.

MARKET AND INDUSTRY DATA

This Annual Information Form includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by management on the basis of its knowledge of and experience in the industry in which the Corporation operates (including management’s estimates and assumptions relating to such industry based on that knowledge). Management’s knowledge of such industry has been developed through its experience and participation in such industry. Although management believes such information to be reliable, the Corporation has not independently verified any of the data from third party sources referred to in this Annual Information Form or ascertained the underlying economic assumptions relied upon by such sources. Furthermore, references in this Annual Information Form to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report, survey or article is not incorporated by reference in this Annual Information Form.

GENERAL MATTERS

Unless otherwise indicated, all amounts herein are stated in Canadian dollars (\$). Unless otherwise specified, the information contained in this Annual Information Form is presented as at December 31, 2012.

CORPORATE STRUCTURE

Name and Incorporation

Northern Graphite Corporation (“**Northern**” or the “**Corporation**”) was incorporated on February 25, 2002 under the *Business Corporations Act* (Ontario) as “Industrial Minerals Canada Inc.” Pursuant to articles of amendment dated March 1, 2010, the Corporation changed its name to “Northern Graphite Corporation” and subdivided its then outstanding common shares. Pursuant to articles of amendment dated August 10, 2010, the Corporation amended its articles to remove certain private company restrictions and cumulative voting provisions.

The registered office of the Corporation is located at Suite 800, Wildeboer Dellelce Place, 365 Bay Street, Toronto, Ontario, M5H 2V1. The head office of the Corporation is located at Suite 201, 290 Picton Avenue, Ottawa, Ontario, K1Z 8P8.

Intercorporate Relationships

The Corporation has no subsidiaries.

DESCRIPTION OF THE BUSINESS

Northern is a mineral exploration and development company which holds a 100% interest in the Bissett Creek graphite project (the “**Bissett Creek Project**”). The Bissett Creek Project presently consists of Ontario mining lease number 106693, covering 564.6 hectares (the “**Mining Lease**”), together with 19 unpatented mining claims (the “**Mining Claims**”), covering approximately 2,424 hectares, for a total project area of approximately 2,989 hectares, all of which are contiguous to one another and located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Province of Ontario. The Mining Lease was originally granted to a predecessor lessee by the Province of Ontario in 1993 with a twenty-one year term and annual rental payments payable to the Ontario Ministry of Northern Development, Mines and Forestry (the “**MNDM**”) in an amount prescribed by the *Mining Act* (Ontario). The well explored area of the Bissett Creek Project is approximately 150 hectares.

The principal business being carried on by the Corporation is the exploration and potential development of the Bissett Creek Project. The Corporation has no other properties or rights to acquire other properties. In July 2012, the Corporation announced the results of a bankable feasibility study (the “**FS**”) on the Bissett Creek Project which confirmed the technical and financial viability of constructing and operating an open pit mine and 2,300 tpd processing plant on the Bissett Creek Project. On March 7, 2013, the Corporation announced very positive results from a 61 hole, 3,425 meter drilling program that it undertook in the fall of 2012. Almost all of the holes returned widths and grades as good as or better than those in the FS. The Corporation intends to produce a new resource estimate based on these drill results and revise the FS in the second quarter of 2013.

In October 2012, the Corporation submitted a Mine Closure Plan (“**MCP**”) for the Bissett Creek Project to the MNDM. Approval of the MCP by the MNDM will enable the Corporation to commence construction of an open pit mine on the Bissett Creek Project (the “**Bissett Creek Mine**”), subject to financing. With the acceptance or “filing” of the MCP, the Corporation could initiate site work for the Bissett Creek Mine including the clearing of internal roads, plant site and tailings basin. Following acceptance of the MCP and subject to financing, the Corporation would also be in a position to begin plant construction for the Bissett Creek Mine in the fall of 2013. Construction of the plant and infrastructure are estimated to take approximately 12 to 18 months. Production in Q4 2014 is the earliest date that the Corporation is targeting and could coincide with improving economies, a recovery in the graphite market and higher graphite prices. Northern owns sufficient ground rights for the development of the Bissett Creek Mine. After approval of the MCP, a number of operational permits and environmental authorization certificates are required prior to the commencement of mining operations. The Corporation expects that these permits will be obtained in the normal course as needed. The financial assurance to be provided by the Corporation for the MCP has been estimated at \$1.6 million, which reflects the relatively benign nature of the operation, neutral tailings and the ability to practice progressive rehabilitation due to the shallow, flat lying nature of the deposit.

In January 2013, the Corporation initiated the first step toward development of the Bissett Creek Mine by awarding a \$3.5 million contract for the detailed engineering and design of the Bissett Creek Mine to PES-BECMA. PES-BECMA is a joint venture between Porcupine Engineering Services Inc. and BECMA LIMITED. PES-BECMA will be responsible for the front end engineering and design of the 2,500 tonne per day processing facility, and related infrastructure, that would produce approximately 20,000 tonnes of large flake, high purity graphite per year. The detailed engineering and design phase is expected to take seven months to complete and is part of the estimated capital costs of \$102.9 million (including a \$9.2 million contingency) for the development of the Bissett Creek Mine. The engineering and design work will be financed out of the Corporation's current cash position.

In January 2013, Corporation also 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 Caterpillar mining and Caterpillar power equipment purchases for the Bissett Creek Mine. 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. The equipment financing 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 equipment financing facility is contingent on customary requirements for due diligence, satisfaction of conditions precedent, internal Cat Financial credit approval and negotiation and execution of definitive legal documentation. It is anticipated that the financing package could cover one third of the estimated capital costs for the development of the Bissett Creek Mine.

The Bissett Creek Project is subject to a royalty of \$20 per tonne of graphite concentrate and a 2.5% NSR on any other minerals or metals produced from the Bissett Creek Project, both of which are payable to the original prospectors who identified and staked the Bissett Creek Project. An annual advance royalty of \$27,000 is payable in two equal installments on March 15 and September 15 of each year, which will be credited against the royalty in respect of graphite concentrate produced from the Bissett Creek Project.

The Corporation has negotiated employment contracts with Gregory Bowes, Chief Executive Officer, and Stephen Thompson, Chief Financial Officer, that became effective as of May 1, 2011. Donald Baxter, President, provides his services as an independent contractor. The Corporation has one other employee and retains consultants to assist in its operations on an as-needed basis.

GENERAL DEVELOPMENT OF THE BUSINESS

History

Until March 1, 2010, the Corporation was a wholly-owned subsidiary of Mindesta Inc. (“**Mindesta**”), formerly Industrial Minerals, Inc., a corporation incorporated under the laws of Delaware and quoted on the over-the-counter bulletin board in the United States (OTC-BB: MDST). Mindesta is a reporting issuer in British Columbia pursuant to British Columbia Instrument 51-509 – *Issuers Quoted in the U.S. Over-the-Counter Markets* (“**BCI 51-509**”). Mindesta acquired the Mining Lease and a number of associated mining claims in 2002 and assigned them to the Corporation in 2003.

The Corporation filed a Mine Closure Plan with the MNDM in 2004, the acceptance of which by the MNDM authorized Northern to proceed with the construction of a mine and processing plant on the Bissett Creek Project property. A small processing plant, based on a dry recovery process, was constructed and a very small amount of material was mined. However, the performance of the dry process was unsatisfactory, commercial operation was never achieved, and the Bissett Creek Project was put on a care and maintenance basis in 2005.

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, including a preliminary assessment. Mindesta received the completed technical report from SGS in December 2007 and intended at that time to proceed with additional exploration drilling, pilot plant testing and preparation of a feasibility study on the Bissett Creek Project. However, due to Mindesta’s lack of financial resources this work was not completed and the report prepared by SGS was not filed with securities regulators.

In 2010, following a reorganization of the Corporation as described below, SGS updated their 2007 work and produced a technical report (the “**2010 Technical Report**”) entitled “Technical Report Preliminary Economic Assessment on the Bissett Creek Graphite Property of Mindesta, Inc. & Northern Graphite Corporation” dated July 16, 2010 and revised February 2, 2011. It 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**”).

Prospective investors should be aware that certain historical technical disclosure regarding the Bissett Creek Project by Mindesta did not comply with NI 43-101 and should not be relied upon. Prospective investors should rely only on the information contained in this Annual Information Form and the current technical report of the Corporation on the Bissett Creek Project.

Between March 2007 and June 2008, Mindesta experienced a number of changes in directors and management as it attempted to develop and execute a strategy for the exploration and development of the Bissett Creek Project. Eventually, these changes resulted in Gregory Bowes joining the Board of Directors of Mindesta on June 23, 2008 as an independent director. Mr. Bowes was also made a director of the Corporation on July 9, 2008.

Faced with the lack of prospects for the exploration and development of the Bissett Creek Project through Mindesta, the management and Board of Directors of Mindesta determined that the best prospects for advancing the Bissett Creek Project would be through the Corporation independently seeking its own financing and pursuing a going public transaction in Canada. Mr. Bowes was appointed as the President and Chief Executive Officer of the Corporation effective May 1, 2009 with the objective of executing upon this strategy.

In order to obtain working capital to repay debts and continue to seek additional financing, the Corporation issued \$600,000 in non-interest bearing senior secured convertible notes (the “**Notes**”) in November 2009 and January 2010. The Notes were automatically converted into units of the Corporation effective March 10, 2010 in accordance with their terms upon the Corporation having completed financings for proceeds of not less than \$1,000,000 as described below, at a 30% discount to the financing price.

On March 1, 2010, the Corporation changed its name to “Northern Graphite Corporation” and subdivided its then outstanding common shares to result in Mindesta owning 11,750,000 common shares of the Corporation.

The Corporation subsequently completed non-brokered private placements in March 2010 pursuant to which it issued an aggregate of 7,327,000 units at a price of \$0.25 per unit for gross proceeds of \$1,831,750, each unit consisting of one common share and one share purchase warrant exercisable to acquire one common share at an exercise price of \$0.35 for a period of 18 months from the date upon which the Corporation or its successor became a reporting issuer in a jurisdiction of Canada, which was subsequently determined as October 7, 2012.

As a result of Northern having raised proceeds of more than \$1,000,000 under the private placements, the Notes were converted effective March 10, 2010 into 3,428,571 units of the Corporation, each unit consisting of one common share and one share purchase warrant exercisable to acquire one common share at an exercise price of \$0.245 for a period of 18 months from the date upon which the Corporation or its successor became a reporting issuer in a jurisdiction of Canada, which was subsequently determined as October 7, 2012.

In March 2010, the Corporation also issued 400,000 units, with the same terms as the units issued under the private placements, as part of debt settlement agreements with three creditors. The Corporation also issued 31,354 common shares in June 2010 to settle two additional claims.

During the course of the Corporation's reorganization, on August 18, 2009, Mindesta was advised by the British Columbia Securities Commission (the "BCSC") that the BCSC had issued a cease trade order against it for failure to file a NI 43-101 compliant technical report in connection with the November 2007 announcement by Mindesta of a mineral resource estimate and the results of a preliminary assessment for the Bissett Creek Project and subsequent similar disclosure. Mindesta had been designated a reporting issuer in British Columbia by the BCSC pursuant to BCI 51-509 on September 15, 2008. The technical report had been completed and Mindesta's disclosure was consistent with it, but the report was not filed with the BCSC due to the financial difficulties being experienced by Mindesta. In October 2010, Mindesta applied to revoke the cease trade order of the BCSC. On March 10, 2011, the BCSC issued a full revocation of the cease trade order. In connection with the revocation application, Mindesta and the Corporation filed the revised version of the 2010 Technical Report dated February 2, 2011. Mr. Bowes, who has remained a director of Mindesta, took over as Chief Executive Officer and Chief Financial Officer of Mindesta on May 10, 2010 following the resignation of Robert Dinning from such offices.

The net proceeds from the issuance of the Notes and the private placements enabled Northern to complete a 2,900 metre drilling program and commence a pre-feasibility study, metallurgical testing and the environmental and mine permitting process for the Bissett Creek Project.

In July 2010, the Corporation commenced a 2,500 metre drill program on the Bissett Creek Project with the objectives of upgrading inferred resources to indicated resources, confirming results of historical drilling, and expanding the resource to demonstrate the potential to significantly increase production in the future if warranted by graphite demand. On May 16, 2011, the Corporation announced the results of its 2010 drilling program on the Bissett Creek Project. A total of 51 holes were drilled, totaling 2,927 metres of drilling. All 51 holes intersected widespread graphite mineralization, with 50 of the 51 holes containing widths and grades similar to those within the existing resource model. As a result, the deposit was significantly enlarged and remained open to the north and to the east.

In connection with the preparation of the 2010 Technical Report, SGS updated the preliminary assessment it initially prepared in December 2007, and SGS was also engaged to complete the pre-feasibility study, which would include a new resource estimate based on the new drilling. As part of this process, SGS would complete a new set of metallurgical tests to confirm previous results and also to examine the potential to produce saleable by-products and value added graphite products for specialty markets.

The Corporation has engaged Knight Piesold Consulting to define and complete all environmental and engineering studies required to file a closure plan amendment for the Bissett Creek Project and to prepare and submit all permit applications required to initiate construction and mining. This process includes ongoing local community and First Nations consulting.

On January 7, 2011 Mindesta sold 2,000,000 common shares of Northern to Geologic Resource Partners LLC at a price of \$0.50 per share, following which it owned 9,750,000 common shares representing 42.5% of the then issued and outstanding shares of Northern, after the completion of the Corporation's private placements, debt settlements and Notes conversion described above.

On February 1, 2011, Don Baxter was appointed as the President of the Corporation, while Mr. Bowes resigned as President to focus on his role of Chief Executive Officer and a Director. Stephen Thompson was appointed as the Chief Financial Officer of the Corporation on the same date.

The Corporation expanded the size of the Bissett Creek Project in 2011 by staking an additional twelve unpatented mining claims forming part of the Mining Claims, which now cover approximately 2,424 hectares.

On April 18, 2011, the Corporation completed an initial public offering consisting of the issuance of an aggregate of 8,000,000 common shares at a price of \$0.50 per share for gross proceeds of \$4,000,000 pursuant to a final prospectus dated April 7, 2011 filed in the provinces of Ontario, Alberta and British Columbia (the "IPO"). The common shares of the Corporation commenced trading on the TSX Venture Exchange (the "TSX-V") on April 20, 2011 under the symbol "NGC". As a result of the IPO, Mindesta's ownership in Northern was further reduced to 31.5%.

On June 21, 2011, the Corporation announced that the pre-feasibility study underway on the Bissett Creek Project would be upgraded to the full bankable FS.

In September 2011, the Corporation announced a significant increase in estimated resources based on the results from the 2010 drilling program. The updated base case mineral resource for the Bissett Creek Project, using a cut off of 0.986% graphitic carbon ("Cg"), now totals 25,983,000 tonnes grading 1.81% Cg in the indicated category (470,300 tonnes of contained graphite) while inferred resources total 55,038,000 tonnes grading 1.57% Cg (864,100 tonnes of contained graphite). Grades are minable and diluted. In order to establish a reasonable prospect of economic extraction in an open-pit context, mineral resources were limited to an optimized whittle pit shell using an average graphite price of US\$2,000 per tonne and operating and capital costs were updated from the 2010 Technical Report. ***Readers are cautioned that mineral resources are not mineral reserves and do not have demonstrated economic viability.*** The new resource represents a 44% increase in contained graphite within the indicated category and a 117% increase in contained graphite within the inferred category over undiluted resources previously reported which used an average price of US\$1,700/tonne and a base case cut off of 1.5%. The Corporation believes that the 1% cut off used in the new base case is now more appropriate given higher graphite prices. The deposit remains open along strike to the north and south, and down dip to the east. The drilling program and resource estimate confirm that near surface graphite mineralization comprises an area of over one square kilometers. The deposit is tabular and very shallowly dipping (10%). As a result of good continuity between drill holes, the Corporation believes that there is a high probability that inferred resources can be upgraded with additional drilling. The waste to ore ratio for the new resource is 0.27:1.

SGS Metallurgical Services (Lakefield) performed Locked Cycle testing on composite material taken from drill core samples across the deposit in 2011. The test produced six final concentrates which showed consistent flake size distribution and carbon grade. The overall concentrate grade averaged 95%Cg. A concentrate which grades 94%Cg and has a flake size distribution of 80% greater than +80 mesh is the industry standard premium product. At the time, prices were \$2,500 to 3,000 per tonne and almost all Bissett Creek production meets this specification as the final concentrates averaged over 70%, +80 mesh. Approximately 6% of the concentrate was +100 mesh and 12% was +200 mesh, both with high carbon content. Less than 10% was very small, -200 mesh flake and powder with a carbon content in the low 80s.

Most significantly, almost 50% of the graphite concentrate produced was jumbo flake size, +48 mesh flake which averaged 98%Cg with one value as high as 99.2%Cg. Test work at SGS has been ongoing for the past year and will culminate in a pilot plant program that further confirmed the flow sheet being incorporated into the FS. The overall carbon recovery in the Locked Cycle tests was 92.2% and the Corporation's objective is to increase it to 94 to 95% without degradation of flake size.

On December 12, 2011, the Board of Directors of Mindesta declared a pro rata dividend-in-kind, payable January 25, 2012 to shareholders of record as at January 5, 2012, whereby most of the shares of the Corporation owned by Mindesta would be distributed to Mindesta shareholders. At the close of trading on January 25, 2012, Mindesta completed the distribution to its shareholders of 9,413,581 shares of the Corporation (approximately 25% of the Northern common shares outstanding) on the basis of one common share of Northern for each share of Mindesta

common stock held. Mindesta no longer holds any common shares of Northern.

On January 11, 2012, the Corporation announced positive pilot plant test results from the Bissett Creek Project. The pilot plant confirmed the technical viability and operating performance of the Corporation's process plant design for the production of high purity, large flake graphite. The pilot plant test was designed, built and operated by SGS Minerals Services ("SGS") in Lakefield, Ontario. SGS processed a 130 tonne bulk sample of graphitic material from the Bissett Creek deposit in the pilot plant and produced five final products which showed consistent flake size distribution and an overall carbon grade averaging 95% Cg. A 94% Cg concentrate with a flake size distribution of 80% greater than +80 mesh is the industry standard premium product. The results indicate that almost all Bissett Creek production will meet this specification as the final concentrates averaged almost 80% of +80 mesh at 96.7% Cg. Significantly, 50% of the graphite concentrate produced was jumbo size, +48 mesh flake averaging 97.7% Cg. Pilot plant recoveries ranged from 90.5% to 94.4 at concentrate grades of 94.5% Cg or greater. The Corporation is confident of achieving recoveries of 94 to 95% in the full scale plant for the following reasons:

- operation of a pilot plant does not allow enough time to optimize the process with respect to balancing grinding, retention time and reagents;
- due to its small scale, the pilot plant used mechanical cells for rougher flotation. The full plant will use column flotation which is more efficient for the recovery of coarse graphite flotation products;
- the bulk sample showed some signs of surface oxidation that affected recovery. This will not be a factor in the full scale mining operation;
- a coarser final flake concentrate is also expected as a rod mill was used for primary grinding in laboratory and pilot plant testing whereas the full scale plant will utilize a SAG mill which is the best method of grinding to preserve flake size.

The pilot plant also confirmed results from the extensive historical testing, bulk sampling and pilot plant work that was carried out in the past and has validated the performance of the new flow sheet that formed the basis for the bankable FS.

On February 1, 2012, the Corporation announced that it has agreed to supply its +48 mesh and +32 mesh extra large flake graphite to Grafen Chemical Industries for graphene research and has also agreed to enter into a cooperation agreement to develop intellectual property rights. The Corporation will retain a 50% interest in the North American patent rights to any products and processes developed by Grafen Chemical Industries.

On March 16, 2012, the Corporation completed a non-brokered private placement through the issuance of 6,206,377 common shares at a price of \$1.70 per share for gross proceeds of \$10,550,841. In connection with the private placement, and in accordance with the policies of the TSX-V, the Corporation paid total finder's fees of \$121,517 and issued 71,480 finder's warrants, each exercisable to acquire one common share of the Corporation at a price of C\$2.00 per share for a period of one year (and which have since expired). The net proceeds of the placement were used to finance the completion of the FS and permitting and detailed engineering and design work with respect to the Bissett Creek Project, and for working capital and general corporate purposes.

On April 2, 2012, the Corporation announced that it had successfully manufactured test quantities of spherical graphite from graphite concentrate produced from the Bissett Creek Project. The spherical graphite has been evaluated in Lithium/graphite battery test cells and the performance of these cells demonstrated that it met or exceeded current commercial performance requirements and that Bissett Creek graphite does not contain any impurities that negatively affect cell performance. The cells were made and the testing carried out in a highly qualified, independent laboratory. The Corporation can now provide potential strategic and offtake partners with representative test samples of graphite concentrate produced using the same flow sheet that would be employed in a full scale mine, and spherical graphite based on that concentrate.

On April 11, 2012, the Corporation's Board of Directors approved the issuance of 525,000 stock options to the Corporation's non-executive Directors and a contractor at an exercise price of \$2.50 per share. On December 20, 2012, the Corporation's Board of Directors approved the issuance of 500,000 stock options to the Corporation's non-executive Directors at an exercise price of \$0.85 per share. These options vest immediately and have a five year term which expires respectively on April 11, 2017 and December 20, 2017.

Effective April 23, 2012, the Corporation was added to the Standard & Poor's S&P/TSX Venture Select Index. The S&P/TSX Venture Select Index, launched in August 2011, "measures the performance of constituents in the S&P/TSX Venture composite index that meet specific market capitalization and liquidity criteria."

In May 2012, the Corporation engaged Hazen Research of Golden, Colorado and the National Research Council Canada (the "NRC") to continue testing and optimizing its process for manufacturing spherical graphite which is used to make the anodes in Lithium ion batteries.

On July 9, 2012, the Corporation announced the results of its bankable FS. 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 Project. The FS is the subject of a technical report prepared in accordance with National Instrument 43-101 dated August 23, 2012 and prepared by Louis Gignac, ing., Nicolas Ménard, ing., Antoine Champagne, ing., Ahmed Bouajila, ing., Robert Menard, ing., and Robert Marchand, ing., each of whom are independent "qualified persons" under National Instrument 43-101, which has been filed on SEDAR.

On October, 2012, NRC successfully completed the first phase of testing of "spherical graphite" produced from the Bissett Creek Project. NRC reported that the electrochemical performance of the uncoated samples provided by Northern performed very well compared to commercial coated synthetic samples, especially considering their early stage of development. The most promising samples for use in lithium-ion battery applications will undergo further testing to optimize and refine their performance.

On November 8, 2012, the Corporation announced that ongoing metallurgical testing by Hazen Research had succeeded in purifying spherical graphite from the Bissett Creek Project up to 99.99% Cg and large flake graphite to 99.83% Cg. These bench scale tests were the first step in demonstrating that the laboratory process developed by Northern can be scaled to commercial levels.

On November 29, 2012, the Corporation was accepted for graduation to Tier 1 of the TSX-V. As a result of Northern's graduation to Tier 1 issuer status, all of the securities of Northern that were then remaining in escrow, being an aggregate of 1,734,541 common shares, were released effective November 29, 2012. Northern no longer has any securities remaining in escrow.

On January 8, 2012, the Corporation announced that it had signed the Letter of Intent with Cat Financial to provide financing for up to US\$17.5 million in Cat mining and Cat power equipment purchases for the Bissett Creek Project. Cat Financial has also 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.

On January 18, 2013, the Corporation announced that following a competitive bidding process involving five engineering firms, it had awarded the \$3.5 million contract for the detailed engineering and design of the Bissett Creek project to PES-BECMA.

On October 1, 2012, the Corporation announced that it has commenced a drill program on its Bissett Creek graphite project consisting of approximately 3,000 meters of drilling in 65 holes. This drill program was designed to follow up on opportunities identified in the FS to further improve the already attractive economics of the Bissett Creek project. The main objective of the drill program was to upgrade inferred resources both within and outside the FS pit shell to the indicated category. On March 7, 2013, the Corporation announced very positive results from a 61 hole, 3,425 meter drilling program. Almost all holes returned widths and grades as good as or better than those in the FS. The Corporation intends to produce a new resource estimate based on these drill results and revise the FS.

In October 2012, the Corporation submitted the MCP for the Bissett Creek Project to the MNM.

Trends

There are significant uncertainties regarding the price of graphite as well as other minerals and metals and in the availability of equity financing for the purposes of mineral exploration and development. For instance, the prices of minerals, including graphite, have fluctuated widely in recent years and it is expected that wide fluctuations may continue. Management of the Corporation is not aware of any trend, commitment, event or uncertainty both presently known or reasonably expected by the Corporation to have a material adverse effect on the Corporation's business, financial condition or results of operations other than the normal speculative nature of the natural resource industry and the risks disclosed in this Annual Information Form under the heading "Risk Factors".

THE GRAPHITE INDUSTRY

The Graphite Industry

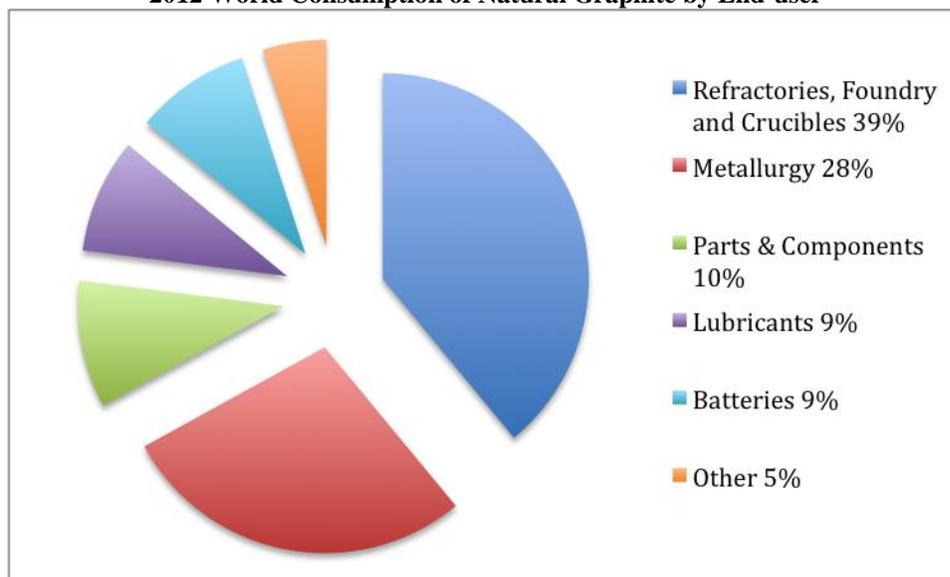
Graphite is one of only two naturally occurring polymers of carbon, the other being diamonds. Graphite consists of a two dimensional planar structure whereas diamonds have a three dimensional crystal structure. Graphite is formed by the metamorphism of organic, carbon rich materials which leads to the formation of either crystalline flake graphite, fine grained amorphous graphite, or crystalline vein or lump graphite. Graphite is a non-metal but has many properties of metals and is desirable for its thermal and electrical conductivity, resistance to acids and heat, chemical inertness, and lubricity.

Because of supply concerns relating to the fact that China produces over 70% of the world's graphite, and to potential demand growth from new applications such as lithium-ion batteries, the European Union announced that graphite is one of 14 "critical mineral raw materials" considered to be in supply risk. The United States government has also included graphite on a list of mineral resources whose loss could critically impact the public health, economic security and/or national and homeland security of the United States.

Uses

Graphite is primarily used in the steel industry where it is added to bricks which line furnaces ("refractories") to provide strength and resistance to heat, used to line ladles and crucibles, and added to steel to increase carbon content. Graphite is also used extensively in the automobile industry in gaskets, brake linings and clutch materials. It has a myriad of other industrial uses including electric motors (carbon brushes), batteries, lubricants and pencils. The graphite commonly used in golf clubs and tennis rackets is synthetic graphite made from petroleum coke.

2012 World Consumption of Natural Graphite by End-user



Source: Industrial Minerals Natural Graphite Report-2012

Imports and exports of natural graphite have been growing at 6% per year since 2001, largely driven by the ongoing modernization of China and India and other emerging economies and demand from traditional industrial applications. However, emerging applications including lithium-ion batteries, fuel cells, vanadium redox batteries and nuclear power have the potential to create significant incremental demand growth in the future.

Lithium-ion batteries are preferred over conventional nickel metal hydride batteries in most applications due to their greater energy density, power density, charge efficiency, and thermal stability parameters. In simple terms, lithium-ion batteries are smaller, lighter, more powerful and more efficient than conventional nickel metal hydride batteries, which makes them more desirable in most applications. Lithium-ion batteries have emerged as one of the markets with the greatest potential to increase natural graphite demand as graphite is the second largest input material for these batteries. It takes 20 to 30 times more graphite, by weight, than lithium to make a lithium-ion battery.

Lithium-ion batteries are now used in the majority of portable electronic devices such as cell phones, cameras and laptops which caused demand for these batteries to grow by 65% from 2004-2008. The market for such portable devices, as well as the rate of penetration of lithium-ion batteries, are both expected to continue growing strongly. In addition, lithium-ion batteries are now beginning to be used in larger applications such as power tools and scooters.

However, the largest potential market for lithium-ion batteries, and therefore graphite, is expected to be increased production of hybrid electric vehicles (“**HEV**”) and electric vehicles (“**EV**”). It is estimated that there is 2 to 3kgs of graphite in a HEV and 25-50kgs in an EV using lithium-ion batteries. Almost every major automotive producer currently has or is working on an HEV or EV. Examples include the Chevrolet Volt and the Nissan Leaf. Canaccord Genuity Inc. estimates that the HEV and EV market will grow to 11 million units by 2015 and that by 2020 the market penetration rate of HEVs and EVs will reach 10-20%. According to Canaccord Genuity Inc., this will increase incremental global lithium carbonate demand for battery applications by 286,000 tonnes. The natural flake graphite required to meet this demand is over 1.5 million tonnes, which is well above current annual worldwide production of natural flake graphite.

The spherical or potato shaped graphite used in lithium-ion batteries can only be made from flake graphite that can be economically purified to 99.95% C. Only 55% of the one million tonnes of graphite produced annually is flake and not all is suitable for lithium-ion battery applications. Synthetic graphite offers the only alternative to natural graphite for the manufacture of lithium-ion batteries. However, natural graphite is much less expensive as synthetic graphite is made from petroleum coke in a time consuming and energy intensive process. Natural graphite also has performance advantages.

The United States Geological Survey has stated that fuel cells have the potential to consume as much graphite as all other uses combined. Fuel cells also require high purity flake graphite.

Vanadium redox batteries are a leading new technology for storing power from intermittent sources such as wind and solar, and also, for storing power during non-peak periods for use during peak periods. The bi polar plates in vanadium redox batteries are made from graphite and this is another potentially significant source of demand.

Production

World production of natural graphite was just under one million tonnes in 2011. The natural graphite market is much larger than the markets for molybdenum or tungsten for example, and substantially larger than the markets for lithium or rare earth elements. Of all global production, 55% is accounted for by flake graphite, 1% by vein graphite and the remainder is low value, amorphous graphite. Graphite production has not increased substantially since 2002 due to a combination of low prices, a lack of investment and development, and weak demand in the first part of this decade.

World: Production of natural graphite by country and graphite type, 2004 - 2011 (t)

<u>Region/country</u>	<u>Graphite type</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Europe									
Austria	Amorphous	-	-	-	-	250	750	420	500 ^e
Czech R.	Amorphous	5,000	3,000	5,000	3,000	3,000	-	-	-
Germany	Flake	3,155	2,638	-	-	-	-	-	-
Norway	Flake	6,000	9,000	9,000	3,000	4,100	4,562	6,270	8,000 ^e
Romania	Flake	395	486	-	-	-	-	-	-
Russia	Amorphous	8,400	8,700	6,600	6,400	5,600 ^e	5,600 ^e	5,600 ^e	7,400 ^e
Russia	Flake	5,200	5,300	4,500	3,500	3,400 ^e	3,400 ^e	3,400 ^e	4,600 ^e
Ukraine	Flake	10,800	10,700	10,700	8,000 ^e	8,000 ^e	8,000 ^e	8,000 ^e	8,000 ^e
Subtotal		38,950	39,824	35,800	23,900	24,350	22,312	23,690	28,500
Africa and Middle East									
Madagascar	Flake	7,770	6,400	5,500	5,400	4,900	3,400	3,800	4,000 ^e
Zimbabwe	Flake	10,267	6,177	6,588	5,418	5,134	2,463	988	1,000 ^e
Turkey ¹	Amorphous	50 ^e	5 ^e	-	20 ^e	160 ^e	120 ^e	150 ^e	175 ^e
Subtotal		18,087	12,582	12,088	10,838	10,194	5,983	4,938	5,175
N. America									
Canada	Flake	15,000 ^e	17,000 ^e	15,000	15,000	20,000	7,000 ^e	20,000 ^e	25,000 ^e
Mexico	Amorphous	14,769	12,357	11,773	9,900	7,229	5,105	6,628	8,000 ^e
Subtotal		29,769	29,357	26,773	24,900	27,229	12,105	26,628	33,000
S. America									
Brazil ²	Flake	76,332	75,515	76,194	77,163	74,831	59,425	72,623 ^p	75,000 ^e
Subtotal		76,332	75,515	76,194	77,163	74,831	59,425	72,623	75,000
Asia									
China	Amorphous	520,000	524,000	504,000	564,000	458,000 ^e	315,000 ^e	394,000 ^e	352,000 ^e
China	Flake	180,000	196,000	216,000	236,000	242,000 ^e	135,000 ^e	306,000 ^e	308,000 ^e
India ³	Flake	14,623 ^e	17,048 ^e	21,944 ^e	23,122 ^e	15,865 ^e	14,691 ^e	13,320 ^e	13,500 ^e
India ³	Amorphous	1,600 ^e	1,800 ^e	2,400 ^e	2,500 ^e	1,800 ^e	1,600 ^e	1,500 ^e	1,500 ^e
N. Korea	Flake	-	-	-	35,800 ^e	30,200 ^e	53,000 ^e	44,400 ^e	100,200 ^e
N. Korea	Amorphous	30,000 ^e	30,000 ^e	30,000 ^e	30,000 ^e				
S. Korea	Amorphous	247	39	68	52	73	48	34	100 ^e
Sri Lanka	Vein	5,374	4,370	5,756	9,593	6,615	3,171	3,437	3,500 ^e
Uzbekistan	Flake	60 ^e	60 ^e	60 ^e	60 ^e				
Subtotal		751,904	773,317	780,228	901,127	784,613	552,570	792,751	808,860
Graphite type									
Flake		329,602	346,324	365,486	412,463	408,490	291,001	478,861	547,360
Amorphous		580,066	579,901	559,841	615,872	506,112	358,223	438,332	399,675
Vein		5,374	4,370	5,756	9,593	6,615	3,171	3,437	3,500
World total		915,042	930,595	931,083	1,037,928	921,217	652,395	920,630	950,535

Source: Roskill-2012

According to Roskill Market Reports, China produces 80% of the world's graphite but only exports 40% of its production since it is also the world's largest consumer of graphite. The largest component of global graphite trade is from China to Japan with considerable quantities of Chinese graphite also going to the United States, Europe, South Korea and Taiwan. The largest importers of natural graphite tend to be nations with developed steel industries. Japan is the world's largest volume graphite importer and, despite being the dominant world supplier, China is also the world's third largest importer of natural graphite, mostly from North Korea.

Half of Chinese production is low value amorphous graphite and their flake graphite that tends to be smaller in flake size and lower in carbon content. The Chinese industry is characterized by a large number of small producers. The country is addressing poor labour and environmental standards and a lack of investment and professional mine planning by closing smaller operations and forcing others to consolidate to create a larger, more professional industry. Generally this process leads to the elimination of marginal producers and therefore lower supply and higher process. In addition, China currently imposes a 20% export duty and a 17% value-added tax on graphite, and an export permit is required. Export permits are only granted to large producers and provide a means to control exports in the future. Chinese production is at similar levels to 2001. Given the lack of investment and mine planning, the closure of marginal operations, the "high grading" of mines during periods of low prices, the fact that mines are getting deeper and older, and a desire to do value added manufacturing domestically, the Corporation believes that Chinese production, and particularly exports, will likely decline in the future. Recently, the largest Chinese graphite producer publicly asked for "rare earths" type protection, the government has imposed restrictions on new and existing graphite mines and has banned new plants in one historic producing area.

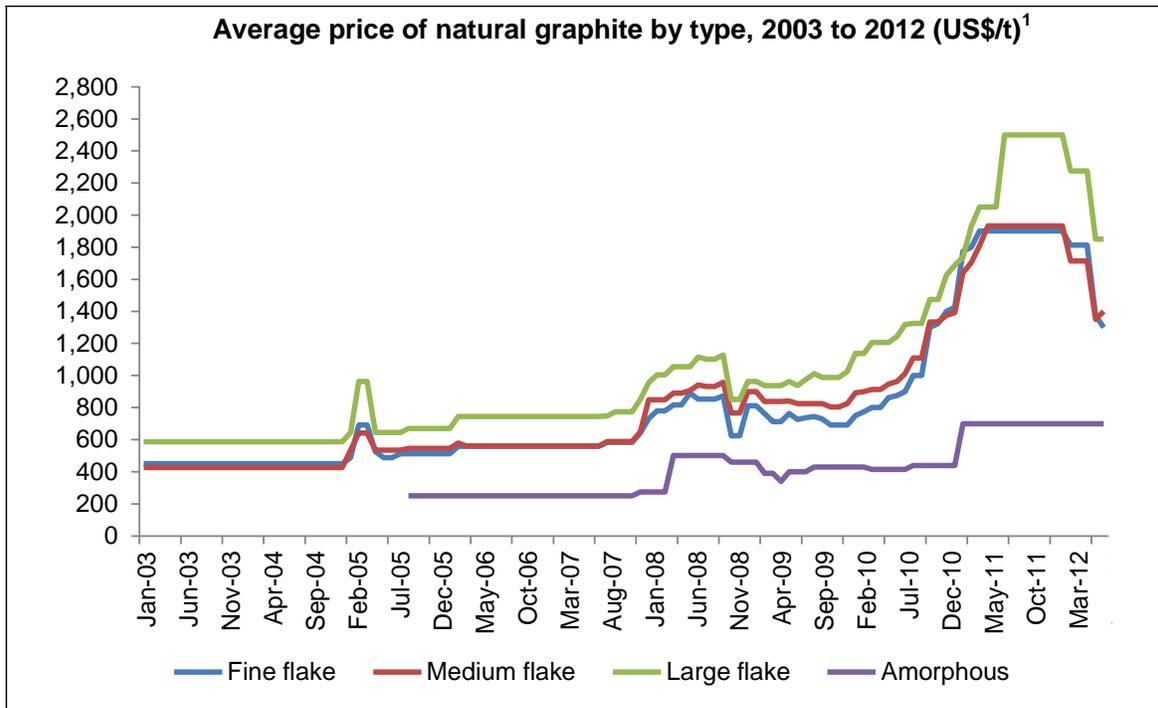
Like uranium, there is a posted price for graphite which provides a long term guideline but actual sales are negotiated between producers and consumers. Graphite is not sold under long term contracts and there is no futures market. Prices increase with flake size and carbon content with the +80 mesh, 94% carbon varieties being the premium product and well established producers with guaranteed consistency can generally charge more. *Industrial Minerals* magazine polls users every week and publishes a price range for the most popular grades.

Current Graphite Prices by Grade (US\$/tonne – CIF Europe), March 2013

	Low	High
Synthetic graphite 99.95% C	\$7,000	\$20,000
Large flake (+80 mesh) 94-97% C	\$1,400	\$1,800
Large flake (+80 mesh) 90% C	\$1,200	\$1,600
Medium flake (+100 to -80 mesh) 94-97% C	\$1,050	\$1,400
Medium flake (+100 to -80 mesh) 90% C	\$950	\$1,200
Fine flake (-100 mesh) 94-97% C	\$900	\$1,200
Fine flake (-100 mesh) 90% C	\$850	\$1,050
Amorphous powder (80-85% C)	\$500	\$700

Source: *Industrial Minerals* magazine

Graphite prices peaked in the \$1,300/tonne range for the premium grade (large flake +80 mesh, 94-97% C) in the late 1980s and then declined sharply as Chinese producers dumped product on the market. Prices did not begin to recover until 2005, peaked in 2012 in a range of US\$2,500 to \$3,000, and are currently in the US\$1,400 to \$1,800/tonne range for premium grade product. The Corporation believes current pricing may have stabilized after retracting from its peak in 2012.



THE BISSETT CREEK PROJECT

The Corporation completed the bankable FS in respect of the Bissett Creek Project in August 2012. The effective date of the FS is August 23, 2012. The FS confirmed the technical and financial viability of constructing and operating an open pit mine and 2,500 tpd processing plant on the Bissett Creek Project. The FS was prepared by GMining Services Inc. and included contributions from SGS Canada Inc., Knight Piesold Ltd. and Met-Chem Canada Inc. The contributions of the specialized consultants for specific areas of the FS were as follows:

Feasibility Study Participants

Area	Participant
Mineral Resources	SGS Canada Inc.
Metallurgical Test Works, Supervision and Reporting	SGS Lakefield
Mineral Processing Methods, Metal Recoveries and Flow Sheets	SGS Canada Inc.
Environment and Social Studies	Knight Piesold Ltd.
Roads, Tailings Management Facilities and Water Management	Knight Piesold Ltd.
Closure Plan, Environmental Management Plan, Permitting	Knight Piesold Ltd.
Process Plant Engineering	Met-Chem Canada Inc.
Mineral Reserves and Mine Plan	G Mining Services Inc.
Infrastructures, Support Buildings and Power Generation	G Mining Services Inc.
Capital and Operating Costs, Financial Model	G Mining Services Inc.
Overall Coordination, Conclusion and Recommendations	G Mining Services Inc.

The FS is the subject of a technical report on the Bissett Creek Project prepared in accordance with National Instrument 43-101 dated August 23, 2012 and prepared by Louis Gignac, ing., Nicolas Ménard, ing., Antoine Champagne, ing., Ahmed Bouajila, ing., Robert Menard, ing., and Robert Marchand, ing., each of whom are independent “qualified persons” under National Instrument 43-101 (the “**Technical Report**”).

The following is a description of the Bissett Creek Project summarized from the Technical Report, and in many cases is a direct extract of the disclosure contained therein. Portions of the following information are based on assumptions, qualifications and procedures described in the Technical Report but which are not fully described herein. Reference should be made to the full text of the Technical Report, which is incorporated by reference herein. The Technical Report has been filed with certain Canadian securities regulatory authorities pursuant to National Instrument 43-101 and is available for review under Northern’s SEDAR profile at www.sedar.com.

Shareholders and prospective investors should be aware that certain historical technical disclosure regarding the Bissett Creek Project by Mindesta did not comply with NI 43-101 and should not be relied upon. Shareholders and prospective investors should rely only on the information contained in this Annual Information Form and the Technical Report.

Project Description and Location

The Corporation holds a 100% interest in the Bissett Creek Project, which contains graphite flakes in a graphitic gneiss deposit south of the Trans-Canada Highway (Highway 17) and 53 kilometres east of 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 north-northeast of Toronto.



The Bissett Creek Project consists of Ontario mining lease number 106693 issued in 1993 for 21 years (will be renewed 90 days prior to expiry in a standard process) covering 564.6 hectares (the “**Mining Lease**”), together with 19 unpatented mining claims (the “**Mining Claims**”), covering approximately 2,424 hectares, for a total project area of approximately 2,989 hectares, all of which are contiguous to one another. The well explored area of the Bissett Creek Project is approximately 150 hectares. Most of the Mining Claims are currently in the process of converting to a lease. The Bissett Creek Project is centered on UTM coordinates 727170 E and 5112025N (NAD 83) on the topographic map (NTS 31L/01). Northern owns sufficient ground rights for the development of the Bissett Creek Project. Operational permits and environmental authorization certificates are required for the mining of the open pit but it is expected that these approvals will be obtained.

Royalties on the Bissett Creek Project include an annual advance payment of \$27,000 to the three original prospectors that discovered the property which will be credited against a royalty of \$20 per ton of concentrate on net

sales once the mine is operational, and a 2.5% NSR on any other minerals derived from the property payable to the same parties.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The property is accessible from the Trans-Canada Highway (Highway 17), approximately 53 km east of the town of Mattawa. The Trans-Canada Highway in this area connects the cities of North Bay and Ottawa. The Bissett Creek road intersects Highway 17 two km east of the village of Bissett Creek. Access from Highway 17 to the property is by way of a well maintained gravel forestry road on a distance of 13 km and then east on a winding road for a distance of 4 km.

Climate

The nearest town to the Bissett Creek Project with the most complete data on the climate is Petawawa, which hosts a military base. In Ontario, the climate is generally continental, although modified by the Great Lakes to the south, and precipitation increases from NW to SE. Annual rainfall is from 200 to 600 mm.

Local Resources

The area is well served by regional geological and mining service firms in North Bay and Ottawa, which are situated 110 km to the northwest and southeast respectively. The nearest towns, Mattawa and Deep River, may also provide some workers for minor services, lodging and living support.

Buildings at the site installed in 2002 by Mindesta provide shelter facilities for small groups, core logging, splitting facilities and some storage. All major services are available in North Bay and Ottawa, while minor ones may be available in Mattawa, Deep River.

Infrastructure

The access road and stripping of the overburden in certain areas were completed by North Coast Industries Ltd. (“**North Coast**”), a previous optionee of the project, between 1987 and 1992. The dry process pilot plant building was completed by Mindesta in 2005. All of these buildings are kept in good condition; however the old dry process equipment was removed during 2011.

Sand and gravel are available within the Bissett Creek Project, if additional material should be required.

Presently, there is no electrical power from Ontario Hydro at the site and electrical power at the site is provided by a small power generator. The Corporation contemplates bringing in a natural gas pipeline from Highway 17 corridor to fuel natural gas generators at the site for future production. Waste heat from power generation will be used to dry the graphite concentrate produced as well as heat the buildings.

Physiography

The Bissett Creek Project is located in rolling hilly terrain. The elevation above sea level ranges from 270 to 320 metres. The property is covered by a mixed forest of conifers and hardwoods. Merchantable red and white pine occurs near the western margin of the property. Soil cover is variable. Rock exposures are found in road cuts and ridge crests. Soil cover is normally sandy, glaciofluvial deposits over ridge areas and glacial lake and stream sediments at lower elevations. Lower lying areas tend to be swampy and covered by moderately thick growth of stunted cedar and swamp grasses.

Recognized overburden depth on the property is variable, ranging from zero metres to ten metres thick in the swampy areas.

History

The Bissett Creek Project was first staked by Frank Tagliamonti and associates in 1980. The same year, Donegal Resources Ltd. optioned the Bissett Creek Project but limited work was performed prior to its decision to abandon the property.

In 1981, Hartford Resources Inc. (“**Hartford**”) optioned the Bissett Creek Project and staked an additional 24 claims. In 1984, Princeton Resources Corp. (“**Princeton**”) acquired a 100% interest in the Bissett Creek Project through the acquisition of Hartford. Hartford had held the claims since 1981 and had conducted some exploration work including line cutting, surveying, and trenching. During the latter part of 1984 through 1986, Princeton carried out a program of mapping, trenching, surveying, drilling, sampling, and testing with the result that 10 million tonnes of approximately 3% graphite were defined. *Historical information is provided for informational purposes only. This resource estimate was not completed in accordance with NI 43-101 and therefore should not be relied upon.* Subsequent work identified areas ranging from 3% to 6% graphite. In 1985, Princeton set up a base camp and constructed a batch testing plant.

In November 1986, North Coast entered into an option agreement with Princeton whereby North Coast would be awarded a 58% interest in the Bissett Creek Project upon the completion of a batch testing plant, bulk sampling and the production of graphite flake for end user tests. North Coast was awarded its 58% interest in the property in June of 1987 and subsequently acquired Princeton’s remaining 42% interest on February 6, 1989.

In 1986, North Coast hired KHD Canada Inc. (“**KHD**”) to review the test plant and make process recommendations. In 1987, the results of these recommendations indicated that the Bissett Creek graphite deposit could be concentrated into high grade and high value graphite flakes. A full feasibility study was undertaken and completed in 1989 which deemed the Bissett Creek Project to be viable with a potential +40% IRR. Kilborn Engineering Ltd., KHD, Bacon Donaldson and Associates Ltd. and Cominco Engineering Services Limited determined that the Bissett Creek Project had a minimum of 20 million tonnes of graphitic material grading higher than 3.18% C. *Historical information is provided for informational purposes only. The feasibility study and resource estimate were not completed in accordance with NI 43-101 and therefore should not be relied upon.*

World graphite prices underwent a significant decline in the late 1980’s as China aggressively entered the graphite market, and the Bissett Creek Project was put on hold. North Coast continued to maintain the leases up until 1997 but graphite prices did not recover sufficiently to warrant proceeding with a mine/mill development at Bissett Creek.

In 2002, Mindesta, through the Corporation, took over the Bissett Creek Project and attempted to develop a dry process for the recovery of the graphite flakes. A poorly engineered and flawed design resulted in very little product being produced and continuous or commercial operation was never achieved.

In April 2007, Mindesta, through a new management group, proceeded to review the past documentation and determined that there was sufficient data to proceed with a preliminary economic assessment. Graphite prices had recovered significantly as the future for graphite in some applications is increasing at double digit rates. SGS was contracted in May 2007 to produce a NI 43-101 compliant technical report on the Bissett Creek Project.

The Corporation changed its name from “Industrial Minerals Canada Inc.” to “Northern Graphite Corporation” in December 2009 and operated as a subsidiary of Mindesta.

Geological Setting

The Bissett Creek Project lies within the Ontario Gneiss Segment of the Grenville Structural Province of the Canadian Shield. This area is characterized by quartzofeldspathic gneisses which have undergone upper amphibolite facies grade of regional metamorphism with metamorphic temperatures estimated to have reached the 600 to 700 degrees Celsius range. The Ontario Gneiss Segment is distinguished from other areas of the same belt by having northwesterly dominant foliation and structural trends.

Mapping by S.B. Lumbers, 1976, of the Ontario Department of Mines, indicates that the property and surrounding area are underlain by Middle Precambrian metasedimentary rocks. These are coarse and medium grained, biotite-K-feldspar quartz-plagioclase gneisses which are high grade metamorphic equivalents of pure sandstone, arkose and argillite. These highly deformed and recrystallized rocks have been folded into northwest trending, northeast dipping recumbent folds which are refolded by large broad open folds. Greater than 10 % of the rocks are composed of remobilized quartz and feldspar migmatite.

The Bissett Creek Project is predominantly underlain by Middle Precambrian age meta-sedimentary rocks. These are divided into graphite gneiss, transitional graphitic gneiss, and barren gneiss for mapping purposes. The graphitic gneiss is a distinctive recessive weathering unit, commonly exposed along rock cuts, hill tops and occasional cliff faces. It is a calcareous, biotite-amphibole-quartzofeldspathic gneiss (generally red-brown to pale yellow-brown weathering). Graphite, pyrite and pyrrhotite occur throughout. Graphite occurs in concentrations visually estimated to be from 1 to 10 %. Sulphides occur in concentrations from 1 to 5 %. In its unweathered state, the rock unit is pale to medium grey in colour.

This graphite gneiss has a moderate five to twenty degree dip to the east and the high grade layer dips 20 to 30 degrees to the south on the property. This unit is sandwiched between the upper barren non-calcareous gneiss, which forms the hanging wall of the deposit and a similar lower barren gneiss which forms the footwall. A total thickness of 75m of graphitic gneiss was intersected by drilling.

The barren gneiss is a pale to dark grey-green non-calcareous unit. Black biotite, dark green amphiboles and red garnets distinguish the units from the graphite bearing varieties.

An intermediate unit is present, typically a biotite-muscovite-garnet-quartzofeldspathic gneiss. Muscovite is the distinguishing mica variety and the garnets are mauve in color. This unit may contain variable amounts of graphite and occurs below and within the graphitic gneiss. Two intrusive units have been observed on surface; dykes and sills of coarse grained biotite-muscovite-quartz-feldspar pegmatites and a dark green lamprophyre.

The deposit may be classified as a sedimentary type origin. However metamorphism has transformed the original organic content of the mother sedimentary rock into graphitic carbon flakes. The actual appellation of the deposit is graphitic gneiss. The Bissett Creek Project main zone area is composed of sub-horizontal 5 to 10 degrees undulating layers. The actual well recognized higher grade layer is dipping 15 to 20 degrees to the south.

Exploration

In 1984, Princeton completed geological mapping, line cutting, surveying, trenching, sampling and diamond drilling. A total of 1,041 ft. (317 m) of BQ diameter core was drilled in seven holes. Forty trench samples were taken along five new trenches. A 15 ton bulk sample was taken from a previously known surface high grade outcrop.

In 1985, Princeton completed geological grid mapping, a magnetic survey, diamond drilling and bulk sampling. A pilot test plant was constructed on site. 99 vertical BQ diamond drill holes were completed for a total footage drilled of 16,836 (3,131 m).

In late 1986, North Coast optioned a 58% interest in the property and became the operator. As part of this agreement North Coast operated the pilot plant processing some 4,900 tons of ore and producing approximately 36 tons of graphite concentrate.

In 1987 North Coast completed geological mapping and trench. 67 percussion holes were drilled to 60' where possible and a total of 976.9 ft. of N-DBGM diameter core was drilled in six holes. An additional 5,707 ft. of BQ diameter core was drilled in 34 holes. North Coast collected a number of smaller bulk samples for bench test work by KHD and a large 60 tonne bulk sample for pilot testing by EKOF Flotation GmbH ("EKOF") and KHD. Further detailed exploration and evaluation consisted of ore reserve calculations, mine planning, estimates of associated capital and operating costs, extensive metallurgical evaluation, process design, environmental assessment, graphite flake quality evaluation, flake concentrate end user testing and market analysis. North Coast engaged KHD to review the pilot plant flow sheet and equipment, to make process recommendations, and to perform test work on

samples and concentrate from the pilot plant. Based on the positive conclusions of the “Prefeasibility Study for the Bissett Creek Graphite Project” issued in December 1987 by KHD, a full feasibility study was completed by KHD in April 1989 for operation of a graphite beneficiation plant with mining facilities and necessary infrastructure. This work had determined that the property had a minimum of 20 Mtons of graphitic material grading 3.18 %. *Historical information is presented for informational purposes only. The resource estimation was not completed in accordance with NI 43-101 and therefore should not be relied upon.*

SGS’s geological and mining-metallurgical engineers visited the site on June 6 and 7, 2007 and the geological engineer visited again on August 6 and 7, 2007. In addition, the site visits were conducted by the following Qualified Persons pertaining to the Technical Report:

Gilbert Rousseau, Eng. - SGS Canada Inc. (September 15 to 17, 2010);

Francois Thibert, M.Sc .Geo. - SGS Canada Inc.(September 15 to 17, 2010);

Andy Phillips, Eng. - Knight Piésold Ltd (June 29, 2011);

Steve Aiken, Eng - Knight Piésold Ltd (June 29, 2011);

Robert Menard, ing. – G Mining Services Inc. (June 29, 2011);

Nicolas Menard, ing. – G Mining Services Inc. (June 29, 2011).

No additional work was done on the Bissett Creek Project between the summer and of 2007 and the completion of a the completion of the 2010 Technical Report in July 2010 (subsequently revised in February 2011). Following completion of the 2010 Technical Report in July 2010 (and prior to its revision in February 2011), the Corporation implemented the recommendations in the 2010 Technical Report and completed a 2,900m infill and exploration drilling program and initiated a metallurgical testing program, a pre-feasibility study and the environmental and permitting review process, all with the objective of positioning the Corporation to make a construction decision on the Bissett Creek Project in early 2012. Subsequently the Corporation made the decision to upgrade the pre-feasibility study to a full bankable feasibility study which was completed as the FS in the third quarter of 2012. The Corporation is currently following up a number of recommendations made in the FS to further improve the economics of the Bissett Creek Project. An updated and amended FS is expected to be completed in the second quarter of 2013, following which the Corporation will be in a position to make a construction decision, subject to financing.

Mineralization

In Ontario graphite occurs in both the Superior and Grenville structural provinces but the more important graphite deposits have been found historically in the Grenville Province. In the Superior Province it is associated with gold and base metal deposits occurring in carbonaceous sediments and shear zones. In the Grenville Province, graphite occurs within both the Central Gneiss Belt (“**CGB**”) and the Central Metasediment Belt (“**CMB**”). Disseminated flake and “amorphous” graphite occurs in certain marble units in the CGB, within siliceous gneiss units in the CGB and within some of the marble units of the CMB. Prior production from Ontario has come from graphite deposits within the marbles of the CMB which are locally of higher grade. Economic deposits now are being found in the siliceous metasediments of the CGB. The lower grade of deposits in the CGB is offset by their larger size and amenability to open pit mining.

At Bissett Creek, the graphite mineralization is well characterized by homogeneously distributed graphite flakes (about 1 to 5 mm in size and 3 to 10 % of volume) within biotite schists with variable content of amphibole, clinopyroxene, chlorite, carbonate and graphite. Ubiquitous trace minerals included sphene, apatite, garnet and zircon. Sulfides were reported as trace amounts, usually as pyrite and pyrrhotite. On the basis of the graphite content and variation of the gneissic facies, the graphitic gneiss can be divided into:

Biotite rich quartzo-feldspathic and graphitic gneiss, paragneiss; Biotite rich quartzo-feldspathic and graphitic gneiss; and, Diopside-tremolite-biotite rich quartzo-feldspathic and graphitic gneiss.

Graphite flakes occur disseminated in the graphitic gneiss horizon and are in variable concentration in the transitional gneiss. The diopside-tremolite-biotite-graphite bearing gneiss is mostly located in the upper part of the mineralized graphitic horizon whereas the graphite rich paragneiss (up to 10 % graphite) sub- unit generally confined at the base. Graphite generally forms slender, oval to sub-rounded planar flakes averaging 0.3-1.5 mm long and 0.03-0.07 mm wide. These commonly occur adjacent to flakes of biotite of similar size or are associated with patches of pyrrhotite. Much less commonly, books of a few flakes are contorted or warped, and minor quartz or less commonly biotite occurs between the individual flakes.

The overall size distribution of the graphite flakes observed in core samples throughout the deposit does not show a direct relationship to the total graphitic carbon of the analysis. Large flakes are generally present independently of the percentage grade of the graphite, making the graphite gneiss horizon prospective along its entire length.

It was noted that the weathered horizon, some two to four metres thick, was a more friable form of the gneiss that the fresher rock without any noticeable change in the graphite content or flake size. This weathered material has the potential to be comminuted much more easily than the fresh rock and with probably better liberation of full-sized graphite flakes.

Drilling

A total of 275 diamond drill holes have been drilled on the Bissett Creek Flake Graphite Project for a total of 14,371 m. An additional 82 percussion holes and 17 geotechnical holes have also been drilled.

Drilling Summary

	Percussion Holes	Geotech Holes	DDH Holes	meters
1984			4	187.8
1985			102	5156.3
1986			6	274.3
1987	82		45	2154.0
Sub Total	82		157	7772.4
2007			6	246.4
2010		17	51	2926.9
2012			61	3425
Total	82	17	275	14370.7

Starting in 1984, Princeton Resources Corporation (“Princeton”) drilled a total of 317 m of BQ diameter core in seven holes. All seven holes were vertical and no deviation measurements were reported. Drilling highlighted the higher grade graphite horizon in the northeast and showed that the graphitic horizon had a thickness of about 30 m.

A major drill program was undertaken in 1985 by Princeton where 99 new vertical BQ diamond drill holes were added and three holes were deepened for a total of 3,131 m. This total includes about 30 shallow unnamed test holes which were drilled to outline surface sample sites. The shallow hole length totalled 106 m. The combined 1984 and 1985 drilling totalled 5,450 m in 106 diamond drill holes and 30 unnamed test holes. The majority were drilled on a 64 m x 46 m spacing. A smaller grid spacing of 23 m x 23 m was used in one area and one fence of holes was drilled at a 10 m spacing to determine the continuity of the graphite horizons.

The 1985 drilling program outlined a total of 3.8 Mt of flake graphite bearing gneiss grading an average of 3.05 % graphitic carbon (“Cg”) using a 2.5 % Cg cut-off grade. *This resource estimate is not compliant with the current National Instrument 43-101 (NI 43-101) regulations and is presented herein as an historical reference and should*

not be relied upon. Resource calculations were based on blocks measuring 70 x 70 x 10 m with block sides oriented parallel to the zone's dip and strike directions. Most of the tonnage is near surface with close to 3 Mt of the 3.8 Mt within 34 m of the bedrock surface. This tonnage occurs in three higher grade horizons dipping gently southeast and contained within an envelope of lower grade graphitic gneiss. Grade and thickness decrease in the southwest, northeast and down dip directions. In cross-section, true thicknesses range from 15 to 30 m. Commonly, a second horizon with a thickness ranging from three to six meters occurs in the same section. The larger horizons are traceable over a 350 m strike length. The resource estimate was not evaluated in terms of mining feasibility and no mining dilution or stripping ratio had been calculated.

In 1986, six diamond drill holes for a total of 274.3 m were all drilled in a tight grid spacing. These holes were probably drilled by North Coast.

North Coast's 1987 drill program included 67 percussion holes drilled strictly for assay, using a Gardner- Denver 750 c.f.m. airtrack drill with a vacuum, filter and screen system. Holes were drilled to 60 ft where possible and the whole length was sampled in ten ft lengths. Additionally, a total of 1,206.9 m of N-DBGM diameter core was drilled in 26 holes and 947 m of BQ diameter core was drilled in 19 holes. All holes were vertical.

All 1980's drill hole collars were surveyed in 1988 by triangulation using total station by R. M. Blais & Associates Ltd. for CEC Engineering Ltd. Collar coordinates were reported on maps in a local mine grid system in imperial units and converted to a metric system in UTM NAD27 zone 17 projection system. The conversion (i.e. translation and rotation) from the local mine grid system to the UTM NAD27 system is unknown. There are no digital records of the information and none of the historical casings could be found in the field for resurveying.

In 2007, Systèmes Geostat International Inc. ("Geostat") was retained by Mindesta to prepare a Preliminary Economic Assessment ("PEA") technical report compliant with the standards of the Canadian Securities Administrator's NI 43-101. An additional six vertical diamond drill holes of NQ size were completed in the northeast zone for 246.9. Drilling was aimed at confirming grade and graphite flakes size in an area that had been investigated in the 1980's. The diamond drill holes were bored by George Downing Estate Drilling Ltd. between August 1 and August 9, 2007. All six holes of the 2007 drill program intersected mineralized gneiss. There was no overburden at the drill site locations. The graphitic gneiss foliation being sub horizontal, the vertical holes cut mineralized thicknesses from 30 m up to 49 m. Drilling confirmed that the main graphitic gneiss body at Bissett Creek is made up of various consistently mineralized zones and that graphite flakes were observed in all six holes.

Northern Graphite's 2010 drilling program was jointly planned in part with Geostat as a follow up to the PEA Report recommendations. The objectives of the drilling program were three fold. Firstly, five historical holes (BC-85-020, BC-85-027, BC-86-006, BC-85-070, BC-87-036) were selected to be twinned (SGS-10-001 to -005) in order to validate historical drill results where high grade zones had been intersected. Since none of the historical drill hole casings could be located in the field, collars were located on georeference historical maps and were assumed to be within five m of the actual location. Secondly, an additional eight holes (SGS-B1-001 to -004; SGS-B2-001 to -004) were planned to validate the mineralized zone continuity in between the 50 m spaced historical drill hole sections. Third, the drilling was intended to upgrade part of the inferred resources to indicated resources.

In late 2012 the Corporation completed a 61 hole, 3,425 meter drill program on its Bissett Creek Project. The drill program was designed to infill a significant portion of inferred resources with the objective of upgrading them to the measured and indicated categories. In addition, extensions to higher grade zones outside of the current resource model were tested. Almost all 61 holes returned widths and grades as good as or better than those used in the FS.

A new resource estimate including the 2012 drill results will be produced, the existing mine plan will then be revised and the FS economics updated. The revised FS is expected to be released in the second quarter of 2013. The current mine plan includes 1.5 Mt of inferred resources that are treated as waste at zero grade and excludes a substantial amount of higher grade inferred resources. It is anticipated that the revised mine plan will show an increase in grade, a reduction in costs and a much longer mine life. The resource update and revised FS will be completed by AGP Mining Consultants.

Sampling and Analysis

Graphite is evaluated and marketed on the following basis:

Flake size (mesh size);

Carbon content of cleaned flakes (carbon content of concentrate); and

Ash content (amount of oxides and carbonates still present in graphite flakes after concentration).

Those evaluation methods are generally accepted and used by the industrial graphite users. However, these are all concentrate measurements and one must start with a base line assessment of the mineralization. Flake size is determined with standard sieve tests using standard "tyler" sieve size openings. The "ash contents" are determined by qualitative spectrographic analysis on the graphitic flake. The determination of contained carbon in the flake poses a different problem. The industry accepts a variety of determination methods, as described below:

- a) Double loss on ignition analysis ("LOI");
- b) Flotation product produced; loss on ignition;
- c) Organic carbon removal; measurement of the inorganic carbon ("LECO").

The double-loss-on ignition method was the most accepted in the graphite industry; however it is very slow and cumbersome for use in drill core and large numbers of geologic samples. Also, the method does not eliminate all the organic carbon in the sample and the industry does not credit the organic portion of a concentrate.

During the course of the project's exploration programs, the graphitic carbon ("Cg") content was determined using various methods, including flotation, LOI, and acid-bath with LECO finish. The type and extent of certain volatiles observed in the Bissett Creek samples makes quantitative analyses for graphite content problematic. Consequently, it was determined that the acid-bath LECO method produced the most reliable results to use for ore resource estimations. Even though different acid digestion procedures might have been used through time to remove organic carbon prior to the measurement of the inorganic carbon by LECO, all those samples were retained for the current ore resource estimation. The Geostat 2007 drilling program aimed at giving a certain level of confidence with respect to the use of historical data and was able to reproduce similar grades and thicknesses to those intersected by historical holes. Therefore, results are considered reliable for the purposes of the current ore resource estimation.

1980s' Drilling

Two analytical methods were used during the exploration drilling program. The first method used (Flotation) was to determine if an acceptable flake product could be recovered from the rock and then a determination of the carbon content of the graphite flakes was made. All drill core samples were visually estimated by the site geologists to determine their graphite content. A substantial correction factor was needed to correlate the visual estimates with the chemical assays of the contained graphite. The average reduction factor was estimated to be a little less than four, but it is very apparent that the factor could be as high as eight and as low as two. Some preliminary estimates of grade were made by using the results of the preliminary metallurgical test work, but once the main 1985 drill program was underway Lakefield Research Inc. ("Lakefield") carried out more definitive metallurgical testing and assayed some of the then current drill core samples for contained Cg content by chemical means. An initial 90 samples were assayed by Lakefield. Subsequent assaying was carried out by Erana Mines Ltd. ("Erana") who were advised to use similar equipment and procedures to that used by Lakefield. Erana reran an initial 42 samples previously assayed by Lakefield with reasonable correlations. The second method, LECO, allows direct analysis of material without initial separation of the graphitic flake. This technique also eliminates all the organic carbon material and reads only the inorganic carbon content. To provide analytical checks, initially in the program, alternate samples were sent to Lakefield Research in Lakefield and Porto Metal Mills Ltd. in Sudbury.

The Flotation method entailed taking five kilograms of material, crushing same and by flotation methods producing a graphitic flake concentrate. From this, flake size distributions and ash contents were determined. Carbon contents were determined by LOI and LECO.

The LECO method procedure used is to remove any carbon in carbonates by an acid bath, followed by a short term ignition of the sample at 3000°F. The gas that is given off is then passed through various adsorption tubes to remove all constituents that might interfere with the determination of the amount of carbon dioxide (CO₂) produced and then the carbon dioxide is itself adsorbed. The amount of graphite is calculated from the weight of CO₂ that has been adsorbed.

As the exploration drilling program progressed between 1986 and 1987, the majority of samples were prepared and analyzed at a site facility with regular checks conducted at Lakefield in Lakefield, Ontario (every tenth sample) and KHD Humbolt Wedag (“**KHD**”) facilities in West Germany. The carbon content determination was done using two methods, the double-loss-on-ignition and by LECO.

2007 Program

In 2007, all core samples were prepared at Ortech Laboratory, in Ontario and assayed at Activation Laboratories Ltd for graphitic carbon using double-acid digestion with one in five samples assayed for total carbon (C).

The graphitic carbon analytical procedure uses a 0.5 g sample digested with hydrochloric and perchloric acids to remove all forms of carbon with the exception of C_g. An Eltra CS-2000 is used for the analysis.

2010 Program

For the 2010 exploration drilling program, core sample preparation and analyses were performed by SGS Minerals Services, Toronto Laboratory in Don Mills, Ontario, and the results certified by laboratory manager for SGS in Vancouver, B.C.

SGS’s assay method does not measure graphitic carbon directly with the instruments but C_g results are indirectly calculated by subtracting the carbon in the carbonates from the total carbon. This implies determining total carbon by LECO and total CO₂ by coulometry for each sample. This approach assumed that the only other form of carbon in the samples, other than graphitic carbon, is contained within the carbonates and that no organic carbon is present. According to SGS, these methods have been fully validated for the range of samples typically analysed. Method validation includes the use of the certified materials, replicates and blanks to calculate accuracy, precision, linearity, range, and limit of detection, limit of quantification, specificity and measurement uncertainty.

Northern Graphite implemented a QA/QC program in 2010 consisting of inserting a) a field duplicate sample in every hole; b) an analytical standard after every 35 or 40 drill core samples, intermittent with the blank sample; and c) a blank sample after 35 or 40 samples, intermittent with the standard sample. The reference material, not certified, was provided by SGS Laboratory in Lakefield, Ontario. The blank sample consisted of barren granitic gneiss sampled from drill hole BC-10-03 between 0.5 and 3.6 m. The reference material was originally prepared from a 150 kg non-oxidized bulk sample originally ordered to initiate metallurgical testing. All products were submitted in triplicate for LECO (C and C_g) and double LOI method at SGS.

2012 Program

All samples from the 2012 drill program were collected and supervised by Mehmet Taner, P.Geo., PhD and a QP, and delivered to SGS Mineral Services (Toronto). SGS is an ISO/IEC 17025 accredited analytical laboratory. The samples were ashed at 500°C to remove organic carbon. Carbonate carbon was estimated on one aliquot of the ashed sample using dilute perchloric acid to release CO₂ which was then measured by a Coulometric analyzer. A second aliquot was used to estimate total carbon content. The second aliquot was combusted at 950°C and the carbon was converted to CO₂ and measured by the coulometer. Graphitic carbon was calculated as follows: percentage of graphitic carbon equals the percentage of total carbon in ashed sample minus percentage carbon as carbonate in ashed sample. For QA/QC purposes, the Corporation inserted a total of 40 standards (one every 35th to 40th sample), intermittent with 19 blank samples. A field duplicate sample was generally taken in every hole (1/4 of the core) within well mineralized sections. A total of 29 duplicate samples were taken.

Data Verification

Twin Hole Validation: In order to validate historical drill results, SGS Geostat recommended to twin five holes where high grade zones had been intersected in historical drill holes. Results of the 2010 twin drill hole program show a fair to good correlation between twin holes and historical drill holes. The primary objective of the program was to test for grade and thickness of the proposed mined area. The twin holes validated both. Variability might be accounted by analytical method differences and true distances between paired holes. Thus, SGS Geostat considers historical drill data to be of acceptable quality to be included in the final project database.

Check Assays: SGS Geostat completed independent analytical checks of drill core duplicate samples taken from selected Northern Graphite 2010 drill holes. A total of 33 core duplicates (1/4 of the core) were collected from holes SGS-10-B2-002 and BC-10-021 by François Thibert, independent Qualified Person, and submitted for Carbon (“C”), Cg, CaCO₂ and Silicon Carbon (“Si-C”) at SGS Minerals Laboratory in Toronto, Ontario. Check samples were analysed with the same analytical procedures used during the 2010 exploration drill program by determining C by LECO and CaCO₃ by measuring CO₂ by the CO₂ coulometer. Results of the independent check sampling program show fairly good reproducibility of the data and therefore, SGS Geostat considers those acceptable.

Digital Drill Hole Database: None of the original data computerized in the late 80’s could be retrieved from Northern Graphite. Numerous unsuccessful attempts were made to contact various past stakeholders. Consequently, drill hole collar data including location, azimuth, length, and deviation, lithological descriptions and assay results have been compiled and mostly manually re-entered to build the Bissett Creek Project digital drill hole database. All imperial unit data were converted to the metric system.

None of the 1980’s drill casings could be found in the field for resurveying and there are no digital records of the information. All 1980’s drill hole collars were surveyed in 1988 by triangulation using total station by R. M. Blais & Associates Ltd. for CEC Engineering Ltd. Collar coordinates were reported on maps in a local mine grid system in imperial units and converted to a metric system in UTM NAD27 zone 17 projection system. The conversion (i.e. translation and rotation) from the local mine grid system to the UTM NAD27 system is unknown. Diamond drill collars have thus been positioned through geo-referencing of historical scanned maps using the UTM NAD27 zone 17 grid as control points. Most of the historical holes elevation values were adjusted relative to the 2010 Lidar survey. It is SGS Canada’s opinion that the converted drill collar locations are within a three to five meter radius of the original collars. Hole lengths, collar azimuth and dip were taken directly from the drill log hard copies. 2007 and 2010 collar data were supplied by Northern Graphite in a digital format and most of the collar location were field checked with a hand held GPS during the SGS site visit.

The assay table comprises assays from all diamond drill holes drilled on the property to date but excludes all sample assays from percussion and geotechnical holes as well as trenching and bulk sampling done in the 80’s. The database consists of 3,090 samples that represent 8,306 m of core sampled from the 10,946 m of drill core.

There are 2,815 samples for which there is a Cg LECO analysis that represents 91% of the dataset. Most of the missing LECO data comes from the 1987 holes for which logs are missing. Since there is an almost complete LECO dataset for the deposit, it is recommended to avoid using a predictive equation based on linear regression analysis to factor the missing data and just simply ignore those holes. Average sample length is 2.7 m.

Assay data from the 1980’s drilling was compiled from:

“Preliminary Report on Geology, Diamond Drilling and Trenching on Bissett Creek Graphite Property” by Schmidt (January 1985) comprising % graphite data obtained by flotation and estimates of purity by LOI measurements done on final concentrates;

“Summary Progress Report on the Bissett Creek Project for the 1985 Calendar Year” by William Hill Mining Consultants Limited (February 1986). It comprises % graphite data obtained by flotation, estimates of purity by LOI measurements done on final concentrates, and % Cg by LECO on samples that have been leached with nitric acid to remove carbonates;

Photocopies of hand written spreadsheets comprising of Cg by double LOI and Cg by LECO with some reassay samples; and,

Set of sections by North Coast Industries from 1991 showing sample intervals with LECO data. Most of those samples were assayed with on-site lab facilities and none of these results could be verified with laboratory assay certificates. QA/QC program reports, if any, were not available. It was realized that from the 871 samples assayed in 1985, 310 (36 %) samples had LECO values different in the hand written photocopies and 561 (64 %) had identical values. Since it was presumed that the hand written photocopies post-dated the William Hill report, it was concluded that those 310 samples were re-assayed even though none of these assumptions could be verified in the existing available reports. A statistical test was thus performed to evaluate a possible bias between the two dataset. The test was not conclusive and it also showed that the average from the second set (avg. = 1.545) was slightly lower than the first set (avg. = 1.570) when comparing the 310 samples for which LECO data was different. Finally, the second dataset was compared and validated with the set of sections from North Coast (1991) that was presumed to have been generated from the database used for the various historical reported resource calculations. The actual compilation is presumed to reflect the original dataset even though neither the original digital data nor lab assay certificates could be found.

Mineral Resource Estimate

SGS Geostat initially completed a resource estimate in the 2010 Technical Report. This resource estimate was updated based on results of the 2010 drill program for use in the FS and set out in the Technical Report.

The current database for the Bissett Creek Project contains collar, survey, lithology and analytical results information for 212 surface drill holes, consisting in 50 recent surface drill holes and 162 historical surface drill holes. All but seven holes were drilled vertically. Drilling covers an area of 1.330 km by 1.970 km from 727,000 m E / 5,111,459 m N to 728,176 m E / 5,113,318 m N in the UTM NAD83 coordinate system. Most of the drilling was done on a grid oriented N068 on a general pattern of 64 m x 46 m spacing. There is some tighter drilling along some lines and some detailed drilling at 23 m x 23 m grid spacing was completed in one area. Recent drilling was completed on a wider 100 m x 100 m grid pattern on the same N068 oriented grid. Drill holes were drilled along strike and inclined mostly vertically, with respect to the moderate relief in terrain, to intercept the mineralization in such a manner as to obtain a reasonably true thickness of the mineralization.

Eight holes to the north as well as two holes to the southwest were not used in the current resource model. All percussion drill holes as well as trench or pit assay results were excluded from the resource calculation because their methodology description was not thorough enough.

There are a total of 3,005 assayed intervals for which the carbon content determination was done using the double loss-on-ignition method and/or by LECO. From this total 2,745 of assayed intervals were assayed for Cg using the LECO analytical method. Sample lengths averaged 2.7 m. The current mineral resource estimate only uses Cg assay results. It is in SGS Canada's opinion that the Double LOI analytical method overestimates the Cg grade because it measures also sulphides and carbon contained in the carbonates. Consequently, holes for which LECO data were not available were discarded (BC-87-041 to BC-87-045) because the use of a predictive equation based on linear regression analysis to factor the missing Cg data was not judged satisfactory.

Assay Database Compilation

	1984	1985	1986	1987	2007	2010	Total
# of records	39	1,014,	90	793	162	907	3,005
Double LOI	39	973	90	793	0	0	1,895
Cg LECO resources 2011	39	978	90	569	162	907	2,745
Double LOI & Cg LECO	39	937	90	569	0	0	1,635
Length (m)	87.44	3,172.53	261.66	2,017.69	245.19	2,309.00	8,093.51

Detailed topographic data were acquired through the completion of a 53 km² LIDAR survey on January 31, 2011.

A block model of 10 m (E-W) by 10 m (N-S) by 6 m (vertical) was interpolated using geo-statistical methods (ordinary kriging) within the mineralized envelope. The block model has been rotated by 22.3 degrees to the North-West. The block model orientation and the block size selection were based on drill spacing, mineralized zone geometry and thickness, and the assumed mining bench height. The block model covers a strike length of approximately 1,300 m and it reaches a maximum depth of 100 m below surface. The block model was restricted to the mineralized envelope defined by the hanging wall and footwall surfaces of the mineralized graphitic gneiss. The percentage of volume of a block falling within the mineralized envelope was calculated for tonnage estimate and blocks with 100 % of their volume falling within the barren envelopes were discarded. Where the mineralized envelope pinches out to the West and the North-West side of the deposit, blocks with too small of a volume percentage were also discarded. The final model contains 76,193 estimated blocks for a total volume of 38,679,630 m³.

Block interpolation was performed using just one pass considering the mineralization continuity, geometry, and thickness as well as drill spacing. This approach was also selected to better reflect the anticipated average grade of the mined material by avoiding high grading certain portion of the deposit with smaller search ellipsoid. A search ellipsoid oriented N135 degrees with 360 m primary axis and 80 m secondary axis in the horizontal plane and a 54 m vertical search component was used to select the composite data. A minimum of seven composites and a maximum of 20 composites from at least three holes were used to prevent one drill hole from contributing too many samples to the block being estimated. Sample weights within the search ellipsoid are those given by the correlogram model equation.

An average bulk density of 2.63 t/m³ was used to calculate tonnage from the volumetric estimates of the resource block model. This value falls within the range of measures done by Northern Graphite on various facies of graphitic gneiss found on the property. Although those measures have not been validated by SGS Canada, it is considered valid for the current resource estimates.

Due to the absence of historical assay certificates, sample rejects or drill hole casings, it was decided that there would not be any resources classified as measured. Thus, mineral resources are classified into indicated and inferred categories. Factors used to determine the mineral resources classification follow the CIM requirements and guidelines which are primarily grade variability and spatial continuity of mineralization. The mineral resources were classified using an oriented ellipsoid of 80 m x 80 m x 20 m for the indicated category followed by manual editing of the final classification based on correlogram distance interpretation. There are 154 diamond drill holes within the indicated resource perimeter, including of six holes drilled in 2007 for SGS, 13 holes drilled for SGS in 2010, and six holes drilled in 2010 by Northern Graphite. This recent drilling represents only 16 % of the total drilling within indicated perimeter.

In order to establish a reasonable prospect of economic extraction in an open-pit context, mineral resources were limited to an optimized Whittle pit shell using an average graphite price of USD 2,000 per tonne, updated operating and capital costs, relative density of 2.63 t/m³, 10 % mine dilution and 90 % mine recovery. A grade of 0 % Cg was applied to the 10% diluted tonnes. The table below summarizes the mineral resources for the Project at various cut-off grades.

Bissett Creek Flake Graphite Deposit
2011 Updated Mineral Resources (Diluted)

%Cg Cut-off	Indicated			Inferred		
	Tonnage* (metric tons)	Cg(%) by LECO	In Situ Graphite** (metric tons)	Tonnage* (metric tons)	Cg(%) by LECO	In Situ Graphite** (tonnes)
0.986	25,983,000	1.81	470,300	55,038,000	1.57	864,100
1.227	24,588,000	1.85	454,900	50,472,000	1.62	817,600
1.50	19,954,000	1.99	397,100	33,672,000	1.81	609,500
1.75	16,031,000	2.34	375,100	21,417,000	2.21	473,300
2.0	11,921,000	2.50	298,000	14,584,000	2.37	345,600

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

10 % dilution; 90 % mine recovery

*Rounded to nearest 1000

**Rounded to nearest 1000

Effective date September 12th 2011

CIM definitions for mineral resources were followed

Numerous parameters have been modified from the 2010 Preliminary Economic Assessment to update the current resource estimate and comparison between the two might be difficult to make. Using the various pit outlines of the 2010 PEA and the 2011 block model, variation in tonnage and grade is explained by some of the factors listed below:

- The mineralized envelope has been modified by a new geological interpretation, more detailed topographic data, the insertion of barren envelopes and by redefining the overburden surface;
- A re-examination of the historical drill hole locations with historical drawings not available at the time of the 2010 PEA has led to moving the location of a certain number of drill holes which affected the interpolation of the block model;
- Lower average grades from the 2010 drilling affected the interpolation. Consequently, some tonnage below a certain cut-off grade was lost; and,
- Changes to six m long composites from five m long composites used in the 2010 PEA may have also affected the grade interpolation by slightly smoothing the results.

Mineral Reserves

Mineral reserves for Bissett Creek were established in the FS based on the resource model prepared by SGS Géostat. The block model was limited by the mineralized envelope defined by the hanging wall and footwall surfaces of the mineralized graphitic gneiss; similarly, envelopes of intercalated barren intervals within the graphitic horizon were also contoured in the model. Interpolation of graphitic carbon grades within the mineralized envelopes was done by ordinary kriging using geostatistical parameters. The resource model is a “percentage model” because only the percentage of block falling within the mineralized envelope was calculated for tonnage estimate; similarly, only mineralized intercepts within the mineralized envelope were used for the interpolation. Consequently, the initial resources calculation is undiluted. SGS Géostat found appropriate to include a 10 % dilution at zero grade and a 90 % mine recovery factor for the final mineral resources.

Open pit optimization was conducted by GMining to determine the optimal economic shape of the open pit in three dimensions. This task was undertaken using Whittle software which is based on the Lerch- Grossmann algorithm. The method works on a block model of the ore body, and progressively constructs lists of related blocks that can be mined economically. The method uses the economic values of the blocks to define a pit outline that has the highest possible total economic value, subject to the required pit slopes defined as structure arcs in the software.

The table below presents a summary of the parameters used in the optimization process. The selling price for graphitic carbon was USD 2,097/t conc. less a royalty of USD 20.00/t conc.

Bissett Creek Optimization Parameters and Cut-off Grade Calculation

Selling Parameters		
In-situ Breakeven COG	0.853	% Cg
Diluted Grade	0.776	% Cg
Selling Price	2 097.00	USD/t conc.
Royalty	20.00	USD/t conc.
Net Selling Price	2 077.00	USD/t conc.
Exch. Rate	1.00	CAD/US\$
Selling Price	2 097	CAD/t conc.
Royalty	20.00	CAD/t conc.
Net Selling Price	2 077.00	CAD/t conc.
Plant Recovery	92.7	%
Concentrate Grade	94.50	% Cg
Concentration Ratio	131.4	CR
Net Revenue	14.65	CAD/t ore
Ore Based Costs		
Processing Cost	11.30	CAD /t ore
G&A cost	3.00	CAD /t ore
Ore Premium Mining Cost	0.35	CAD /t ore
Total ore Based Cost	14.65	CAD/t ore
Profit	-	CAD/t ore
Mining Parameters		
Overburden Mining Cost	3.30	CAD/t mined
Waste Mining Cost	3.90	CAD/t mined
Ore Mining Cost	3.90	CAD/t mined
Mining Recovery	90	%
Mining Dilution	10	%
Overall Slope Angle in Overburden	26	deg
Overall Slope Angle in Rock	45	deg
Processing Rate		
Tonnes per day	2 500	tpd
Plant Availability	0.92	
Mill Throughput	839 500	t/yr

The plant recovery will start at 92.7% and increase to 94.7% following operating improvements and experience. For the optimization the conservative value was used. The total ore based cost which includes processing costs, general services costs and ore premium mining cost due to the extra distance that the truck will travel to transport the ore to the plant is USD 14.65/t ore. The breakeven cut-off grade (“COG”) base on the assumed product prices, recoveries and ore-based costs was 0.85% Cg. The mining costs were initially estimated at CAD 3.30/t of overburden and CAD 3.90/t of rock. For the optimization, the mining dilution is fixed to 10% at a low grade and mining loss at 10%. The overall slope angle for overburden and rock were established respectively at 26 degrees and 45 degrees. In order to qualify for mineral reserves, only the measured and indicated resources were utilized in the open pit optimization process.

The optimal pit shell corresponding to a price of CAD 2,077/t of Cg concentrate produced with Lerch- Grossman algorithm was used as a guideline for designing the final pit. The final pit design process consists of designing ramp accesses to the bottom of each pit phase using the geotechnical recommendations guiding the bench geometry. The ramps and haul roads are designed for the largest equipment, being a 45 t class haul truck. For double lane traffic, industry best-practice is to design a road width of at least 3.5 times the width of the largest vehicle, which corresponds to 22 m in our case. Ramp gradients were established at 10%.

Phasing of the pit was investigated by using the pushback chooser module in Whittle which iteratively searches for the best combination of pushbacks to maximize NPV. A mining width is specified between pushbacks to assure enough working room for equipment. Considering the anticipated size of mining equipment, a mining width of 70 m was assumed.

Mining will be accomplished with three phases to achieve the final pit limits. The objective of pit phasing is to improve economics by feeding the highest grade at a reasonable stripping ratio during the earlier years and to defer lower grades towards the later years. The initial phase is centered on the higher grade material. It was necessary also to store sulphide tailings in the mined out Phases 1 and 2 in the 13th year of operations and non-sulphide tailings in the 16th year of operations. Consequently, the last Phase 3 and Phases 1 and 2 will be separated by a 26 m berm of in-situ rock and overburden glacial till to protect mining operations in Phase 3 from tailings disposals in Phases 1 and 2. Filling Phases 1 and 2 with tailings will progress to Elevation 266 by the time Phase 3 is mined out; the bottom of Phase 2 is at about Elevation 209.

The mineral reserves for the Bissett Creek Deposit are reported according to the Canadian Institute of Mining, Metallurgy and Petroleum’s (“CIM”) standards. According to these standards, Resource Model blocks classified as Measured and Indicated can be reported as proven and probable reserves. Owing to the above reporting standards, the Inferred Resources cannot be included as Reserves and so have not been included in the optimization and calculations.

Mining reserves were estimated by designing ore outlines or mining shapes around economic mineralization for every six meter bench. Only mineralization classified as indicated was considered when designing the ore outlines. Since there was no mineralization classified as measured, all mineral reserves are classified as probable at this time. After several cycles of mine planning and project evaluation it was decided to use a higher cut-off grade of 1.2% Cg instead of the breakeven 0.85% Cg for the mineral reserves and corresponding optimal mine plan. This marginal ore (0.85-1.2% Cg) is estimated at 1.66 Mt at 1.1% Cg and will be stockpiled separately and could be processed economically at the end of the current LOM. However, it is currently excluded from the mineral reserves and mill feed plan; it is accounted as waste for costing purposes. Inferred ore within the pit limits is estimated to be 1.53 Mt at 1.5 % Cg and is considered as waste material

The ore outlines include a one meter dilution envelope around economic ore blocks and also enclose marginal material surrounded by economic mineralization. The dilution envelope and enclosed waste in most cases is mineralized, with an associated dilution grade. The mineral reserves are consequently inclusive of a 7.8% dilution at 0.5% Cg. A mining loss of 10% was estimated at this time mostly because of the low dip of the orebody and the inclined ore-waste contacts.

The total probable mineral reserves are estimated at 18.98 Mt at 1.89% Cg and are detailed in the following table.

Mineral Reserves by Mining Phase

Phases	Ore Tonnage (kt)	Cg (%)
Phase 1	3,663	2.28%
Phase 2	9,048	1.85%
Phase 3	6,266	1.71%
Total	18,977	1.89%

Minimum Dilution: Average 7.8% at 0.5% Cg

Mining Recovery: 90%

Mineral Processing and Metallurgical Testing

The FS relied on two extensive metallurgical testing programs to develop and assert the processing and recovery schemes for the Bissett Creek deposit; testing programs supervised by Cominco Engineering Services Limited (“CESL”), on behalf of a former owner, in the 1990s; and recent testing programs (2010-2012) sponsored by Northern Graphite at SGS Lakefield.

Historical Processing and Metallurgical Study

A metallurgical study was carried out in 1990 for North Coast Industries the project owners at the time. Metallurgical development and the direction of testwork were provided by CESL. The testwork was conducted at Ortech International (“Ortech”) and Bacon, Donaldson and Associates Limited. (“BDA”) testing laboratories during January-June 1990. Detailed test results and their specific information of the ore samples are documented in a report title “Metallurgical Testing of Bissett Creek Graphite Final Report” by BDA in July 1990.

The purpose of the testwork was to confirm and/or improve the metallurgy developed in an earlier study, followed by the demonstration of the flowsheet in a continuous pilot plant operation. Further, the results of the pilot plant tests were used to form the basis of a production scale plant flowsheet development.

Metallurgical targets for the testwork were as follows:

- Overall concentrate grade of approximately 92-95% Cg
- Overall graphite recovery to concentrates of 93-95% Cg
- A high proportion of flakes in the +48 mesh size fraction, i.e. 50% by weight or greater

Recent Processing and Metallurgical Testing Program

The recent program was developed by SGS Lakefield based on the previous program outcomes. This program was aiming to develop and pilot test a final version of the processing flowsheet. Descriptions and results of this latest program are presented in the report “An Investigation into the Recovery of Graphite from a Bulk Sample from Bissett Creek – June 21, 2012”.

A series of comminution tests was completed to support the sizing of the crushing and grinding equipment and to quantify media wear. The Bissett Creek ore is classified as “soft” when compared to the JK Tech database.

A lab program was completed in 2010 to 2011 on a master composite originating from the Bissett Creek deposit. This lab program generated a flowsheet and reagent conditions that were deemed suitable to produce a graphite concentrate grading at least 95 % C and to maximize overall graphite recovery.

A series of batch flotation tests was completed to validate the flotation conditions prior to lock cycle testing.

Eight locked cycle tests were performed to optimize the processing flowsheet for the Bissett ore and to separate the tailings into a sulphide tailings stream and a low-sulphide tailings stream. Then eight different composites were submitted to locked cycle tests according to the final flowsheets. The composite samples were taken from locations across the ore body to confirm flake consistency.

Assuming that the difference in recoveries for the whole range of grades tested is probably within the margin of test error and too small to draw any relationships, we can conclude that the variability tests do not demonstrate any meaningful correlation between:

Head grades and concentrate grades;

Head grades and recoveries; and

Head grades and +80 mesh (flake) fraction in the concentrate product.

The Locked Cycle testing on composite material taken from drill core samples across the deposit produced six final concentrates which showed consistent flake size distribution and carbon grade. The overall concentrate grade averaged 95 % C. A concentrate which grades 94% C and has a flake size distribution of 80 % greater than +80 mesh is the industry standard premium product. Almost all Bissett Creek production meets this specification as the final concentrates averaged over 70%, +80 mesh. Approximately 6% of the concentrate was +100 mesh and 12 % was +200 mesh, both with high carbon content. Less than 10% was very small, -200 mesh flake and powder with a carbon content in the low 80s.

Most significantly, almost 50% of the graphite concentrate produced was jumbo size, +48 mesh flake which averaged 98 % C with one value as high as 99.2 % C. A pilot plant test was designed to further confirm the flow sheet incorporated into the FS and optimize its operating parameters. The overall carbon recovery in the Locked Cycle tests was 92.2 % and the Corporation's objective is to increase it to 94 to 95 % without degradation of flake size. Selected samples from the locked cycle tests were submitted for a basic environmental analysis to determine the most suitable flowsheet option to produce a large percentage of non-acid generating tailings and only a small tailings stream of acid generating material that requires special tailings handling. The combination of a sulphide rougher and cleaner circuit in combination with a magnetic separator that treats the combined rougher and sulphide 1st cleaner tails produced non-acid generating tailings with the lowest mass recovery into the high-sulphur tailings stream.

The Table below summarizes the LCT results:

Test	Product	Weight %	Assay (%) C(t,g)	Distribution (%) C(t,g)
LCT LG-3	Final Concentrate	1.4	93.5	96.8
	Head (calc)	100.0	1.38	100.0
	Head (direct)		1.22	
LCT LG-4	Final Concentrate	1.4	93.7	95.2
	Head (calc)	100.0	1.35	100.0
	Head (direct)		1.45	
LCT MG-2	Final Concentrate	1.6	96.5	97.7
	Head (calc)	100.0	1.60	100.0
	Head (direct)		1.47	
LCT MG-4	Final Concentrate	1.6	95.4	96.8
	Head (calc)	100.0	1.58	100.0
	Head (direct)		1.30	

LCT HG-1	Final Concentrate	3.4	93.7	99.1
	Head (calc)	100.0	3.22	100.0
	Head (direct)		3.18	
LCT HG-2	Final Concentrate	3.7	95.5	96.2
	Head (calc)	100.0	3.66	100.0
	Head (direct)		3.34	
LCT HG-3	Final Concentrate	2.6	95.3	97.1
	Head (calc)	100.0	2.56	100.0
	Head (direct)		2.32	
LCT HG-4	Final Concentrate	3.6	95.9	98.3
	Head (calc)	100.0	3.52	100.0
	Head (direct)		2.61	

*The recoveries are calculated using a mix of total and graphite carbon assays. Since the total carbon analysis is not accurate at the lower grade (<5% C) we use the graphitic carbon results, while the total carbon is used for all other products (mainly concentrates)

Size Fraction Analysis of Graphite Concentrates from LCT

Composite	Flake Size Distribution - % retained (mesh)						
	+32	+48	+80	+100	+200	-200	>80
LG Pit #3	19.0	32.8	23.2	5.0	10.4	9.5	75.1
LG Pit #4	22.6	32.6	20.1	4.6	9.5	10.5	75.3
MG Pit #2	23.7	34.1	22.1	3.9	8.7	7.5	79.9
MG Pit #4	25.7	32.8	19.9	3.8	9.3	8.4	78.4
HG Pit #1	11.2	31.9	28.1	7.0	12.8	9.0	71.2
HG Pit #2	14.8	32.8	25.9	5.9	12.0	8.6	73.5
HG Pit #3	20.2	35.1	22.7	5.3	9.3	7.4	78.0
HG Pit #4	15.7	32.0	24.4	6.0	11.7	10.2	72.1
Minimum	11.2	31.9	19.9	3.8	8.7	7.4	71.2
Maximum	25.7	35.1	28.1	7.0	12.8	10.5	79.9
Average	19.1	33.0	23.3	5.2	10.5	8.9	75.4
StdDev	4.9	1.1	2.8	1.1	1.5	1.2	3.1
Rel StdDev	25.8	3.3	12.0	21.4	14.3	13.0	4.1

In order to demonstrate the suitability of the proposed flowsheet on a larger scale and continuous operation, pilot scale testing trials were performed on approximately 110 t of a bulk sample originating from Northern Graphite's Bissett Creek deposit. The purpose of the pilot plant program was the following:

- Demonstration of the proposed flowsheet on a pilot plant scale;
- Production of concentrate and tailings for downstream testing; and,
- Development of engineering data to support the generation of process design criteria and results.

The bulk material sample was received in three 40t dump trucks, stage-crushed to -5/8", and homogenized with a front-end loader. A 100 kg sample was extracted for laboratory scale testing and as reference material. A representative sub-sample was submitted for chemical analysis. The circuit was configured based on the flowsheet that was developed on a Bissett Creek Master composite. The setup of the pilot plant was completed in late October 2011 and the circuit was commissioned during the second week in November. Over the course of the following four weeks, the circuit was operated for 17 shifts until December 8, 2011.

The results were communicated to Don Baxter of Northern Graphite, G Mining, and SGS Geostat as they became available. Representatives of the three companies (Ahmed Bouajila, Nicolas Menard and Gilbert Rousseau) as well as Don Baxter were present on site throughout the four weeks of operation.

Due to a series of mechanical and metallurgical challenges, the circuit was only optimized at the end of run PP-14. An extended run commenced on PP-15 and five successful surveys were completed during PP- 16 and PP-17, which consisted of multiple cuts of each external and internal stream of the flotation circuit. The direct head assays of each product were then used with data reconciliation software BILMATTM to generate a circuit mass balance. The graphite recoveries into the final concentrate ranged between 90.5 % in survey PP-17B and 94.9 % in survey PP-16C. The adjusted concentrate grades varied from 93.4% in PP-16C to 95.3 % in PP-16A.

Since the revenue for the graphite concentrate is highly dependent on the flake size distribution and the grade of each size fraction, the final concentrate from each survey was subjected to a size fraction analysis. The results of this analysis reveal that almost 50 % of the concentrate mass consisted of +48 mesh flakes, which are considered a premium product. The +48 mesh fraction ranged between 43.1% and 58.5% by mass in the locked cycle variability tests compared to 45.7 % to 49.8 % in the pilot plant

The Bissett Creek pilot plant campaign demonstrated the suitability of the proposed flowsheet despite concerns that the bulk sample was partly weathered. As a result of this and the lack of operating time to optimize the circuit, the metallurgical performance of the pilot plant was slightly inferior compared to the laboratory program that was completed on a Master composite and eight variability composites. Based on the pilot plant results, the following parameters were used for mass balance and project economics:

Recovery: 92.7 % to 94.7 %

Concentrate flake distribution and grades:

+48 mesh:	48.4 % at 95.1 % C
+80 mesh:	28.2 % at 94.5 % C
+100 mesh:	4.8 % at 97.3 % C
-100 mesh:	18.6 % at 94.8 % C

The Corporation is confident of achieving recoveries of 94 to 95% in the full scale plant for the following reasons:

- operation of a pilot plant does not allow enough time to optimize the process with respect to balancing grinding, retention time and reagents;
- due to its small scale, the pilot plant used mechanical cells for rougher flotation. The full plant will use column flotation which is more efficient for the recovery of coarse graphite flotation products;
- the bulk sample showed some signs of surface oxidation that affected recovery. This will not be a factor in the full scale mining operation.
- a coarser final flake concentrate is also expected as a rod mill was used for primary grinding in laboratory and pilot plant testing whereas the full scale plant will utilize a SAG Mill which is the best method of grinding to preserve flake size.

The pilot plant results have confirmed that the Bissett Creek deposit will produce entirely large flake, high carbon concentrates from flotation alone, without chemical or thermal treatment. As a result, Bissett Creek concentrates will likely have the highest average value per tonne in the industry and this could result in the highest margin in the industry. As a result, the Corporation believes it will have the option of selling them into current high value markets,

or using them to produce spherical graphite for Li ion batteries if it is financially advantageous to do so. The pilot plant also confirmed results from the extensive historical testing, bulk sampling and pilot plant work that was carried out in the past and has validated the performance of the new flow sheet that forms the basis for the bankable FS.

2012 Test Quantities of Spherical Graphite

On April 2, 2012, the Corporation announced that it had successfully manufactured test quantities of spherical graphite from graphite concentrate produced from the Bissett Creek Project. The spherical graphite has been evaluated in Lithium/graphite battery test cells and the performance of these cells demonstrated that it met or exceeded current commercial performance requirements and that Bissett Creek graphite does not contain any impurities that negatively affect cell performance. Further test cycles are on-going. The cells were made and the testing carried out in a highly qualified, independent laboratory.

The Corporation can now provide potential strategic and offtake partners with representative test samples of graphite concentrate produced using the same flow sheet that would be employed in a full scale mine, and spherical graphite based on that concentrate.

Northern micronized and rounded its Bissett Creek graphite to basic industry specifications and can modify it to meet the requirements of various products and manufacturers. Spherical graphite sells for much higher prices than run of mine graphite concentrates and could further enhance the economics of the Bissett Creek Project.

Currently, almost all spherical graphite is produced from small flake concentrates (-100 to +150 mesh) and 70% of the graphite is destroyed in the process. As a result, it takes three tonnes of small flake graphite to make one tonne of spherical graphite and these losses are the single largest cost in the manufacturing of spherical graphite. Northern has achieved spherical graphite yields from its large flake concentrate as high as 70% which will substantially reduce production costs. The large flake nature of the Bissett Creek deposit provides the Corporation with the flexibility to sell its concentrates into high value, large flake markets or produce spherical graphite for the Li ion battery market.

Almost all spherical graphite is currently produced in China and purified using strong acids which results in large volumes of acidic and toxic waste, and this method is not environmentally sustainable as the demand for, and production of, Li ion batteries increases. It is also inconsistent with the green energy objectives of the hybrid and all electric car industry. The high quality and purity of graphite from Bissett Creek has enabled the Corporation to develop a proprietary purification technology that is environmentally friendly and sustainable where the technology works at much lower temperatures than traditional thermal purification techniques and will result in lower capital and operating costs.

Based on the positive test results, the Corporation commenced engineering and design work to define the capital and operating costs of a facility to upgrade Bissett Creek graphite concentrate into spherical graphite. The Corporation's objective is to provide Li ion battery manufacturers with a stable, secure source of supply that is produced in an environmentally acceptable manner and this facility would initially be based on the approximately 20% of Bissett Creek production that is -80 mesh with the ability to scale it to larger volumes in the future.

Anticipated Mining Operations

Considering the relatively small tonnage mined yearly and the desire by Northern Graphite to limit up front capital requirements, it was decided early in the FS to use contract mining as the basis for mine operations. Typically in Northern Ontario, different contractors will handle drilling and blasting operations and materials handling; often the first contractor can be a sub-contractor of the second one.

On the basis of six meter benches, the chosen contractor will likely use drills capable of drilling 10-15 cm diameter hole on a pattern resulting in a powder factor of 0.8 kg/m^3 . Explosives would be entirely emulsion. Based on quotes obtained and review of actual contractors costs in current operations, drilling and blasting costs were estimated at CAD 0.85/t of waste and CAD 1.15/t of ore. The higher cost in ore is explained by the loss in productivity while drilling to allow sampling of cuttings at every meter in the mineralized zone and the need to adjust bench height to minimize dilution and ore losses from the inclined ore/waste contacts. It is also

planned to conduct pre-shearing of the final pit walls and a cost of CAD 21/m² was estimated.

Loading and haulage operations will likely use 40-50 t-capacity trucks with 5-6 m³ loading equipment. Overburden will be free-digging and blasted rock should have a maximum size of 0.6 m. The waste storage facility is on average 0.6 km from the pit ramp and the haulage distance from the pit to the primary crusher is 2.1 km. The maximum lift from the final pit bottom is 80 m and the maximum height of the waste storage facility is 25 m.

The design criteria for the Bissett Creek processing plant was based on Northern's direction and the results obtained from the metallurgical testing performed by SGS Lakefield during 2011.

The design criteria for the graphitic carbon processing plant were based on a continuous and homogenous feed of ore coming from the pit and the following parameters:

- Plant throughput: 839,500 Mt/yr (2,500 t/day);
- Plant circuit throughput: 104 t/hr;
- Plant availability: 92 %;
- Plant operating schedule: 365 d/y, 24 hr/day;
- Crushing circuit utilization: 33 %;
- Crushing circuit throughput: 315 t/hr;
- Plant availability: 92 %;
- Crushing ROM feed size: 80 % minus 600 mm;
- SAG Mill feed size: 80 % minus 170 mm; and,
- Flotation feed size (Flash cell): 80% minus 600 µm.

The flow sheet does not contain any major technological challenges. All the processes selected are well established in the mineral processing industry. The plant is located to be in proximity of the open pit mine to optimize the haulage distances, and in proximity to both tailings storage areas to reduce pumping distances.

Proposed Infrastructure

Access roads already exist to the property but upgrades are required on most of them. Additional roads will also be required to service the tailings, the pit and the crushing plant. Knight Piésold Consulting ("KP") conducted an assessment for the roads required for the project.

The Tailings Management Facilities will be located north of the process plant facilities. Two tailings ponds will be required. One facility will be used to store the sulphides tailings, while the second one will store the non-deleterious neutral tailings. KP conducted a study on tailings management. Delivery of fuel will be done by tankers. Fuel will be stored in ISO approved tanks. Two horizontal tanks of 50,000 l each will be installed close to the truck shop. A total of 100,000 l of storage will be available to the mine fleet and the mobile equipment.

Power for the project will be produced by natural gas generators. The FS proposed a natural gas pipeline to deliver gas to the site, however other options such as compressed natural gas are being considered. Heat recovery from exhaust gases and from the cooling water loop will also be implemented for costs savings. The proposed power plant will consist of five generators with individual outputs of 1 MW each at ISO conditions. The design of the power plant is to meet an average power demand of 3.3 MW and a peak demand of 4 MW of electrical power, with one generator installed as stand-by. Power distribution throughout the property will be via overhead power lines at 4,160 Volts.

An existing maintenance facility is located at the current pilot scale processing plant. This building will require upgrades. Power will be required, and insulation will also be improved. This installation will be available to the mining contractor, for minor maintenance works, spare parts storage and will also provide the mining staff with office space. The truck shop is located approximately 650 m south of the pit.

A warehouse will be located south of the processing plant building. It will be a 35 m long x 18.2 m wide canvas-type building. It will be used for cold storage; a small workshop could be installed inside the building if

needed. It will be equipped with two garage doors. This warehouse will also be used during construction for long term storage of critical equipment.

The main offices will be located within the process plant building.

Environmental and Permitting

To support the early phases of project planning, data from recent baseline characterization programs completed in 2010 to 2012, as well as information from historical studies dating back to 1988 were utilized. The characterization studies completed include; hydrogeology, hydrology, aquatic environment, terrestrial environment, climate and meteorology and geochemistry. The baseline study programs were conducted to identify the potential impacts envisaged during the construction, operation and closure of the Bissett Creek Project. The characterization programs focused on defining specific components including; aquatic environment, terrestrial environment, hydrology, hydrogeology, meteorology, air quality, and geochemistry (acid rock drainage and metal leaching prediction). These findings were integrated into the project designs to reduce, and to the greatest extent possible, avoid potentially adverse environmental impacts. Northern Graphite engaged the federal and provincial governments early in the planning process. Inter-agency meetings were held in Pembroke in 2011 and 2012. In addition, Northern Graphite used letters, e-mails and phone calls to communicate Project updates. Comments received during the consultations with the provincial and federal governments were integrated into the Project Description. For instance, pre-consultations with the Department of Fisheries and Oceans and Transport Canada resulted in the re-design of the Neutral Tailings Management Facility out of Blimkie Lake. A draft Project Description was sent out to the Canadian Environmental Assessment Agency (“CEAA”) and the Ministry of Northern Development and Mines (“MNDM”) March 2, 2012. The Project Description was circulated to the various provincial and federal government agencies for review. Following the review Northern Graphite received confirmation that the Project, as defined in the Project Description, is not subject to the Ontario Environmental Assessment Act or the Canadian Environmental Assessment Act.

An Environmental Management Plan (“EMP”) will be implemented for the Bissett Creek Mine prior to development. The EMP will provide a framework for dealing with the environmental risks associated with the development, operation and closure of the Bissett Creek Mine. The EMP will include a description of the activities to be carried out on site and a description of the associated risks.

2012 Mine Closure Plan Submission

In October 2012, the Corporation submitted the Mine Closure Plan (“MCP”) for the Bissett Creek project to the MNDM. The approval of the Mine Closure Plan by the MNDM will enable the Corporation to commence construction of the Bissett Creek Mine, subject to financing. The MCP is an all-encompassing document that describes, in detail, the nature of the operations that will be carried out, the current baseline environmental conditions, and the Corporation's plan for rehabilitating the site and returning it to its natural state at the end of mining operations. The MCP is a requirement of the Ontario Mining Act and must be filed prior to commencement of mining operations. A financial assurance that guarantees the Corporation's rehabilitation obligations under the MCP must be provided to the MNDM as part of the filing process. The financial assurance has been estimated at \$1.6 million which reflects the relatively benign nature of the operation, neutral tailings and the ability to practice progressive rehabilitation due to the shallow, flat lying nature of the deposit.

The MCP and underlying baseline information were prepared by Knight Piesold Ltd. The MCP addresses the questions and concerns of the public, First Nation Communities and other interest groups that were identified during pre submission consultations. A number of other permits relating to air, noise, water, etc. are required prior to the commencement of operations and follow in the normal course after acceptance of the MCP. All of these issues are dealt with in the MCP. With the acceptance or "filing" of the MCP, the Corporation could initiate site work including the clearing of internal roads, plant site and tailings basin.

Capital and Operating Costs

The capital cost estimate for the Bissett Creek Project was developed at $\pm 15\%$ accuracy. Costs are reported in Canadian Dollars (“CAD”).

According to standards established at the outset of the project, pricing of equipment, material and labour were estimated according to the following guidelines:

- Equipment proposals received specifically for the project;
- Equipment prices derived from recent projects or from databases;
- Material prices based on quotations received from contractors; and,
- Labour rates based on quotations received from contractors.

Locally available material was used for estimation purposes and prices were sourced from regional suppliers.

No escalation was built into the capital cost estimates. The estimates were received during 1st Quarter 2012.

Labour rates were developed using hourly rates provided by contractors from the area. Due to the geographical location of the project, travel time and room and board were included in the hourly rates.

The table below presents a summary of the total capital expenditures for the project. The total capital expenditures are estimated at CAD\$102,924,637:

Total Capital Expenditures

DESCRIPTION	1Q 2012 CAD (000)
Infrastructure	\$9,383
Electrical Infrastructure	\$11,665
Tailings and Water Management	\$6,671
Mobile Equipment	\$1,711
Mine Infrastructure	\$50
Processing Plant	\$39,933
Construction Indirect costs	\$14,163
General Services	\$5,758
Pre-production and Commissioning	\$4,234
Contingency (10%)	\$9,357
Total	\$102,925

Mining costs are based on contract mining. Contractors will provide drill and blast, overburden removal, waste rock removal and ore mining. Contractors will be responsible to provide the mining fleet, operators, consumables and maintenance of their fleet and equipment. The drill and blast contractor will be responsible to manage the explosives. The owner will provide the mine management and technical services, including grade control. A mine engineer will be responsible for the department. A geologist and a mine technician will be hired directly by the owner. The processing costs include the manpower to operate the processing plant, as well as the crusher. It also includes the electrical power production and the consumption of natural gas. Consumables, reagents, and spare parts are also included in this estimate. Costs are calculated on a throughput of 839,500 t/yr of ore.

Description	1Q 2012 CAD/Mt
Processing Costs	7.32
Power Costs	2.29
G&A Costs	2.94
Technical Services	0.47
Drilling and Blasting (Waste)	0.85
Drilling & Blasting (ore)	1.15
Overburden Removal	1.85
Waste Rock Mining	2.30
Ore Mining	2.70
Total	21.87

Economic Analysis

The financial analysis is based on the net present value (“NPV”) and internal rate of return (“IRR”) of all project cash flows starting with the project approval and development release. The valuation date on which these financial metrics are based is at the commencement of construction. All financial analyses presented are based on unlevered cash flow projections, with no provision made for debt financing.

The financial analysis was performed both on a before-tax and on an after-tax basis with the cash flows estimated on a project basis only. Revenue and expenditure projections associated with the initial development and ongoing operation of the Project have been prepared using constant, 1 Q 2012 Canadian dollars without provision for inflation.

The graphite prices selected for the FS are based on recent price history. The graphite market has experienced major changes in recent years which resulted in an important increase in prices. In addition to much improved market pricing, the Bissett Creek graphite products include a major proportion of large flakes that could command an important premium from clients outside of the quoted prices by Industrial Minerals magazine; however at this time, the Corporation has no specific agreement with clients for its large flakes. Because the graphite market is experiencing major positive changes and the high-quality of the Bissett Creek graphite products, it was decided to retain four price scenarios to assess the value of the Bissett Creek Project. Scenario 1 represents the last 24-month average graphite price for the likely combination of standard products from Bissett Creek. Scenario 3 is based on the last 12-month average. Industrial Minerals magazine, which is the most widely used source for graphite pricing, does not provide pricing for extra-large flake material which will make up over 50% of Bissett Creek production. A premium paid for the large flake graphite would increase the average realized price for the entire production by USD 200/t of concentrate in Scenarios 2 and 4 representing less than 10%. According to Northern Graphite, this premium could be as high as 20%. The Table below shows the various scenarios:

Graphite Prices

Description	USD/t
Scenario 1: 24 months average	2,100
Scenario 2: 24 months average + premium	2,300
Scenario 3: 12 months average	2,600
Scenario 4: 12 months average + premium	2,800

At a graphite price of CAD 2,100/t of concentrate under Scenario 1, average annual sales are forecast to be CAD\$32.7 M and LOM (23 years) gross sales are totalling CAD\$752.9 M for Bissett Creek. After total royalty payment of CAD\$7.2 M, the LOM net revenues are estimated at CAD\$745.7 M. The table below summarizes the revenue and price scenarios:

Gross Revenues

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
(CAD M)	CAD 2,100/t	CAD 2,300/t	CAD 2,600/t	CAD 2,800/t
Gross Sales	752.9	824.6	932.2	1,003.9
Royalty	7.2	7.2	7.2	7.2
Net Revenues	745.7	817.4	925.0	996.7

Under Scenario 1, the undiscounted cash flow is CAD\$284.6 M before tax and CAD\$207.9 M after tax. The IRR are 15.6% before tax and 13.7% after tax respectively. The payback period from the end of the pre-production period is approximately five years. The table below shows the after tax NPVs and IRRs of the four scenarios. It is evident that

Scenario 1 is the most conservative and Scenario 4 is the most aggressive. If the current graphite market conditions would be maintained over the next 25 years, and Northern Graphite can proceed with its project shortly, the Bissett Creek Project would present financial returns in the range of Scenarios 3 and 4.

The Corporation is subject to several taxation jurisdictions provincially and federally. The Ontario mining tax is levied at a rate of 10% on mining profits in excess of CAD\$500,000 derived from operations located in Ontario. The first CAD 10 M of profit generated by a new mine is exempted from mining tax for a three year period. In Ontario, corporations file a single combined income tax return and pay combined income tax instalments based on a corporate income tax base harmonized with federal definition of corporate taxable income. The provincial tax rate used in the FS was 10%. The federal tax rate applicable to resources profits is 15%.

After Tax Net Present Values and IRR

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
(CAD M)	CAD 2,100/t	CAD 2,300/t	CAD 2,600/t	CAD 2,800/t
NPV 0%	207.9	257.7	331.2	379.9
NPV 5%	86.8	116.4	159.6	188.0
NPV 8%	46.9	69.9	103.2	125.0
IRR	13.7%	16.4%	20.0%	22.4%

Sensitivities to certain key parameters were undertaken in the financial model to appreciate variations to the Scenario 1 results. The project is mostly sensitive to variations in the graphite price. For every CAD 100/t of concentrate variation in price, the after-tax, undiscounted NPV varies by CAD\$25 M. Analysis can be reviewed in the FS document filed on SEDAR.

Current Status

The Corporation intends to produce a new resource estimate and revise the FS based on drill results from the fall 2012 program. Following acceptance of the MCP and subject to financing, the Corporation could be in a position to begin plant construction in the fall of 2013. Construction of the plant and infrastructure are estimated to take approximately 12 to 18 months. Production in Q4 2014 is the earliest date that the Corporation is targeting and could coincide with improving economies, a recovery in the graphite market and higher graphite prices.

DIVIDENDS

The Corporation has not, since the date of its incorporation, declared or paid any dividends on its shares and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, the Corporation anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on the Corporation's earnings, if any, its financial condition and such other factors as the directors of the Corporation consider appropriate.

DESCRIPTION OF CAPITAL STRUCTURE

Capital Structure

The authorized share capital of the Corporation consists of an unlimited number of common shares. As at April 9, 2013, 49,081,281 common shares were issued and outstanding as fully paid and non-assessable.

In addition, as at April 9, 2013, the Corporation had issued and outstanding:

- 2,725,000 stock options, exercisable at an exercise price of \$0.50, 2,566,667 of which are exercisable to acquire one common share until April 18, 2016 (the balance of the stock options have not vested);

- 25,000 stock options, each of which is exercisable to acquire one common share at an exercise price of \$0.94 until November 16, 2016;
- 225,000 stock options, exercisable at an exercise price of \$0.80, 112,500 of which are exercisable to acquire one common share until December 20, 2016 (the balance of the stock options have not vested);
- 525,000 stock options, each of which is exercisable to acquire one common share at an exercise price of \$2.50 until April 11, 2017; and
- 500,000 stock options, each of which is exercisable to acquire one common share at an exercise price of \$0.85 until December 20, 2017.

Common Shares

Holders of the common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Corporation and each common share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Corporation. Holders of the common shares, subject to the prior rights, if any, of any other class of shares of the Corporation, are entitled to receive such dividends in any financial year as the Board of Directors of the Corporation may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, holders of the common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Corporation, the remaining property and assets of the Corporation. Holders of common shares have no pre-emptive rights, no conversion rights or rights of redemption provisions applicable to the common shares.

PRICE RANGE AND TRADING VOLUME OF SHARES

The Corporation's common shares were listed and posted for trading on the TSX-V under the symbol "NGC" commencing on April 20, 2011 following the completion of the Corporation's initial public offering on April 18, 2011. The following table sets forth the reported high and low sale prices and the daily average trading volume for the shares on the TSX-V for each of the periods indicated.

	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Daily Average Volume</u>
December 2012	1.52	0.60	338,905
November 2012	0.83	0.66	124,123
October 2012	0.94	0.85	140,655
September 2012	1.10	0.89	129,405
August 2012	1.30	0.87	330,614
July 2012	1.99	1.09	392,633
June 2012	1.80	1.48	151,071
May 2012	2.70	1.60	382,809
April 2012	3.42	2.28	720,050
March 2012	3.37	2.00	761,164
February 2012	2.25	1.54	670,630
January 2012	1.50	0.85	210,330

PRIOR SALES

The Corporation issued the following securities not listed or quoted on a marketplace during the financial year ended December 31, 2012:

Date	Security	Issue or Exercise Price per Security	Number of Securities	Description of Transaction
March 16, 2012	Compensation Options	\$2.00	71,480	Private placement
April 11, 2012	Stock Options	\$2.50	525,000	Stock option grant
December 20, 2012	Stock Options	\$0.85	500,000	Stock option grant

ESCROWED SECURITIES

The Corporation had no securities held in escrow at December 31, 2012.

On November 29, 2012, the Corporation was accepted for graduation to Tier 1 of the TSX-V. As a result of Northern's graduation to Tier 1 issuer status, all of the securities of Northern that were then remaining in escrow, being an aggregate of 1,734,541 common shares, were released effective November 29, 2012.

DIRECTORS AND OFFICERS

Directors and Officers

The names, municipalities of residence and positions held in the Corporation of each of the directors and officers of the Corporation, their current principal occupation other than with the Corporation, the dates of their appointment or election as directors and their holdings of common shares (including those over which they exercise control) are set forth below:

Name, Municipality of Residence and Position with the Corporation	Principal Occupation	Director/Officer Since	Common Shares Beneficially Owned Directly or Indirectly or Controlled
Gregory B. Bowes Carleton Place, Ontario, Canada Chief Executive Officer and Director	Chief Executive Officer and a Director of the Corporation.	July 9, 2008	1,716,428 ⁽⁴⁾
Ronald N. Little ⁽¹⁾⁽²⁾ Ottawa, Ontario, Canada Director	President, CEO and a director of Orezone Gold Corporation.	June 24, 2010	1,185,714 ⁽⁵⁾
Jay Chmelauskas ⁽¹⁾⁽³⁾ Vancouver, British Columbia, Canada Director	CEO and President, Western Lithium Corp.	September 7, 2010	21,800
K. Sethu Raman, Ph.D ⁽²⁾⁽³⁾ Toronto, Ontario, Canada Director	Independent mining consultant.	September 7, 2010	285,694

Iain Scarr ⁽³⁾ Highlands Ranch, Colorado, United States of America Director	Country Manager and General Manager – Development, Galaxy Resources Limited	September 7, 2010	60,000
Donald H. Christie, CA ⁽¹⁾⁽²⁾ Toronto, Ontario, Canada Director	Chief Financial Officer, Solvista Gold Corporation	August 17, 2010	100,000
Don Baxter Huntsville, Ontario, Canada President	President of the Corporation	February 1, 2011	38,000
Stephen Thompson, CA, CPA (Illinois) Ottawa, Ontario, Canada Chief Financial Officer	Chief Financial Officer of the Corporation	February 1, 2011	Nil

Notes:

- (1) Member of Audit Committee.
- (2) Member of Compensation and Nomination Committee.
- (3) Member of Corporate Governance Committee.
- (4) 745,000 are held by Gregory Bowes. 571,428 common shares are held by Bowes & Company, Management Ltd., which is owned and controlled by Gregory Bowes and his family, and 400,000 common shares are owned by his spouse.
- (5) 985,714 common shares are held by Ronald Little and 200,000 are owned by his spouse.

Each director will hold office until the Corporation's next annual meeting or until a successor is elected or appointed.

The following is biographical information relating to the directors and senior officers of the Corporation, including their principal occupations for the past five years:

Gregory B. Bowes, B.Sc. (Geology), MBA - CEO and Director. Mr. Bowes (age 58) has over 30 years of experience in the resource and engineering industries. He holds an MBA from Queens University and an Honours B.Sc., Geology degree from the University of Waterloo. Mr. Bowes was Senior Vice President of Orezone Gold Corporation (ORE:TSX) from February 2009 to June 2010, and was Vice President, Corporate Development of its predecessor, Orezone Resources Inc., from January 2004 until September 2005 and was Chief Financial Officer from October 2005 to March 2007, and from April 2008 to February 2009. From December 2006 until April 2008, Mr. Bowes served as President, CEO and a director of San Anton Resource Corporation (SNN:TSX). Mr. Bowes is a director of Mindesta. Mr. Bowes' services to the Corporation were provided as an independent contractor until May 1, 2011. Effective May 1, 2011, Mr. Bowes entered into an employment contract with the Corporation, which includes a non-competition and non-disclosure agreement with the Corporation.

Iain Scarr, B.Sc. (Geology), MBA - Director. Mr. Scarr is founder and principal of IMEx Consulting which provides business development, mining and marketing services to the industrial minerals industry. Mr. Scarr is currently Country Manager and General Manager – Development for the Galaxy Resources Limited's (ASX:GXY) flagship Sal de Vida lithium and potash brine project in Argentina. Mr. Scarr spent 30 years with Rio Tinto Exploration and was most recently Commercial Director and VP Exploration, Industrial Minerals Division. He holds a B.Sc. in Earth Sciences from California State Polytechnic University and MBA from Marshall School of Business at the University of Southern California.

Ronald N. Little, P.Eng - Director. Mr. Little is the President, CEO and a director of Orezone Gold Corporation (ORE:TSX). Mr. Little has more than 25 years of experience, at senior levels, in mineral exploration, mine development, mine operations and capital markets. He has spent the last 15 years focused on African projects where he was the founder and responsible for over \$1.2 billion of transactions with the predecessor company Orezone

Resources Inc. that was taken over by IAMGOLD in 2009. Mr. Little has held directorships with other public and private companies and held senior operating positions in both major and junior gold producing companies.

Jay Chmelauskas, B.A.Sc, MBA - Director. Mr. Chmelauskas is CEO and President of Western Lithium Corp. and was previously President and CEO of China Gold International Resources Corp. Ltd. (formerly Jinshan Gold Mines) where he successfully managed and led the company during all phases of the commissioning of one of China's largest open pit gold mines. Mr. Chmelauskas has considerable experience in the exploration, development and mining industry, including a large Placer Dome gold mine, and a business analyst position with chemical manufacturer Methanex Corporation. Mr. Chmelauskas has a Bachelor of Applied Science in Geological Engineering from the University of British Columbia and a Master of Business Administration from Queen's University.

Donald H. Christie, CA – Director. Mr. Christie is the Chief Financial Officer and a Director of Solvista Gold Corporation (SVV:TSX-V) (formerly Alpha One Corporation). Mr. Christie is also the CFO and a Director of Gold Spike Exploration Inc. and the CFO of Calvista Gold Corporation (CVZ:TSX). Mr. Christie is a Chartered Accountant. Prior to his role as Chief Financial Officer at Solvista Gold Corporation, Mr. Christie was CFO of Continental Gold Limited (CNL:TSX). Prior to his involvement with Continental Gold Limited, Mr. Christie co-founded Ollerhead Christie & Company Ltd., a privately held Toronto investment banking firm which sourced, structured and syndicated debt private placements and provided financial advisory services to a client base comprised primarily of colleges, universities, schools boards and provincial government agencies. Prior to founding Ollerhead Christie & Company Ltd., Mr. Christie served as Vice President and a director of Newcourt Capital Inc., formerly the corporate finance subsidiary of then publicly traded Newcourt Credit Group (TSX, NYSE), which subsequently combined with the CIT Group, Inc. While at Newcourt, Mr. Christie was involved in the structuring and syndication of over \$1.5 billion of transactions. Mr. Christie holds a B.Comm degree from Queen's University.

K. Sethu Raman, Ph.D - Director. Dr. Raman is a professional geologist with over 40 years of international experience in all phases of exploration and development and has held senior executive positions in several public mining companies. He spent 13 years with Campbell Chibougamau Mines, Campbell Resources and Royex Gold Group of companies (now Barrick Gold) in various management positions including Vice President (1980-86) where he played a key role in gold discovery and development of six operating gold mines and major acquisitions including Hemlo Gold Mine and the Nickel Plate Gold Mine. From 1986 to 2004, Dr. Raman was President and CEO of Holmer Gold Mines Limited which over the years discovered and developed the Timmins Gold deposit. On December 31, 2004, Lake Shore Gold Corp., a TSX listed company, acquired all of the issued and outstanding shares of Holmer. Dr. Raman is currently a director of Moneta Porcupine Mines (TSX:ME), Crescent Resources Limited (formerly Nico Mining Limited) (TSX:RCB) and Altai Resources Inc. (TSX-V:ATI). Dr. Raman holds a Ph.D (1970) in geology from Carleton University, Ottawa and a UNESCO Post-Graduate Diploma (1965) from University of Vienna, Austria.

Donald K.D. Baxter, P.Eng – President. Mr. Baxter (age 47) has a degree in Mining Engineering from Queens' University. For five years preceding his involvement with Northern, Mr. Baxter held the role of President of Ontario Graphite Limited, which is attempting to bring the Kearney graphite property, a past producing mine located near Huntsville, Ontario, back into production. Mr. Baxter was Mine Superintendent and Chief Mine Engineer at Kearney between 1990 and 1995. Prior to 1990, Mr. Baxter was involved in mine engineering and operations with INCO and Noranda Minerals. Mr. Baxter's services to the Corporation are provided as an independent contractor. Mr. Baxter has not entered into a non-competition agreement with the Corporation. The agreement under which Mr. Baxter provides his services includes non-disclosure covenants in favor of the Corporation.

Stephen Thompson, CA, CPA (Illinois) - Chief Financial Officer. Mr. Thompson (age 44) holds a Bachelor of Commerce (honours) degree from Queens' University (1991) and is a Chartered Accountant as well as a Certified Public Accountant (Illinois) with over 20 years of experience in accounting and finance. For the three years preceding his involvement at Northern, he provided financial management and leadership services to a number of small Ottawa-based companies. He was previously Vice President, Finance of Espial Group Inc., Vice President, Finance of Hydro Ottawa Limited and Vice President Controller of Accelio Corporation. Mr. Thompson's services to the Corporation were provided as an independent contractor from February to April of 2011. Effective May 1,

2011, Mr. Thompson entered into an employment contract with the Corporation, which includes a non-competition and non-disclosure agreement with the Corporation.

Shareholdings of Directors and Officers

As of the date of this Annual Information Form, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 3,407,636 shares, representing approximately 6.9% of the issued and outstanding shares of the Corporation.

Cease Trade Orders

Except as disclosed below, no director or executive officer of Northern is, as at the date of this Annual Information Form, or has been, within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Northern) that was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation that was (i) in effect for a period of more than 30 consecutive days, (ii) issued while the director or executive officer was acting in that capacity, or (iii) issued after that person ceased to act in that capacity but which resulted from an event that occurred while that person was acting in that capacity.

Donald Christie was a Director of Alpha One Pool Company which is listed on the NEX. On April 3, 2006, trading in Alpha One shares was halted by the TSX-V at the request of Alpha One. On April 5, 2006 Alpha One issued a press release describing its intended Qualifying Transaction (as defined in the TSX-V Policies). The TSX-V subsequently issued a bulletin on September 13, 2006 indicating that Alpha One was required to complete a Qualifying Transaction by October 14, 2006, 24 months from its date of listing. Further to the TSX-V bulletin dated September 13, 2006, effective October 20, 2006, trading in Alpha One shares was suspended, as Alpha One failed to complete a Qualifying Transaction within 24 months of its listing. On March 9, 2007, as the result of Alpha One failing to complete the Qualifying Transaction within the time frame prescribed by TSX-V Policy 2.4, the Alpha One shares were transferred to NEX where they remain suspended pending the closing of a Qualifying Transaction. The trading symbol for Alpha One shares was changed from AOC.P to AOC.H as a result of the transfer to NEX.

Gregory Bowes has been a director of Mindesta since June 23, 2008 and became the Chief Executive Officer and Chief Financial Officer of Mindesta on May 10, 2010. On August 18, 2009, Mindesta, which is a Delaware corporation which is quoted on the over-the-counter bulletin board in the United States, was advised by the BCSC that the BCSC had issued a cease trade order against it for failure to file a NI 43-101 compliant technical report in connection with the November 2007 announcement by Mindesta of a mineral resource estimate and the results of a preliminary assessment for the Bissett Creek Project and subsequent similar disclosure. Mindesta had been designated a reporting issuer in British Columbia by the BCSC pursuant to BCI 51-509 on September 15, 2008. The technical report had been completed and Mindesta's disclosure was consistent with it, but the report was not filed with the BCSC due to the financial difficulties being experienced by Mindesta. The BCSC issued a full revocation of the cease trade order effective March 10, 2011.

Dr. Sethu Raman was a director of Visa Gold Explorations Inc., a TSX listed company, from October 2000 to June 2003. Trading in Visa Gold Explorations Inc. was halted in June 2003 for failure to file financial statements for the period ending December 31, 2002. On June 20, 2003, Dr. Raman resigned as a director. On January 13, 2004, the BCSC issued a cease trade order against the company.

Bankruptcies

No director or executive officer of Northern or, to the knowledge of Northern, any shareholder holding a sufficient number of securities of Northern to affect materially the control of Northern:

- (a) is, as of the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including Northern) that, while that person was acting in that capacity, or within a year of ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to

or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (b) has, within 10 years before the date of this Annual Information Form, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

Penalties or Sanctions

No director or executive officer of the Corporation or, to the knowledge of the Corporation, shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

As at the date hereof, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and any director or officer of the Corporation.

Certain of the directors of the Corporation serve as directors or officers of, or provide consulting services to, other resource companies or may have significant shareholdings in other public or private resource companies which may compete with the Corporation. Situations may arise in connection with potential acquisitions, investments or other transactions where the interests of these directors may actually or potentially conflict with the interests of the Corporation. The Corporation intends to establish procedures and practices to minimize the frequency and extent of conflicts of interest and to resolve or deal with them in a manner which protects the interests of the Corporation and its shareholders, including disclosure of actual or perceived conflicts and having independent directors review and deal with such conflicts. The *Business Corporations Act* (Ontario) requires written disclosure if a director or officer of the Corporation is a party to a material contract or proposed material contract or is a director or officer of, or has a material interest in, any material contract or proposed material contract, with the Corporation and subject to certain exceptions, requires the director to abstain from voting on the matter.

Committees of the Board of Directors

The Board of Directors has established three committees as described below, the Audit Committee, the Compensation and Nomination Committee and the Corporate Governance Committee.

Audit Committee

The Audit Committee is comprised of Messrs. Christie, Chmelauskas and Little. The Audit Committee has been structured to comply with National Instrument 52-110 - *Audit Committees* (“NI 52-110”). Each member of the Audit Committee is financially literate within the meaning of NI 52-110. In addition, each member of the Audit Committee is independent within the meaning of NI 52-110.

The Audit Committee oversees the accounting and financial reporting practices and procedures of the Corporation, and the audits of the Corporation’s financial statements. The principal responsibilities of the Audit Committee include: (i) overseeing the quality and integrity of the internal controls and accounting procedures of the Corporation, including reviewing the Corporation’s procedures for internal control with the Corporation’s auditor and Chief Financial Officer; (ii) reviewing and assessing the quality and integrity of the Corporation’s annual and quarterly financial statements and related management’s discussion and analysis, as well as all other material continuous disclosure documents, such as the Corporation’s annual information form; (iii) monitoring compliance with legal and regulatory requirements related to financial reporting; (iv) reviewing and approving the engagement of the auditor of the Corporation and independent audit fees; (v) reviewing the qualifications, performance and independence of the auditor of the Corporation, considering the auditor’s recommendations and managing the

relationship with the auditor, including meeting with the auditor as required in connection with the audit services provided by the Corporation; (vi) reviewing the Corporation's risk management procedures; (vii) reviewing any significant transactions outside the Corporation's ordinary course of business and any pending litigation involving the Corporation; and (viii) examining improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting.

Compensation and Nomination Committee

The Compensation and Nomination Committee is comprised of Messrs. Christie, Little, and Raman. Each member of the Compensation and Nomination Committee is independent within the meaning of National Policy 58-201 – *Corporate Governance Guidelines* (“NP 58-201”).

The Compensation and Nomination Committee oversees the remuneration, nomination and appointment policies and practices of the Corporation. The principal responsibilities of the Compensation and Nomination Committee include: (i) considering the Corporation's overall remuneration strategy and, where information is available, verifying the appropriateness of existing remuneration levels using external sources for comparison; (ii) comparing the nature and amount of the Corporation's directors' and executive officers' compensation to performance against goals set for the year while considering relevant comparative information, independent expert advice and the financial position of the Corporation; (iii) making recommendations to the Board of Directors in respect of director and executive officer remuneration matters with the overall objective of ensuring maximum shareholder benefit from the retention of high quality board and executive team members; (iv) considering nominees for independent directors of the Corporation; and (v) planning for the succession of directors and executive officers of the Corporation, including appointing, training and monitoring senior management to ensure that the Board of Directors and management have appropriate skill and experience.

Corporate Governance Committee

The Corporate Governance Committee is comprised of Messrs. Chmelauskas, Raman, and Scarr. Each member of the Corporate Governance Committee is independent within the meaning of NP 58-201.

The Corporate Governance Committee oversees the Corporation's approach to corporate governance matters. The principal responsibilities of the Corporate Governance Committee include: (i) monitoring and overseeing the quality and effectiveness of the corporate governance practices and policies of the Corporation; (ii) adopting and implementing corporate communications policies and ensuring the effectiveness and integrity of communication and reporting to the Corporation's shareholders and the public generally; and (iii) administering the Board of Directors' relationship with the management of the Corporation.

Directors' and Officers' Liability Insurance

The Corporation carries directors' and officers' liability insurance. The Corporation does not maintain any key man insurance.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The charter for the Corporation's Audit Committee is attached as Appendix “A” to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee of the Corporation is comprised of Donald Christie CA, Jay Chmelauskas and Ronald Little. Mr. Christie serves as Chairman of the Audit Committee. The Audit Committee has been structured to comply with NI 52-110. Each member of the Audit Committee is financially literate within the meaning of NI 52-110. In addition, each member of the Audit Committee is independent within the meaning of NI 52-110.

Relevant Education and Experience

Each member of the Corporation's Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, education and experience that have provided the member with: (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements and the ability to assess the general application of those principles in connection with estimates, accruals and reserves; (b) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements or experience actively supervising individuals engaged in such activities; and (c) an understanding of internal controls and procedures for financial reporting. In particular: (i) Mr. Christie is a Chartered Accountant with many years of experience with financial reporting and public companies, and he is currently Chief Financial Officer of Solvista Gold Corporation; (ii) Mr. Chmelauskas holds a Masters Degree in Business Administration, and he is currently President of Western Lithium Corp. and was previously President and CEO of China Gold International Resources Corp. Ltd., both publicly listed companies; and (iii) Mr. Little has over 15 years experience in managing public companies. In these capacities, they have become familiar with and had experience preparing, analyzing or evaluating financial statements and reporting requirements for public companies or actively supervising individuals engaged in such activities, and have developed an understanding of the accounting principles used by the Corporation to prepare its financial statements and an understanding of internal controls and procedures for financial reporting.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied upon any exemptions under NI 52-110.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Corporation's Board of Directors.

Pre-Approval Policy

The Corporation has not yet adopted any specific policies or procedures for the engagement of non-audit services. Such matters are the subject of review and pre-approval by the Audit Committee.

External Auditor Service Fees

The aggregate fees billed by the Corporation's auditors, Meyers Norris Penny LLP, Chartered Accountants, in each of the last two financial years of the Corporation are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2012	\$38,000	Nil	\$41,576	Nil
December 31, 2011	\$33,000	Nil	\$4,800	Nil

Notes:

- (1) The aggregate audit fees billed.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements which are not included under the heading "Audit Fees".
- (3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.
- (4) The aggregate fees billed for products and services other than as set out under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees".

PROMOTERS

Gregory Bowes, CEO of the Corporation, took the initiative to finance and reorganize the affairs of the Corporation and accordingly may be considered to be a promoter of the Corporation within the meaning of applicable securities

legislation. Mr. Bowes beneficially owns or controls 1,716,428 (common shares of the Corporation representing 3.5% of the issued and outstanding common shares. Mr. Bowes is compensated for the services he provides to the Corporation in his capacity as CEO at a salary of \$250,000 per year in accordance with the provisions of his employment agreement with the Corporation. See “Directors and Officers”.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not and was not during the financial year ended December 31, 2012 a party or subject to any legal proceedings involving the Corporation or any of its property.

No penalties or sanctions are or were during the financial year ended December 31, 2012 imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority. No other penalties or sanctions are or were during the financial year ended December 31, 2012 imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision. The Corporation has not entered into at present or during the financial year ended December 31, 2012 any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Annual Information Form, no director or executive officer of the Corporation or any person or company that is the direct or indirect beneficial owner of, or who exercise control or direction over, more than 10% of any class or series of the Corporation’s outstanding voting securities, or any associate or affiliate of any of such persons or companies, had any material interest, direct or indirect, in any transactions which materially affected or would materially affect the Corporation, occurring during the year ended December 31, 2012.

REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar of the Corporation is Equity Financial Trust Company at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The Corporation has no material contracts, other than contracts entered into in the ordinary course of business, that were entered into during the financial year ended December 31, 2012, or that were entered into before the financial year ended December 31, 2012 that are still in effect.

INTERESTS OF EXPERTS

Certain information in this Annual Information Form on the Bissett Creek Project is summarized from the 2010 Technical Report prepared by Gilbert Rousseau P. Eng and Claude Duplessis P. Eng, both of SGS, and both of whom are independent Qualified Persons under NI 43-101. As of the date hereof, to the Corporation’s knowledge, none of Messrs. Rousseau or Duplessis or any of the directors, officers, principals and associates of SGS own beneficially, directly or indirectly, or exercise control or direction over, any of the securities or other property of the Corporation.

Certain information in this Annual Information Form on the Bissett Creek Project is summarized from the Technical Report prepared by the following Qualified Persons, each of whom are independent Qualified Persons under NI 43-101: Nicolas Menard, ing, Louis Ginac, ing, Robert Marchand, ing, Robert Menard, ing, Andy Phillips, P.Eng, Steve Aiken, P.Eng, Ahmed Bouajila, ing, Daniel Houde, ing, Francois Thibert, P.Geo, Gilbert Rousseau, ing, Mehmet Taner, P.Geo and Antoine Champagne, ing. As of the date hereof, to the Corporation’s knowledge, none of the individuals listed above or any of the directors, officers, principals and associates of their respective companies own beneficially, directly or indirectly, or exercise control or direction over, any of the securities or other property of the Corporation.

The average selling price used in the Technical Report was reviewed by Mindesta and graphite expert, Mr. George C. Hawley. As of the date hereof, to the Corporation's knowledge, Mr. Hawley beneficially owns 124,875 common shares of the Corporation and has options to purchase 50,000 shares of the Corporation at a price of \$0.50 per share for a period of five years from April 18, 2011.

Meyers Norris Penny LLP, Chartered Accountants, of Vancouver, British Columbia, are the Corporation's auditors and such firm has prepared an opinion with respect to the Corporation's financial statements as at and for the year ended December 31, 2012. Meyers Norris Penny LLP, Chartered Accountants are independent of the Corporation in accordance with the Rules of Professional Conduct as outlined by the British Columbia Institute of Chartered Accountants.

RISK FACTORS

An investment in the Corporation is 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 Corporation and the business, prospects, financial position, financial condition or operating results of the Corporation. Prospective investors should carefully consider the information presented in this Annual Information Form, including the following risk factors, which are not an exhaustive list of all risk factors associated with an investment in the Corporation or the Corporation's shares or in connection with the operations of the Corporation:

Exploration Stage Corporation and Single Asset

The Corporation has a limited history of operations and is in the early stage of development. The Corporation is engaged in the business of exploring and developing a single asset, the Bissett Creek Project, in the hope of ultimately, at some future point, placing the Bissett Creek Project into production. The Bissett Creek Project will be for the foreseeable future the Corporation's sole asset. Although management believes the Bissett Creek Project has sufficient merit to justify focusing all the Corporation's limited resources upon it, the Corporation will in consequence be exposed to some heightened degree of risk due to the lack of property diversification. The Bissett Creek Project is known to host NI 43-101 compliant indicated and inferred resources and a probable resource. However, there are no guarantees that these indicated and inferred resources will ever be demonstrated, in whole or in part, to be profitable to mine. Development of the Bissett Creek Project will only follow upon obtaining satisfactory results from the recommended multi-phase exploration and development program and any subsequent work and studies that may be required. There can be no assurance that any of the Corporation's planned exploration and development activities on the Bissett Creek Project will ever lead to graphite production from the Bissett Creek Project.

Mineral Exploration and Development

The exploration and development of mineral projects is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not reduce or eliminate. The Bissett Creek Project, which will constitute the Corporation's sole asset, is known to host NI 43-101 compliant indicated and inferred resources, which have been updated into a probable reserve in the FS. However, there are no guarantees that there will ever be a profitable mining operation on the Bissett Creek Project. The proposed multi-phase exploration and development program on the Bissett Creek Project is subject to a significant degree of risk. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Corporation.

No History of Mineral Production

The Corporation has never had an interest in a mineral producing property. There is no assurance that commercial quantities of minerals will be discovered at any future properties, nor is there any assurance that any future exploration programs of the Corporation on the Bissett Creek Project or any future properties will yield any positive

results. Even where commercial properties of minerals are discovered, there can be no assurance that any property of the Corporation will ever be brought to a stage where mineral reserves can be profitably produced thereon. Factors which may limit the ability of the Corporation to produce mineral resources from its properties include, but are not limited to, the price of mineral resources are explored, availability of additional capital and financing and the nature of any mineral deposits.

Mining Operations and Insurance

Mining operations generally involve a high degree of risk. The Corporation's operations will be subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, water inflows, fires and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, periodic interruptions due to adverse weather conditions, labor disputes, political unrest and theft. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. The Corporation does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with losses or liabilities not covered by insurance coverage may have a material adverse effect upon the Corporation's financial condition.

Limited Operating History and Financial Resources

The Corporation has a limited operating history, has no operating revenues and is unlikely to generate any revenues from operations in the immediate future. It anticipates that its existing cash resources, together with the net proceeds of the Offering, will be sufficient to cover its projected funding requirements for the ensuing year. If its phased exploration and development program is successful, additional funds will be required to bring the Bissett Creek Project to production. The Corporation has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill its obligations or for further exploration and development on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Corporation to reduce or terminate its operations. Additional funds raised by the Corporation from treasury share issuances may result in further dilution to the shareholders of the Corporation or a change of control.

Government Regulation

The future operations of the Corporation, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labor standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. The Corporation believes that the Bissett Creek Project is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that the Corporation will obtain on reasonable terms or at all the permits and approvals, and the renewals thereof, which it may require for the conduct of its future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on plans to explore and develop the Bissett Creek Project. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delay on the Corporation's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Results of Prior Exploration Work

In preparing the Technical Report and the FS, the authors of such report relied upon data generated by exploration work carried out by geologists employed by others. There is no guarantee that data generated by prior exploration work is 100% reliable and discrepancies in such data not discovered by the Corporation may exist. Such errors and/or discrepancies, if they exist, could impact on the accuracy of the Technical Report and the FS.

Reliance on Management and Experts

The success of the Corporation will be largely dependent upon the performance of its senior management and directors. Due to the relative small size of the Corporation, the loss of these persons or the inability of the Corporation to attract and retain additional highly-skilled employees may adversely affect its business and future operations. The Corporation has not purchased any “key-man” insurance nor has it entered into any non-competition or non-disclosure agreements with any of its directors, officers or key employees and has no current plans to do so.

The Corporation has hired and may continue to rely upon consultants and others for geological and technical expertise. The Corporation’s current personnel may not include persons with sufficient technical expertise to carry out the future development of the Corporation’s properties. There is no assurance that suitably qualified personnel can be retained or will be hired for such development.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Corporation competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. The mining industry is facing a shortage of equipment and skilled personnel and there is intense competition for experienced geologists, field personnel, contractors and management. There is no assurance that the Corporation will be able to compete successfully with others in acquiring such equipment or personnel.

Conflicts of Interest

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Corporation should be made in accordance with their fiduciary duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders.

In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (Ontario) and other applicable laws.

Competitive Conditions

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Corporation competes with a number of other entities in the search for and acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Corporation, the Corporation may be unable to acquire attractive properties in the future on terms it considers acceptable. The Corporation also competes for financing with other resources companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Corporation.

The mining industry is facing a shortage of equipment and skilled personnel and there is intense competition for experienced geologists, field personnel, contractors and management. There is no assurance that the Corporation

will be able to compete successfully with other in acquiring such equipment and personnel.

Title to Property

The Corporation has carefully examined the historical record of ownership of the registered surface and mineral rights for the claims comprising the Bissett Creek Project, and the leasehold interests comprising the Bissett Creek Project, and has established and confirmed that ownership thereof is valid and secure and that title is properly registered. However, there can be no assurance or guarantee that the Corporation's interests in the Bissett Creek Project may not be challenged. There can be no assurance that the Corporation will be able to secure the grant or the renewal of exploration permits or other tenures on terms satisfactory to it, or that governments having jurisdiction over the Bissett Creek Project will not revoke or significantly alter such permits or other tenures or that such permits and tenures will not be challenged or impugned. It is always possible, though unlikely, that third parties may have valid claims not appearing in the historical record underlying portions of the interests of the Corporation and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that the Corporation may lose all or part of its interest in the properties to which such defects relate.

Aboriginal Land Claims

At the present time, the lands comprising the Bissett Creek Project are the subject of an aboriginal land claim. The Corporation has been in consultations with the Algonquins of Ontario ("AOO") for the past two years. The Corporation has begun the process of negotiating an Impact Benefits Agreement ("IBA") with the AOO. A Memorandum of Understanding ("MOU") has been provided and is under negotiation which is the first step towards an IBA. To date the AOO have expressed support for the project and have shown interest in economic development. However, the negotiation of an MOU and an IBA are subject to many factors beyond the Corporation's control and there is no guarantee or assurance that the Corporation will be successful.

Environmental Risks and Hazards

All phases of the Corporation's operations will be subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation and provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the viability or profitability of operations of the Corporation. The Bissett Creek Project has, over the course of the past two decades, been subject to several environmental studies. Additional environmental studies will, however, be required as the Corporation's anticipated exploration and development programs unfold. It is always possible that, as work proceeds, environmental hazards may be identified on the Bissett Creek Project which are at present unknown to the Corporation and which may have the potential to negatively impact on the Corporation's exploration and development plans for the Bissett Creek Project.

Cost of Land Reclamation

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities on the Bissett Creek Project. Reclamation bonds and other forms of financial assurance represents only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of the Corporation.

Commodity Prices

The price of the Corporation's securities, its financial results and its exploration, development and mining activities have previously been, or may in the future be, significantly adversely affected by declines in the price of graphite. Industrial mineral prices fluctuate widely and are affected by numerous factors beyond the Corporation's control such as the sale or purchase of industrial minerals by various dealers, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand, and international political and economic trends, conditions and events. The prices of industrial minerals have fluctuated widely in recent years, and future price declines could cause continued exploration and development of the Bissett Creek Project to be impracticable.

Further, reserve calculations and life-of-mine plans using significantly lower industrial mineral prices could result in material write-downs of the Corporation's investment in the Bissett Creek Project and increased amortization, reclamation and closure charges.

In addition to adversely affecting reserve estimates and the Corporation's financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Price Volatility and Lack of Active Market

In recent years, securities markets in Canada and elsewhere have from time to time experienced high levels of price and volume volatility. Consequently, the market prices of the securities of many public companies have experienced significant fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Corporation's securities will be subject to such market trends and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of the investment may be limited and the market price of such securities may decline.

Litigation

From time to time, the Corporation may be involved in lawsuits. The outcomes of any such legal actions may have a material adverse effect on the financial results of the Corporation on an individual or aggregate basis.

Dividends

The Corporation has no earnings or dividend record and does not anticipate paying any dividends on its common shares in the foreseeable future.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular dated May 9, 2012 for the most recent annual meeting of the Corporation's shareholders held on June 12, 2012. Additional information is provided in the Corporation's audited financial statements and the Corporation's management discussion and analysis for the year ended December 31, 2012. Copies of the foregoing documents may be obtained by shareholders upon request from the Corporate Secretary of the Corporation. These documents, as well as additional information relating to the Corporation, are available on SEDAR under the Corporation's SEDAR profile at www.sedar.com.

SCHEDULE “A”

CHARTER OF THE AUDIT COMMITTEE NORTHERN GRAPHITE CORPORATION (the “Corporation”)

I. Purpose

The Audit Committee is a committee of the Board of Directors which assists the Board in overseeing the Corporation’s financial controls and reporting and in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation. The Audit Committee’s primary duties and responsibilities are to:

- Oversee: (i) the integrity of the Corporation’s financial statements; (ii) the Corporation’s compliance with legal and regulatory requirements with respect to financial controls and reporting; and (iii) the auditors’ qualifications and independence.
- Serve as an independent and objective party to monitor the Corporation’s financial reporting processes and internal control systems.
- Review and appraise the audit activities of the Corporation’s independent auditors.
- Provide open lines of communication among the independent auditors, financial and senior management and the Board of Directors for financial reporting and control matters.

II. Composition

Members of the Audit Committee are appointed and removed by the Board of Directors. The Board shall designate annually the members of the Committee and a Chairman of the Committee. The Committee will be comprised of at least three directors, each of whom qualifies as an independent director, as determined by the Board¹. All members should have skills and/or experience which are relevant to the mandate of the Committee, as determined by the Board. All members of the Committee shall be financially literate at the time of their election to the Committee. “Financial literacy” shall be determined by the Board of Directors in the exercise of its business judgment, and shall include a working familiarity with basic finance and accounting practices and an ability to read and understand financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements. Committee members, if they or the Board of Directors deem it appropriate, may enhance their understanding of finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or firm.

III. Responsibilities

The responsibilities of the Audit Committee shall generally include, but not be restricted to, undertaking the following:

Selection and Evaluation of Auditors

- (a) Recommending to the Board of Directors the external auditors (subject to shareholder approval) to be engaged to prepare or issue an auditor’s report or performing other audit, review or attest services for the Corporation and the compensation of such external auditors.

¹ Determined in accordance with National Instrument 52-110 – *Audit Committees*.

- (b) Overseeing the independence of the Corporation's auditors and taking such actions as it may deem necessary to satisfy it that the Corporation's auditors are independent within the meaning of applicable securities laws by, among other things: (i) requiring the independent auditors to deliver to the Committee on a periodic basis a formal written statement delineating all relationships between the independent auditors and the Corporation; and (ii) actively engaging in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and taking appropriate action to satisfy itself of the auditors' independence.
- (c) Instructing the Corporation's independent auditors that: (i) they are ultimately accountable to the Committee (as representatives of the shareholders of the Corporation); (ii) they must report directly to the Committee; and (iii) the Committee is responsible for the appointment (subject to shareholder approval), compensation, retention, evaluation and oversight of the Corporation's independent auditors.
- (d) Ensuring the respect of legal requirements regarding the rotation of applicable partners of the external auditors, on a regular basis, as required.
- (e) Reviewing and pre-approving all audit and permitted non-audit services or mandates to be provided by the independent auditors to the Corporation or any of its subsidiaries, including tax services, and the proposed basis and amount of the external auditors' fees for such services, and determining which non-audit services the auditors are prohibited from providing (and adopting specific policies and procedures related thereto).
- (f) Reviewing the performance of the Corporation's independent auditors and replacing or terminating the independent auditors (subject to required shareholder approvals) when circumstances warrant.

Oversight of Annual Audit

- (a) Reviewing and accepting, if appropriate, the annual audit plan of the Corporation's independent auditors, including the scope, extent and schedule of audit activities, and monitoring such plan's progress and results during the year.
- (b) Confirming through private discussions with the Corporation's independent auditors and the Corporation's management that no management restrictions are being placed on the scope of the independent auditors' work.
- (c) Reviewing with the external auditors any audit problems or difficulties and management's response thereto and resolving any disagreement between management and the external auditors regarding accounting and financial reporting.
- (d) Reviewing with management and the external auditors the results of the year-end audit of the Corporation, including: (i) the annual financial statements and the audit report, the related management representation letter, the related "Memorandum Regarding Accounting Procedures and Internal Control" or similar memorandum prepared by the Corporation's independent auditors, any other pertinent reports and management's responses concerning such memorandum; and (ii) the qualitative judgments of the independent auditors about the appropriateness and not just the acceptability of accounting principles and financial disclosure practices used or proposed to be adopted by the Corporation including any alternative treatments of financial information that have been discussed with management, the ramification of their use and the independent auditor's preferred treatment as well as any other material communications with management and, particularly, about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates.

Oversight of Financial Reporting Process and Internal Controls

- (a) Reviewing with management and the external auditors the annual financial statements and accompanying notes, the external auditors' report thereon and the related press release, and obtaining explanations from management on all significant variances with comparative periods, before recommending approval by the Board and the release thereof.
- (b) Reviewing with management the quarterly financial statements and any auditors' review thereof before recommending approval by the Board and the release thereof.
- (c) Reviewing and periodically assessing the adequacy of the Corporation's procedures for the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, including reviewing the financial information contained in the annual information form, management proxy circular, management's discussion and analysis, Annual Information Formes and other documents containing similar financial information before their public disclosure or filing with regulatory authorities, including the audit committee's report for inclusion in the Corporation's management information circular in accordance with applicable rules and regulations.
- (d) Periodically reviewing the Corporation's disclosure policy to ensure that it conforms with applicable legal and regulatory requirements.
- (e) Reviewing the adequacy and effectiveness of the Corporation's accounting and internal control policies and procedures through inquiry and discussions with the Corporation's independent auditors and management of the Corporation.
- (f) Monitoring the quality and integrity of the Corporation's disclosure controls and procedures and management information systems through discussions with management and the external auditors.
- (g) Overseeing management's reporting on internal controls and disclosure controls and procedures.
- (h) Reviewing on a regular basis and monitoring the Corporation's policies and guidelines which govern the Corporation's risk assessment and risk management, including the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures, including hedging policies through the use of financial derivatives.
- (i) Establishing and maintaining free and open means of communication between and among the Board of Directors, the Committee, the Corporation's independent auditors and management.

Other Matters

- (a) Assisting the Board with oversight of the Corporation's compliance with applicable legal and regulatory requirements, including meeting with general counsel and outside counsel when appropriate to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of the Corporation.
- (b) Reviewing and approving any transactions between the Corporation and members of management and/or the Board as well as policies and procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent auditors.
- (c) Conducting or authorizing investigations into any matters within the Committee's scope of responsibilities, including retaining outside counsel or other consultants or experts as the Committee determines necessary to carry out its duties and to set and pay the compensation for these advisors.

- (d) Establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- (e) Establishing procedures for the review and approval of financial and related information of the Corporation.
- (f) Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- (g) Performing such additional activities, and considering such other matters, within the scope of its responsibilities, as the Committee or the Board of Directors deems necessary or appropriate.

IV. Meetings and Advisors

The Committee will meet as often as it deems necessary or appropriate to perform its duties and carry out its responsibilities described above in a timely manner, but not less than quarterly. The quorum at any meeting of the Committee shall be a majority of its members. All such meetings shall be held pursuant to the By-Laws of the Corporation with regard to notice and waiver thereof.

The Audit Committee shall meet on a regular basis without management or the external auditors. The Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. As part of its purpose to foster open communications, the Committee shall meet at least annually, and more frequently as required, with management and the Corporation's independent auditors in separate executive sessions to discuss any matters that the Committee or each of these groups or persons believe should be discussed privately. The independent auditors will have direct access to the Committee at their own initiative. The Chairman should work with the Chief Financial Officer and management to establish the agenda for Committee meetings.

Written minutes of each meeting of the Committee shall be filed in the Corporation's records. The Chairman of the Committee will report periodically to the Board of Directors.

The Committee shall, in appropriate circumstances and subject to advising the Chairman of the Board, have the authority to engage and obtain advice and assistance from advisors, including independent or outside legal counsel and accountants, as it determines is necessary or appropriate to carry out its duties. The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of any compensation (i) to any independent auditors engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Corporation, and (ii) to any independent advisors employed by the Committee.

V. Disclosure of Charter

This charter shall be published in the Corporation's annual information form or information circular as required by applicable securities laws.

While the Committee has the duties and responsibilities set forth in this charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Similarly, it is not the responsibility of the Committee to ensure that the Corporation complies with all laws and regulations.

Nothing contained in this charter is intended to expand applicable standards of conduct under statutory or regulatory requirements for the directors of the Corporation or the members of the Audit Committee.