

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

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015

Management's discussion and analysis ("MD&A") of the financial position and results of the operations of Northern Graphite Corporation ("Northern" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine month periods ended September 30, 2015 compared to the three and nine month periods ended September 30, 2014. This MD&A is dated and has been prepared with information available as of November 20, 2015.

This MD&A should be read in conjunction with the Company's financial statements for the nine month period ended September 30, 2015 and related notes (the "Interim Financial Statements"). The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

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

Introduction

The Company was incorporated on February 25, 2002 under the *Business Corporations Act* (Ontario) to develop and hold title to the Bissett Creek graphite project.

Nature of Operations

The Company's sole focus is the potential development of the Bissett Creek graphite project located in the County of Renfrew, Province of Ontario (the "Bissett Creek Project"). The Company has no other properties or rights to acquire other properties.

Northern completed a bankable feasibility study on the Bissett Creek Project in July 2012 (the "FS") which confirmed the technical and financial viability of constructing and operating an open pit mine and 2,500 tonne per day (tpd) processing plant at the Bissett Creek Project, and in respect of which a technical report prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") was filed on SEDAR on August 24, 2012. The FS was updated on September 23, 2013 (the "FS Update") following an additional 61 hole, 3,425 m drill program on the Bissett Creek Project, the release of a new and larger resource estimate for the project and revision of the mine plan based on the new resource model, and to incorporate some modifications to capital and operating cost assumptions and lower graphite prices.

The Company subsequently completed a preliminary economic assessment on an expansion case for the Bissett Creek Project on October 23, 2013 (the "Expansion PEA") and filed a technical report prepared in accordance with NI 43-101 on SEDAR on December 6, 2013. This is the current Technical Report on the Bissett Creek Project. The Expansion PEA was undertaken to demonstrate the potential ability to meet expected future growth in graphite demand by doubling production after three years of operation based on measured and indicated resources only. The Expansion PEA built on the FS, the expanded resource model and the FS Update.

The Company also updated the Expansion PEA on June 24, 2014 (the "Expansion PEA Update") to assess the economics of building a 2 million tonne per annum (Mtpa) processing plant at the outset rather than increasing from 1 Mtpa to 2 Mtpa after three years of operation. The larger process plant was evaluated due to recent developments in the lithium-ion battery industry but the Company does not intend to pursue either expansion scenario at the present time.

The Company and previous management originally filed a mine closure plan (“MCP”) with the Ontario Ministry of Northern Development and Mines (“MNDM”) in 2004 (the “2004 MCP”) and was authorized to begin production based on a dry recovery process but a commercial operation was never established due to technical problems and financial difficulties. In the fourth quarter of 2012, the Company filed an amended MCP to increase the size of the potential operation and to use a conventional flotation recovery process as outlined in the FS and Expansion PEA. On August 26, 2013, the Company announced that the MNDM had accepted the Company’s MCP for filing. While the Company is in a position to begin construction of a mine on the Bissett Creek Project, subject to arranging the necessary full project financing and additional species at risk permitting, it is possible that the changes contemplated in the FS Update will trigger the requirement to file another closure plan amendment. A number of operational permits and environmental authorizations are also required prior to the commencement of mining operations. The Company expects that these permits and authorizations will be obtained in the normal course as needed.

The Bissett Creek Project

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

The Bissett Creek Project presently consists of Ontario mining lease number 106693 (covering 565 hectares) and Ontario mining lease number 109335 (covering 1,938 hectares) (the “Mining Leases”). Ontario mining lease number 109335 was granted in July 2013 and expires on June 30, 2034. Ontario Mining Lease number 106693 was granted in September 2014 and expires on August 31, 2035. Both leases require annual rental payments to the MNDM in an amount prescribed by the Mining Act (Ontario) which is approximately \$7,584. The Company also holds five unpatented mining claims, which are contiguous to the Bissett Creek Project, and cover approximately 464 hectares .

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

The Bissett Creek Project was extensively explored in the 1980’s and over 8,400 metres of drilling was completed. A full feasibility study, including the calculation of a proven and probable reserve, was completed but the Bissett Creek Project was not developed due to a subsequent decline in graphite prices. This feasibility study and reserve estimate pre-date NI 43-101 standards and therefore, are non-compliant and should not be relied upon. The price of graphite has increased since 2005 due to the ongoing industrialization of emerging economies which has led to increased demand in traditional steel and automotive markets. Prices peaked in 2012 in a range of US\$2,500 to \$3,000 per tonne for large flake graphite and some shortages were reported. The subsequent slowdown in the Chinese economy combined with a lack of growth in the US/Japan/Europe economies has caused prices to fall back over 50% from the 2012 levels. Prices are currently around US\$1,100 for large flake graphite while +32 mesh XXL flake and +50 mesh XL flake are selling for approximately US\$2,000 per tonne according to industry sources. One of the key factors which differentiates Bissett Creek from other deposits is that approximately 60% of production will be XXL and XL flake. The Company believes that it can still achieve an average selling price close to US\$1,800/tonne in the current market.

The Company also intends to produce and sell value added products such as anode material for lithium ion batteries and high purity flake graphite which receive premium prices. None of these products are included in the above price estimates or the economics in the FS or Expansion PEA.

Mineral Resources

Effective May 7, 2013, AGP Mining Consultants (“AGP”) estimated the global mineral inventory for the Bissett Creek Project utilizing 268 diamond drill holes totalling 14,361 m of historic and recent drilling (the “2013 Resource Estimate”). Under CIM definitions, mineral resources should have a reasonable prospect of economic extraction. In

order to meet this requirement, a Lerchs-Grossman optimized shell was generated to constrain the potential open pit material that includes measured, indicated and inferred material. Within this resource constraining shell, at the 1.02% Cg cut-off, the model returned 69.8 million tonnes of Measured and indicated mineralization grading at 1.74% graphitic carbon, containing 1.2 million tonnes of in situ graphite. The Inferred resources amounted to 24.0 million tonnes, grading 1.65% graphitic carbon and containing 0.4 million tonnes of in situ graphite. Base case cut-off grade selected considered results of the FS with adjusted metal prices.

Bissett Creek Resource Estimate, May 6, 2013

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

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

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

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

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

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

Exploration and Development

As at September 30, 2015, the Company had capitalized \$11,316,334 of exploration and evaluation expenditures relating to the Bissett Creek Project. Over the next 12 months the Company expects to spend approximately \$200,000 to complete the mine permitting work required to initiate construction and operations which is also subject to raising the required financing.

Feasibility Study

The Company completed a bankable feasibility study for the Bissett Creek Project and filed it on SEDAR on August 27, 2012. The FS was prepared by GMining Services Inc. and included contributions from SGS Canada Inc. (Lakefield–metallurgy and Geostat-resource modelling), Knight Piesold Ltd. (environmental, permitting, tailings management and road infrastructure) and Met-Chem Canada Inc. (process engineering). The FS confirmed the technical and financial viability of constructing and operating an open pit mine and 2,500 tpd processing plant on the Bissett Creek property. The Company revised the mine plan in the FS based on the 2013 resource model and on September 23, 2013, announced updated FS economics (“FS Update”). The FS Update incorporated the 2013 Resource Estimate, some modifications to the capital and operating cost assumptions, and lower graphite prices. The update was prepared by AGP. As the FS Update did not constitute a material change, a new NI 43-101 was not required to be filed.

The 2013 FS Update indicates a pre-tax internal rate of return (“IRR”) of 19.8% (17.3% after tax) and a pre-tax net present value (“NPV”) of \$129.9 million (\$89.3 million after tax) in the base case which uses a weighted average price of US\$1,800/tonne for the concentrates that will be produced. This represents a substantial improvement in project economics over the FS which had a 15.6% pre-tax IRR at a price of US \$2,100/t. The project has significant leverage to higher prices as the pre tax IRR increases from 19.8% to 25.7% and the pre-tax NPV from \$129.9 million to \$201.1 million at a price of US \$2,100/t. The FS Update was also based on a CDN/US dollar exchange rate of 0.95 and the current rate is much lower which would further improve the economics.

Summary of Updated Feasibility Study Economics

	2013 FS Update (base case)	2012 FS
Probable reserves (million tonnes)	28.3Mt*	19.0Mt
Feed Grade (% graphitic carbon)	2.06%*	1.89%
Waste to ore ratio (excl. low grade stockpile)	0.79	0.50
Processing rate (tonnes per day - 92% availability)	2,670	2,300
Mine life*	28 years	23 years
Mill recovery	94.7%	92.7-94.7%
Average annual production	20,800t	15,900t
Capital cost (\$ millions - including 10% contingency)	\$101.6M	\$102.9M
Cash operating costs (\$/tonne of concentrate)*	\$795/t	\$968/t
Mining costs (\$/tonne of ore)	\$5.63	\$5.79
Processing costs (\$/tonne of ore)	\$8.44	\$9.60
General and administrative costs (\$/tonne of ore)	\$2.50	\$2.94
CDN/US dollar exchange rate	0.95	1.00
Graphite prices (US\$ per tonne)	\$1,800	\$2,100
Pre tax NPV @8% (CDN\$ millions)	\$129.9	\$71.7
Pre tax IRR (%)	19.8%	15.6%
After tax NPV @8% (CDN\$ millions)	\$89.3	\$46.9
After tax IRR (%)	17.3%	13.7%

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

(a) Project Description

The proposed development of the Bissett Creek graphite deposit consists of a shallow open pit mine and a processing plant with conventional crushing, grinding and flotation circuits followed by concentrate drying and screening. The capacity of the plant is 2,670 tpd (based on 92% availability) and compressed natural gas (“CNG”) will be trucked from the main Trans Canada line, approximately 15 km away. The processing plant includes a sulphide flotation circuit to remove enough sulphides to make approximately 97% of the tailings benign. All sulphide and non-sulphide generating waste rock will be backfilled into mined out areas of the pit after five years of operation, and all sulphide tailings after eight years, resulting in low final closure costs. The CNG will fuel five 1.0 MW-generators to produce

electrical power and waste heat from the generators will be used to dry the concentrate. This will result in low overall energy costs.

(b) Resources and Reserves

Probable mining reserves for the Bissett Creek deposit were established based on, and are a subset of, the 2013 Resource Estimate. The final mine plan only contemplated a 25 to 30 year operation and resulted in probable reserves of 28.3 Mt of ore grading 2.06% Cg based on a COG of 0.96% Cg. Probable reserves include 24.3 Mt grading 2.20% Cg that will be processed first and 4.0 Mt grading 1.26% Cg from a low grade stockpile (“LGS”) that will be processed at the end of the mine life. In order to increase head grades in the initial years of production while maintaining a reasonable stripping ratio, measured and indicated resources grading between 0.96% Cg and 1.5% Cg will be stockpiled, largely within the mined out areas of the pit. The total LGS will be 16.5 Mt grading 1.26% Cg and will provide a great deal of flexibility in future operations as it will be available for processing at a later date, either through an expanded facility or at the end of the mine life. It also represents a low cost source of ore that could be processed during periods of depressed prices.

There are an additional 27.3 million tonnes of measured and indicated resources grading 1.62% Cg which are not included in the mine plan and 24 million tonnes of inferred resources grading 1.65% Cg which are treated as waste. Also, resources have not yet been closed off by drilling and therefore further expansions are possible.

(c) Metallurgy

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

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

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

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

(d) Production

In the FS Update, an average of 20,800 tonnes of graphite concentrate at 94.5% Cg is expected to be produced annually over the course of 28 years.

(e) Operating Costs

Cash mine operating costs were estimated to average \$795 per tonne of concentrate in the FS Update.

(f) Capital Costs

In the FS Update, the capital cost to construct the processing plant, power plant and all associated mine infrastructure is estimated at \$101.6 million including a \$9.3 million contingency.

The Company is required to deposit a financial assurance of \$2.3 million with the Province of Ontario (\$799,200 is already deposited) to guarantee its obligations with respect to the Mine Closure Plan, compared to the \$3.57 million estimate used in the FS.

(g) Sensitivities (pre-tax) 2013 FS Update

Sensitivity Analysis - FS Update:

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

*\$ millions @ 8%

Project Opportunities

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

- There is scope to reduce capital costs through the purchase of used equipment, lease financing of the mining fleet and natural gas generators, and additional permitting of lower cost tailings options.
- The 2013 Preliminary Economic Assessment and the PEA Update show that the economics of building a processing plant with double the capacity as that used in the 2013 FS Update are very attractive. Due to the flat lying nature of the deposit, production can be expanding without a significant increase in the stripping ratio or capital and operating costs and can take advantage of lower grade material currently planned to be stockpiled in the mined out pit.
- Additional testing has determined that waste rock and the low grade stockpile will not become acid generating for a substantial period of time and therefore a lined pad is not required as contemplated in the 2013 FS Update. Also, the Company intends to build an engineered wetland to treat any run off from the low grade stockpile and therefore no financial assurance will be necessary to return any potentially acid generating material that is stored on surface to the pit.
- The Company has carried out extensive purification testing over the last two years and is developing a commercial process to produce and sell high purity ($\geq 99.95\%$ Cg) products.
- The Company has successfully upgraded Bissett Creek concentrate for use in Lithium ion batteries. Testing to define the capital and operating costs of constructing an upgrading facility is underway.

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

Expansion Preliminary Economic Assessment

The Company completed and filed a NI 43-101 Technical Report on Sedar with respect to a Preliminary Economic Assessment on an expansion case for its Bissett Creek project. The Expansion PEA was undertaken to demonstrate the ability to meet expected future growth in graphite demand by substantially increasing production from the Bissett Creek deposit based on measured and indicated resources only. The Expansion PEA built on the FS completed in August, 2012 and the expanded resource model and updated FS Update economics subsequently completed by AGP. The Expansion PEA was authored by Marc Leduc P. Eng.

The Expansion PEA estimates the economics of doubling mill throughput after three years of operation and indicates that Bissett Creek has very attractive economics even at or below current depressed graphite price levels. The Expansion PEA notes that the deposit was extensively investigated in the 1980s and this work was essentially redone over the last three years with consistent results and brought up to NI 43-101 standards. In addition, resources have received infill drilling and have been significantly expanded.

On June 24, 2014, the Company updated the Expansion PEA (the "Expansion PEA Update") in order to assess the economics of building a two Mtpa processing plant, at the outset, rather than increasing from one Mtpa to two Mtpa after three years of operation, as contemplated in the Expansion PEA. The larger process plant was evaluated due to potential interest from the lithium-ion battery industry but the Company does not intend to pursue such a scenario at the present time. For the Expansion PEA Update, Ken Kuchling, P.Eng., Senior Mining Associate of P&E Mining Consultants Inc. ("P&E") modified the Expansion PEA mine plan to commence production at the expanded 2.0 Mtpa production rate in year two rather than ramping up in year three and to more aggressively backfill the open pit with waste. Dan Peldiak, P.Eng. Principal Process Engineer WorleyParsons Canada prepared the revised capital and operating costs for the process plant which represents a portion of the total capital and operating costs for the project. Consistent with industry practice, the estimates have been prepared with an engineering accuracy of +15/-20 %. Andrew Bradfield, P.Eng. of P&E, who is independent of the Company, approved and authorized the disclosure of the technical information relating to the Expansion PEA Update. There is no requirement for a new NI 43-101 report relating to the Expansion PEA Update and none was filed. A press release was issued and filed on SEDAR and includes detailed cash flows relating to the Expansion PEA Update. Readers should refer to the Technical Report for further details with respect to the Bissett Creek Project.

Development capital costs in the Expansion PEA Update have been estimated at \$134.1 million (including a 10% contingency) for an operation that will produce an average of approximately 44,200 tonnes of graphite concentrate annually over the first 10 full years of operation.

Both the Expansion PEA and the Expansion PEA Update show even more robust economics than the FS Update because production is essentially being doubled while capital costs have increased by less than 50%. The Expansion PEA Update is a more optimal plan because it is more efficient to build one large mill rather than building a second parallel circuit after three years. However, the current annual graphite market is less than 400,000 tonnes and a project this size has the potential to adversely affect prices, especially considering the volume of XL and XXL flake sizes that will be produced. The Company would only contemplate an expansion scenario if it had a strategic partner and secured offtake agreements.

Summary of PEA Results:

	2013 FS Update	Expansion PEA	Expansion PEA Update
Reserves/resources (million tonnes)*	28.3*	39.4*	40.5 ¹
Feed Grade (% graphitic carbon)	2.06%*	1.85%*	1.83% ¹
Waste to ore ratio	0.79	0.24	0.25
Processing rate (tonnes per day - 92% availability)	2,670	2,670-5,340	5,480
Mine life (years)	28	22	21
Mill recovery	94.7%	94.7%	94.7%
Average annual production	20,800t	33,183t	44,200 ²
Initial capital cost (\$ millions - including 10% contingency)	\$101.6M	\$101.6M	\$134.1
Expansion capital	NA	\$45.2M	NA
Sustaining capital	\$43.0	\$58.7M	\$55.1
Cash operating costs (\$/tonne of concentrate)	\$795/t	\$695/t	\$736
Mining costs (\$/tonne of ore)	\$5.63	\$4.05	\$3.74
Processing costs (\$/tonne of ore)	\$8.44	\$7.35	\$7.78
General and administrative costs (\$/tonne of ore)	\$2.50	\$1.45	\$1.45
CDN/US dollar exchange rate	0.95	0.95	0.95

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

¹ Potentially economically extractable resources based on the 24 million tonne probably reserve grading 2.20% Cg (as estimated in the FS) being processed first followed by the processing of 16.1 million tonnes of Measured and Indicated resources grading 1.26 % Cg from a low grade stockpile. All grades are diluted. *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*

² first 10 years

	FS Update	Expansion PEA			Expansion PEA Update		
		(base case)			(base case)		
Graphite prices (US\$ per tonne)	\$1,800	\$2,100	\$1,800	\$1,500	\$2,100	\$1,800	\$1,500
Pre tax NPV @8% (CDN\$ millions)	\$129.9	\$335.6	\$231.0	\$126.6	\$380.9	\$264.7	\$148.4
Pre tax IRR (%)	19.8%	33.0%	26.3%	18.8%	40.7%	31.7%	22.2%
After tax NPV@8%(CDN\$ millions)	\$89.3	\$221.9	\$150.0	\$77.3	\$257.9	\$178.9	\$99.0
After tax IRR (%)	17.3%	27.7%	22.0%	15.7%	33.9%	26.7%	18.9%

The expansion cases indicate that the Bissett Creek Project has very attractive economics even at or below current depressed graphite price levels. The pre-tax IRR is 26.3% (22.0% after tax) and the pre-tax NPV is \$231.1 million (\$150.0 million after tax) in the Expansion PEA base case which uses an 8% discount rate and a weighted average price of US\$1,800/tonne of concentrate. The Expansion PEA Update has a pre-tax IRR is 31.7% (26.7% after tax) and the pre-tax NPV is \$264.7 million (\$178.9 million after tax) using the same parameters due to the efficiencies inherent in building one large plant at the start rather than building a parallel circuit after three years of operation.

Corporate Developments

On January 22, 2015, the Company announced that concentrates from its Bissett Creek deposit have been successfully upgraded to the highest nuclear grade classification level using the Company's proprietary purification process.

On January 27, 2015, the Company announced that it had appointed Endeavour Financial Limited (Cayman) as its exclusive advisor with respect to negotiating and structuring strategic partnerships and offtake agreements, and raising debt financing, for the Bissett Creek project.

On March 2, 2015, the Company announced that independent testing has confirmed that flake graphite concentrates from the Company's deposit meet or exceed quality requirements for all major end markets and in particular, refractories and expandable graphite. Testing was carried out by NGS Naturgraphit GmbH.

On May 19, 2015, the Company announced that it was providing the first commercial samples of its coated spherical graphite to potential customers. Spherical graphite is the anode material used in lithium ion batteries and is manufactured from flake graphite concentrate produced by graphite mines. Northern has manufactured spherical graphite from a representative sample of its mine concentrate and purified and coated it using the Company's proprietary technologies. Lithium ion battery cell testing, performed by Coulometrics LLC, indicates that Northern's spherical graphite has a higher total capacity and better first cycle efficiency than certain other commercial samples.

On July 8, 2015, the Company closed a short form prospectus offering of 2,102,998 units of the Company at a price of \$0.60 per unit for gross proceeds of \$1,261,799. Each unit is comprised of one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.80 per share for a period of 24 months from the closing of the offering. In connection with the offering, the Company paid fees totaling \$67,698 to the agents, and issued to the agents 126,180 compensation options. Each compensation option entitles the holder to purchase one common share at an exercise price of \$0.60 per share for a period of 12 months from the closing of the offering. The Company intends to use the net proceeds from the Offering to fund ongoing permitting necessary for the construction and operation of a mine at the Bissett Creek Property, to conduct additional product qualification work to further develop its technologies for purifying graphite and making spherical graphite for use in lithium ion batteries, and for general working capital.

Selected Information

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

	Nine months ended September 30, 2015 \$	Nine months ended September 30, 2014 \$
Statement of Operations and Comprehensive Loss Data		
Total Revenue	Nil	Nil
Total Expenses	879,256	871,505
Net Income/(Loss)	(871,798)	(848,361)
Net Income/(Loss) per Share – basic and diluted	(0.02)	(0.02)
Statement of Financial Position Data		
	As at September 30, 2015	As at December 31, 2014
Total Assets	14,267,862	13,982,527
Total Long-Term Debt	Nil	Nil
Total Liabilities	529,411	656,268
Shareholders' Equity:		
Share Capital	21,256,057	20,364,805
Equity	13,738,451	13,326,259

Results of Operations

	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
General and administrative expenses				
Management and consulting fees	76,460	149,738	288,176	454,187
Legal and audit	(16,540)	15,440	53,179	79,949
Office and miscellaneous	35,088	(17,885)	222,731	210,163
Share-based payments	8,880	-	262,709	75,490
Depreciation	17,416	17,416	51,680	51,680
Foreign exchange (gain) loss	-	1,762	781	36
	121,304	166,471	879,256	871,505
Loss from operations	(121,304)	(166,471)	(879,256)	(871,505)
Interest income	2,359	6,128	7,458	23,144
Income before taxes	(118,945)	(160,343)	(871,798)	(848,361)
Tax expense	-	-	-	-
Loss and comprehensive loss for the period	(118,945)	(160,343)	(871,798)	(848,361)

Management and consulting fees decreased from \$454,187 in the first nine months of 2014 to \$288,176 in the first nine months of 2015 primarily as a result of a reduction in the amounts being paid to senior management and reductions in the amount of total time billed by consultants. Office and miscellaneous expenses increased slightly from \$210,163 in the first nine months of 2014 to \$222,731 in the first nine months of 2015. The 2014 amounts included a reversal of legacy payables totalling \$77,665 which the Company had assessed as non active and not requiring payment. During the first nine months of 2015, the Company recognized \$262,709 (2014 -\$75,490) in share-based payments related to stock options issued to officers and directors. Depreciation expenses were unchanged at \$51,680 in the nine months ended September 30, 2015 and September 30, 2014.

For the nine months ended September 30, 2015, the Company recorded a loss and comprehensive loss of \$871,798, or \$0.02 per share, compared to a loss and comprehensive loss of \$848,361, or \$0.02 per share, in the same period of last year, primarily as a result of 2015 having included non-cash charges for share-based payment expense of \$262,709 related to stock options issued in January and May of 2015. The non-cash charges for share-based payments in 2015 were only partially offset by lower management and consulting fees in the first nine months of 2015.

Expenses capitalized to the Company's exploration and evaluation assets during the nine months ended September 30, 2015 decreased to \$447,285 from \$648,221 in the same period last year. Environmental and mine permitting expenses increased from \$257,744 to \$267,171 as the Company continued to focus efforts in this area. Metallurgical expenses decreased from \$127,417 to \$105,680 as work continued on spherical graphite testing but to a lesser extent than the prior period. Site and royalty expenses increased to \$73,396 in the first nine months of 2015 compared to \$35,190 in the first nine months of 2014 as a result of activities at the site. Geotechnical expenditures were \$nil in the first nine months of 2015 as the Company ceased these activities compared to the same period last year where expenditures were \$69,315..

Summary of Quarterly Results

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

Year ended Dec 31	Quarter	Interest Income \$	Total Loss \$	Income (Loss) Per share \$
2015	3	2,359	(118,945)	(0.00)
	2	1,852	(235,907)	(0.01)
	1	3,247	(516,948)	(0.01)
2014	4	8,748	(142,374)	(0.00)
	3	6,128	(160,343)	(0.00)
	2	8,608	(406,782)	(0.01)
2013	1	8,408	(293,215)	(0.01)
	4	13,307	(351,889)	(0.01)

The Company, as an exploration stage company, experiences a high degree of variability in its quarterly results. The Company's expenses are not related to the regular and continuous activities that take place when a mine is in production. In the first nine months of 2014, the Company awarded stock options which contributed \$75,490 to the increase in loss & comprehensive loss. In the first nine months of 2015, the Company awarded stock options which contributed \$262,709 to the increase in loss & comprehensive loss.

Liquidity and Capital Resources

As at September 30, 2015, the Company had \$204,750 in accounts payable and accrued liabilities, compared to accounts payable and accrued liabilities of \$331,607 as at December 31, 2014 due to the timing of supplier invoicing and a reduction of the Company's overall activity. The Company had cash of \$1,681,942 as at September 30, 2015 compared to \$1,800,901 as at December 31, 2014. The decrease in cash was primarily the result of the expenditures by the Company on exploration and evaluation activities, specifically environmental and metallurgical, in addition to investor relations and office expenses.

The Company's working capital has increased from \$1,536,519 at December 31, 2014 to a September 30, 2015 balance of \$1,553,106 primarily as a result of the exploration and evaluation expenditures as well as investor relations expenses incurred first nine months of 2015 partially offset by the receipt of funds from the short form prospectus offering in July of 2015. As at September 30, 2015 the Company had \$1,757,856 in cash, receivables, and prepaid expenses, compared to \$1,868,126 as at December 31, 2014.

The Company's long-term reclamation deposit with the Ministry of Finance for the Province of Ontario is \$799,200. The MCP requires the Company to deposit an additional \$800,000 prior to placing any footings in the ground for construction of structures such as buildings and dams and \$729,088 prior to the commencement of commercial production. The deposit accrues interest and represents a financial guarantee to the Province of Ontario that the Company will effect the proper reclamation and closure of the Bissett Creek site when activities are terminated pursuant to the MCP. The Company is responsible for any reclamation costs in excess of the deposit.

Use of the Proceeds from Short Form Prospectus Offering

On July 9, 2015, the Company closed a short form prospectus offering (the "Offering") of 2,102,998 units, each unit comprised of one common share of the Company and one half of one common share purchase warrant, at a price of \$0.60 for gross proceeds of \$1,261,799. Each full warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of \$0.80 per share for a period of 24 months from the closing of the Offering. Net proceeds of \$1,038,921 are intended to be used to fund ongoing permitting necessary for the construction and operation of a mine at the Bissett Creek Project, to conduct additional product qualification work to further develop its technologies for purifying graphite and making spherical graphite for use in lithium ion batteries, and for general working capital.

Principal Purpose	Use of net proceeds as per private placement \$	Actual use of proceeds \$
Ongoing environmental permitting	500,000	218,227
Product qualification work & general working capital	538,921	314,392
Total	1,038,921	532,619

Contractual Obligations

As at September 30, 2015, the Company had no contractual obligations (commitments as at December 31, 2014 – \$nil). Purchase obligations represent agreements to purchase goods or services that are enforceable and legally binding on the Company.

Off Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

Transactions with Related Parties

Major Shareholder

The Company has no major shareholder

Key Management Compensation

In the nine months ended September 30, 2015, the Company expensed salary to key management personnel of \$240,000 (2014 – \$322,500). In the nine months ended September 30, 2015, the Company provided employee benefits totalling \$14,184 (2014 –\$13,853) to key management personnel. In the nine months ended September 30, 2015, the Company expensed share-based compensation for stock options granted to key management personnel of \$57,628 (2014-\$nil). In the nine months ended September 30, 2015, the Company expensed share-based compensation for stock options granted to directors of \$192,095 (2014-\$nil).

Other Related Party Transactions

During the nine months ended September 30, 2015, the Company expensed office rental payments of \$17,775 (2014 – \$17,775) to a public company whose CEO and Director is also a Director of Northern.

Proposed Transactions

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

Changes in Accounting Policies

Recent and future pronouncements issued

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods in or after March 31, 2015. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.

- IFRS 9 - Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers;
- IAS 1 - Presentation of Financial Statements (amendment)
- IAS 24 – Related Party Disclosures (amendment).

The IASB has issued a new standard, IFRS 9, Financial Instruments (“IFRS 9”), which will ultimately replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of

IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. Companies may early adopt IFRS 9 however there is no mandatory application date. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), was issued in May 2014 and will ultimately replace IAS 11, Construction Contracts, IAS 18, Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 and financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements, and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

IAS 1 Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

The amendments to IAS 24, issued by the International Accounting Standards Board (IASB) in December 2013, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in March 2014, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The Company does not expect the implementation to have a significant impact on the Company's results of operations, financial position and disclosures.

Critical Accounting Estimates and Judgements

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

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

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

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

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

Critical Accounting Policies

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

Going Concern

The critical assumption made by management of the Company is that the Company will continue to operate as a going concern.

The Company is an exploration stage company that incurred a net loss of \$871,798 for the nine months ended September 30, 2015 (2014 - \$848,361) and has an accumulated deficit of \$10,569,248 since the inception of the Company. As at September 30, 2015, working capital was \$1,553,106 and the Company's ability to continue as a going concern is dependent upon its ability to raise additional capital to continue the development of the Bissett Creek Project. The Company completed a short form prospectus offering on July 9, 2015 with gross proceeds of \$1,261,799. However, substantial additional capital, estimated at \$101.6M in the Company's FS update, is required to ultimately build a mine and processing plant on the Bissett Creek Project and to enable the Company to enter production and continue its operations. There is a high degree of risk and many inherent uncertainties in the mining industry and there is no assurance management will be successful in its endeavours. These factors indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern.

The Interim Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company's management believes that it can continue to finance operating expenses over the next twenty-four months with funds on hand. Given the continuation of negative investor sentiment and weak capital markets in the resource sector, there exists a material uncertainty as to the Company's ability to raise additional funds on favourable terms. The Company's discretionary activities have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will thoroughly assess all such activities before undertaking them in advance of additional financing being secured. The Company's Interim Financial Statements do not include any adjustments that might result from negative outcomes with respect to these uncertainties.

Impairment of Long-Lived Assets

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

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

Mining properties and exploration and evaluation expenditures

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

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

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

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

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

Share-based compensation

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

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

Restoration and site closure provision

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

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax is determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Deferred tax is measured using the enacted tax, or substantially enacted tax rates which will be in effect when the temporary differences are likely to

reverse. The effect on deferred tax of a change in tax rates is included in operations in the period in which the change is enacted. The amount of deferred tax recognized is limited to the amount of the benefit that is probable.

Deferred tax and the recognition and measurement of uncertain tax positions are subject to various assumptions and management judgement. Actual results may differ from these estimates. In circumstances where the applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates could occur that materially affect the amounts of deferred tax recorded at September 30, 2015.

Financial instruments

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

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

Disclosure of Outstanding Share Data (as at November 20, 2015):

Common Shares

Authorized: Unlimited number of common shares.

Outstanding: 51,284,279 common shares.

Warrants

A summary of the Company’s warrants outstanding and exercisable at November 20, 2015 is presented below:

Exercise price	Warrants outstanding	Warrants exercisable	Expiry date
\$0.60	126,180	126,180	July 9, 2016
\$0.80	1,051,499	1,051,499	July 9, 2017
	1,177,679	1,177,679	

Share Options

A summary of the Company’s share options outstanding and exercisable at November 20, 2015 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$0.50	2,225,000	2,225,000	April 18, 2016
\$0.94	25,000	25,000	November 16, 2016
\$0.80	75,000	75,000	December 20, 2016
\$2.50	525,000	525,000	April 11, 2017

\$0.75	200,000	200,000	May 15, 2017
\$0.85	500,000	500,000	December 20, 2017
\$0.75	100,000	-	May 19, 2018
\$0.70	650,000	650,000	January 9, 2020
	4,300,000	4,200,000	

Trends

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

Risk Factors

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

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

For a more detailed discussion of the above risk factors, refer to the Company's Annual Information Form filed for the year ended December 31, 2014.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains “forward-looking statements” which reflect management’s expectations regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements may include, but are not limited to, statements with respect to the future financial or operating performance of the Company and its projects, the future price of graphite or other metal prices, the estimation of Mineral Resources, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; fluctuations in currency exchange rates; changes in project parameters as plans continue to be refined; changes in labor costs or other costs of production; future prices of graphite or other industrial mineral prices; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; actual results of reclamation activities, and the factors discussed in the section entitled “Risk Factors” in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Qualified Person

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

Additional Information

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