NORTHERN GRAPHITE CORPORATION

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MANAGEMENT DISCUSSION AND ANALYSIS

For the Year ended December 31, 2022

(Information as at April 30, 2023 unless otherwise noted)

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended December 31, 2022
(Information as at April 30, 2023 unless otherwise noted)

The following provides management's discussion and analysis ("MD&A") of results of operations and financial condition of Northern Graphite Corporation ("Northern" or the "Company") for the years ended December 31, 2022 and 2021. This MD&A was prepared by the Company's management and approved by its Board of Directors on May 1, 2023.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for annual financial statements. All figures are presented in Canadian dollars unless otherwise indicated. This MD&A is prepared in conformity with National Instrument 51-102F1.

This MD&A contains forward-looking statements. Statements regarding the anticipated operations and performance of the LDI Project (as defined below) and the anticipated advancement of the Okanjande, Bissett Creek, Mousseau, South Okak, Baie-Comeau and Neograf Projects (each as defined below) and the programs related thereto, including the adequacy of cash resources and 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.

1. Introduction

Northern is a mineral resource exploration, development and production company engaged in the acquisition, exploration, development and production of graphite and other battery mineral properties. The Company was incorporated on February 25, 2002 under the *Business Corporations Act* (Ontario). The Company is the only significant graphite producing company in North America through its Lac-des-Îles graphite mine in Quebec ("LDI" or the "LDI Project"), which it acquired in April 2022. The Company's other material projects consist of the Okanjande graphite mine and processing plant equipment in Namibia (collectively the "Okanjande Project"), which was also acquired in April 2022 and which are expected to be back in production mid 2024, and the Bissett Creek graphite development project in Ontario ("Bissett Creek" or the "Bissett Creek Project"). The Company also owns 100% of the Mousseau West graphite project in Quebec ("Mousseau West" or the "Mousseau West Project") which is in proximity to LDI, and has options to earn up to an 80% of the South Okak nickel-copper-cobalt project in Labrador ("South Okak" or the "South Okak Project"). Subsequent to December 31, 2022 the Company announced the increase of the size of the Mousseau West project by an additional 101.64 hectares to a total of 590.54 hectares by the Québec ministère des Ressources naturelles et des Forêts (the "Minister") through an automatic procedure under the Mining Act (Québec). The Company has announced a mine-to-market strategy with the downstream integration of its graphite concentrate capacity to produce Battery Anode Material ("BAM") for use in Li-ion batteries. The Company intends to build one of the world's largest BAM production facilities in Baie Comeau, Québec, Canada. Subsequent to December 31, 2022 the Company announced it had acquired an option to buy a 33% equity and 50.1% voting interest in NeoGraf, a US Company specialized in functionalizing natural graphite into specialty, value added products.

2. 2022 Highlights

2022 Highlights

- On April 29, 2022, the Company acquired 100% ownership of the producing LDI graphite mine in Quebec and the Okanjande graphite deposit and the Okorusu processing plant in Namibia, which was funded through a combination of equity, debt and the sale of a royalty and stream on the assets acquired
- Revenue of $12.0 million generated based on 5,785 tonnes of graphite concentrate sold at an average realized sales price of $2,073/tonne (USD$1,572/tonne)
- Cash costs $1,364 (USD$1,033) per tonne of graphite concentrate sold
- Income from mine operations at $ 3.1 million
- An operating loss of $4.7 million was recorded

- A net loss of $14.6 million ($0.14 per share) was recorded which includes a non-cash, $2.6 million foreign exchange loss on financial instruments and an impairment charge of $3.2 million arising from the Company’s decision to move its processing facilities in Namibia
- Cash and equivalents of $5.1 million as at December 31, 2022. Cash held in escrow or with government agencies totaling $9.134 million was released to the Company and replaced by surety bonds totaling $9.081 million
- 9,460 tonnes of graphite concentrate produced
- On October 5, 2022, the Company exercised its option to acquire 100% of the Mousseau West graphite project in Québec. Subsequent to December 31, 2022, the Company increased size of the project by an additional 101.64 hectares to a total of 590.54 hectares
- Namibia: In June 2022 the Company completed a Preliminary Economic Assessment (“PEA”) which evaluated the economics of shipping ore from the Okanjande graphite mine to the Okorusu processing plant, located 70 km away. In late 2022 and early 2023, the Company made the decision to relocate the Okorusu plant directly at the mine site in Okanjande. An updated PEA is expected to be ready in the second quarter of 2023 and includes plans for a 31,000 tpy processing plant that will be ready for production in mid-2024.
- Mine-to-market strategy presented
    - With the growth of the electric vehicle (“EV”) market, the Company is moving downstream in order to further process its graphite for use as the anode material in lithium ion batteries (“LiBs”) with shaping, purification and coating technologies. This is expected to be done in partnership with companies that are industry leaders in these technologies. The Company signed a Letter Of Intent with Graphex Technologies LLC, the U.S. subsidiary of Graphex Group Limited (NYSE American: GRFX | HKSE: 6128) (collectively “Graphex”), a global leader in the production of the anode material used in EVs)/LiBs , with the intent of combining Northern’s raw material supply capabilities with Graphex’s downstream processing expertise in a proposed Battery Anode Material (“BAM”) plant located at Baie Comeau, Québec (with total capacity of 200,000 tons per year (tpy).
    - Subsequent to December 31,2022, Northern signed an agreement to acquire a 33.33% ownership interest and the majority of voting rights (50.1%) in NeoGraf Solutions, LLC (“NeoGraf”), a US based company focused on the manufacturing of specialty value added products made out of natural graphite. This is part of the Company’s strategy of also pursuing downstream integration into non BAM markets. Neograf has been a customer of LDI for 30 years and is anticipated to be a perfect fit for Northern’s strategy of integrating downstream to capture more of the margin along the supply chain. Neograf has over 100 patents and 150 employees with very valuable technical knowledge and customer intimacy that Northern can leverage in the future. It is also a platform for additional growth that has the potential to strengthen the Company’s cash flow and balance sheet and help achieve its goal of becoming the leading mine to market graphite company.

Highlights for the three months ended December 31, 2022

- Revenue of $3.8 million generated based on 1,828 tonnes of graphite concentrate sold at an average realized sales price of $2,028/tonne (USD$1,494/tonne)
- Cash costs $1,241 (USD$0.941) per tonne of graphite concentrate sold
- Income from mine operations at $1.0 million
- An operating loss of $0.6 million was recorded
- A net loss of $4.7 million ($0.04 per share) was recorded which includes a non-cash, $0.7 million foreign exchange gain on financial instruments and an impairment charge of $3.2 million arising from the Company’s decision to move future processing facilities in Namibia
- 3,741 tonnes of graphite concentrate produced

3. Corporate

On January 4, 2022, the Company announced the senior management appointments of David Marsh as Chief Operating Officer and Christopher Park as Chief Financial Officer to help guide Northern through the transition to an operating and producing company on closing of the Acquisition.

On April 29, 2022, the Company closed the acquisition of the LDI Project in Quebec and the Okanjande Project in Namibia for approximately $51.7 million (the "Acquisition). The Acquisition was funded through a combination of equity, debt and the sale of a royalty and stream on the assets acquired. Financing included US$36 million in debt, royalty and stream financing provided by Sprott Resource Streaming and Royalty Corp. or its affiliates or funds (collectively, "Sprott") and a Private Placement for gross proceeds of approximately $23 million. In addition, Imerys S.A. ("Imerys") received US$4 million in equity of the Company on the same terms as the Private Placement, as partial payment of the purchase price for the LDI Project. The Company is now the only significant North American natural graphite producer and has acquired an established customer base and market share. Full details of the Acquisition are described in the "Mining Operations and Projects" section below and full details of the financing are described in the "Liquidity and Capital Resources / Financings" sections below.

On June 8, 2022 the Company announced that Mr. Hugues Jacquemin had been appointed Chief Executive Officer of the Company and Greg Bowes, the former CEO, was appointed Executive Chairman. Mr. Jacquemin had previously been a Special Advisor to the Company. Mr. Jacquemin served as CEO of the Graphite and Carbon Division of Imerys SA and spearheaded its investment program in lithium ion battery materials for electric vehicle markets. He has over 30 years of senior management experience growing specialty materials businesses for firms in a broad spectrum of industries including graphite mining and processing, lithium ion battery materials, fuel cells and hydrogen production, graphene and carbon nanotubes, synthetic graphite and carbon materials.

Several appointments of executives have followed Mr. Jacquemin's appointment. On August 2, 2022 Marco Zvanik was appointed Vice President of Global Sales, in charge of all global commercial activities for Northern. The Company also appointed Guillaume Jacq as its Chief Financial Officer on September 19, 2022.

In order to further enhance its global team the Company appointed two new management team members on October 20, 2022. Sam Januarie was appointed Vice President, Human Resources, and Serge Theberge was named Vice President Projects.

On October 4, 2022, the Company's Board of Directors approved the issuance of 1,631,000 stock options to new corporate employees and staff at the LDI mine. The options are exercisable at a price of $0.60 per share, have a term of three years and vest as to one third immediately and one third after each of years one and two.

At the Company's Annual and Special Shareholder meeting held on November 21, 2022, the following items were approved by the Company's shareholders:

- The re-election of Gregory Bowes, W. Campbell Birge and Donald H. Christie and the election of Hugues Jacquemin and Frank O'Brien-Bernini as Directors of the Company;
- The Company's amended and restated stock option plan;
- The Company's deferred share unit and restricted share unit compensation plan (the "DSU/RSU Plan"), and
- Loans to certain executives of the Company in the amount of $337,500 for the purpose of purchasing securities of the Company.

On December 20, 2022, The Board of Directors also approved commitments to issue 1.3 million restricted share units to certain executives of the Company subject to TSX Venture Exchange and shareholder approvals of the DSU/RSU Plan. Subsequent to December 31, 2022 the Company has announced a modification to the original vesting schedule for tax reasons specific to the award of RSUs.

During the fourth quarter of 2022, cash held in escrow or with government agencies totaling $7.573 million was released to the Company and replaced by surety bonds totaling $9.081 million. A post-closing adjustment amount of $1,341,000 relating to the LDI acquisition was paid to Imerys.

Subsequent to December 31, 2022 Northern also reported the grant of stock options to an officer of the Company to purchase a total of 200,000 shares of the Company, vesting immediately, for a period of five years. The options were priced at $0.55 and have been granted in accordance with the Company's amended and restated stock option plan.

Subsequent to December 31, 2022, the Company appointed Kirsty Liddicoat as Chief Operating Officer, Dave Marsh as Chief Technical Officer, Pav Jordan as Vice-President of Communications and Greg Bowes as Chairman.

4. Business Lines and Strategy

The Company plans to become the largest producer and processor of natural graphite outside of China. To achieve this goal, Northern has embarked on a three-pronged strategy as follows

1) Acquiring **graphite mining assets** to build the capacity required to produce BAM. The Company closed the Acquisition of Imerys' natural graphite division on April 29, 2022, and is now the only significant North American graphite producing company and expects to become the world's third largest non Chinese producer when its Namibian operations restart. The Company now has substantial near term production with the LDI Project and the planned restart of operations in Namibia (approximately 50,000 tpy is planned by the end of 2024), and three large scale development projects with the Okanjande, Bissett Creek and Mousseau West Projects. They are expected to enable the Company to significantly expand production to meet growing demand from the EV/battery markets. All projects have high quality "battery grade" concentrate and are located close to infrastructure in politically stable countries. At full capacity and after expansions, these assets have the potential to produce up to 300,000 tpy of graphite concentrate.

2) **Mine-to-market strategy:** with the growth of the EV market, the Company is moving downstream in order to further process its graphite for use in lithium ion batteries with shaping, purification and coating technologies. This is expected to be done in partnership with companies that are industry leaders in these technologies. On January 10, 2023 Northern Graphite signed an agreement with Innovation et Development Manicouagan (IDM) to evaluate sites for the construction of a 200,000 tons per year (tpy) BAM plant, which is expected to be the largest outside of China. The Company has signed a Letter of Intent for the creation of a joint venture with Graphex Technologies. The companies plan to join forces for the construction of the large-scale graphite processing facility, under which Northern would provide a secure supply of graphite concentrate and Graphex would license and/or contribute its technology, plans and expertise for building and operating the plant(s).

- **Downstream integration in non BAM applications**: the Company is also pursuing opportunities to move downstream into non-EV applications in the electronics, construction, graphene and hydrogen fuel cells markets. These markets provide the opportunity to increase revenues and profits through further processing of the Company's graphite mine concentrates. The Company has demonstrated its commitment to also develop non-BAM application with the planned acquisition of an ownership interest in NeoGraf, a company based in Cleveland, Ohio, USA. NeoGraf is a leading provider of specialty, value added products manufactured from natural graphite. Neograf has been a customer of LDI for 30 years and is anticipated to be a perfect fit for Northern's strategy of integrating downstream to increase the value of its mine concentrates and create additional cash flows for the Company. In addition, Neograf has over 100 patents and 150 employees with very valuable technical knowledge and customer intimacy that Northern can leverage in the future. It is also a platform for Northern into becoming the leading mine to market graphite company which will enable it to attract additional investment. Furthermore, the expanded range of technology and skills are expected to make the Company more attractive when applying for grants and government funding.

5. Mining Operations & Projects

a) Lac-des-Iles, Québec, Canada

The LDI mine has been in operation for over 20 years and is the only significant graphite producer in North America. The LDI graphite mine is located approximately two kilometres south of Lac-des-Îles, Québec, Canada, approximately 110 km northeast of Ottawa and 180 km northwest of Montréal. LDI consists of an open pit graphite mine and a processing facility that includes crushing, grinding and flotation circuits that produce high quality concentrates of various sizes and purities that are sold directly to end-users for various applications. The operation has a maximum production capacity of 25,000 tpa and employs approximately 55 personnel.

The mine is covered by active mining title BM-788 which has an area of approximately 652.6 hectares over 23 contiguous smaller blocks as part of NTS sheet 31J05. The title is fully registered with a current expiration date of January 31, 2029. Agreements have been executed with the surface rights holders of certain lots on the mining lease for use of land for mining purposes. The agreements require that the owners be paid a royalty per metric tonne of ore extracted and processed.

Additional information on LDI can be found in an independent Technical Report dated December 22, 2021 prepared by SLR (Canada) Ltd. in compliance with NI 43-101 and which has been filed under the Company's profile on SEDAR. The Company expects LDI to produce up to 15,000 tonnes of graphite concentrate annually over the next two to three years. The Company believes there are opportunities to extend the mine life and expand production. During the fourth quarter of 2022, the Company acquired the Mousseau West project which it believes can provide a source of graphite mineralization to supply the LDI plant. The Company also continues to identify and evaluate other opportunities around its LDI property. With LDI, the Company has also acquired an established market share and customer base that could be transitioned to supply from Namibia and Bissett Creek.

The Company completed its second full quarter of production at LDI on December 31, 2022 producing 9,460 tonnes of graphite concentrate and selling 5,785 tonnes of graphite concentrate in the year. The Company realized an average sales price of $2,073 per tonne, cash costs were $1,364 per tonne sold and mine operating income of $3,050,000 was generated.

The following table presents operational highlights for two months in the second quarter when the mine first came under Northern's ownership and the rest of 2022.

	Q2	**Q3**	**Q4**	**Total 2022**
Mining (tonnes)				
Ore	25,214	51,256	46,763	123,233
Waste	199,180	224,126	203,766	627,072
Strip Ratio	7.90	4.37	4.36	5.09
Processing				
Crusher feed	37,597	49,745	50,106	137,448
Recovery	89.7%	89.3%	92.4%	90.5%
Feed grade	6.6%	6.4%	6.6%	6.5%
Production				
Tonnes	2,523	3,196	3,741	9,460
Sales				
Tonnes	1,773	2,184	1,828	5,785
Average realized selling price per tonne	$2,083	$2,053	$2,141	2,073

Mining

During the year, a total of 123,233 tonnes of ore were mined from Pit 2.

Mining cash costs per tonne increased in the fourth quarter as lower tonnes of ore mined and higher maintenance, labour and consumable costs were only partially offset by lower energy costs.

Processing

During the year ended December 31, 2022, the plant processed a total of 137,448 tonnes of ore with an average head grade of 6.5% graphite and a recovery of 90.5% to produce 9,298 tonnes of graphite concentrate. Production for the year consisted of 16% XL flakes, 24% large flakes, 1% medium flakes, 17% small flakes and 42% fine flakes.

The plant is operated five days a week, 24 hours per day with one of the down days used for plant maintenance. Operating targets are set at 1,000 tonnes/day milled and 60 tonnes/day of graphite concentrate production. These targets are being consistently achieved with the purity of concentrates within specification.

The Company's average processing costs per tonne in the fourth quarter of 2022 were positively impacted by increased production and lower maintenance costs as there was a Company shutdown of operations in the third quarter. These were partially offset by higher packaging, labour, share-based compensation and insurance costs.

Sales

During the year the Company sold 5,785 tonnes of graphite concentrate with an average realized sales price of $2,073 per tonne. A price increase was announced on July 6, 2022 and has been accepted or renegotiated in order to reduce payment terms and demand has been constant and in line with expectations. The Company holds inventory of fines, and discussions are in progress with potential customers to sell this inventory and create a unique North American source of graphite products for the battery industry. Annualized days of sales outstanding has decreased to close to 41 days at the end of the year as a result of actions taken by the Company to collect receivables and shorten payment terms in collaboration with its customers.

The transition from Imerys to Northern continued to progress smoothly with no interruptions in production or sales being experienced following the acquisition of LDI. Various reporting and operating procedures are being improved and a new, slightly modified management structure has been implemented.

The Company has also reached a new long-term agreement with the union at LDI and a new agreement with site management to secure the long term future of the assets and its employees.

On October 5, 2022 the Company announced that it had exercised a previously announced option to acquire a 100% interest in the Mousseau West Project through the payment of $500,000 in cash and the issuance of 900,000 common shares of the Company. The Company also has the right to acquire a 2% net smelter royalty retained by the owners at any time upon the payment of $1 million. The Mousseau West Project has the potential to significantly extend the life of the LDI mine and return its production to 25,000 tpy. There will be no processing plant or tailings pond at Mousseau West, only a quarry.

With the acquisition of LDI, the Company acquired $13.5 million in inventories consisting mainly of finished goods (graphite concentrates), broken ore in stockpile and some material and supplies. In the second, third and fourth quarters of 2022 concentrate production exceeded sales with the effect that the finished goods inventory increased. The Company now has 8,801 tonnes of graphite concentrate in inventory with a production cost/carrying value of $14.6 million and a market value of approximately $17.7 million using LDI's average realized price to date. In addition, the Company has 145,349 tonnes of broken ore in stockpile which has a carrying value/production cost of $8.6 million. There are approximately 8,550 tonnes of recoverable graphite in the stockpile which has a value in excess of $10 million, net of processing costs.

The Company has chosen not to discount prices to reduce inventories because it believes they represent a substantial asset. The sales staff has been expanded and new markets/customers are being aggressively pursued in North America and Europe in order balance liquidity with the amount of working capital tied up in inventories, and to create a market for future expected Namibian production. The Company intends to operate the LDI mine on an intermittent basis with an average yearly production rate of 15,000 tpy (capacity 25,000 tpy) in order to satisfy existing and future customer demand and to continue optimizing existing inventory levels, particularly high demand grades. This is also intended to extend its life and bridge production without any adverse operational or commercial impacts through to the start up of supply from the Mousseau West quarry.

b) Okanjande Project, Namibia

Northern acquired 100% ownership of Northern Graphite Holdings (Namibia) (Pty) Ltd. ("Holdings") which owns a 100% interest in Northern Graphite Processing (Namibia) (Pty) Ltd. ("NGP") and a 100% interest in Northern Graphite Okanjande Mining (Pty) Ltd. ("NGOM"). NGOM holds Mining License ("ML") 196 which covers the Okanjande graphite deposit which is located approximately 23 km by road to the southwest of the town of Otjiwarongo, 230 km north of Windhoek, the capital city of the Republic of Namibia ("Namibia"), and 388 km easy of the port of Walvis Bay. NGOM also holds Exclusive Prospecting License ("EPL") 4717 which surrounds the mining license.

Namibia is considered one of the most favourable mining jurisdictions on the African continent. Okanjande graphite is of the highest quality, with access to grid power and just five hours over good roads from the deep water port of Walvis Bay, providing ready access to European and North American markets. These attributes, plus a much shorter time to market, are expected to provide a competitive advantage over other African graphite projects, and the Namibian operation should enable Northern to expand its market share in North America and Europe and reduce the market's dependence on Chinese supply.

Originally Okorusu was chosen as the processing site. It is located 70 km from the Okanjande deposit:

- The site was put under care and maintenance in 2018 by Imerys (the vendor);
- Approximately USD50 million of capital had been invested in Okorusu by Imerys prior to the acquisition, and using it represented the cheapest and fastest way to restart production for a 31 kT capacity graphite concentrate plant. Imerys spent more than US$50 million to retrofit the Okorusu plant to produce graphite concentrate but it experienced a number of start-up issues and failed to meet design specifications. The operation was placed on care and maintenance in October 2018 and effective April 29, 2022 Northern acquired 100 per cent ownership of Holdings from Imerys and its joint venture partner.
- Northern redesigned the flow sheet and part of the production process, in line with the deposit requirements, with an initial plan of bringing the plant into production by the middle of 2023 with a capital cost of USD15.1 million
- Long lead time parts were ordered in Q2 2022

On July 11, 2022, the Company released the results of a preliminary economic analysis ("PEA") for the Okanjande/ Okorusu Project. Key results include an average annual production of 31,000 tonnes of graphite concentrate, production costs of US$775 per tonne, a Post Tax IRR of 62%, a Post Tax NPV of US$65 million and a payback of under two years which were based on a 10-year mine life and a weighted average graphite price of US$1,500/tonne. Further details regarding the PEA are described in the "Exploration" section below. A technical report in respect of the PEA prepared in accordance with NI43-101 was filed under the Company's profile on SEDAR (www.sedar.com) on August 24, 2022.

During the course of the fourth quarter, the start up of operations in Namibia was pushed out due to Covid related delays in the shipment of new grinding mills from China. Accordingly, the Company slowed down the retrofit of the Okanjande/Okorusu operation and has not made any new commitments to better match capital requirements with cash flows from the drawdown in LDI's inventories, and to secure offtake agreements to ensure there are buyers for its production at start up. These delays presented the opportunity to evaluate a potentially more sustainable and economically attractive development scenario for the Namibian operation. This involves installing the new mills in a plant which would be built at the Okanjande mine site. While this would further delay the startup of operations and require additional capital, it would eliminate ore transportation costs and is expected to result in better project economics. It would also represent phase 1 of an ultimate plan to build 100,000-150,000 tonnes per annum of graphite production capacity adjacent to the Okanjande deposit to meet rapidly growing EV and battery demand.

In December 2022, the Company made the decision to process ore at the Okanjande site instead of the Okorusu site. Pursuant to this, the Company planned to move all of the processing equipment from Okorusu to Okanjande with a goal to have the plant (with the same flowsheet) operating on a sustainable basis by July, 2024. The Company has been working with CREO engineering to complete a new PEA under this operating scenario and expects to publish the results during the second quarter of 2023.

An experienced Namibian General Manager and Project Manager are in place and leading a team of about 50 employees. The local management team was enhanced in the third quarter of 2022 by the appointment of a Plant Manager and a Support Services Manager. The Namibian based Group Process Manager and Vice President Human Resources have been included in the Company's corporate staff.

Empowering Local Businesses and Community

Northern has adopted initiatives to empower small businesses operating in Otjiwarongo and to provide on the job training opportunities for apprentices from credible vocational training institutions in Namibia. The start-up activities and the subsequent construction present an excellent opportunity to support the local economy as apprentices receive intensive on-the-job training in their respective trades, and for small contractors to gain experience operating in a world-class construction environment. As part of its Corporate Social Responsibility investment drive Northern has committed to internship contracts with ten final year apprenticeship students in various technical fields from the Namibia Institute of Mining and Technology. During this 12-month period each apprentice is assigned an experienced coach and taken through intensive training in their respective trade. A monthly allowance is provided to each apprentice during the internship after which Northern plans to introduce a new cohort of students annually.

On July 11, 2022, the Company released the results of a technical report, entitled "Okanjande Graphite Project - Preliminary Economic Assessment Study Report" (the "PEA") which is effective July 1, 2022 and has been prepared for Northern in accordance with NI 43-101 by CREO Engineering Solutions (Namibia) with contributions from Knight Piesold Consulting (Namibia) and MSA Group (South Africa), and is available under the Company's profile on SEDAR.

The PEA is based on 5.9 million tonnes of weathered resources grading 4.21% Cg and 1.2 million tonnes of fresh rock resources grading 4.35%, all in the measured and indicated categories. The total fresh rock resource consists of 24,200,000t with 1,287,000t of contained graphite in the measured and indicated categories and 7,200,000t with 359,000t of contained graphite in the inferred category (all based on a 3.1% Cg cut-off grade and a US$1,250/t graphite price). The Company is currently completing a new PEA which contemplates processing the ore at Okanjande rather than Okorusu.

c) Mining Projects

i. Bissett Creek

The Company holds a 100% interest in the Bissett Creek Project, which is located approximately 15 km from the Trans-Canada Highway (Highway 17) between the towns of Deep River and Mattawa, Ontario. Bissett Creek 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.

The Bissett Creek Project consists of Ontario mining lease number 109550 (covering 565 hectares) which expires on August 31, 2035, and Ontario mining lease number 109335 (covering 1,938 hectares) which expires on June 30, 2034 (the "Mining Leases"). The Company also held five unpatented mining claims, contiguous to the Mining Leases, which have been converted into 52 cells covering approximately 1,159 hectares under Ontario's Mining Lands Administration System.

A royalty of $20 per ton of concentrate sold must be paid to the families of the original discoverers of the deposit once the mine is operational plus a 2.5% net smelter royalty ("NSR") on any other minerals derived from the Bissett Creek Project. An annual advance payment of $27,000 must be made (done for 2022) and will be credited against future payments when the mine commences production.

On July 15, 2020, the Company sold a 1% gross revenue royalty ("GRR") on the Bissett Creek Project to Electric Royalties Ltd. ("ERL") for $500,000 in cash and 2,000,000 common shares of ERL valued at $440,000 at the time of closing (the "Consideration Shares"). Under the terms of the agreement, ERL had a two-year option to acquire an additional 0.5% GRR by paying $750,000 which expired unexercised. The Company has the option to buy back 0.5% of the initial GRR at any time by returning the Consideration Shares or paying $1.5 million in cash.

The Bissett Creek Project is unique among its North American peers in that it has a very high percentage of large/XL flake which is ideally suited for high margin and value-added industrial markets such as micronized graphite, expandable graphite and high purity flake graphite that receive premium prices. The Company also intends to develop the capacity to produce anode material for the LiB market which is growing rapidly (due to EVs) and is dominated by China. Unlike many graphite deposits, essentially all Bissett Creek production will be "battery grade". No value-added products are included in the economics in the FS, Expansion PEA or the updates and sensitivity analyses relating thereto.

As at December 31, 2022, the Company had capitalized $13,251,000 of exploration and evaluation expenditures relating to Bissett Creek, net of the proceeds from the ERL royalty. During the year ended December 31, 2020, the proceeds of $940,340 from the ERL royalty sale was netted against capitalized project costs.

The Company filed a revised Mine Closure Plan ("MCP") which was accepted by the Ontario Ministry of Northern Development, Mines, Natural Resources and Forestry ("NDMNRF") in 2013. While the MCP authorizes Northern to build and operate the mine in theory, doing so is still subject to a number of other permitting requirements and First Nation consultations. The MCP requires the Company to deposit $2,329,008 with the Province of Ontario prior to the commencement of commercial production. This represents the estimated amount required to restore the Bissett Creek property to its original environmental state after the mine has been constructed and operations cease. A deposit of $850,000 has been made in the form of a surety bond. Because of operational changes made to improve the economics of the Bissett Creek Project, and to the passage of time, the Company must file an amendment to the MCP which will include a re-estimation of reclamation costs and the amount of the associated deposit.

Over the last number of years, the Company has continued to work on the major permits/authorizations required in addition to the MCP and most are at an advanced stage. Applications/documentation have been submitted with respect to a Permit to Take Water, Environmental Compliance Approval – Industrial Sewage, approval of the Class Environmental Assessment and authorizations required under the Lakes and Rivers Improvement Act (for tailings facilities) and under the Endangered Species Act. These and other permits/authorizations are expected to be received in the normal course prior to the commencement of construction and mining operations. The Company anticipates being in a position to make a construction decision in late 2023 or early 2024 subject to arranging the necessary project financing and completing First Nation Consultations.

Mineral Resources

Based on a 1.02% graphitic carbon ("Cg") cut-off, the Bissett Creek deposit has estimated Measured and Indicated resources of 69.8 million tonnes grading 1.74% Cg (1.2 million tonnes of in situ graphite) and Inferred resources of 24.0 million tonnes grading 1.65% Cg (0.4 million tonnes of in situ graphite) (the "2013 Resource Estimate"). The Bissett Creek deposit has exceptionally high content of high-purity, coarse-flake graphite which are very important factors that must be considered along with tonnage and grade.

Mineral resources were estimated in conformance with the CIM Mineral Resource definitions referred to in NI 43-101. Pierre Desautels, P.Geo., Principal Resource Geologist, and Gordon Zurowski, P.Eng., Principal Mining Engineer, both of AGP Mining Consultants and Qualified Persons under NI 43-101 who are independent of the Company, prepared the mineral resource estimate.

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 including changing costs, recoveries and mineral prices.

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

Bissett Creek Project – Economic Analyses

The Company initially completed a Feasibility Study ("FS") for the Bissett Creek Project in 2012. The FS confirmed the technical and financial viability of constructing and operating an open pit mine and 2,500 tpd processing plant at Bissett Creek which is considered as Phase 1 of the ultimate development plan. In 2013, the Company revised the mine plan in the FS based on the 2013 Resource Estimate and updated the FS economics. The FS Update also incorporated some modifications to capital and operating cost assumptions and lower graphite prices. The FS Update did not constitute a material change and a new technical report prepared in accordance with NI 43-101 was not filed.

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. Power for the plant will be generated on site using compressed natural gas ("CNG") that will be delivered by truck from the main Trans Canada line, 15 km away. The processing plant includes a sulphide flotation circuit to remove enough sulphides to make approximately 97% of the tailings benign.

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 cut-off grade 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 is planned to be 16.5 Mt grading 1.26% Cg and is expected to provide a great deal of flexibility in future operations as it is intended to 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 feed 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. Resource limits have not yet been fully defined and resources may be expanded in the future with additional drilling.

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.

In 2013 the Company completed and filed a technical report prepared in accordance with NI 43-101 with respect to a Preliminary Economic Assessment which includes both the Phase 1 development and a Phase 2 expansion of the Bissett Creek Project (the "Expansion PEA") to demonstrate the ability to double processing capacity (to two Mtpa) after three years of operation based only on Measured and Indicated resources. This is the current technical report with respect to the Bissett Creek Project.

In 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. There was no requirement for a new technical report relating to the Expansion PEA Update under NI 43-101 as the changes were not material. A press release was issued and filed on SEDAR and includes detailed cash flows relating to the Expansion PEA Update.

Comparison of the study results

	2013 FS Update	2013 Expansion PEA	2014 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	44,200t[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	$695	$736
Mining costs ($/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	1.05	1.05	1.05

***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 are based on the 24 million tonne probable reserve grading 2.20% Cg (as estimated in the FS Update) 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. ***Mineral resources that are not mineral reserves do not have demonstrated economic viability.***

[2] First 10 years

Economic Summaries of the Expansion Scenarios

	2013 FS Update	2013 Expansion PEA (base case)			2014 Expansion PEA Update (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%

During 2018 and into 2019 the Company engaged G Mining Services ("G Mining") to carry out a review of the economics of the Bissett Creek Project given the passage of time since the FS Update and Expansion PEA were completed. The review evaluated the effect of some modifications to the flow sheet as well as changes in commodity prices, exchange rates, equipment and labor costs, and other project inputs. The review estimated that the capital cost of Phase 1 has increased by approximately five percent. Operating costs are expected to be up to 20 percent higher than original estimates.

For the purposes of quantifying the potential effects of G Mining's review, the Company released the following sensitivity analysis with respect to the Expansion PEA. The sensitivity analysis is based on a five percent increase in capital and a 20 percent increase in operating costs, current exchange rates and commodity prices, and no change in resources or the mine plan.

	NI 43-101 PEA	**Sensitivity Analysis**
CDN/US dollar exchange rate	1.05	1.30
Graphite price (US$/t)	$1,800	$1,750
Graphite price (CDN$/t)	$1,890	$2,276
Initial capital cost (CDN$ millions)	$101.6	$106.6
Initial capital cost (US$ millions)	$96.8	$82.0
Expansion capital (CDN$ millions)	$45.2	$47.5
Sustaining capital (CDN$ millions)	$58.7	$61.5
Total capital costs (CDN$ millions)	$205.5	$215.6
Average annual production (tonnes)*	38,400	38,400
Total cash operating costs (CDN$ millions)	$507.2	$608.7
Cash operating costs (CDN$/tonne)	$695	$834
Cash operating costs (US$/tonne)	$662	$642
Pre-tax NPV (@8% - CDN$ millions)	$231.0	$304.9
After -tax NPV (@8% - CDN$ millions)	$150.0	$198.2
Pre-tax IRR (%)	26.3%	30.1%
After-tax IRR (%)	22.0%	25.0%

* Average over first 15 years

The PEA is based on Measured and Indicated resources only. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The PEA is preliminary in nature and there is no certainty that the results of the preliminary economic assessment will be realized.

G Mining subsequently completed an analysis which indicated that increasing annual concentrate production by at least 20 percent can be achieved with a relatively modest six percent increase in capital costs for the first phase of development. Higher production would also be expected to reduce unit operating costs and have a very positive effect on the Bissett Creek Project's NPV and IRR.

ii. Mousseau West

Subsequent to September 30, 2022, the Company acquired a 100% interest in the Mousseau West graphite project by exercising an option to pay $500,000 in cash and the issuance of 900,000 common shares of the Company. The project is located approximately 80 kms from, and within economic trucking distance of, the Company's producing LDI graphite mine in Quebec. Northern also has the right to acquire a 2% net smelter royalty retained by the owners at any time upon the payment of $1 million. Mousseau West has the potential to extend the mine life at LDI and increase its production back to nameplate capacity of 25,000 tpy.

Mousseau West consists of 12 claims totalling 489 hectares in size. It is located approximately 150 kms north of Montreal in the Mont-Laurier area and can be accessed from Highway 117 over 12 kms of good quality logging roads. Over 7,500 meters of drilling has been carried out on the Property. A technical report entitled "Technical Report and Resources Estimate of the Mousseau West Property" dated September 24, 2013 (the "Report") was completed by Alain Tremblay, geol. eng. and Yvan Bussières, geol. eng. in accordance with the requirements of NI 43-101. It was filed on SEDAR on October 17, 2013 and is available under the profile of NanoXplore Inc. From 1996 to 2008, Alain Tremblay was in charge of exploration at the LDI mine and is well-acquainted with the geology and mining of graphite mineralization in the area. The Report states that the nature of mineralization at Mousseau West is similar to LDI which "indicates high confidence in the possibility of mining, milling and concentrating it into a final graphite product suitable for customers."

The Report estimates that Mousseau West contains an Inferred Resource of 4.1 million tonnes grading 6.2% graphitic carbon ("Cg"). The resource includes 2.7 million tonnes that have been drilled on 25 meter centers which the Report states "are considered to have reached a high level of definition and do not need additional work." To the best of Northern's knowledge, information, and belief, there is no new material scientific or technical information that would make the disclosure of this resource inaccurate or misleading. The Company intends to update the resource estimate and complete a Preliminary Economic Assessment to evaluate the economics of mining graphite at Mousseau West and trucking it to LDI for processing.

Subsequent to December 31, 2022, the Company announced an increase in the size of the Mousseau West project by an additional 101.64 hectares to a total of 590.54 hectares. The Company was granted additional mineral rights by the Québec ministère des Ressources naturelles et des Forêts (the "Minister") through an automatic procedure under the Mining Act (Québec) due to the lapse of certain adjoining claims previously held by an arm's length third party. In connection with the increase in the area covered by the Company's claims, the Company has paid $50,000 and issued 100,000 common shares of the Company to the previous holder of the adjoining claims in order to settle litigation proceedings challenging the Minister's increase in the area of the Company's claims. The transaction is an arm's-length transaction for purposes of the policies of the TSX Venture Exchange (the "TSX-V") and was completed as an "Expedited Acquisition" pursuant to TSX-V Policy 5.3. The common shares issued to the previous holder of the claims in connection with the transaction are subject to a statutory four-month hold period expiring on July 15, 2023

iii. South Okak Project

On June 7, 2021, the Company entered into an option agreement to earn up to an 80% interest in the South Okak Ni/Cu/Co Project in Labrador. The South Okak area produced some of the best nickel-copper-cobalt drill intervals outside of Voisey's Bay during the 1990s exploration rush. The initial South Okak property has been consolidated into one exploration licence for the first time and now consists of 503 claims covering 12,575 hectares.

The South Okak property is located along the main structural break that hosts the high-grade Voisey's Bay deposits, which are contained within a large, lower-grade disseminated halo. Previous exploration in the South Okak area also resulted in the discovery of several areas containing significant intervals of disseminated low-grade nickel-copper-cobalt mineralization, but their significance was not fully appreciated. The Company believes that these areas need a second look now that the Voisey's Bay model is better understood. Numerous untested geophysical anomalies exist within the claims and provide the Company with immediate exploration targets.

Under the terms of the option agreement for the South Okak project, the Company has a first option to earn a 49% interest in the project by incurring exploration expenditures and making cash and/or share payments as follows: (i) payment of $50,000 in cash and the issuance of 500,000 common shares following the June 7, 2021 effective date of the option agreement (paid and issued during June 2021); (ii) incurring cumulative exploration expenditures of $250,000 (completed) prior to March 1, 2022 and $500,000 in cumulative expenditures prior to March 1, 2023; (iii) payment of $75,000 in cash, plus $200,000 in cash or common shares, at the Company's option, by June 7, 2023; and, (iv) incurring cumulative exploration expenditures of $1 million prior to March 1, 2024.

Following the first option, the Company has a second option to increase its interest in the project from 49% to 80% as follows: (i) payment of $75,000 in cash, plus $200,000 in cash or common shares, at the Company's option, by June 7, 2024; and, (ii) incurring cumulative exploration expenditures of $1,500,000 prior to March 1, 2025. Following completion of the second option earn-in, the optionors will be carried to production on their 20% interest.

During the 2021 field season samples were collected throughout the property, the majority of which were taken from numerous gossans that are located on structures which cross-cut the main northwest trending suture that traverses through the area and also hosts the Voisey's Bay deposits. Some of these gossans are over 2km in length and represent multiple exploration targets. One sample returned 1.1% Cu, 0.85% Ni and 0.13% Co and another 1.1% Cu, 0.43% Ni and .085% Co. A number of samples also exceeded 1.0% Ni equivalent. These are significant values given they were collected from highly weathered gossanous material.

During the 2022 summer field season a high resolution, horizontal magnetic gradient and electromagnetic ("VTEM™ Plus") airborne survey was completed over the entirety of the South Okak Property. Approximately 1,450 line kilometres of data were collected. The survey will provide better definition of all known targets on the Property, potentially uncover new targets and provide valuable information in preparation for a significant drill program planned for 2023.

6. Downstream Battery Materials Development: Mine-to-market strategy

It is the Company's ambition to serve the evolving needs of the electric vehicle industry by creating an end-to-end, North American graphite supply chain from the mine to the Li ion battery, and Northern is advancing this goal on several fronts. Ongoing testing of graphite from the Company's projects, both internally and by potential partners, continues to demonstrate that it is ideally suited for battery applications in terms of milling, shaping, purification, coating and electrochemical properties.

The Company has been actively involved in discussions and negotiations with technology and OEM partners in both the US and Europe who want to collaborate with a quality supplier of graphite that has current production, immediately available inventory and the capacity to support future growth. These discussions center on volume requirements and the timing thereof, and plans for downstream conversion facilities in both North America and Europe. Discussions are also being held with various government organizations at both the federal and provincial level to gain support to speed up the development of the battery anode supply chain, with a particular focus on Ontario and Quebec.

Baie-Commeau Agreement

Subsequent to December 31, 2022, the Company has announced that it has entered into an agreement with Innovation et Development Manicouagan ("IDM") at Baie-Comeau, Quebec to evaluate sites for the construction of a planned 200,000 tonnes per year ("tpy") BAM plant in the industrial port zone of Baie-Comeau. The plant would be one of the largest in the world and is intended to convert graphite concentrate from the Company's mines, and potentially that of other producers, into BAM to supply existing and planned lithium-ion battery manufacturing plants throughout North America. Building a low-cost, large-scale conversion facility is a key component of Northern's strategy to empower the electric vehicle industry by creating an end-to-end North American graphite supply chain from the mine to the battery.

Pursuant to the agreement, Northern has a 12-month period to evaluate several sites around Baie-Comeau to determine their technical and economic suitability for the proposed BAM plant. The site is approximately 1,000,00 square meters in size and have direct rail and port access as well as green hydroelectric power that would result in one of the lowest CO_2 footprints in the industry. Quebec's industrial rate for large power customers is one of the most competitive in the world. Baie-Comeau is located 400km from Quebec City in the Cote-Nord economic region and has direct rail and road access to the rest of North America as well as a deep water, all season port. It is eligible for Plan Nord incentives and other assistance is potentially available under programs offered by the Manicouagan region, the province of Quebec and the Canadian and US Governments. Construction of the proposed BAM plant would be subject to identification and acquisition of an appropriate site, receipt of regulatory approvals and financing.

Northern has made the choice of working with a network of global partners that would bring to the group extensive expertise/know how and existing capacity to process natural graphite into BAM for North American and European market. This network of partners is made up of companies that are actively working in the space and are both established companies as well as smaller companies with innovative breakthrough technologies that can enhance the performance of the material and the process by leveraging their expertise.

On December 21, 2022, the Company has announced that it entered into a non-binding Letter of Intent ("LOI") with Graphex, a global leader in the production of the anode material used in electric vehicles /lithium-ion batteries, with the intent of combining Northern's raw material supply capabilities with Graphex's downstream processing expertise to build plants that will provide an end-to-end Northern American supply chain from the graphite mine to the battery. Both companies are negotiating the terms of a Joint Venture to produce coated spherical graphite anode material for the EV/battery market

Graphex Group Limited is a Cayman Island company with its principal offices in Hong Kong and regional offices in Shanghai and Royal Oak, MI, USA. Graphex is focused on the development of technologies and products to enhance renewable energy, particularly the production of BAM and graphene, key components in EVs/lithium-ion batteries as well as in other uses. Graphex has existing BAM production capacity in China of 10,000 tpy with an expansion project underway to increase production to 20,000 tpy.

Northern plans to provide the Joint Venture with security of raw material supply (graphite concentrate) and it is contemplated that Graphex will license and/or contribute all the technology, plans and expertise for building and operating the plant(s). Graphex has already secured and is developing a site in Warren, Michigan that is being designed to produce 15,000 tonnes per year (tpy) of battery anode material, and Northern is evaluating sites in Québec, Canada, that could accommodate production of up to 200,000 tpy of anode material. Northern shall remain entitled to enter into supply agreements with third parties for production not committed to the Joint Venture and to participate in the construction of other processing plants provided that Northern may not directly or indirectly use, exploit or disclose any of Graphex's technology.

7. Other Downstream Development Activities

In addition to the battery materials market, Northern is investigating opportunities to expand its presence in various other downstream segments through its traditional customer base. A particular focus is on graphene applications and the use of graphite to provide enhanced thermal and electrical properties in a variety of high value composite applications. The Company is having ongoing discussions with customers and other companies in this space that are looking for support to develop these markets. As the only graphite producer in North America and with expectations of becoming the third largest outside of China, Northern is well positioned to invest in these new downstream markets and to support their growth.

Subsequent to December 31, 2022, the Company announced that it intends to acquire an ownership interest in NeoGraf, subject to completion of financing. Neograf has been a customer of LDI for 30 years and is anticipated to be a perfect fit for Northern's strategy of integrating downstream to increase the value of its mine concentrates and create additional cash flows for the Company. In addition, Neograf has over 100 patents and 150 employees with very valuable technical knowledge and customer intimacy that Northern can leverage in the future. It is also a platform for Northern into becoming the leading mine to market graphite company which will enable it to attract additional investment. Furthermore, the expanded range of technology and skills are expected to make the Company more attractive when applying for grants and government funding.

The Company has entered into an agreement with Edgewater Capital Partners which is expected to facilitate completion of this transaction. Under the terms of agreement, Northern has a six month option to acquire an effective 50.1% voting interest and a 33.3% equity interest in NeoGraf and also has an option to increase its interest up to 100% at a later date subject to the terms and conditions of the agreement. Northern has engaged Sprott Capital Partners LP to act as its financial advisor with respect to financing the investment. Closing of Northern's investment is subject to the execution of definitive agreements, the receipt of all required third party and regulatory approvals including, if applicable, approval of the TSX Venture Exchange and to Northern completing satisfactory financing arrangements.

8. Selected Financial Information

a. Selected Annual Financial Information

The following tables contain selected financial information for the years ended December 31, 2022 and 2021.

(Shown in Thousands of Dollars)	**As at December 31, 2022 $**	**As at December 31, 2021 $**
Statement of Financial Position		
Assets		
Current Assets		
Cash and cash equivalents	5,076	3,578
Restricted cash	7	-
Receivables	4,100	79
Prepaids	1,643	40
Deposits	32	25
Inventories (concentrate, stockpile, materials and supplies)	18,265	-
Marketable securities and deferred costs	560	1,500
Total current assets	**29,683**	**5,222**
Non-current assets		
Non-current graphite stockpile inventory	6,331	-
Exploration and evaluation assets	15,407	13,518
Property, plant and equipment	23,110	70
Mineral interests	20,437	-
Restricted cash, goodwill and other assets	6,783	846
Total Assets	**101,751**	**19,656**
Current liabilities		
Accounts payable and accrued liabilities	5,044	1,562
Current portion of senior secured loan, royalty and leases	5,227	-
Total current liabilities	**10,271**	**1,562**
Non-current liabilities		
Senior secured loan, royalty, deferred revenue and leases	46,027	-
Reclamation and other provisions	6,601	362
Deferred tax liability	2,676	-
Total Liabilities	**65,575**	**1,924**
Shareholders’ equity:		
Share capital	52,617	30,862
Reserves	14,308	3,130
Accumulated deficit	(30,749)	(16,260)
Total shareholders’ equity	**36,176**	**17,732**
Total Liabilities and Shareholders’ Equity	**101,751**	**19,656**

Results of Operations

During the first six months of 2022, the Company completed the Acquisition of LDI, a producing graphite mine in Quebec and the Okanjande Project, a formerly producing operation in Namibia which is on care and maintenance and which the Company intends to bring back into production. As the Acquisition was completed on April 29, 2022, LDI's operating results for the last two days of April and for the months of May through December have been reflected in the Company's statement of loss for the twelve months. To that extent, the third quarter of 2022 was the first full quarter of operations with sales for the Company (versus only two months in the second quarter). The Okanjande Project is a development project, is not in production and all costs related to bringing the mine back into production have been capitalized and are not reflected in the Company's statement of loss.

(Shown in Thousands of Dollars)	**December 31, 2022 $**	**December 31, 2021 $**
Revenue	**11,993**	**-**
Production costs	(7,888)	-
Depletion and depreciation	(1,055)	-
Income from mine operations	**3,050**	**-**
General and administrative	(4,866)	(1,313)
Share-based compensation	(1,490)	(845)
Project evaluation, acquisition and integration	(1,920)	(1,488)
Foreign exchange gain (loss)	498	-
Operating Loss	**(4,728)**	**(3,646)**
Gain (loss) on marketable securities	(190)	414
Finance costs	(3,328)	(16)
Foreign exchange loss on finance instruments	(2,633)	-
Interest income	159	22
Impairment	(3,167)	-
Income taxes	(664)	-
Net loss	**(14,551)**	**(3,226)**
Loss per share – basic and diluted	**(0.14)**	**(0.04)**

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

The Acquisition, which was completed on April 29, 2022, transformed the Company's business from the exploration and development of Bissett Creek and South Okak in the previous year's period to production from LDI and the development of Okanjande, Bissett Creek and South Okak Projects. The fourth quarter 2022 acquisition of Mousseau West added that development project to the Company's portfolio.

Revenue for the year ended December 31, 2022 was $11,993,000 based on sales of 5,785 tonnes of graphite concentrate with an average realized sales price of $2,073 per tonne and a cash cost per tonne of graphite concentrate sold of $1,364. Production costs were $8,943,000 which consisted of mining and processing costs, mine site general and administrative costs and selling expenses. Depletion and depreciation was $1,055,000 and income from the operations of LDI was $3,050,000 for the year. As this is the first year since acquiring the LDI mine there were no comparative revenue, cost or income numbers from mining operations for the year ago period.

General and administrative costs for the year ended December 31, 2022 were $4,866,000, compared with $1,313,000 for the prior year and primarily increased due to additional management, staff and consultants hired to assist with the

Acquisition and the transition, integration and management of its operations. In addition, insurance costs and legal and consulting fees increased compared to the previous period due to the Acquisition and other corporate initiatives undertaken during the year.

Share-based compensation increased by $645,000 compared to the previous year due to the timing and vesting terms of stock options and restricted stock units granted to directors, officers, employees and consultants.

Project evaluation, acquisition and integration costs for the period were $1,920,000 compared to $1,488,000 in the previous year and increased due to the Acquisition, costs relating to the graphite stream financing, transition related costs pre and post closing of the Acquisition and due diligence costs relating to the Mousseau West property. Previous year costs primarily related to due diligence costs relating to the Acquisition.

A foreign exchange gain of $498,000 was recorded for the year ($nil in 2021) as post Acquisition, the Company now holds cash and accounts receivables in US dollars compared to the previous year's period. An unrealized loss of $190,000 (prior year – gain of $414,000) was recorded on 2,000,000 common shares of ERL held by the Company from the sale of the GRR on the Bissett Creek Project and these marketable securities are marked to market each reporting period.

Finance costs were $3,328,000 (prior year - $16,000), which increased due to interest recorded on the Company's senior secured debt and royalty, deferred revenue and leasing arrangements. Of this amount, $98,000 was paid in cash. A foreign exchange loss of $2,633,000 was recorded on finance instruments denominated in US dollars (none were held in the previous year). Income tax expense was $664,000 (prior year - $ nil) and was attributable to Quebec mining taxes which were partially offset by a deferred income tax recovery.

In December 2022, the Company made the decision to move the location of its future processing plant facilities from Okorusu to Okanjande. This move, while enhancing the net present value of the project, resulted in an impairment of the prepaid lease access for Okorusu of $2,286. The Company intends to move virtually all of the processing facilities to Okanjande except for foundations and other immovable objects. As a result, an additional impairment charge of $881,000 has been taken representing the fair value allocated in the purchase equation to the items that can not be moved to Okanjande.

For the year ended December 31, 2022 the Company recorded a net loss of $14,551,000 or $0.14 per share, compared to a net loss of $3,226,000 or $0.04 per share during the year ended December 31, 2021. Income from mining operations of $3,050,000 (2021 - $nil) was more than offset by costs related to the Acquisition and to increases in general and administration costs, share-based compensation, net foreign exchange losses, interest expense, impairment charges and taxes which contributed to the increase in net loss for the year.

For the year ended December 31, 2022, a total of $5,298,000 in expenditures were capitalized as construction in progress as the Company was preparing to restart the Okanjande Project by advancing engineering, hiring staff and refurbishing the existing processing plant. All long-lead items of equipment have been ordered and detailed engineering for the new grinding circuit is well advanced. The EPCM contract had been awarded to a Namibian engineering firm to oversee the installation of the new equipment and associated structures. Interest on the deferred financing related to the Okanjande Project acquisition of $1,783,000 was capitalized in the period. In addition, a total of $1,429,000 in expenditures were capitalized to the Company's exploration and evaluation assets during the year ended December 31, 2022. Expenditures relating to the Bisset Creek project were $350,000 and related primarily to environmental and community engagement activities, expenditures relating to South Okak were $579,000 and mainly consisted of an electromagnetic airborne survey, while expenditures relating to the Mousseau West project were $959,000 which consisted of $500,000 in cash and $459,000 in shares.

b. Summary of Quarterly Results

The following tables contain selected financial information for the eight most recently completed quarters for the Company ending December 31, 2022.

Results of Operations

(Shown in Thousands of Dollars)	**December 31, 2022 $**	**September 30, 2022 $**	**June 30, 2022 $**	**March 31, 2022 $**
Revenue	**3,817**	**4,483**	**3,693**	**-**
Production costs	(2,268)	(3,357)	(2,263)	-
Depletion and depreciation	(586)	(359)	(110)	-
Income from mine operations	**963**	**767**	**1,320**	**-**
General and administrative	(1,456)	(1,779)	(1,009)	(622)
Share-based compensation	(166)	(80)	(153)	(1,091)
Project evaluation, acquisition and integration	136	(365)	(1,386)	(305)
Foreign exchange gain (loss)	(118)	556	29	31
Operating Loss	**(641)**	**(901)**	**(1,199)**	**(1,987)**
Gain (loss) on marketable securities	40	70	(230)	(70)
Finance costs	(1,587)	(656)	(1,081)	(4)
Foreign exchange loss on finance instruments	742	(3,057)	(318)	-
Interest income	44	71	39	5
Impairment	(3,167)	-	-	-
Income taxes	(140)	(350)	(174)	-
Net loss	**(4,709)**	**(4,823)**	**(2,963)**	**(2,056)**
Loss per share – basic and diluted	**(0.04)**	**(0.04)**	**(0.03)**	**(0.03)**

(Shown in Thousands of Dollars)	**December 31, 2021 $**	**September 30, 2021 $**	**June 30, 2021 $**	**March 31, 2021 $**
Revenue	**-**	**-**	**-**	**-**
Production costs and royalty	-	-	-	-
Depletion and depreciation	-	-	-	-
Income from mine operations	**-**	**-**	**-**	**-**
General and administrative	(562)	(284)	(244)	(223)
Share-based compensation	(4)	(16)	(818)	(7)
Project evaluation, acquisition and integration	(756)	(458)	(274)	-
Foreign exchange gain (loss)	-	-	-	-
Operating loss	**(1,322)**	**(758)**	**(1,336)**	**(230)**
Gain (loss) on marketable securities	(65)	7	199	273
Finance costs	(13)	(2)	-	(1)
Foreign exchange loss on finance instruments	-	-	-	-
Interest income	7	6	7	2
Income taxes	-	-	-	-
Net loss	**(1,393)**	**(747)**	**(1,130)**	**44**
Loss per share – basic and diluted	**(0.02)**	**(0.01)**	**(0.01)**	**0.00**

Three Months Ended December 31, 2022 Compared to the Three Months Ended December 31, 2021

Revenue for the quarter was $3,817,000 based on sales from October 1, 2022 to December 31, 2022 of 1,828 tonnes of graphite concentrate with an average realized sales price of $2,088 per tonne and a cash cost per tonne of graphite concentrate sold of $1,241. Production costs were $2,268,000 which consisted of mining and processing costs, mine site general and administrative costs and selling expenses. Cash costs were lower in the fourth quarter as the decrease in tonnes sold in the period, combined with increased production, more than offset higher mining costs (higher maintenance and consumables costs, only partially offset by lower energy costs) and higher processing costs (higher packaging, labour**,** stock-based compensation and insurance costs, only partially offset by increased production and lower maintenance costs as there was a Company shutdown of operations in the third quarter). Depletion and depreciation was $586,000 and income from operations at LDI was $963,000 for the quarter. As this is the first year since acquiring LDI there were no revenues, costs or income from mining operations for the three months ended December 31, 2021.

Corporate general and administrative costs for the three months ended December 31, 2022 were $1,456,000 compared with $562,000 for the prior year's quarter and primarily increased due to additional management, staff and consultants hired to assist with the Acquisition and the transition, integration and management of the acquired operations. Insurance costs, investor relations, and accounting fees decreased compared to the previous quarter which included costs related to the Acquisition and other corporate initiatives and insurance being reallocated from Corporate to the subsidiaries which was either included in production costs (LDI) or capitalized (Namibia) based on the coverage and related cost.

Share-based compensation increased by $166,000 compared to the previous year's quarter due to the timing and vesting terms of stock options and restricted stock units granted to directors, officers, employees and other consultants.

Project evaluation, acquisition and integration costs for the quarter were ($136,000) compared to $756,000 in the previous year's quarter and decreased as no new project evaluation costs were incurred, and costs that had been incurred in the second quarter were reallocated to Subsidiaries as they related to Okanjande construction in process activities post Acquisition rather than pre-acquisition costs.

A foreign exchange loss of $118,000 was recorded for the quarter compared to $nil in the previous year's quarter and increased as, as post Acquisition, the Company now holds cash and accounts receivables in US dollars. An unrealized gain of $40,000 (prior year quarter – loss of $65,000) was recorded on 2,000,000 common shares of ERL held by the Company from the sale of the GRR on the Bissett Creek Project as these marketable securities are marked to market each reporting period.

In December 2022, the Company made the decision to move the location of its future processing plant facilities from Okorusu to Okanjande. This move, while enhancing the net present value of the project, resulted in an impairment of the prepaid lease access for Okorusu of $2,286,000. The Company intends to move virtually all of the processing facilities to Okanjande except for foundations and other immovable objects. As a result, an additional impairment charge of $881,000 has been taken representing the fair value allocated in the purchase equation to the items that cannot be moved to Okanjande.

Finance costs were $1,587,000 during the quarter (2021 - $13,000) and increased due to interest recorded on the Company's senior secured debt and royalty, deferred revenue and leasing arrangements. Of this amount, $36,000 was paid in cash. A foreign exchange loss of $742,000 was recorded on finance instruments denominated in US dollars (none were held in the previous year's period). Income tax expense was $140,000 due to the impact of Quebec mining taxes on operations, partially offset by a deferred income tax recovery.

For the three months ended December 31, 2022 the Company recorded a net loss of $4,709,000 or $0.04 per share, compared to a net loss of $1,393,000 or $0.02 per share during the three months ended December 31, 2021. Income from mining operations of $963,000 was more than offset by increases to general and administration costs, interest expense, impairment charges and taxes.

9. Liquidity and Capital Resources

As at December 31, 2022 the Company held cash of $5,076,000 (December 31, 2021 - $3,578,000), $2,083,000 of restricted cash (December 31, 2021 - $846,000) and had working capital of $19,412,000 (December 31, 2021 - $3,660,000). Working capital includes $18,581,000 in inventory consisting of 8,801 tonnes of graphite concentrate and 38,267 tonnes of ore stockpiles as well as materials and supplies. The ore stockpile contains approximately 2,251 tonnes of recoverable graphite. Inventories of graphite concentrate, and the ore stockpile are recorded at cost. Their realizable value is significantly higher and accordingly, the Company intends to reduce inventories in a controlled fashion over the next 12-18 months which is expected to generate a substantial amount of liquidity. In addition to the above the Company also has $6,015 of ore stockpiles consisting of 107,082 tonnes available for processing which is classified as non-current in the financial statements.

During the year ended December 31, 2022, the Company utilized net cash of $10,505,000 with respect to operating activities and invested cash of $51,574,000 as follows: the acquisition of LDI - $25,636,000, the acquisition of Okanjande - $20,003,000, exploration and evaluation costs for the Bissett Creek Project, South Okak and Mousseau West of $1,343,000, property, plant and equipment of $5,116,000 and was provided cash from the release of restricted cash and reclamation deposits of $534,000.

As part of the acquisition of LDI, the Company was required to put funds into escrow until the mining regulators in Quebec transferred LDI's reclamation obligation to the Company and they are replaced by a Surety Bond. During November 2022 cash held in escrow of $6,725,000 was released to the Company upon the governmental administrative transfer of the reclamation obligations from the seller of LDI to the Company. During October 2022, the Company received $848,000 of formerly restricted cash related to the Bissett Creek Property closure plan. During December 2022 the Company received $1,561,000 of formerly restricted cash related to LDI. As at December 31, 2022, the Company has recorded a provision of $6,503,000 representing the estimated liability for the current cost of reclamation for LDI and the Bissett Creek site.

The Company has negotiated a surety bond of approximately $9 million to replace cash deposits which are currently securing the Bissett Creek and LDI reclamation obligations. An estimated $6.1 million will be required to reclaim the LDI site. The issuer of the surety bond requires a 20% cash deposit and accordingly, the Company provided the issuer with an irrevocable letter of credit for $1,817,000 in anticipation of the closing of the Acquisition. The irrevocable letter of credit is secured by a cash deposit of $1,817,000.

The Company received cash proceeds from the following financings to fund the Acquisition purchase price and transaction expenses, capital expenditures related to the restart of operations in Namibia, a lease payment with respect to land and buildings used by the Okorusu plant, reclamation bonding and working capital, a Private Placement of approximately $23 million ($20 million net), and a financing package with Sprott consisting of a $15 million (US $12 million) senior secured loan, $5 million (US$4 million) from the sale of a royalty on the LDI Project and $26 million (US$20 million) from a graphite stream financing on the Okanjande Project. In addition, Imerys received $5 million (US$4 million) in equity, on the same terms as the Private Placement, as partial payment of the purchase price. The Company also received $198,000 and $150,000 from the exercise of warrants and options respectively. $433,000 of payments were made for the royalty on the LDI Project, and $3,271,000 of lease payments were made for LDI, Okanjande, and the prepaid access deposit for Okorusu. Full details of the financings are described in the "Financings" section below.

10. Financings

a. Acquisition of LDI and the Okanjande Project and Financings

On April 29, 2022 the Company acquired 100% ownership of the producing LDI graphite mine in Quebec for $30,767,000 and the Okanjande graphite deposit and processing equipment at the Okorusu plant in Namibia for $20,931,000.

As consideration for the acquisition of LDI, which was completed as a purchase of all of the assets of the LDI Project by the Company's new wholly-owned subsidiary Graphite Nordique Inc., the Company paid Imerys $24,295,000 in cash which included a reimbursement for the reclamation deposit, held with MERN, for $1,561,000. In addition, Imerys was issued $5,131,000 (US$4,000,000) worth of private placement units consisting of one common share and one-half of one share purchase warrant which have the same terms as the Private Placement, resulting in the issuance to Imerys of 6,841,600 common shares and 3,420,800 warrants. The final purchase price for LDI was subject to post transaction closing adjustments relating to working capital of $1,341,000 (US$1,036,000) which was paid subsequent to the end of the quarter.

As consideration for the acquisition of the Okanjande Project, which was completed as a purchase of all of the shares of Imerys Gecko Holdings (Namibia) (Pty) Ltd. by the Company from Imerys and its joint venture partner, the Company paid Imerys and its joint venture partner $20,237,000 (US$15,820,000) in cash. The Company now owns the Okanjande deposit and all the processing equipment necessary to produce graphite concentrate from ore mined therefrom. The Company also paid the owner of the Okorusu property $2,948,000 (EUR2,200,000) for use of the land and buildings where the equipment is located.

Private Placement ($23 million)
The Company completed a Private Placement of 30,762,500 subscription receipts issued at a price of $0.75 for gross proceeds of $23,072,000. In addition to the initial closing of the private placement in which the Company issued 25,762,500 subscription receipts for gross proceeds of $19,322,000, the Company completed the final closing of the private placement which consisted of 5,000,000 subscription receipts for gross proceeds of $3,750,000. Upon the closing of the LDI and Okanjande acquisitions, each subscription receipt automatically converted into one unit of Northern, with each unit being comprised of one common share and one-half of one share purchase warrant of the Company. Each whole warrant is exercisable to purchase one common share of the Company at an exercise price of $1.10 per common share and an expiry date of April 29, 2024.

In connection with the Private Placement, the agents received a cash fee of $1,384,000 from the Company equal to 6% of the aggregate gross proceeds and 1,845,750 compensation warrants equal to 6% of the number of subscription receipts issued under the closing. Each compensation warrant is exercisable to purchase one common share at an exercise price of $0.75 per common share for a period of two years.

Senior Secured Loan (US$12 million)
The Company completed a senior secured loan with Sprott for gross proceeds of $15,350,000 (US$12,000,000), made at a 2% discount, which matures in 48 months. The loan bears interest at 9% plus the greater of the three month SOFR or 1%. At the Company's option, interest payable during the initial twelve months can be capitalized and added to the principal. As partial consideration for providing the loan, the Company has issued 4,800,000 warrants to Sprott each

of which is exercisable to purchase one common share of the Company at an exercise price of $1.01 with an expiry date of April 29, 2024. The loan is a senior secured obligation of the Company secured against the LDI and Okanjande Projects.

Royalty Financing (US$4 million)
The Company sold Sprott a 9% royalty on graphite concentrate sales revenue from LDI for gross proceeds of $5,117,000 (US$4,000,000). As partial consideration for providing the royalty financing, the Company issued to Sprott 1,200,000 warrants, each of which is exercisable to purchase one common share of the Company at an exercise price of $1.01 with an expiry date of April 29, 2024. Sprott has also been granted a right of first refusal with respect to any proposed grant of a stream, royalty or similar transaction on the Bissett Creek Project.

Graphite Stream (US$20 million)
The Company has completed, in exchange for an upfront deposit of $25,584,000 (US$20,000,000), a mineral purchase and sales agreement with Sprott for 11.25% of the graphite produced by the Okanjande Project until 350,000 tonnes of contained graphite in concentrate have been produced and delivered, at which time, at the option of the stream purchaser, the stream may convert into a 1% royalty for the remaining life of the Okanjande deposit. The stream is secured against the Okanjande Project. Sprott has also been granted a right of first refusal with respect to any proposed grant of a stream, royalty or similar transaction on the Okanjande deposit. As partial consideration for entering into the stream, the Company issued to Sprott 4,500,000 warrants, each of which is exercisable to purchase one common share of the Company at an exercise price of $1.01 with an expiry date of April 29, 2024. The Company has the option, subject to any consents or approvals required under the senior secured loan, to reduce the stream percentage by up to 50% upon payment of $20,655,000 (US$15,250,000) in 2024 or $23,702,000 (US$17,500,000) in 2025. This option is exercisable in whole or in part on a pro rata basis.

Additional Financing and Subsequent Events

Subsequent to December 31, 2022, all of Company's warrants expiring on February 12, 2023 were exercised. A total of 4,652,500 warrants were exercised at a price of $ 0.45 cents for total proceeds of $ 2,093,625.

Subsequent to December 31, 600,000 stock options with a strike price of $0.50 were exercised for gross proceeds of $300,000 and 150,000 stock options with a strike price of $0.25 were exercised for gross proceeds of $37,500.

On April 27, 2023, the Company closed a non-brokered private placement financing of up to 3,000,000 units of Northern issued on a charity flow-through basis at a price of $0.75 per unit for proceeds of $2,250,000. Each unit will consist of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one common share at an exercise price of $0.75 for a period of two years. The Company plans to use the proceeds of the Offering to complete a drill program on a number of targets around its Lac des Iles, Québec graphite mine with the objective of identifying potential new sources of mill feed.

The Company has a strong working capital position, largely consisting of inventories, which are valued at cost not market. While additional capital will be required to restart operations in Namibia and advance the Bissett Creek, Mousseau West and South Okak projects, as well as for construction of the Baie-Comeau BAM facility, the Company's capital investment programs are discretionary and flexible and will be managed in a manner that minimizes the need to raise financing at current, depressed share prices. Numerous, active discussions are ongoing with respect to strategic partnerships and off take agreements and there continue to be many positive developments in the EV/battery/critical minerals space.

During February 2023 the Company entered into an agreement with Edgewater Capital Partners ("Edgewater") to acquire an ownership interest in NeoGraf. Under the terms of agreement, Northern has a six month option to acquire an effective 50.1% voting interest and a 33.3% equity interest in NeoGraf and also has an option to increase its interest up to 100% at a later date subject to the terms and conditions of the agreement.

11. Contractual Obligations

At December 31, 2022, the Company had the following contractual obligations outstanding:

(Shown in Thousands of Dollars)	Within 1 year	2-3 years	4-5 years	5+ years	Total
Accounts payable and accrued liabilities	$ 5,044	$ -	$ -	$ -	$ 5,044
Senior secured loan	1,896	5,041	18,976	-	25,913
Royalty	2,812	3,154	-	-	5,966
Deferred revenue	-	6,437	14,170	41,087	61,694
Lease commitments	519	662	265	796	2,242
Reclamation and other provisions	-	6,127	-	474	6,601
Firm commitments	1,671	-	-	-	1,671
	$ 11,942	$ 21,421	$ 33,411	$ 42,357	$ 109,131

12. Subsequent Events

All material events subsequent to December 31, 2022 have been described elsewhere in this MD&A.

13. Off Balance-Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or any obligations under a variable interest entity arrangement.

14. Transactions with Related Parties and Key Management Compensation

During the year ended December 31, 2022, the Company expensed salary and compensation to key management personnel of $1,212,000 (year ended December 31, 2021 – $300,000) and management fees to a company owned and controlled by key management personnel of $64,000 (year ended December 31, 2021 – $82,000). During the year ended December 31, 2022, the Company expensed directors' fees of $60,000 (year ended December 31, 2021 – $60,000). During the year ended December 31, 2022, the Company expensed share-based payments for stock options granted to key management personnel and directors of $1,408,000 (year ended December 31, 2021 – $739,000).

As at December 31, 2022, $64,000 (December 31, 2021 – $8,000) was included in accounts payable and accrued liabilities owing to officers and directors relating to management and directors' fees and for reimbursement of expenses.

In the initial closing of the Private Placement, certain officers and directors of the Company subscribed for a total of 455,000 subscription receipts for gross proceeds of $341,250. Each subscription by these insiders of the Company constituted a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company relied on exemptions from the formal valuation requirements of MI 61-101 pursuant to section 5.5(a) of MI 61-101 and the minority shareholder approval requirements of MI 61-101 pursuant to section 5.7(1)(a) of MI 61-101 in respect of such insider participation as the fair market value of the transactions did not exceed 25% of the Company's market capitalization.

During October 2022, the Company's Board of Directors approved the issuance of 400,000 stock options to new corporate employees. These stock options are exercisable at a price of $0.60 per share, have a term of three years and vest as to one third immediately and one third after each of years one and two. The Board of Directors also approved commitments to issue 1.3 million Restricted Share Units to certain executives of the Company subject to final TSX Venture Exchange and shareholder approvals of the Company's DSU/RSU plan.

During January 2023 the Board of Directors approved a grant of stock options to directors to purchase a total of 1,100,000 shares of the Company at a price of $0.55 per share, vesting immediately, for a period of five years.

During February 2023 the Board of Directors approved a grant of stock options to an officer of the Company to purchase a total of 200,000 shares of the Company at a price of $0.55 per share, vesting immediately, for a period of five years.

On February 12, 2023, Northern announced that the vesting period for 1,300,000 RSUs granted by the Company to certain officers and employees were issued subject to time-based vesting of one quarter of the RSUs on each of the first and second anniversaries of the respective start dates for the officers and employees with the balance vesting on the third anniversary. It was originally announced that one quarter of the RSUs would vest on each of their first, second, third and fourth anniversaries. This change was made for tax reasons specific to the award of the RSU's.

15. 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 except as disclosed elsewhere in this MD&A.

16. Critical Accounting Estimates and Judgements

The preparation of the Consolidated Financial Statements ("Consolidated Financial Statements") requires Company management to make estimates, assumptions, and judgements about the future that affect the amounts recorded in the consolidated 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. They are continually being re-evaluated based on new facts and experience. Actual results may differ from 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 judgements used in the preparation of the Company's Consolidated 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 depletion and depreciation of mineral interests and property, plant 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;
- (v) the recognition of deferred tax;
- (vi) the determination of a transaction as a business combination or asset acquisition;
- (vii) the functional currency of the Company and its subsidiaries;
- (viii) the fair value of assets acquired and liabilities assumed in business combinations;
- (iv) the estimated mineral reserves of the Company;
- (x) inventory valuation;
- (xi) deferred revenue; and
- (xii) reclamation and site closure provision.

17. 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

These Consolidated Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's management believes that it can continue to finance operating expenses over the next twelve months with funds on hand and generated from LDI. The Company's investment programs are discretionary and have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will require additional capital to restart operations in Namibia and advance the Bissett Creek, Mousseau West and South Okak projects and there is no assurance management will be successful in its endeavors. These Consolidated Financial Statements do not include any adjustments that might result from negative outcomes with respect to these material uncertainties such as the inability to obtain funding on reasonable terms, or any terms at all.

Translation of foreign currencies
The functional currency and presentation currency of the Company is the Canadian dollar. The functional currency of each entity is determined after consideration of the primary economic environment of the entity. The functional currencies of the Company's material subsidiaries are listed in note 2 of the consolidated financial statements. Financial statements of subsidiaries are maintained in their functional currencies and converted to Canadian dollars for consolidation of the Company's results.

Transactions denominated in foreign currencies, which are transactions in currencies other than the functional currency of an entity, are translated at the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at reporting date exchange rates and any gain or loss on translation is recorded in the consolidated statement of loss and other comprehensive loss as a foreign exchange gain or loss.

On translation of entities with functional currencies other than the Canadian dollar into the presentation currency, Consolidated statement of loss and other comprehensive loss items are translated at average rates of exchange where this is a reasonable approximation of the exchange rate at the dates of the transactions. Consolidated statement of financial position items are translated at closing exchange rates as at the reporting date. Exchange differences on the translation of the foreign currency entities are recorded in the foreign currency translation reserve in equity.

Business Combinations
Acquisitions of businesses are accounted for using the acquisition method under IFRS 3 - Business Combinations. A business combination requires the assets acquired and liabilities assumed constitute a business. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

Consideration is measured at the date of the exchange which includes equity instruments issued. Acquisition related costs incurred for the business combination are expensed. The acquiree's identifiable assets and liabilities are recognized at their fair values at the acquisition date. Provisional fair values are finalized at the earlier of the following: the date as soon as the acquirer received the information it was seeking about facts and circumstances that existed as of the acquisition date, learns that more information is not available or twelve months from the acquisition date. Goodwill arising on an acquisition is recognized as an asset and initially measured at cost, which is the excess of the consideration paid over the fair value of the net identifiable assets and liabilities recognized.

Inventory
Inventory includes work in progress inventory in the form of stockpiled graphite ore, finished goods inventory and materials and supplies. Cost of materials and supplies inventory include acquisition, freight and other directly attributable costs. Cost of work in progress inventory and finished goods includes all direct costs incurred in production including direct labor and materials, freight, depletion and depreciation of plant and equipment used in the production process, amortization of acquisition costs and related overhead costs. All inventories are valued at the lower of average cost or net realizable value, with net realizable value determined with reference to recent sales prices, less estimated future production costs to convert inventories into graphite concentrate. If the carrying value exceeds the net realizable value, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused the write-down no longer exist.

Mineral interests
Mineral interests consist of the cost of acquiring and developing mineral interests. Once in production, mineral interests are depleted on a units-of-production basis over the component of the ore body to which they relate.

Construction in progress
Mineral interest development and plant and equipment construction commences after the technical feasibility and

commercial viability of extracting a mineral resource is demonstrable, approval by management and the Board of Directors and the Company has obtained all regulatory permissions to proceed. Development and construction expenditures are capitalized and classified as construction in progress. Once completed, the costs associated with all applicable assets related to the development and construction are reclassified to the appropriate category within mineral interest or plant and equipment.

Depletion and depreciation of mineral interests, property, plant and equipment
The carrying amounts of mineral interests, property, plant and equipment are depleted or depreciated to their estimated residual value over the estimated economic life of the specific assets to which they relate. Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of the remaining depreciation or depletion rate. Changes in estimates which affect depreciation are accounted for prospectively. Depreciation or depletion commences on the date the asset is available for its use as intended by management.

Mining properties and exploration and evaluation expenditures
Mining properties correspond to acquired interests in mining exploration leases/permits/claims which include the rights to explore, mine, extract and sell all minerals. All pre-exploration costs, comprised of 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 have been 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.

Impairment of Long-Lived Assets
At each consolidated statement of financial position 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. When 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.

Impairment of goodwill
The carrying amount of goodwill is tested annually for impairment or more frequently when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately. Should there be a recovery in the value of a cash generating unit, any impairment of goodwill previously recorded is not subsequently reversed.

Deferred revenue
Deferred revenue consists of upfront deposits received by the Company in consideration for future commitments to deliver graphite under a mineral purchase and sale agreement. As deliveries of graphite are made, the Company records a portion of the deferred revenue as sales, based on a proportionate share of graphite deliveries made compared with

the total estimated contractual commitment.

Interest expense on deferred revenue is recognized in finance costs as the Company has identified a significant financing component related to its graphite streaming arrangement, resulting from a difference in the timing of the upfront deposit received and delivery of the graphite. The interest rate is determined based on the market rate in the streaming agreement at the date of inception.

Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset ("ROU asset") and a corresponding lease liability with respect to all lease arrangements except for ROU assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term.

The lease liability is initially measured at the present value of the lease payments for the term of the lease, discounted using the lease interest rate or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Company remeasures leases when there is a change in future lease payments or other factors which affect the terms of the lease. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in mineral interests, property, plant and equipment, and the lease liability is presented separately in the Consolidated statement of financial position.

Restoration and site closure provision

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. The provision is calculated as the present value of the expenditures required to settle the obligation. The Company assesses its provision for site reclamation and site closure at each reporting date. 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 outflows. The provision at the reporting date represents management's best estimate of the present value of the future restoration and site closure costs required.

Share-based payments

The Company has a stock option plan (as amended and restated, the "Option Plan"), a deferred share unit and restricted share unit compensation plan (the "DSU/RSU Plan") and issues warrants as described in note 19 of the consolidated financial statements. The Company measures the compensation cost of stock options issued under the Option Plan, restricted share units ("RSU's") issued under the DSU/RSU Plan and warrants issued 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 as share-based payments 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 Company transfers the value of forfeited and expired unexercised vested stock options, DSU's or warrants to accumulated deficit from contributed surplus at the date of expiration.

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.

Revenue

Revenue is generated from the sale of graphite concentrate which is sorted into different graphite flake sizes and sold according to flake size specifications.

Graphite revenue is recognized when the risk and rewards associated with the graphite concentrate are transferred to the customer. This generally occurs when the graphite concentrate leaves the production site and physical and legal title transfers from the Company to the customer and when the sales price is agreed upon and collectability is reasonably assured. Graphite revenue is measured based on the graphite sales price agreed to between the Company and the customer at the time of sale and the amount the Company expects to receive.

Income Taxes
Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (loss). In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Financial instruments
Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes a party to the contracts that give rise to them and are classified as: amortized cost; fair value through profit or loss; or, fair value through other comprehensive income, as appropriate. The Company considers whether a contract contains an embedded derivative when it first becomes a party to the contract. The embedded derivatives are separated from the host contract if the host contract is not measured at FVTPL and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition and construction/development of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as finance costs in the period in which they are incurred. To the extent that the Company borrows funds specifically for the purpose of obtaining a specific qualifying asset, the amount of borrowing costs eligible for capitalization is the actual net borrowing costs incurred on that borrowing during the period.

18. Disclosure of Outstanding Share Data

Information with respect to outstanding common shares, warrants and stock options as at May 1, 2023, December 31, 2022 and December 31, 2021 is as follows:

	May 1, 2023	December 31, 2022	December 31, 2021
Common shares	130,018,022	121,315,522	81,371,422
Warrants	31,147,800	35,800,300	5,092,500
Stock options	10,206,000	9,656,000	5,800,000
Restricted stock units	1,300,000	1,300,000	-

19. Non-IFRS Performance Measures

The Company has included certain non-IFRS measures in this MD&A. The Company believes that these measures, in addition to measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company and to compare it to information reported by other companies. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

Cash Cost Per Tonne of Graphite Concentrate Sold

Cash costs are a common financial performance measure but have no standard meaning. The Company reports cash costs on a per tonne of graphite concentrate sold basis. The Company believes that, in addition to measures prepared in accordance with IFRS, such as revenue, certain investors can use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor LDI's operating cost and performance.

The following table reconciles these non-IFRS measures to the most directly comparable IFRS measure disclosed in the financial statements.

(Shown in Thousands of Dollars, Except Tonnes and Per Tonnes Figures)	**Three months Ended December 31, 2022**	**Year Ended December 31, 2022**
Graphite concentrate sold (tonnes)	1,828	5,785
Cost of sales	$2,854	$8,943
Less: depletion and depreciation	586	1,055
Total cash costs	2,268	7,888
Cash cost per tonne of graphite concentrate sold	**$1,241**	**$1,364**

Average Realized Sales Price Per Tonne of Graphite Concentrate Sold

Average realized sales price per tonne of graphite concentrate sold is used by management and investors to better understand the graphite price realized throughout a period.

(Shown in Thousands of Dollars, Except Tonnes and Per Tonnes Figures)	**Three months Ended December 31, 2022**	**Year Ended December 31, 2022**
Gross revenue	$3,817	$11,993
Graphite concentrate tonnes sold	1,828	5,785
Average realized sales price per tonne of graphite concentrate sold	**$2,088**	**$2,073**

20. Trends

There are significant uncertainties regarding the prices of industrial minerals and 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 operating results and financial condition of the Company are subject to a number of inherent risks and uncertainties associated with its business activities, which include the operation of the LDI mine, the planned resumption of operations at the Okanjande Project and the development of the Bissett Creek and Mousseau West projects. The operating results and financial condition of the Company are also subject to numerous external factors, which include economic, environmental, regulatory, social, legal, tax, market and geopolitical risks impacting, among other things, graphite prices, the availability and cost of capital to fund the capital requirements of the business, inflation, the supply chain related to the business, uncertainty of production and cost estimates and the potential for unexpected costs and expenses, foreign exchange rates, and changes in general economic conditions or conditions in the financial markets. Each of these risks could have a material adverse effect on the Company's future business, results of operations, financial condition and prospects and the value of any investment in the Company, and could cause actual results to differ materially from those described in any forward-looking statements in this MD&A. The Company endeavors to manage these risks and uncertainties in a balanced manner. This includes developing appropriate risk management strategies, policies, processes and systems. There can be no assurance that the Company has been or will be successful in identifying all risks or that any risk-mitigating strategies adopted to reduce or eliminate risk will be successful.

The risk factors noted below outline certain risks associated with an investment in the Company's common shares or in connection with the operations of the Company. Readers are cautioned that this is not an exhaustive list of all such risks.

No History of Mineral Production; New Production Risks
The Company has one operating mine, being the LDI mine, which it acquired in April 2022. Prior to this, the Company did not have a history of mineral production and its principal focus was on the development of the Bissett Creek Project. The Company is subject to risks and uncertainties in integrating the acquisition of the LDI Project and transitioning to an operational mining company. The Company also acquired the Okanjande Project in April 2022, is in the course of working to resume mining operations there and is subject to risks and uncertainties with its abilities to do so.

With its mining operations at the LDI mine and planned mining operations in Namibia, the Company is and will be subject to all of the hazards and risks normally encountered with mining operations and related processing and infrastructure facilities. Such risks include, without limitation, technical difficulties or failures, equipment failure, industrial accidents, disruptions in the supply of critical materials and supplies, labour disputes, delays in obtaining work visas or other authorizations, disruptions due to pandemic conditions, environmental hazards, failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability, changes in laws, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material. Such risks could result in damage to, or destruction of, mines and other processing facilities, damage to life or property, environmental damage, delays in mining and processing, delays in scheduled maintenance, losses and possible legal liability and adverse governmental action. Any prolonged downtime or shutdowns at the Company's mining and processing facilities could have a material adverse impact on the Company's business, financial condition and results of operations.

Moreover, there can be no assurance of the profitability of the Company's future operations, nor that significant additional losses will not occur in the near future. The Company's operating expenses and capital expenditures may increase in subsequent years as the costs increase for the consultants, personnel and equipment associated with advancing exploration, development and production. The amount and timing of expenditures will depend on the progress of ongoing exploration, development and production, the results of consultant's analyses and recommendations, the rate at which operating losses are incurred, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

Infrastructure

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supplies are important requirements, which affect capital and operating costs. Although the Company can access its properties, by good quality all-weather roads and labour, power and water are all readily available, natural events such as unusual or infrequent weather phenomena and severe climactic conditions, as well as sabotage, government or other interference in the maintenance or provision of such infrastructure could have a material adverse effect on the Company's future operations, financial condition and results of operations.

Limited Operating History and Financial Resources

The Company has a limited operating history. Additional funds will be required to resume mining operations at the Okanjande Project, to bring the Bissett Creek and Mousseau West Projects into production and to advance the Company's downstream mine-to-market strategy. The Company has limited financial resources and there is no assurance that the Company will be able to raise sufficient additional funding to do so on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of these projects and could cause the Company to reduce or terminate its plans. Additional funds raised by the Company from treasury share issuances may result in further dilution to the shareholders of the Company or a change of control.

Cost Overruns, Delays and Construction Risk

The Company's future plans include the development of the Bissett Creek Project, Mousseau West and a large new plant at the Okanjande mine site. The Company has not yet initiated such development nor does it currently have the funds to do so. The Company has only just started preparing for the restart of operations at the Okanjande Project. All of these projects will be subject to risks associated with potential cost overruns, delays and construction risk.

Exploration and Development

Exploration for and development of mineral properties involves significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineral body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, developing processes and extracting minerals. The Company cannot ensure that its exploration and development programs will result in profitable commercial mining operations.

The economic feasibility of a mine is based upon many factors, including the accuracy of mineral resource and mineral reserve estimates; recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental management and protection; and prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Mineral Resources and Mineral Reserves

The Mineral Resources and Mineral Reserves disclosed by the Company are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. There are numerous uncertainties inherent in estimating Mineral Resources and Mineral Reserves, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any Mineral Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that graphite recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuations in graphite prices, results of drilling, change in cut-off grades, metallurgical testing, production and the evaluation of mine plans subsequent to the date of any estimates may require revision of such Mineral Resource and Mineral Reserve estimates. The volume and grade of Mineral Reserves mined and processed, and the recovery rates achieved may not be the same as currently anticipated. Any material reduction in the estimated Mineral Resources and

Mineral Reserves could have a material adverse impact on the Company's business, financial condition and results of operations. A significant decrease in the Mineral Resource and Mineral Reserve estimates could have a material adverse impact on the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, depletion and depreciation charges, and estimated mine closure and rehabilitation costs, and could result in an impairment of the carrying value.

Inferred Mineral Resources

Inferred Mineral Resources cannot be converted to Mineral Reserves unless they are first converted into Measured and Indicated Resources as a result of continued exploration. Due to the uncertainty which may be attached to Inferred Mineral Resources, there can be no assurance that Inferred Mineral Resources will be upgraded to Measured and Indicated Resources. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Need for Mineral Reserves

As mines have limited lives based on Proven and Probable Mineral Reserves, the Company must continually develop, replace and expand its Mineral Reserves and Mineral Resources as its mines produce graphite concentrates. The Company's ability to maintain or increase its annual production of graphite and its aggregate Mineral Reserves will be significantly dependent on its ability to expand its Mineral Resource base both at its existing mines and new mines it intends to bring into production in the future.

Reliance on Results of Prior Exploration Work

In preparing technical reports on the Company's projects in accordance with NI 43-101, the authors of such studies and assessments relied upon data generated by exploration work carried out by geologists employed by others. There is no guarantee that data generated by prior exploration work is 100% reliable and discrepancies in such data not discovered by the Company or such authors may exist. Such errors and/or discrepancies, if they exist, could impact on the accuracy of any technical reports prepared for the Company.

Commodity Prices

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

Further, reserve calculations and life-of-mine plans using significantly lower prices could result in material write-downs of the Company's investments in its various mining and development projects and increased amortization, reclamation and closure charges.

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

Financing and Liquidity

The Company relies on the cash flows generated from its mining and processing operations, including provisional payments received from its customers, cash on hand, and its ability to raise equity and debt from the capital markets to fund its operating, investment and liquidity needs. The cyclical nature of the Company's businesses, general economic conditions and the volatility of capital markets are such that conditions could change dramatically, affecting the Company's cash flow generating capability as well as its liquidity, cost of capital and its ability to access additional capital, which could have a material adverse impact on the Company's earnings and cash flows and, in turn, could affect total shareholder returns.

Furthermore, there can be no assurance that the Company's operations will be profitable or that the Company will be able to raise capital on terms that it considers reasonable. Adverse commodity market, general economic conditions and adverse capital market conditions could result in a delay or the indefinite postponement of development or construction projects and could have a material adverse impact on the Company's business, financial condition, results of operations and share price.

Mining Operations and Insurance

The Company does not currently carry insurance against all the risks associated with mining operations and exploration and development. There is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with losses or liabilities not covered by insurance coverage may have a material adverse effect upon the Company's financial condition.

Governmental and Environmental Regulation, Permits and Compliance

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

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

Reliance on Management and Experts

The success of the Company will be largely dependent upon the performance of its senior management and directors. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company has not purchased any "key-man" insurance nor has it entered into any non-competition or non-disclosure agreements with any of its directors, officers or key employees and has no current plans to do so. The Company has hired and may continue to rely upon consultants and others for geological and technical expertise. The Company's current personnel may not include persons with sufficient technical expertise to carry out the future development of the Company's properties. There is no assurance that suitably qualified personnel can be retained or will be hired for such development.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties. The mining industry is facing a shortage of equipment and skilled personnel and there is intense competition for experienced geologists, field personnel, contractors and management. There is no assurance that the Company will be able to compete successfully with others in acquiring such equipment or personnel. The Company also competes for financing with other resource companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

Title to Properties

Although the Company has taken precautions to ensure that legal title to its property interests are properly recorded in the name of the Company or its subsidiaries where possible, there can be no assurance that such title will ultimately be maintained. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, or concessions. The ownership and validity of mining claims and concessions are often uncertain and may be contested. There is no assurance that the interests of the Company in any of its properties may not be challenged or impugned.

Aboriginal and Treaty Rights

In Canada, the issuance of government permits for mining projects may trigger the Crown's duty to consult and potentially accommodate the Indigenous people of Canada, which include the First Nations (Indian), Inuit and Métis people of Canada. The aboriginal and treaty rights of Canada's Indigenous people are recognized and affirmed by the *Constitution Act, 1982*, as a result of which Canadian courts have imposed on the federal and provincial governments a general duty to consult any Indigenous group whose aboriginal and treaty rights may be affected by a government decision, including the grant of permits or licences relating to mining activity. Although the duty to consult is imposed only on governments, the Crown may delegate some of the consultation's procedural aspects to third parties and it is common practice for a mine proponent to be a participant in the process. Typically, this involves consultation and negotiation of an impact benefits agreement ("IBA") between a mine proponent and applicable Indigenous group(s).

Applicable Indigenous groups can file legal action on the basis of inadequate consultation, which could have the consequence of delaying the commencement of construction or operation of projects or increasing costs of projects. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to indigenous issues having been instituted with respect to any of the Company's projects in Canada. To the Company's knowledge, no Indigenous group has been consulted regarding the LDI mine, which has been in production since 1989, but the closest Indigenous community to LDI is the Kitigan Zibi Anishinabeg First Nation reserve, which is located approximately 40 km to the southwest of the LDI mine. The Bissett Creek Project is located on unceded land claimed by the Algonquins of Ontario ("AOO"). The Company has begun the process of negotiating an IBA with the AOO and with the Algonquins of Pikwakanagan First Nation who are also a member of the AOO. To date the AOO have expressed support for the Bissett Creek Project and have shown interest in economic development. However, the negotiation of an IBA is subject to many factors beyond the Company's control and there is no guarantee or assurance that the Company will be successful. The Company has also consulted with the Metis Nation of Ontario and these consultations could also lead to an IBA.

The legal basis of a land claim is a matter of considerable legal complexity and the impact of a land claim settlement and self-government agreements cannot be predicted with certainty. In addition, no assurance can be given that a broad recognition of aboriginal rights by way of a negotiated settlement or judicial pronouncement would not have an adverse effect on the Company's activities. Such impact could be material and, in certain circumstances, could delay or even prevent the Company's mineral exploration and mining activities.

Opposition to Mining

The Company's ability to advance its development activities, particularly in respect of its Bissett Creek and Mousseau West projects, may be affected to varying degrees by local community opposition to mining activities, causing delays in obtaining or the inability to obtain necessary permits and/or resulting in government regulations with respect to, but not limited to, restrictions on future exploitation and production. In addition, any shifts in political attitudes or changes in laws that may result in, among other things, significant changes to mining laws or any other national or local regulations or policies are beyond the Company's control and there is the risk that governments may adopt policies, which may extend to the deemed or actual expropriation of assets or revocation or cancellation of mining concession rights, that could adversely affect the Company's business.

Environmental Risks and Hazards

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

Cost of Land Reclamation

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

Title to Properties

Although the Company has taken precautions to ensure that legal title to its property interests are properly recorded in the name of the Company or its subsidiaries where possible, there can be no assurance that such title will ultimately be maintained. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, or concessions. The ownership and validity of mining claims and concessions are often uncertain and may be contested. There is no assurance that the interests of the Company in any of its properties may not be challenged or impugned.

Foreign Country and Political Risks

Some of the Company's operations and business are outside of Canada, being the Okanjande Project in Namibia. As such, the Company's operations are exposed to various political and other risks and uncertainties normally associated with operations in a foreign jurisdiction. These risks and uncertainties may include, but are not limited to: restrictions on foreign exchange and movements of capital; fluctuations in foreign currency exchange rates; high rates of inflation; labour unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; environmental policies; extreme weather conditions; changes in taxation or royalty policies; and changing political conditions. Any changes in mining or investment policies or shifts in political attitude in Namibia may have a material adverse impact on the Company's business, financial condition and results of operations.

Risks Related to Mine-to-Market Strategy

The Company's mine-to-market strategy for the downstream integration of its graphite concentrate capacity to produce BAM for use in Li-ion batteries and other possible value added products and its plans to build BAM production facilities in Baie-Comeau, Québec in furtherance of this strategy are subject to various risks and challenges including: the availability and terms of financing; the completion of all required binding commercial agreements relating to these initiatives including with any joint venture partners; the availability and performance of engineering and construction contractors, suppliers and consultants; the receipt of required governmental approvals and permits in connection with the construction of industrial facilities and the conduct of operations, including environmental and operating permits; price escalation on all components of construction and start-up. Any failure or delays in obtaining financing or concluding required commercial agreements, in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company will be dependent in connection with these planned activities, to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or in connection with the completion and successful operation of the operational elements in connection with such industrial facilities could delay or prevent the Company from executing on its mine-to-market strategy. There can be no assurance that the Company will be successful in executing on this strategy and in implementing its related plans.

Obligations, Covenants and Restrictions in the Company's Senior Secured Loan

The Company has a senior secured loan with Sprott which it used to complete the Acquisition. The Company's obligations under the loan are secured against the LDI and Okanjande Projects. The terms of the loan contain various customary positive and negative financial and operating covenants, as well as customary events of default, such as breach of covenants, conditions or obligations, and the occurrence of an insolvency event. Events may occur in the future, including events beyond the Company's control, that could cause it to fail to satisfy its obligations and covenants under the loan. A failure to comply with its obligations and covenants could result in an event of default which, if not cured or waived, could permit acceleration of the related debt. This could lead to enforcement actions or proceedings under the security granted in connection with the loan. The occurrence of any such events would have a material adverse effect and could, among other things, result in the bankruptcy or liquidation of the Company, and could result in the loss of the Company's entire interests in the LDI and Okanjande Projects. The Company can provide no assurance that it will achieve sufficient future cash flow and earnings to satisfy its debt obligations under the loan.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting
Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards.

As a "venture issuer" listed on the TSX Venture Exchange, the Company is not required to provide representations in its annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. In particular, the Company's CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the Company's Generally Accepted Accounting Principles.

Price Volatility and Lack of Active Market
Securities markets in Canada and elsewhere may from time to time experience high levels of price and volume volatility. Consequently, the market prices of the securities of many public companies may experience significant fluctuations in price which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market for the Company's securities will be subject to such market volatility and that the value of such securities may be affected accordingly. If an active market does not develop, the liquidity of an investment in the Company's common shares may be limited and the market price of such securities may decline.

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

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

Global outbreak of COVID-19
During the first quarter of 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the extensive geographic spread of the disease, and the inability to predict the duration of the outbreak or reoccurrence of outbreaks, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the full extent of the impact is unknown, COVID-19 may hinder the Company's ability to raise financing to build the Bissett Creek Project or the Mousseau West Project or to restart operations at the Okanjande Project due to uncertain capital markets, reduced customer demand, supply chain

disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition.

Cautionary Statement Regarding Forward-Looking Statements

Certain statements and other information included in this MD&A constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable securities legislation, which are collectively referred to herein as "forward-looking statements". Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts, "intends", "anticipates", "believes", or 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, or the negative of any of these terms or similar expressions.

Forward-looking statements in this MD&A may include, but are not limited to statements with respect to the following: the future operating or financial performance of the Company and certain of its projects, including the existing operating mine at LDI; the future price of graphite ; the estimation of Mineral Resources and Mineral Reserves and the realization of such mineral estimates; results of economic and technical studies, including the Okanjande Project preliminary economic assessment and the Bissett Creek feasibility study, and the realization of such results; the timing and amount of estimated future production and costs of exploration, development, production, operations and capital for certain of the Company's projects; the success, timing and cost of the contemplated resumption of mining operations at the Okanjande Project; the success, timing and cost of exploration and development activities, including at the Mousseau West and Bissett Creek Projects; the success and timeline of permitting activities; the Company's mine-to-market downstream processing strategy and its plans with respect to the construction of a BAM processing facility in Baie-Comeau, Québec and the acquisition of an interest in NeoGraf; requirements relating to additional capital; government regulation of mining and processing operations; environmental risks; reclamation obligations and expenses; market trends including with respect to EV and Li-ion battery markets; and any other information as to the future plans and outlook for the Company.

Forward-looking statements are based on what the Company's management considers to be reasonable assumptions, beliefs, expectations and opinions based on the information currently available to it, as of the date such statements are made. Forward-looking statements involve known and unknown risks, uncertainties 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 speculative nature of mineral exploration and development; the actual results of current production, development and exploration activities; fluctuations in graphite prices; inherent uncertainties in respect of conclusions of economic and technical studies, including the Okanjande preliminary economic assessment and the Bissett Creek feasibility study; the accuracy of the Company's Mineral Resource and Mineral Reserve estimate (including, with respect to size, grade and recoverability) as well as the geological, operational and price assumptions on which they are based; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production, including risks arising from the current inflationary environment and the impact on operating costs and other financial metrics; possible variations of mineral grade or recovery rates; fluctuations in currency exchange rates; uncertainties and risks inherent to developing and commissioning new mines into production, including the resumption of activities at the Okanjande Project, which may be subject to unforeseen delays; uncertainties with respect to actual results of current exploration and development activities; uncertainties inherent with conducting business in foreign jurisdictions; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; the availability of financing for the Company's development of its projects and other initiatives on reasonable terms; the possibility that the Company may incur additional debt; opposition by social or non-governmental organizations to mining projects and processing operations; unanticipated title disputes or other claims or litigation; increased costs and physical risks, including extreme weather events and resource shortages, related to climate change; cyber-attacks and other cybersecurity risks; failure of plant, equipment or processes to operate as anticipated; accidents, labour 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; regulatory changes; actual results of reclamation activities; risks relating to the Company's business generally and the impact of the COVID-19 global pandemic, resulting in changes to the Company's supply chain, product shortages, delivery and shipping issues, closure and/or failure of plant, equipment or processes to operate as anticipated, employees and contractors becoming infected, low vaccination rates, lost work hours and labour force shortages; the fact that certain of the initiatives described in this MD&A are still in the early stages and may not materialize; as well as those risk factors discussion in the section entitled "Risk Factors" in this MD&A or in any other documents filed by the Company from time to time with applicable Canadian securities regulatory authorities and available under the Company's profile on SEDAR at www.sedar.com. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

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.

21. Qualified Person

Gregory Bowes B.Sc., MBA, P.Geo., is the Company's Qualified Person as that term is defined within NI 43-101 and has reviewed and approved the technical content of this MD&A.

Additional Information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com.