

Northern Graphite Corporation

(an Exploration Stage Company)

Condensed Interim Financial Statements

For the Years Ended March 31, 2012, and 2011

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Financial Position

(unaudited)

	As at March 31 2012 \$ (unaudited)	As at December 31 2011 \$
Assets		
Current		
Cash and cash equivalents	11,487,873	1,624,696
HST receivable	189,091	117,745
Prepaid expenses and deposits	47,217	39,825
	11,724,181	1,782,266
Deposits	322,733	407,482
Reclamation deposit (note 11)	317,042	317,042
Property and equipment (note 4)	556,546	574,165
Exploration and evaluation assets (note 5)	4,465,933	3,353,146
	17,386,435	6,434,101
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	707,093	443,642
Due to Mindesta Inc. (note 9)	16,127	16,127
	723,220	459,769
Reclamation and close down provision (note 11)	317,042	317,042
	1,040,262	776,811
Shareholders' equity (deficiency)		
Share capital (note 6)	19,267,515	7,859,427
Warrants (note 6)	66,352	134,647
Contributed surplus (note 6)	1,287,845	1,241,085
Retained earnings (deficit)	(4,275,539)	(3,577,869)
Total shareholders' equity (deficiency)	16,346,173	5,657,290
Total liabilities and shareholders' equity (deficiency)	17,386,435	6,434,101

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

Approved by the Board of Directors and authorized for issue on May 17, 2012

(signed) Gregory Bowes
Director

(signed) Donald Christie
Director

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Comprehensive Loss

(unaudited)

	3 months ended March 31	
	2012	2011
	\$	\$
	(unaudited)	(unaudited)
General and administrative expenses		
Management and consulting fees (note 9)	186,617	79,167
Legal and audit	35,181	12,500
Office and miscellaneous	416,402	33,663
Share-based payments (note 6)	46,760	-
Depreciation	17,619	18,413
Foreign exchange gain	(765)	-
	<u>701,814</u>	<u>143,743</u>
Loss from operations	(701,814)	(143,743)
Finance cost	-	(4,322)
Interest income	4,144	-
Income before taxes	<u>(697,670)</u>	<u>(148,065)</u>
Tax expense	-	-
Loss and comprehensive loss for the period	<u>(697,670)</u>	<u>(148,065)</u>
Loss per share	(0.02)	(0.01)
Weighted average number of shares – basic and fully diluted	<u>39,214,059</u>	<u>22,936,925</u>

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, 2011	37,415,167	7,859,427	134,647	1,241,085	(3,577,869)	5,657,290
Share capital issued through private placement	6,206,377	10,550,841	-	-	-	10,550,841
Issued pursuant to the exercise of warrants	2,245,858	842,911	-	-	-	842,911
Issued pursuant to the exercise of options	225,000	112,500	-	-	-	112,500
Warrants issued in private placement	-	(53,976)	53,976	-	-	-
Fair value of warrants exercised	-	122,271	(122,271)	-	-	-
Share issuance costs	-	(166,459)	-	-	-	(166,459)
Share-based payment expense	-	-	-	46,760	-	46,760
Net loss	-	-	-	-	(697,670)	(697,670)
Balance, March 31, 2012	46,092,402	19,267,515	66,352	1,287,845	(4,275,539)	16,346,173

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

Northern Graphite Corporation

(an exploration stage company)

Condensed Interim Statements of Cash Flows

(unaudited)

	3 months ended March 31	
	2012	2011
	\$	\$
	(unaudited)	(unaudited)
Cash provided by (used in)		
Operating activities		
Loss for the period	(697,670)	(148,065)
Items not affecting cash		
Depreciation	17,619	18,413
Share-based payments	46,760	-
Changes in non-cash operating working capital:		
HST receivable	(71,346)	(63,696)
Prepaid expenses and deposits	(7,393)	(14,064)
Accounts payable and accrued liabilities	286,512	87,752
Net cash used in operating activities	(425,518)	(119,660)
Financing activities		
Due to Mindesta Inc.	-	589,355
Issuance of share capital in private placement	10,550,841	-
Proceeds from the exercise of options	842,911	-
Proceeds from the exercise of warrants	112,500	-
Share issuance costs	(166,459)	-
Net cash generated from financing activities	11,339,793	589,355
Investing activities		
Decrease in deposits	84,749	-
Exploration and evaluation costs	(1,135,847)	(455,143)
Net cash used in investing activities	(1,051,098)	(455,143)
Net increase (decrease) in cash and cash equivalents	9,863,177	14,552
Cash and cash equivalents, beginning of period	1,624,696	45,943
Cash and cash equivalents, end of period	11,487,873	60,495

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

Northern Graphite Corporation

(an Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the 3 months ended March 31, 2012 and 2011

(Unaudited)

1. Corporate Information

Northern Graphite Corporation ("Northern" or "the Company") was incorporated under the laws of the Province of Ontario on February 25, 2002, under the name Industrial Minerals Canada Inc. The Company's name was changed to Northern on March 1, 2010. Northern was incorporated by its parent company, Mindesta Inc. ("Mindesta" formerly Industrial Minerals, Inc.), to develop and hold title to a 100% interest in the Bissett Creek Graphite Property (the "Bissett Creek Property"). Mindesta is a Delaware corporation which trades on the OTC Bulletin Board ("MDST") in the United States. The Company was a wholly owned subsidiary of Mindesta until early in 2010. Mindesta's interest in Northern was reduced to 26.1 per cent as at December 31, 2011 as the result of a number of financing transactions. At the close of trading on January 25, 2012, Mindesta completed the distribution to Mindesta's shareholders of 9,413,581 shares of Northern owned by Mindesta on the basis of one share of Northern Graphite for each share of Mindesta held. As at March 31, 2012, Mindesta's interest in Northern Graphite had decreased to less than 1%. Northern is listed on the TSX Venture Exchange and trades under the symbol "NGC".

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

2. Basis of Preparation

a. Statement of compliance

In conjunction with the Company's annual audited consolidated financial statements issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011, these unaudited condensed interim financial statements and the notes thereto (the "Interim Financial Statements") present Northern's financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2012, including 2011 comparative periods. These 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, 2011 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 Financial Statements were approved and authorized for issue by the Board of Directors on May 17, 2012.

b. Basis of measurement

The 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 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 \$697,670 for the three months ended March 31, 2012 (2011 - \$148,065) and has an accumulated deficit of \$4,275,539 since the inception of the Company. As at March 31, 2012, the Company had working capital of \$11,000,961 (December 31, 2011 - \$1,322,497) and the Company's ability to continue as a going concern is dependent upon its ability to raise additional capital to continue the development of the Bissett Creek Property. On March 16, 2012, the Company raised financing with gross proceeds of \$10,550,840.90 as described in note 6. While the Company has been successful in raising additional capital to settle loans and payables and to advance the Bissett Creek Property, substantial additional capital is required to ultimately build a mine and processing plant on the Bissett Creek Property and to enable the Company to continue its operations. However, there is a high degree of risk and many inherent uncertainties in the mining industry and there is no assurance management will be successful in its endeavors.

The 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.

Northern Graphite Corporation

(an Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the 3 months ended March 31, 2012 and 2011

(Unaudited)

The Company's management believes that it will continue to be able to generate sufficient funds from public or private debt or equity financings for the Company to continue to operate. The 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 Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements, and revenues and expenses for the period. By their nature, these estimates and judgments are subject to uncertainty and the effect on the Interim Financial Statements of changes in such estimates in future periods could be significant. Actual results may differ from those estimates and judgements.

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

- (i) asset carrying values and impairment charges;
- (ii) the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from development expenditures incurred;
- (iii) the expected costs of asset retirement obligations;
- (iv) debt and equity portions of convertible debentures;
- (v) the calculation of gains and losses relating to foreign currencies;
- (vi) the calculation of gains related to the settlement of debt by issuance of shares; and
- (vii) the calculation of share-based compensation and warrants which includes the assumptions used in the Black-Scholes option pricing model including volatility, estimated forfeiture rates and expected time until exercise.

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

- (i) those relating to the assessment of the Company's ability to continue as a going concern;
- (ii) the useful lives and related depreciation of property and equipment;
- (iii) the identification of separately identifiable components in property and equipment where their respective cost is significant in comparison to the total cost;
- (iv) the classification of financial instruments;
- (v) the calculation of gains related to the settlement of debt by issuance of shares; and
- (vi) 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 2011 Annual Financial Statements.

Recent pronouncements issued

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after March 31, 2012. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the table below.

The following amended or new Standards were issued by the IASB and are effective for annual periods beginning on or after January 1, 2013. The Company has not early adopted these Standards in these Interim Financial Statements:

- FRS 7, "Financial Instruments: Disclosures";
- IFRS 9, Financial Instruments, "IFRS 9";
- IFRS 10, "Consolidated Financial Statements";
- IFRS 11, "Joint Arrangements";
- IFRS 12, "Disclosure of Interests in Other Entities";
- IFRS 12, "Disclosure of Interests in Other Entities";
- IFRS 13, "Fair Value Measurement";
- IAS 1, "Presentation of Financial Statements";

Northern Graphite Corporation

(an Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the 3 months ended March 31, 2012 and 2011

(Unaudited)

- IAS 27, "Separate Financial Statements"; and
- IAS 28, "Investments in Associates and Joint Ventures".

4. Property and equipment

	Building and improvements	Equipment	Total property plant & equipment
Cost	\$	\$	\$
December 31, 2011	800,097	632,794	1,432,891
Additions	-	-	-
Disposals	-	-	-
Impairment	-	-	-
March 31, 2012	800,097	632,794	1,432,891
Accumulated depreciation			-
December 31, 2011	367,809	490,917	858,726
Additions	10,129	7,490	17,619
Disposals	-	-	-
Impairment	-	-	-
March 31, 2012	377,938	498,407	876,345
Net book value	422,159	134,387	556,546
Cost			
January 1, 2011	800,097	1,153,286	1,953,383
Additions	-	149,954	149,954
Disposals	-	(670,446)	(670,446)
Impairment	-	-	-
December 31, 2011	800,097	632,794	1,432,891
Accumulated depreciation			-
January 1, 2011	325,292	1,099,175	1,424,467
Additions	42,517	19,600	62,117
Disposals	-	(627,858)	(627,858)
Impairment	-	-	-
December 31, 2011	367,809	490,917	858,726
Net book value	432,288	141,877	574,165

5. Exploration and evaluation asset

The Company has a 100% interest in the Bissett Creek Property which consists of 2,989 hectares located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario. The Bissett Creek Property consists of a 565 hectare mining lease expiring September 22, 2014 and 18 unpatented claims totaling approximately 2,424 hectares.

As of March 31, 2012, accumulated costs with respect to the Bissett Creek Property consisted of the following:

Balance, December 31, 2011	\$ 3,353,146
Exploration expenditures made from January 1, 2012 to March 31, 2012:	
Drilling & exploration	-
Environmental & mine permitting	216,417
Metallurgical	710,256
Feasibility study	147,934
Engineering	1,505
Site & royalties	36,675
Surveying & geophysics	-
Balance, March 31, 2012	4,465,933

Northern Graphite Corporation

(an Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the 3 months ended March 31, 2012 and 2011

(Unaudited)

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

6. Share capital

Authorized

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

Private placement

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

Initial public offering

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

Issued

	Common shares	
	Number of shares	Amount \$
Balance at December 31, 2011	37,415,167	7,859,427
Share capital issued through private placement	6,206,377	10,550,841
Issued pursuant to the exercise of warrants	2,245,858	842,911
Issued pursuant to the exercise of options	225,000	112,500
Warrants issued in private placement	-	(53,976)
Fair value of warrants exercised	-	122,271
Share issuance costs	-	(166,459)
Balance at March 31, 2012	46,092,402	19,267,515

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

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

As of March 31, 2012, 2,087,325 common shares are held in escrow.

Northern Graphite Corporation

(an Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the 3 months ended March 31, 2012 and 2011

(Unaudited)

Warrants

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

	Number of Warrants	Weighted average exercise price \$
Balance, December 31, 2011	5,237,329	0.33
Issued pursuant to private placement March 16, 2012	71,480	2.00
Exercised	(2,245,858)	0.38
Balance, March 31, 2012	3,062,591	0.84

Exercise price	Number of warrants outstanding	Expiry date
\$0.25	1,599,999	October 7, 2012
\$0.35	1,345,000	October 7, 2012
\$0.50	46,472	April 18, 2012
\$2.00	71,480	March 16, 2013
	3,062,591	

As of March 31, 2012, 803,574 warrants are held in escrow.

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 Company's share option plan activity is presented below:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2011	3,200,000	0.52
Exercised	(225,000)	0.50
Balance, March 31, 2012	2,975,000	0.53

Northern Graphite Corporation

(an Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the 3 months ended March 31, 2012 and 2011

(Unaudited)

A summary of the Company's share options outstanding and exercisable at March 31, 2012 is presented below:

Exercise price	Options outstanding	Options exercisable	Expiry date
\$0.50	2,725,000	2,383,333	April 18,2016
\$0.94	25,000	25,000	November 16,2016
\$0.80	225,000	-	December 20,2016
	2,975,000	2,408,333	

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, 2012 and December 31, 2011:

	3 months ended March 31, 2012	Year ended December 31, 2011
Stock options granted during the period	NA	3,200,000
Weighted-average exercise price	NA	\$0.52
Expected stock option life ⁽¹⁾	NA	1 to 5 years
Expected volatility ⁽²⁾	NA	144%
Risk-free interest rate ⁽³⁾	NA	1.09% to 2.60%
Dividend yield	NA	0.00%
Forfeiture rate	NA	0.00%
Weighted-average fair value (Black-Scholes value)	NA	\$0.44

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

The fair value is calculated using the Black-Scholes option valuation model. As at March 31, 2012, there was \$129,141 (March 31, 2011 – Nil) of total unrecognized share-based compensation costs related to unvested stock option awards granted under the Plan which are expected to be recognized over a weighted-average period of 0.5 years.

Contributed surplus

Balance, December 31, 2011	\$ 1,241,085
Share-based compensation	46,760
Balance, March 31, 2012	1,287,845

Contributed surplus as at March 31, 2012 and December 31, 2011 consists of a share-based payment reserve related to stock options issued under the Plan.

7. Loss per share

	3 months ended March 31, 2012	3 months ended March 31, 2011
Loss and comprehensive loss for period	(\$697,670)	(148,065)
Weighted average number of shares – basic and fully diluted	39,214,059	22,936,925
Loss and comprehensive loss per share	(\$0.02)	(\$0.01)

Northern Graphite Corporation

(an Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the 3 months ended March 31, 2012 and 2011

(Unaudited)

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.

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

Currency risk

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

Credit risk

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

Liquidity risk

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

Interest rate risk

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

9. *Related parties*

Major Shareholder

Mindesta's interest in Northern was reduced to 26.1 per cent as at December 31, 2011 as the result of a number of financing transactions. At the close of trading on January 25, 2012, Mindesta completed the distribution to Mindesta's shareholders of 9,413,581 shares of Northern owned by Mindesta on the basis of one share of Northern Graphite for each share of Mindesta held. As at March 31, 2012, Mindesta's interest in Northern Graphite had decreased to less than 1%.

Key Management Compensation

In the 3 months ended March 31, 2012, the Company expensed management fees to companies owned and controlled by key management personnel of \$43,750 (2010 – \$73,166) and expensed salary to key management personnel of \$91,875 (2011 - Nil). In the 3 months ended March 31, 2012 and 2011, the Company provided short-term employee benefits

Northern Graphite Corporation

(an Exploration Stage Company)

Notes to Condensed Interim Financial Statements

For the 3 months ended March 31, 2012 and 2011

(Unaudited)

totaling \$5,930 to key management personnel. In the 3 months ended March 31, 2012, the Company provided share-based payments of \$46,760 to key management personnel. In the 3 months ended March 31, 2011, the Company did not provide any share-based payments to key personnel.

Other Related Party Transactions

During the 3 months ended March 31, 2012, the Company expensed office rental payments of \$4,500 (2011 – \$4,500) to a Company whose CEO and a 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 from the Bissett Creek Property. An advance royalty of \$27,000 per annum is payable in semi-annual installments and has been paid for the three months ended March 31, 2012. The advance will be credited against any future production royalty payments.

Contractual obligations

As at March 31, 2012, the Company's contractual obligations consisted of purchase obligations in the amount of approximately \$246,748 (commitments as at December 31, 2011 – \$362,513) which related to costs associated with the Feasibility Study for the Bissett Creek Property. Purchase obligations represent agreements to purchase goods or services that are enforceable and legally binding on the Company. The schedule of certain payments is dependent upon the contractors' ability to complete various milestones. It is expected that all of the commitments will be paid by the end of the third quarter of 2012.

11. Provisions

A Mine Development and Closure Plan has been filed with, and accepted by, the Ministry of Northern Development and Mines ("MNDM"). A reclamation deposit which now totals \$317,042 (2011 - \$317,042), including accrued interest, has been paid to the Minister of Finance for the Province of Ontario, and has been accounted for as a long term deposit with a corresponding provision for reclamation and close down. The reclamation deposit and corresponding provision for reclamation and close down represent the estimated amount that would be required to restore the Bissett Creek Property to its original environmental state based on the original development plan. The money pledged for the reclamation deposit will be returned to the Company once the MNDM is satisfied that the obligations contained in the Mine Development and Closure Plan have been performed by the Company. Should the Company not perform its obligations contained in the Mine Development and Closure Plan the MNDM will restore the Bissett Creek Property site to its original environmental state using the funds from the reclamation deposit. The Company is liable for any costs in excess of the reclamation deposit. The Company is in the process of filing a revised Mine Closure Plan for a new development scenario and an increased reclamation deposit will be required. The amount of the increase has not yet been determined.

12. Subsequent Events

Subsequent to the end of the first quarter, 296,451 warrants have been exercised resulting in proceeds to the Company of \$107,340.

On April 11, 2012, the Company's Board of Directors approved the issuance of 525,000 stock options to the Company's non-executive Directors and a contractor at a strike price of \$2.50 per share. These options vest immediately and have a five year term that expires on April 11, 2017.