Northern Graphite Corporation

(an Exploration Stage Company)

Condensed Interim Financial Statements

For the Three Months Ended March 31, 2017, and 2016

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

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Financial Position

(unaudited)

	As at March 31 2017 $ (unaudited)	As at December 31 2016 $
Assets		
Current		
Cash and cash equivalents	2,840,522	705,577
HST receivable	11,389	16,434
Prepaid expenses and deposits	65,325	45,478
	2,917,236	767,489
Reclamation deposit (note 11)	815,689	815,689
Property and equipment (note 4)	242,936	252,579
Exploration and evaluation assets (note 5)	11,620,250	11,569,893
	15,596,111	13,405,650
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	58,812	75,306
Reclamation and close down provision (note 11)	327,110	327,110
	385,922	402,416
Shareholders' equity		
Share capital (note 6)	23,207,358	21,459,258
Warrants (note 6)	688,541	116,833
Contributed surplus (note 6)	2,950,164	2,907,743
Retained deficit	(11,635,874)	(11,480,600)
Total shareholders' equity	15,210,189	13,003,234
Total liabilities and shareholders' equity	15,596,111	13,405,650

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

Approved by the Board of Directors and authorized for issue on May12, 2017

(signed) Gregory Bowes	**(signed) Donald Christie**
Director	**Director**

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Comprehensive Loss

(unaudited)

	Three months ended March 31	
	2017	**2016**
	$	**$**
General and administrative expenses		
Management and consulting fees (note 9)	42,633	61,408
Legal and audit	5,391	2,621
Office and miscellaneous (note 9)	55,187	59,502
Share-based payments (notes 6 and 9)	42,422	8,880
Depreciation	9,642	17,227
	155,275	149,638
Loss from operations	(155,275)	(149,638)
Interest income	-	1,613
Income before taxes	(155,275)	(148,025)
Tax expense	-	-
Loss and comprehensive loss for the period	(155,275)	(148,025)
Loss per share	(0.00)	(0.00)
Weighted average number of shares – basic and fully diluted	52,132,427	51,284,279

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

Northern Graphite Corporation
(an exploration stage company)
Condensed Interim Statements of Changes in Shareholders' Equity
(unaudited)

	Number of Shares	Share capital Amount	Warrants reserve	Contributed Surplus Reserve	Deficit	Total
		$	$	$	$	$
Balance at December 31, 2016	51,484,279	21,459,258	116,833	2,907,742	(11,480,599)	13,003,234
Proceeds from the issuance of shares	8,333,333	2,500,000	-	-	-	2,500,000
Issuance of warrants	-	(533,142)	533,142	-	-	-
Issuance of compensation options	-	(38,566)	38,566	-	-	-
Share issuance costs	-	(180,192)	-	-	-	(180,192)
Share-based payment expense (note 6 and 9)	-	-	-	42,422	-	42,422
Net loss	-	-	-	-	(155,275)	(155,275)
Balance, March 31, 2017	59,817,612	23,207,358	688,541	2,950,164	(11,635,874)	15,210,189
Balance at December 31, 2015	51,284,279	21,256,057	130,029	2,930,493	(10,733,725)	13,582,854
Share-based payment expense (note 6 and 9)	-	-	-	8,880	-	8,880
Net loss	-	-	-	-	(148,025)	(148,025)
Balance, March 31, 2016	51,284,279	21,256,057	130,029	2,939,373	(10,881,750)	13,443,709

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

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

	Three months ended March 31	
	2017	**2016**
	$	**$**
Cash provided by (used in)		
Operating activities		
Loss for the period	(155,275)	(148,025)
Items not affecting cash		
Depreciation	9,643	17,227
Share-based payments	42,422	8,880
HST receivable	5,045	(23,089)
Prepaid expenses and deposits	(19,847)	(10,870)
Accounts payable and accrued liabilities	(16,586)	(87,818)
Net cash used in operating activities	(134,598)	(243,695)
Financing activities		
Proceeds from the issuance of shares in private placement	2,500,000	-
Share issuance costs	(180,192)	-
Net cash generated from financing activities	2,319,808	-
		-
Investing activities		
Exploration and evaluation costs	(50,265)	(75,696)
Net cash used in investing activities	(50,265)	(75,696)
Net increase (decrease) in cash and cash equivalents	2,134,945	(319,391)
Cash and cash equivalents, beginning of period	705,577	1,457,962
Cash and cash equivalents, end of period	2,840,522	1,138,571

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

1. Corporate Information

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

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

2. Basis of Preparation

a. Statement of compliance

The unaudited condensed interim financial statements for the three month period ended March 31, 2017, and the notes thereto (the "Interim Financial Statements"), together with the Company's annual audited financial statements issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2016, present Northern's financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2017, including 2016 comparative periods. The Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company adopted in its financial statements for the year ending December 31, 2016 based on current standards. The Interim Financial Statements do not include all the necessary annual disclosures in accordance with IFRS.

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

The Interim Financial Statements were approved and authorized for issue by the Board of Directors on May 5, 2017.

b. Basis of measurement

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

c. Going Concern

The Company is an exploration stage company that incurred a net loss of $155,275 for the three months ended March 31, 2017 (2016 - $148,025) and has an accumulated deficit of $11,635,874 since the inception of the Company. On March 24, 2017, the Company completed a private placement of 8,333,333 units at a price of $0.30 for gross proceeds of $2.5 million and as at March 31, 2017, working capital was $2,858,424. This level of working capital will enable the Company to continue as a going concern for at least the next 12 months. However, substantial additional capital is required to ultimately build a mine and processing plant on the Bissett Creek Project and to enable the Company to enter production and continue its operations. There is a high degree of risk and many inherent uncertainties in the mining industry and there is no assurance management will be successful in its endeavors.

The Interim Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. With the continuation of weak investor sentiment in the graphite and resource sectors for an extended period of time, there exists a material uncertainty as to the Company's ability to raise additional funds on favourable terms. The Company's activities have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will thoroughly assess all such activities before undertaking them in advance of additional financing being secured. The Company's Interim Financial Statements do not include any adjustments that might result from negative outcomes with respect to these uncertainties.

d. Functional and presentation currency

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

e. Critical accounting estimates and judgments

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

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

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

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

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

3. Significant accounting policies

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Company's 2016 Annual Financial Statements.

Recent and future pronouncements issued

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2016. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below. The Company is currently evaluating the potential impacts of these new standards.

IFRS 9, Financial Instruments (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets, and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39. IFRS 15 Revenue from Contracts with Customers provides a single principle-based framework to be applied to all contracts with customers.

IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

IAS 1 Presentation of Financial Statements amendments are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments is January 1, 2016.

4. Property, plant and equipment

	Building and improvements	Equipment	Total property plant & equipment
Cost	**$**	**$**	**$**
December 31, 2016	803,497	590,919	1,394,416
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
March 31, 2017	803,497	590,919	1,394,416
Accumulated depreciation			
December 31, 2016	552,501	589,336	1,141,837

Additions	8,930	713	9,643
Disposals	-	-	-
Impairment	-	-	-
March 31, 2017	561,431	590,049	1,151,480
Net book value	242,066	870	242,936

	Building and improvements	**Equipment**	**Total property plant & equipment**
December 31, 2015	803,497	646,994	1,450,491
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
March 31, 2016	803,497	646,994	1,450,491
Accumulated depreciation			
December 31, 2015	516,191	620,613	1,136,804
Additions	9,028	8,199	17,227
Disposals	-	-	-
Impairment	-	-	-
March 31, 2016	525,219	628,812	1,154,031
Net book value	278,278	18,182	296,460

5. Exploration and evaluation asset

The Company has a 100% interest in the Bissett Creek Property which consists of a 1,938 hectare mining lease, expiring in June, 2034, a 565 hectare mining lease, expiring in August, 2035, and five unpatented claims totaling approximately 464 hectares. All leases and claims are located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario. As of March 31, 2017, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	$
Balance, December 31, 2016	11,569,893
Exploration expenditures made from January 1, 2017 to March 31, 2017:	
Drilling & exploration	-
Environmental & mine permitting	6,126
Metallurgical	19,497
Feasibility study	-
Engineering	-
Site & royalties	24,734
Geotechnical	-
Detailed engineering	-
Balance, March 31, 2017	11,620,250

As of March 31, 2016, accumulated costs with respect to the Bissett Creek Property consisted of the following:

	$
Balance, December 31, 2015	11,416,388
Exploration expenditures made from January 1, 2016 to March 31, 2016:	
Drilling & exploration	-
Environmental & mine permitting	-
Metallurgical	15,748
Feasibility study	-
Engineering	47,992
Site & royalties	8,350
Geotechnical	-
Detailed engineering	-
Balance, March 31, 2016	11,488,478

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

6. Share capital

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

Private placement
On March 24, 2017, the Company closed a non-brokered private placement and issued 8,333,333 units at a price of $0.30 per unit for gross proceeds of $2,500,000 million. Each unit was 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 $0.40 per share for a period of 24 months from the closing of the private placement. In connection with the private placement, the Company paid fees totaling $136,500 to the agents, and issued to the agents 455,000 compensation options. Each compensation option entitles the holder to purchase one common share at an exercise price of $0.35 per share for a period of 12 months from the closing of the private placement. The Company intends to use the net proceeds from the private placement to finalize operational permitting necessary for the construction and operation of a mine at the Bissett Creek Property, to update the bankable Full Feasibility Study, to conduct a pilot plant test of the Company's proprietary purification process, and for general working capital.

Issued

	Common shares	
	Number of shares	**Amount $**
Balance at December 31, 2016	51,484,279	21,459,258
Issued pursuant to private placement	8,333,333	2,500,000
Issuance of warrants	-	(533,142)
Issuance of compensation options	-	(38,566)
Share issuance costs	-	(180,192)
Balance at March 31, 2017	59,817,612	23,207,358

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

	Number of warrants	**Weighted average exercise price $**
Balance, December 31, 2016	1,051,499	0.80
Warrants issued	4,166,666	0.40
Compensation options issued	455,000	0.35
Balance, March 31, 2017	5,673,165	0.47

Exercise price	Number of warrants outstanding	Expiry date
$0.80	1,051,499	July 9, 2017
$0.35	455,000	March 24, 2018
$0.40	4,166,666	March 24, 2019

The following is a summary of warrant activity and related Black-Scholes option pricing model input factors used for the three months ended March 31, 2017 and the year ended December 31, 2016:

	Three months ended March 31, 2017	Year ended December 31, 2016
Warrants granted during the period	4,621,666	Nil
Weighted-average exercise price	$0.40	Nil
Expected stock option life[(1)]	1-2 years	Nil
Expected volatility[(2)]	80.2%-90.0%	Nil
Risk-free interest rate[(3)]	0.76%-0.77%	Nil
Dividend yield	NA	NA
Forfeiture rate	NA	NA
Weighted-average fair value (Black-Scholes value)	$0.12	Nil

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

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

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

A summary of the Option Plan activity is presented below:

	Number of options	Weighted average exercise price ($)
Balance, December 31, 2016 and March 31, 2017	4,525,000	0.60

A summary of the Company's outstanding share options at March 31, 2017 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
$2.50	25,000	25,000	April 11, 2017
$0.75	200,000	200,000	May 15, 2017
$0.50	275,000	275,000	June 30, 2017
$0.70	50,000	50,000	June 30, 2017
$0.85	500,000	500,000	December 20, 2017
$0.75	100,000	100,000	May 19, 2018
$0.70	600,000	600,000	January 9, 2020
$0.50	2,775,000	2,275,000	April 27, 2021
	4,525,000	4,025,000	

The weighted average remaining contractual life of options outstanding is 3.00 years.

The following is a summary of stock option grant activity and related Black-Scholes option pricing model input factors used for the periods ended March 31, 2017 and December 31, 2016:

	Three months ended March 31, 2017	Year ended December 31, 2016
Stock options granted during the period	Nil	3,050,000
Weighted-average exercise price	Nil	$0.50
Expected stock option life(1)	Nil	1-5 years
Expected volatility(2)	Nil	94%
Risk-free interest rate(3)	Nil	0.89%
Dividend yield	NA	NA
Forfeiture rate	NA	NA
Weighted-average fair value (Black-Scholes value)	Nil	$0.34

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

The fair value is calculated using the Black-Scholes option valuation model. 500,000 of the stock options granted in 2016 to non-executive directors cannot be exercised unless and until they have been ratified by a majority vote of disinterested shareholders to be held at the Company's 2017 annual general meeting. The balance of the stock options can be exercised at any time. As at March 31, 2017, there was $12,151 (March 31, 2016 – $4,774) of total unrecognized share-based compensation costs related to unvested stock option awards and stock option awards subject to an escrow agreement granted under the Option Plan.

Contributed surplus

	$
Balance, December 31, 2016	2,907,742
Share-based payments	42,422
Balance, March 31, 2017	2,950,164

Contributed surplus as at March 31, 2017 and December 31, 2016 consists of a share-based payment reserve related to stock options issued under the Option Plan.

7. *Loss per share*

	Three months ended March 31, 2017	Three months ended March 31, 2016
Loss and comprehensive loss for period	(155,275)	(148,025)
Weighted average number of shares – basic and fully diluted	52,132,427	51,284,279
Loss and comprehensive loss per share	($0.00)	($0.00)

8. *Financial instruments and risk management*

Fair value

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

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

At March 31, 2017, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the Statement of Financial Position at fair value on a recurring basis are categorized as follows:

	Category	At March 31, 2017 $	At December 31, 2016 $	At September 30, 2016 $
Cash and cash equivalents	Level 1	2,840,522	705,577	864,724

At March 31, 2017, there were no financial assets and liabilities measured and recognized at fair value on a non-recurring basis. The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the three months ended March 31, 2017.

At March 31, 2017, there were no financial assets or liabilities measured and recognized on the Consolidated Statement of Financial Position at fair value that would be categorized as Level 2 or Level 3 in the fair value hierarchy (December 31, 2016 - $Nil).

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

Currency risk

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

Credit risk

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

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

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

9. Related parties

Key Management Compensation
In the three months ended March 31, 2017, the Company expensed management fees to companies owned and controlled by key management personnel of $nil (2016 – $19,625), and salary and compensation to key management personnel of $30,000 (2015 – $30,000). In the three months ended March 31, 2017, the Company provided employee benefits totaling $nil (2016 –$2,537) to key management personnel.

Other Related Party Transactions
During the three months ended March 31, 2017, the Company expensed office rental payments of $3,750 (2016 – $5,925) to a public company whose CEO and Director is also a Director of Northern.

10. Commitments

Leased mineral claims
In connection with the Bissett Creek Property, the Company is required to make production royalty payments of $20 per ton of graphite carbon concentrate produced to the previous owners and a 2.5% net smelter return payable on any other minerals derived and sold from the Bissett Creek Property. An advance royalty of $27,000 per annum is payable in semi-annual installments. Installments were paid for during the year ended December 31, 2016 and the three months ended March 31, 2017. The advance will be credited against any future production royalty payments.

Contractual obligations
As at March 31, 2017 and December 31, 2016, the Company had no contractual obligations which related to costs associated with work at the Bissett Creek Property.

11. Provisions

In 2004, a Mine Closure Plan ("MCP") was filed with, and accepted by, the Ministry of Northern Development and Mines ("MNDM"). The Company filed a revised MCP for a new development scenario in 2012 and in August, 2013, the MNDM accepted the revised MCP. Upon this acceptance, the Company added an additional $479,610 to the reclamation deposit which now totals $815,689 (December 31, 2016 - $815,689), including accrued interest. These amounts have been paid to the Minister of Finance for the Province of Ontario, and have been accounted for as a long term deposit. As per the revised MCP, the overall required Financial Assurance has increased to $2,329,008. In addition to the $479,610 deposited in August of 2013, $800,000 will be deposited prior to placing any footings in the ground for construction of structures such as buildings and dams and $729,088 will be deposited prior to the commencement of commercial production. The provision for reclamation and close down represent the estimated amount that would be required to restore the Bissett Creek Property to its original environmental state after construction and operations. The Company has a provision of $327,110 on its balance sheet (December 31, 2016 - $327,110) which represents the estimated current cost of reclamation. In 2016, the Company has not undertaken any work on the property that would increase the provision. The provision has increased by $1,225 as a consideration for inflation. The reclamation deposit will be returned to the Company once the MNDM is satisfied that the obligations contained in the MCP have been performed by the Company. Should the Company not perform its obligations contained in the MCP, the MNDM will restore the Bissett Creek Property site to its original environmental state using the funds from the reclamation deposit.