NORTHERN GRAPHITE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021
(Information as at April 11, 2022 unless otherwise noted)

The following provides management's discussion and analysis of results of operations and financial condition of Northern Graphite Corporation ("Northern" or the "Company") for the years ended December 31, 2021 and 2020. Management's discussion and analysis ("MD&A") was prepared by Company management and approved by the Board of Directors on April 11, 2022.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2021 and 2020 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. The MD&A is prepared in conformity with National Instrument 51-102F1.

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to further advance the Bissett Creek and South Okak Projects and the programs related thereto, in addition to the need for future financing, and closing and financing the acquisition of assets from subsidiaries of Imerys SA, 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.

Introduction

Northern Graphite Corporation is an exploration and development stage company engaged in the acquisition, exploration and development of graphite and other battery mineral properties. The Company was incorporated on February 25, 2002 under the *Business Corporations Act* (Ontario) to develop and hold title to the Bissett Creek graphite project ("Bissett Creek" or the "Bissett Creek Project"). On June 7, 2021, the Company entered into an option agreement to earn up to an 80% interest in the South Okak nickel-copper-cobalt project, located 80 kilometres southeast of Voisey's Bay, Labrador in order to diversify into other battery minerals.

2021 Highlights

On February 12, 2021, the Company closed a non-brokered private placement financing raising gross proceeds of $2,992,640 with the sale of 10,688,000 units at a price of $0.28 per unit. Each unit was comprised of one common share and one-half share purchase warrant with each whole warrant entitling the holder to purchase one common share at a price of $0.45 per share.

On June 8, 2021, the Company entered into an option agreement to earn up to an 80% interest in the South Okak nickel-copper-cobalt project, located 80 kilometres southeast of Voisey's Bay, Labrador. The project comprises a total of 503 claims covering 12,575 hectares. Under the term of the option agreement, 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.

On December 2, 2021, the Company entered into binding purchase and sale agreements to acquire 100% ownership of the producing Lac des Iles graphite mine in Quebec and the Okanjande graphite deposit and processing plant in Namibia for approximately $51million (US$40 million) (the "Transaction") from the Imerys Group ("Imerys"). Upon completion of the Transaction, the Company will have substantial near-term production and two large scale development projects that will enable the Company to significantly expand production to meet growing demand from the electric vehicle ("EV")/battery markets. Closing of the Transaction is subject to a meeting a number of conditions including final approval of the TSX Venture Exchange and closing of the related financings.

Operations Review and Project Development

The Company's principal focus is the potential development of the Bissett Creek Project located in the County of Renfrew, Ontario. Bissett Creek was extensively explored and evaluated in the 1980's but was not developed as graphite prices subsequently declined due to an excess of supply from China. More recently, rapidly growing demand from the lithium ion battery ("LiB") market and concern over world dependence on Chinese production have created growing interest in graphite projects. Bissett Creek contains one of, if not the, highest percentages of large and extra large flake graphite of any deposit. These sizes command premium pricing.

Northern completed a Full Feasibility Study in July 2012 (the "FS") which confirmed the technical and financial viability of constructing and operating an open pit mine and processing plant at Bissett Creek. A technical report was prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and filed on SEDAR in August 2012. The FS was optimized and updated in September 2013 (the "FS Update") following an additional 61 hole, 3,425 metre drill program, the release of a new and larger resource estimate and revision of the mine plan based on the new resource model. The FS Update also incorporated some modifications to capital and operating cost assumptions and lower graphite prices.

The Company plans to develop the Bissett Creek Project in two phases. The production scenario outlined in the FS and FS Update represents Phase 1 and is a conservative approach that consists of building a smaller project with a reasonable capital cost and a realistic production volume relative to the size of the current graphite market. In Phase 2, production will be doubled to meet the expected growth in graphite demand arising from the LiB and EV markets. The Company has completed a preliminary economic assessment on a Phase 2 expansion case (the "Expansion PEA") and filed a technical report prepared in accordance with NI 43-101 on SEDAR in December 2013. This is the current technical report on the Bissett Creek Project. The Expansion PEA assumes Phase 1 production will be doubled after three years of operation based on Measured and Indicated resources only. The Company also updated the Expansion PEA (the "Expansion PEA Update") to assess the economics of building a two million tonne per annum ("Mtpa") processing plant at the outset rather than expanding after three years of operation.

Because of the passage of time since completion of the various technical reports, the Company reviewed the economics of the Phase 1 development scenario during 2018 and 2019 in order to evaluate the effect of some modifications to the flow sheet as well as changes in commodity prices, exchange rates, equipment and labour costs and other project inputs. The Company also evaluated the effect of increasing the proposed production rate of 20,000 tonnes of concentrate per annum by at least 20 percent. The results of this analysis were released as a sensitivity analysis on the Expansion PEA and indicate that the Bissett Creek Project still has an attractive net present value ("NPV") and internal rate of return ("IRR") as cost inflation and lower graphite prices have largely been offset by very favorable movements in the CDN/US dollar exchange rate and savings from simplification of the flowsheet.

A metallurgical test program was completed at SGS Lakefield ("SGS") to confirm graphite recoveries, concentrate purity and flake size yield under the new flow sheet. It indicated that the new flowsheet will increase average concentrate purities from 94.5 to 97 percent with little change in recoveries and a small improvement in large flake yields. Due to the premium paid for higher purity concentrates, the net effect will be an increase in estimated concentrate sales prices. As these results do not represent a material change, the Company does not intend to prepare and file a new NI 43-101 report at the present time. The Company believes that the extensive technical studies completed on the Bissett Creek Project over many years may allow it to proceed directly to detailed engineering, which will include an engineered cost estimate, once financing has been arranged and a construction decision made.

In 2012 the Company filed a revised Mine Closure Plan ("MCP") which was accepted by the Ontario Ministry of Energy, Northern Development and Mines ("MENDM"). The MCP authorizes Northern to build and operate the mine and 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 $845,883, including accrued interest, has already been made. 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. The Company must also obtain various other permits and authorizations from a number of government agencies. These are in process and are expected to be received in the normal course prior to the commencement of mining operations.

Over the last number of years the Company has continued to advance work on the major permits required in addition to the MCP. Accordingly, applications/documentation have been submitted with respect to 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.

The Bissett Creek Project

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 property 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"). Property taxes and annual rental payments with respect to the Mining Leases are payable to the Minister of Finance and totaled $27,749 in 2020. 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 property. An annual advance payment of $27,000 must be made 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 Property to Electric Royalties Ltd. ("ERL") for $500,000 in cash and two million common shares of ERL valued at $440,340 at the time of closing (of which half were subject to a 12 month hold period and half are still subject to an 18 month hold period) (the "Consideration Shares"). Under the terms of the agreement, ERL also has a two-year option to acquire an additional half of one percent GRR by paying $750,000, of which 25 percent can be paid in ERL shares. The Company will have the option to buy back half of one percent of the initial GRR at any time after 12 months by returning the Consideration Shares or paying $1.5 million in cash.

Prices for graphite have largely remained at low levels for a number of years as demand growth from the LiB/EV markets has been slower than expected and there remains a surplus of production capacity in China. Based on its review of industry sources, the Company believes that current prices are approximately US$ 1,400 per tonne for large (+80 mesh) flake graphite while +50 mesh XL flake is selling for approximately US$1,750 per tonne and +32 mesh XXL flake at US$2,250 per tonne. These prices are based on the standard industry purity of 94% Cg. Bissett Creek concentrates are expected to average 97% Cg which will attract premium pricing. Over 60% of production from Bissett Creek will be XXL and XL flake making it the world's highest margin deposit according to a study by Benchmark Mineral Intelligence. These grades are mainly used in the expandable graphite market. The expandable graphite and LiB markets continue to grow and Chinese production of larger flake sizes is declining which bodes well for higher large flake prices in the future.

Prices for small flake concentrate, which is mainly used in the manufacture of LiBs had been depressed due to surplus production capacity in China and a large, new mine in Africa but recently have increased due to growth in the EV and battery markets.

Based on information from a number of industry sources, the Company believes that it could achieve an average selling price in the order of US$1,900 per tonne in the current market. These sources tend to poll high volume end users and intermediaries. The Company considers their prices to be conservative and expects to achieve higher levels by selling directly to small volume end users and into specialty markets.

The Bissett Creek Project is unique among its North American peers in that it has a reasonable capital cost, an initial production rate that is realistic relative to the size of the current market (and which can be expanded as demand grows), and the highest percentage of large/XL flake. Northern's strategy differs from most of its peers in that the large/XL flake nature of Bissett Creek enables the Company to initially focus on high margin and value-added industrial markets, mainly in the US and Europe. This includes micronized graphite, expandable graphite and high purity flake graphite which receive premium prices. The Company will expand into the LiB market when economics improve. 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, 2021, the Company had capitalized $12,958,941 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. During 2022, the Company will continue completing the balance of the remaining permitting for the Bissett Creek Project and should be in a position to make a construction decision subject to arranging the necessary project financing.

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 an 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 Standards of Disclosure for Mineral Projects. Pierre Desautels, P.Geo., Principal Resource Geologist, and Gordon Zurowski, P.Eng., Principal Mining Engineer, both of AGP and Qualified Persons under NI 43-101 who are independent of the Company, prepared 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.

Feasibility Study

The Company completed the FS for the Bissett Creek Project in 2012. The FS was prepared by G Mining Services Inc. and 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 was prepared by AGP and as it did not constitute a material change, a new NI 43-101 report was not filed.

Summary of Updated Feasibility Study Economics

	2013 FS Update (base case)	**2012 FS**
Probable reserves (million tonnes)	28.3Mt*	19.0Mt
Feed Grade (% graphitic carbon)	2.06%*	1.89%
Waste to ore ratio (excl. low grade stockpile)	0.79	0.50
Processing rate (tonnes per day - 92% availability)	2,670	2,300
Mine life*	28 years	23 years
Mill recovery	94.7%	92.7-94.7%
Average annual production	20,800t	15,900t
Capital cost ($ millions - including 10% contingency)	$101.6M	$102.9M
Cash operating costs ($/tonne of concentrate) *	$795	$968
Mining costs ($/tonne of ore)	$5.63	$5.79
Processing costs ($/tonne of ore)	$8.44	$9.60
General and administrative costs ($/tonne of ore)	$2.50	$2.94
CDN/US dollar exchange rate	1.05	1.00
Graphite prices (US$ per tonne)	$1,800	$2,100
Pre tax NPV @8% (CDN$ millions)	$129.9	$71.7
Pre tax IRR (%)	19.8%	15.6%
After tax NPV @8% (CDN$ millions)	$89.3	$46.9
After tax IRR (%)	17.3%	13.7%

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

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. All sulphide and non-sulphide generating waste rock will be backfilled into mined out areas of the pit after five years of operation, and all sulphide tailings after eight years, resulting in low final closure costs.

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 will be 16.5 Mt grading 1.26% Cg and will provide a great deal of flexibility in future operations as it will be available for processing at a later date, either through an expanded facility or at the end of the mine life. It also represents a low cost source of 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.

Flake graphite is sold based on 80% meeting the required size specification. Therefore, smaller flake sizes can be blended into larger as long as the carbon content is maintained. The -100 mesh small flake concentrate that will be produced from Bissett Creek is suitable for this purpose. After blending, the FS Update assumes 60% of Bissett Creek production will be +50 mesh and a third of this material is actually +32 mesh, 35% of production will be +80 mesh, and 5% will be +100 mesh.

Additional testing has determined that waste rock and the low grade stockpile will not become acid generating for a substantial period of time and therefore a lined pad is not required as contemplated in the FS Update. Also, the Company intends to build a wetland to treat any run off from the low grade stockpile and therefore no additional operating costs or upfront financial assurance will be required to return to the pit, any potentially acid generating material that is stored on surface.

Expansion Preliminary Economic Assessment

The Company completed and filed a NI 43-101 Technical Report with respect to a Preliminary Economic Assessment which includes both the Phase 1 development and a Phase 2 expansion of the Bissett Creek Project. Further expansions are possible based on Measured and Indicated resources only. The Expansion PEA, which is the current NI 43-101 Technical Report with respect to the Bissett Creek Project, was undertaken to demonstrate the ability to double processing capacity (to 2 Mtpa) after three years of operation based only on Measured and Indicated resources. The Expansion PEA indicates that Bissett Creek has viable economics even at lower graphite prices.

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 NI 43-101 report relating to the Expansion PEA Update 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.

Both the Expansion PEA and the Expansion PEA Update show improved economics over the FS Update because production is essentially being doubled while capital costs increase by less than 50%. The 2014 Expansion PEA Update is the most robust plan because it is more efficient to build one large mill rather than building a second parallel circuit after three years. However, a project this size has the potential to adversely affect prices, especially considering the volume of XL and XXL flake sizes that will be produced. The Company would only contemplate the expanded capacity scenarios if it can secure a strategic partner and or suitable offtake agreements.

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%

Current Project Economics

During 2018 and into 2019 the Company engaged G Mining Services 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 current NI 43-101 PEA Report. 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 reduce unit operating costs and is expected to have a very positive effect on the Bissett Creek Project's NPV and IRR. Accordingly, the Company intends to integrate an initial production rate of approximately 25,000 tonnes per year into its development plans.

A metallurgical test program carried out at SGS Lakefield has validated changes designed to simplify the flow sheet for the Bissett Creek Project and to reduce capital and operating costs. Testing indicated that the new flowsheet will increase average concentrate purities from 94.5 to 97 percent with little change in recoveries and a small increase in large flake yields.

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 nickel-copper-cobalt project, located 80 kilometres southeast of Voisey's Bay, 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 6,350-hectare South Okak property has been consolidated into one exploration licence for the first time and covers the most-prospective ground. Following entry into the option agreement, an additional 249 claims were staked to bring the total landholdings to 503 claims covering 12,575 hectares.

Substantial historical data are available, and advances in geophysical data processing, including 3-D modelling, and a much-better understanding of the Voisey's Bay geological controls have already resulted in the identification of a number of highly prospective targets. 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. Northern has commenced detailed data compilation and 3-D modelling of the historical high-resolution airborne geophysical and drill hole data to identify the highest-priority targets.

In preparation for the 2021 field program which commenced during August 2021, satellite-based ASTER imaging (advanced spaceborne thermal emission and reflectance radiometer) and structural interpretation studies were commissioned. The information provided by these studies is being combined with three-dimensional (3-D) magnetic inversions of airborne data to better define several of the highest-priority targets and to identify new targets.

Under the term 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.

On April 4, 2022 the Company announced assay results from its 2021 field season on the South Okak nickel/copper/cobalt property in Labrador. Rock samples were collected throughout the property, including 15 samples from historical drill core, and over 40 kilometers of high-resolution magnetometer data was acquired over two high priority target areas as part of the program. A majority of the samples 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.

Acquisition of Lac des Isle Mine, Quebec and Namibian Graphite Deposit and Processing Plant

During December 2021, the Company entered into binding purchase and sale agreements to acquire 100% ownership of the producing Lac des Iles (“LDI”) graphite mine in Quebec and the Okanjande graphite deposit and processing plant in Namibia for approximately $51million (US$40 million) from subsidiaries of Imerys SA (“Imerys”).

Closing of the Transaction will elevate the Company to being the only significant North American and the world’s third largest non-Chinese graphite producing company. The Company expects LDI to produce up to 15,000 tonnes of graphite concentrate annually over the next three years and the Company believes there are opportunities to extend and expand production. With LDI, the Company is also acquiring an established market share and customer base that can be transitioned to supply from Namibia and Bissett Creek.

The Namibian operation consists of the Okanjande graphite deposit and a processing facility located 78 km away which did not perform to expectations and was put on care and maintenance in November 2018. The Company has developed a plan to modify the Okorusu processing plant to increase throughput and recovery and improve the flake size distribution. The plan will cost approximately US$13 million and take up to twelve months to implement and bring the operation back into production at a rate of approximately 30,000 tonnes per annum (“TPA”). The ultimate plan is to build a large new processing plant adjacent to the Okanjande deposit to produce 100,000-150,000 TPA of graphite concentrate to meet rapidly growing EV and battery demand.

Namibia is one of the best jurisdictions in Africa in which to operate, Okanjande graphite is of the highest quality, the operation has access to grid power and is five hours over good roads from the deep water port of Walvis Bay which provides ready access to European and North American markets. These attributes, plus a much shorter time to market, provide a competitive advantage over other African graphite projects. The Namibian operation will enable Northern to expand its market share in North America and Europe by reducing dependence on Chinese supply.

The completion and execution of Northern's business plan will require approximately $70 million (US$55 million) in financing for the Transaction purchase price and expenses, capital expenditures related to the restart of operations in Namibia, reclamation bonding and working capital. Funding will consist of a combination of equity, debt, sale of a royalty and graphite stream on the assets being acquired and other support from Imerys. Northern has signed a term sheet with Sprott Resource Streaming and Royalty Corp. ("Sprott") for approximately $51 million (US$40 million) in financing consisting of approximately $19 million (US $15million) from the issuance of a senior secured debenture, $7 million (US$5 million) from the sale of a royalty on LDI and $25 million (US$20 million) from a graphite stream financing on the Namibian project. In addition, subsequent to December 31, 2021, the Company completed an initial closing of a $23 million brokered private placement of subscription receipts. Full details of the financings, completed and contemplated, are described in the Liquidity and Capital Resources section.

Upon completion of the Transaction, the Company will have substantial near term production and two large scale development projects that will 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.

Corporate Developments

In April 2018, the Company announced that additional testing had confirmed that lithium ion battery ("LiB") anode material made from concentrates from its Bissett Creek deposit meets or exceeds current commercial specifications. The test work was carried out by the Beijing General Research Institute of Mining and Metallurgy ("BGRIMM"), a Chinese state-owned metallurgical research and development company. Test results indicate that the crystallinity, yield and specific surface area (5.652 m2/g for 16µ material) of the Bissett Creek material were all better than industry standards. A yield of 50 percent was achieved on a batch basis and can potentially be increased to 70 percent with a continuous, commercial process. The tap density was 1 g/cm^3 which is comparable to existing products.

In June 2018, the Company announced it had signed a memorandum of understanding with a European commodity trading company to sell 100 percent of the projected output from the Bissett Creek graphite project in China. The parties intend to enter into a binding agreement when a number of conditions have been met, including the arrangement of project financing. The Company's partner will be identified at that time as per its request.

Customers of the trading company have tested graphite from a number of different sources outside China and have found that Northern's graphite is of the highest quality and fits best with market requirements. Chinese production of extra-large (plus 50 mesh) and extra-extra-large (plus 32 mesh) flake graphite is declining while demand is growing, particularly in the expandable graphite market.

On February 12, 2021, the Company closed a non-brokered private placement financing raising gross proceeds of $2,992,640 with the sale of units at a price of $0.28 per unit. Each unit was comprised of one common share and one-half share purchase warrant with each whole warrant entitling the holder to purchase one common share at a price of $0.45 per share for a period of two years from the closing date of the placement. A total of 5,344,000 warrants were issued with an expiry date of February 12, 2023. Cash finder fees of $153,888 were paid in connection with the placement.

On February 22, 2021, the Company announced that metallurgical testing continues to confirm the high percentage of valuable, large flake concentrates that will be produced from its Bissett Creek deposit. Recent tests have averaged 22 percent plus-32 mesh (XXL) flake and 46 percent plus-48 mesh (XL) flake. Cumulatively, 95 percent of concentrates produced are expected to be greater than 80 mesh, which is the cut-off for large flake. All figures are believed to be the highest large flake yields reported from any worldwide graphite project.

On March 2, 2021, the Company announced that it has engaged ProGraphite GmbH to test, characterize and optimize the Company's graphite concentrates for use in advanced applications such as lithium-ion batteries, fuel cells and flow batteries as well as in traditional markets. ProGraphite is located in Germany and is one of the world's leading graphite research and development laboratories with over several decades of professional expertise and experience. ProGraphite will carry out a number of tests to assist the Company in maximizing the revenue potential of its concentrates by optimizing them and targeting the most appropriate value-added applications. The first phase of testing was announced on April 24, 2021 in which ProGraphite concluded that graphite from the Bisset Creek deposit has an almost unique combination of high carbon content and extremely coarse particle size distribution. These grades are in high demand, availability is relatively low and prices are the highest of any standard graphite concentrate types. ProGraphite indicated that the greatest potential for Bissett Creek graphite is in the fast-growing expandable graphite market, especially with respect to its use in the manufacture of bipolar plates for hydrogen fuel cells.

On August 16, 2021 a second phase of testing carried out on graphite concentrates from Bissett Creek was announced. This testing demonstrated that the concentrates can be easily purified using either acid-based or alkaline-based processes for use in the manufacture of lithium-ion battery anode material (BAM). The results of this second phase of testing were excellent and comparable with the performance of thermal purification as iron (Fe), zinc (Zn), chromium (Cr), aluminum (Al) and silicon (Si) levels were far below the typical limits required for BAM. The first step in producing BAM is micronizing and rounding mine concentrate. It has already been demonstrated that Bissett Creek concentrates produce a high yield of BAM precursor with a relatively steep particle size distribution and high tap density. The latter is a function of the concentrate's high bulk density, a requirement for high-quality BAM. Not all graphite deposits have these characteristics nor does the nature of their mineralogy/impurities enable them to be economically purified to battery standards. The latest tests, along with previous work, indicate that Bissett Creek concentrates can be readily purified with acid, alkaline, thermal or chlorination methods.

On October 5, 2021, the Company announced it had completed the 2021 exploration field season at its South Okak project in Labrador. The 2021 program was very successful in improving the Company's understanding of structural controls relating to existing targets and in identifying new targets. Over 200 rock samples were collected throughout the property and over 40 kilometres of high-resolution magnetometer data were acquired over two high-priority areas. Results will be released when assays are received and all the data have been processed and compiled.

On November 11, 2021, the Company announced a third phase of testing on graphite concentrates from Bissett Creek by ProGraphite in Germany. Testing showed that the Company's anode material can be charged to high values which remain stable with high Coulomb efficiency under various discharge conditions. ProGraphite concluded that Bissett Creek anode material is very well suited for the manufacture of high-capacity, durable, long-life lithium-ion batteries.

Test results demonstrated that Bissett Creek BAM can be charged to lithiation values above 362 mAh/g (milliampere hours per gram) which shows that the capacity of the batteries will be excellent. The delithiation (discharging) performance was also excellent as the batteries delivered stable, high values with a very high Coulomb efficiency under various test conditions. Bissett Creek BAM also proved to be very robust. Even after charging/discharging several times at 10C (i.e. complete charging in only six minutes) and after many cycles, the Coulomb efficiency remained at a very high, constant level indicating almost no degradation of the anode material. This performance is better than many commercial natural or synthetic grades.

On December 2, 2021, the Company entered into binding purchase and sale agreements to acquire 100% ownership of the producing Lac des Iles graphite mine in Quebec and the Okanjande graphite deposit and processing plant in Namibia for approximately $51million (US$40 million) from Imerys.

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

On January 31, 2022 the Company announced it had retained Hugues Jacquemin to act as a Special Advisor to the Board on matters relating to development of the Company's Bissett Creek graphite project, management and operation of assets being acquired from subsidiaries of Imerys, and the evaluation of opportunities to expand the Company's business through acquisitions, joint ventures and strategic partnerships.

On February 10, 2022, the Company completed an initial closing of a brokered private placement raising gross proceeds of $19,321,875 with the sale of 25,762,500 subscription receipts at a price of $0.75 per subscription receipt. Each subscription receipt shall be deemed to be automatically exercised, without payment of any additional consideration and without further action on the part of the holder thereof, into one unit upon satisfaction of certain escrow release conditions. Each unit is comprised of one common share of the Company and one-half of one share purchase warrant. Full details of the initial closing and full private placement is described in the Liquidity and Capital Resources section.

On February 23, 2022, the Company announced that it has entered into an option agreement (the "Agreement") that provides it with an option to acquire a 100% interest in the Mousseau West Graphite project, subject to the owners retaining a 2% net smelter royalty. Pursuant to the Agreement, the Company has paid $50,000 for the six-month exclusive right to conduct due diligence on the Property. If the Company elects to exercise its option, it can acquire the property for $500,000 in cash and the issuance of 900,000 common shares of the Company, subject to the acceptance of the TSX Venture Exchange. The Company will also have the right to acquire the 2% NSR from the owners at any time upon the payment of $1,000,000.

Selected Information

The following table contains selected annual financial information for the fiscal years ended December 2021, 2020 and 2019.

	Year ended December 31, 2021 $	**Year ended December 31, 2020 $**	**Year ended December 31, 2019 $**
Statement of Operations and Comprehensive Loss Data			
Total revenue	Nil	Nil	Nil
Total expenses	(3,660,799)	(792,307)	(650,422)
Loss and comprehensive loss	(3,225,559)	(868,131)	(609,062)
Loss per share – basic and diluted	(0.04)	(0.01)	(0.01)
Statement of Financial Position Data	**As at December 31, 2021**	**As at December 31, 2020**	**As at December 31, 2019**
Total assets	19,656,232	15,222,682	15,789,039
Total long-term debt	Nil	Nil	Nil
Total liabilities	1,924,208	553,664	454,015
Shareholders' equity:			
Share capital	30,862,348	25,098,662	25,098,662
Total shareholders' equity	17,732,024	14,669,018	15,335,024

Results of Operations

	Year ended December 31, 2021 $	Year ended December 31, 2020 $
General and administrative expenses		
Legal and audit	165,809	52,349
Office, management and director fees	759,160	331,271
Promotion and investor relations	289,307	113,235
Regulatory and transfer agent	82,794	59,147
Project evaluation and acquisition	1,488,107	-
Share-based payments	844,126	202,125
Depreciation	31,496	34,180
Loss from operations	(3,660,799)	(792,307)
Interest income	21,555	11,605
Gain (loss) on marketable securities	413,685	(104,025)
Gain on sale of building	-	16,596
Loss and comprehensive loss for the year	(3,225,559)	(868,131)

During the year ended December 31, 2021 the total loss increased by $2,357,428 compared to 2020 due to the following: legal and audit fees increased by$113,460 due to higher legal fees relating to the Transaction; office, management and director fees increased by $427,889 due to increased consulting costs related the Transaction; promotion and investor relations costs increased by $176,072 relating to new investor relations, marketing and social media campaigns compared to 2020; regulatory and transfer agent fees increased by $23,647 primarily due to an increase in exchange fees; project evaluation and acquisition costs of $1,488,107 were incurred in 2021 for due diligence and expenditures relating to the Transaction; and non-cash share-based expenses related to stock option grants increased by $642,001 with the increase attributable to an increase in stock options issued in 2021 compared to 2020.

Interest income was $9,950 higher during 2021 compared to 2020 due to higher average cash balances. An unrealized gain of $413,685 was recorded on the 2,000,000 common shares of ERL held by the Company as these marketable securities are marked to market each reporting period. During November 2020, the Company sold a building and lot located near the Bissett Creek Property, which was formerly used as an office. Cash proceeds from the sale of $27,140 exceeded the net book value of $10,544 resulting in a gain of $16,596.

A total of $894,547 (2020 - $219,846) in expenditures were capitalized to the Company's exploration and evaluation assets during the year ended December 31, 2021. Of the total expenditures, $335,095 (2020 - $219,846) related to the Bisset Creek project and $559,452 (2020 - $Nil) related to the South Okak project. For the Bissett Creek property, environmental and mine permitting costs were $153,161 and related to on-going work; engineering costs were $27,330; metallurgical costs were $74,197 and included tests conducted by SGS and ProGraphite; and, site and royalty costs were $80,407. For the South Okak project, expenditures included an initial cash option payment of $50,000; the issue of common shares valued at $250,000; claim staking costs of $16,185; geology costs of $229,725; and, geophysical costs were $13,542.

Summary of Quarterly Results and Fourth Quarter Events

The following table provides a summary of unaudited quarterly information for each of the eight most recently completed quarters in the period ended December 31, 2021.

Year ended December 31	Quarter	Other income (loss) $	Net income (loss) for the period $	Loss per share - Basic and diluted $
2021	4	(59,397)	(1,392,024)	(0.02)
	3	13,026	(746,626)	(0.01)
	2	206,378	(1,131,029)	(0.01)
	1	275,233	44,120	(0.00)
2020	4	94,217	(33,165)	(0.00)
	3	(179,369)	(562,522)	(0.01)
	2	1,986	(128,669)	(0.00)
	1	7,342	(143,775)	(0.00)

The Company, as an exploration and development stage company, experiences a high degree of variability in its quarterly results. The Company's expenses are not related to the regular and continuous activities that take place when a mine is in production. During the first quarter of 2021 the Company recorded an unrealized gain on marketable securities of $273,185. During the second quarter of 2021 the Company recorded share-based payments expense of $801,700 related to stock options awarded during the quarter. Additionally, the Company recorded an unrealized gain on marketable securities of $198,900 and incurred project generation and evaluation costs of $273,590. During the third quarter, the Company incurred project generation and evaluation costs of $458,090. During the fourth quarter of 2021 the Company recorded an unrealized loss on marketable securities of $65,700. Additionally, the Company incurred project generation and evaluation costs of $756,427.

Liquidity and Capital Resources

As at December 31, 2021 the Company held cash of $3,577,643 (December 31, 2020 – $1,211,575) and had working capital of $3,660,304 (December 31, 2020 – $1,291,225). During the year ended December 31, 2021, the Company utilized net cash of $1,400,372 with respect to operating activities and invested cash of $677,507 in exploration and evaluation costs for the Bissett Creek and South Okak Projects and $619,209 in costs relating to the Transaction. The Company received net cash proceeds of $2,793,764 from issuance of common shares and warrants, $2,400,675 as proceeds from exercise of warrants and expended $131,283 relating to future financings to fund the Transaction.

The Company has a long-term reclamation deposit with the Ministry of Finance for the Province of Ontario of $845,883. As at December 31, 2021, the Company has recorded a provision of $362,180 representing the estimated liability for the current cost of reclamation for the Bissett Creek site.

Financing Activities

During February 2021, the Company closed a non-brokered private placement financing raising gross proceeds of $2,992,640 with the sale of units at a price of $0.28 per unit. Each unit was comprised of one common share and one-half share purchase warrant with each whole warrant entitling the holder to purchase one common share at a price of $0.45 per share for a period of two years from the closing date of the placement. A total of 5,344,000 warrants were issued with an expiry date of February 12, 2023. Total costs related to the financing were $198,875 which included cash finder's fees of $153,888 paid in connection with the placement.

In addition, 5,070,666 warrants which were due to expire during the year were exercised at prices of $0.40 and $0.60 per share resulting in cash proceeds to the Company of $2,400,675.

Acquisition of Lac des Isle Mine, Quebec and Namibian Graphite Deposit and Processing Plant

During December 2021, the Company entered into binding purchase and sale agreements to acquire 100% ownership of the producing Lac des Iles ("LDI") graphite mine in Quebec and the Okanjande graphite deposit and processing plant in Namibia for approximately $51million (US$40 million) from subsidiaries of Imerys. A finder's fee is payable in connection with the Transaction in the amount of 1.5% of the fair market value. For further details regarding the Transaction see Operations Review and Project Development section.

The completion and execution of Northern's business plan will require approximately $70 million (US$55 million) in financing for the Transaction purchase price and expenses, capital expenditures related to the restart of operations in Namibia, reclamation bonding and working capital. Funding will consist of a combination of equity, debt, sale of a royalty and graphite stream on the assets being acquired and other support from Imerys. Northern has signed a term sheet with Sprott for approximately $51 million (US$40 million) in financing consisting of approximately $19 million (US $15million) from a senior secured debenture, $7 million (US$5 million) from the sale of a royalty on LDI and a $25 million (US$20 million) from a graphite stream financing on the Namibian project. In addition, subsequent to December 31, 2021, the Company completed an initial closing of a $23 million brokered private placement of subscription receipts which is being held in escrow until a number of conditions are met. Further details regarding the Transaction funding, completed and contemplated, are described below. As the senior secured debenture, royalty financing and graphite stream have not been completed, certain terms described below are subject to change.

Private Placement ($23 million)

On February 10, 2022, the Company completed an initial closing of a brokered private placement raising gross proceeds of $19,321,875 with the sale of 25,762,500 subscription receipts at a price of $0.75 per subscription receipt. In connection with the initial closing, the agents exercised their option in full to increase the 26,750,000 subscription receipt base size of the private placement by an additional 4,012,500 subscription receipts, for a total private placement of 30,762,500 subscription receipts. Affiliates of the lead agent have indicated their intention to purchase the remaining balance of 5,000,000 subscription receipts not issued in the initial closing, pending investment committee approvals for the Company's senior secured debenture, royalty and streaming arrangements, for additional gross proceeds of $3,750,000 in a final closing of the private placement.

Each subscription receipt shall be deemed to be automatically exercised, without payment of any additional consideration and without further action on the part of the holder thereof, into one unit of the Company upon satisfaction of the escrow release conditions. Each unit shall be comprised of one common share of the Company and one-half of one share purchase warrant. Each warrant shall be exercisable to acquire one common share at a price of $1.10 per Common Share for a period of 24 months from the date the escrow release conditions are satisfied.

The gross proceeds of the initial closing of the private placement, less 50% of the Agents' cash commission (as described below) and certain expenses of the agents, were deposited in escrow on closing to be held until the satisfaction of certain release conditions, including that all conditions precedent to the proposed Transaction have been met.

In the event that the escrow release conditions have not been satisfied on or before May 1, 2022, or the Company advises the lead agent or announces to the public that it does not intend to satisfy the escrow release conditions or that the proposed Transaction has been terminated, the aggregate issue price of the subscription receipts will be returned to the applicable holders of the subscription receipts, and the subscription receipts will be automatically cancelled and be of no further force and effect.

In connection with the initial closing of the private placement, the agents received a cash fee equal to 6% of the aggregate gross proceeds of the closing, and such number of compensation warrants equal to 6% of the number of subscription receipts issued under the closing. Each agent's warrant is exercisable for one Common Share at an exercise price of $0.75 per Common at any time on or before February 10, 2024.

Senior Secured Debenture (US$15 million)

Terms include a principal amount of US$15 million issued at a 2% discount and maturing 48 months from issuance. The debenture will bear interest at 9% plus the greater of USD 3-month LIBOR or 1%, interest will be payable and compounded semi-annually except that at the Company's option interest payable during the initial 12 months can be capitalized and added to the principal of the debenture. The debenture will be a senior secured obligation of the

Company secured against the LDI assets and the Namibian project. As partial consideration for entering into the debenture, the Company will issue Sprott warrants to purchase six million common shares of Northern at an exercise price equal to a 35% premium to the share price for the equity financing as described below for a period of two years.

Royalty Financing (US$5 million)
Terms include US$5 million for purchase of a 9% royalty on graphite concentrate sales revenue from LDI. The royalty will be secured on title to the project and Sprott will be granted a right of first refusal with respect to any proposed grant of a stream, royalty or similar transaction on the Company's Bissett Creek project. As partial consideration for entering into the royalty, the Company will issue Sprott warrants to purchase 1.5 million common shares of Northern at an exercise price equal to a 35% premium to the price for the equity financing as described below for a period of two years.

Graphite Stream (US$20 million)
Terms include an upfront advance of US$20 million on a commodity purchase agreement for 11.25% of the graphite produced by the Namibian project until 350,000 tonnes of contained graphite in concentrate have been produced and delivered, at which time the stream will convert to a 1% royalty for the remaining life of the Okanjande deposit. The stream will be secured by the same security package as the debenture and Sprott will be 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 will issue Sprott warrants to purchase 4.5 million common shares of Northern at an exercise price equal to a 35% premium to the share price for the equity financing as described below for a period of two years. The Company will have the option, subject to any consents or approvals required under the debenture, to reduce the stream percentage by up to 50% upon payment of US$15.25 million in 2024 or US$17.5 million in 2025. This option will be exercisable in whole or in part on a pro rata basis.

The Company's management believes it can finance the Transaction and further develop the Bisset Creek property and the Namibian mining assets over the next twelve months with funds on hand and the proceeds from the financings described above. Substantial capital is required to close the Transaction and further develop the Bissett Creek Property and there is no assurance management will be successful in its endeavors.

Contractual Obligations

As at December 31, 2021 and 2020, the Company had no contractual obligations or commitments for capital or operating leases, purchase obligations or other long-term commitments.

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 with respect to any obligations under a variable interest entity arrangement.

Subsequent Events

In addition to subsequent events described elsewhere in this MD&A the following occurred after December 31, 2021:

- the Company issued 347,500 shares from warrant exercises for proceeds of $156,375; and

- the Company granted 2,575,000 stock options exercisable at a price of $0.75 and 250,000 stock options with an exercise price of $0.50 expired.

Transactions with Related Parties

Key management compensation
During the year ended December 31, 2021, the Company expensed management fees to a company owned and controlled by key management personnel of $81,994 (2020 – $39,690) and salary and compensation to key management personnel of $300,000 (2020 – $180,000). During the year ended December 31, 2021, the Company expensed directors' fees of $60,000 (2020 – $60,000). During the year ended December 31, 2021, the Company expensed share-based compensation for stock options granted to key management personnel and directors of $738,600 (2020 – $192,500).

As at December 31, 2021, $8,238 (December 31, 2020 – $95,884) was included in accounts payable and accrued liabilities owing to officers and directors relating to management and director fees and for reimbursement of expenses. Effective July 1, 2020, the Company's CEO agreed to defer current payment of two-thirds of his salary and the directors of the Company agreed to defer all payment of board of director fees until market conditions improve. As of December 31, 2021, the Company's CEO's salary and the board of director fees were reinstated as market conditions have improved.

Proposed Transactions

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

Changes in Accounting Policies

Recent and future accounting standards
Certain new accounting standards and interpretations have been published that are not mandatory for the current period and have not been early adopted. These standards are not expected to have a material impact on the Company's current or future reporting periods upon adoption.

Presentation of Financial Statements (Amendment to IAS 1)
The amendments to IAS 1, clarify the presentation of liabilities. The classification of liabilities as current or noncurrent is based on contractual rights that are in existence at the end of the reporting period and is affected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
The amendment clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)
The amendment will prohibit the Company from deducting net proceeds from selling any items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in a manner intended by management. The amendment requires retrospective application and effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

Critical Accounting Estimates and Judgements
The preparation of the 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 depreciation of property and equipment;
(iii) the identification of separately identifiable components in property and equipment where their respective cost is significant in comparison to the total cost;
(iv) the classification of expenditures as exploration and evaluation assets; and
(v) the recognition of deferred tax; and
(vi) the determination of a transaction as a business combination or asset acquisition.

Critical Accounting Policies

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

Going Concern

The Consolidated Financial Statements have been prepared on a going concern basis, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's management believes it can finance the acquisition of the Lac de Isles mine and the Namibian mining assets (Consolidated Financial Statements note 7) and further develop the Bisset Creek property (Consolidated Financial Statements note 6) and the Namibian mining assets over the next twelve months with funds on hand and the proceeds from future financings. Substantial capital is required to close the acquisition of the Lac des Iles mine and the Namibian mining assets and further develop the Bissett Creek Property and there is no assurance management will be successful in its endeavors.

The Company's discretionary activities have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will thoroughly assess all such activities before undertaking them. The Company's Consolidated Financial Statements do not include any adjustments that might result from negative outcomes with respect to these uncertainties.

Marketable securities

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using other valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Impairment of Long-Lived Assets

At each 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Mining properties and exploration and evaluation expenditures

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

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

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

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

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

Share-based compensation
The Company has a stock option plan (the “Option Plan”) and issues warrants as described in note 8 of its annual consolidated financial statements. The Company measures the compensation cost of stock options issued under the Option 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 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. At the end of each reporting period, the Company reviews the option pricing model and updates model inputs for any changes for the purposes of determining the fair value of new grants, and reflects the impact of changes to non-market input estimates for previous grants in net loss with a corresponding adjustment to contributed surplus.

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

Income Taxes
The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax is determined based on differences between the consolidated financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Deferred tax is measured using the enacted tax rates, or substantially enacted tax rates, which will be in effect when the temporary differences are likely to reverse. The effect on deferred tax of a change in tax rates is included in operations in the period in which the change is enacted. The amount of deferred tax recognized is limited to the amount of the benefit that is probable.

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

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 the it first becomes a party to it. 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.

Disclosure of Outstanding Share Data

Information with respect to outstanding common shares, warrants and stock options as at April 11, 2022, December 31, 2021 and 2020 is as follows:

	April 11, 2022	December 31, 2021	December 31, 2020
Common shares	81,718,922	81,371,422	65,112,756
Warrants	4,745,000	5,092,500	6,200,487
Stock options	8,125,000	5,800,000	4,750,000

<u>Trends</u>

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".

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 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.

Risk Factors

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

Exploration Stage Company and Single Asset
The Company has a limited history of operations and is in the early stage of development. The Company is engaged in the business of exploring and developing a single asset, the Bissett Creek Project, in the hope of ultimately bringing the Bissett Creek Project into production. There can be no assurance that any of the Company's planned development activities on the Bissett Creek Project will ever lead to graphite production from the Bissett Creek Project. The Bissett Creek Project will be the Company's sole asset for the foreseeable future. Although management believes the Bissett Creek Project has sufficient merit to justify focusing all the Company's limited resources upon it, the Company will in consequence be exposed to some heightened degree of risk due to the lack of property diversification.

Mineral Exploration and Development
The exploration and development of mineral projects is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not reduce or eliminate. The Bissett Creek Project, which constitutes the Company's sole asset, is

known to host measured, indicated and inferred resources and a probable reserve. However, there are no guarantees that the probable reserve will be profitable to mine, and there are no guarantees that there will ever be a profitable mining operation on the Bissett Creek Project. Development of the Bissett Creek Project will only follow upon completion of species at risk permitting, receipt of operational and environmental authorization permits, completion of detailed engineering work, and receipt of additional financing to construct a mine. There can be no assurance that any of the Company's planned development activities on the Bissett Creek Project will ever lead to graphite production. In addition, the proposed development program on the Bissett Creek Project is subject to a significant degree of risk. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of mineral products, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the 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 Bissett Creek Project to be impracticable.

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

In addition to adversely affecting reserve estimates and the Company's financial condition, declining graphite 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.

No History of Mineral Production

The Company has never had an interest in a mineral producing property. There is no assurance that commercial quantities of minerals will be discovered on any future properties, nor is there any assurance that any future exploration and development programs of the Company on the Bissett Creek Project or any future properties will yield positive results. Even where commercial quantities of minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where mineral reserves can be profitably produced thereon. Factors which may limit the ability of the Company to produce mineral resources from its properties include, but are not limited to, the commodity price, the availability of additional capital and financing and the nature of any mineral deposits.

Mining Operations and Insurance

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

Cost Overruns, Delays and Construction Risk
The Company has not initiated development on the Bissett Creek Project site nor does it currently have the funds to initiate such development. However, subject to securing future mine development financing, the Company may encounter risks associated to potential cost overruns, delays and construction.

Limited Operating History and Financial Resources
The Company has a limited operating history, has no operating revenues and is unlikely to generate any revenues from operations in the immediate future. Additional funds will be required to bring the Bissett Creek Project to production. The Company has limited financial resources and there is no assurance that the Company will be able to raise sufficient additional funding to fulfill its obligations or for further exploration and development on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to reduce or terminate its operations. 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.

Governmental and Environmental Regulation, Permits and Compliance
The future operations of the Company, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labor standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. The Company believes that the Bissett Creek Project is in substantial compliance with all material laws and regulations which currently apply to its activities. There can be no assurance, however, that the 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 Bissett Creek Project. 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.

Proprietary Technologies
The Company's proprietary technologies and processes (the "Proprietary Processes") for producing spherical graphite (purification and coating) will require further validation and testing. It is possible that such testing may determine that they do not achieve desired results or that the Proprietary Processes are not economically scalable to commercial quantities, in which case the Company would be restricted to conventional markets.

Intellectual Property Protection
The Company does not have patents on the Proprietary Processes and, presently, relies upon trade secrets to maintain the confidentiality and proprietary nature of the Proprietary Processes. The Company filed final patent applications during January 2019 and previously had filed a provisional patent application during January 2018.

Results of Prior Exploration Work
In preparing the FS, the FS Update, the Expansion PEA and the Expansion PEA Update, 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 the FS, the FS Update, the Expansion PEA and the Expansion PEA Update.

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 relative 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.

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

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

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

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

Aboriginal Land Claims
At the present time, the lands comprising the Bissett Creek Project are the subject of an aboriginal land claim by the Algonquins of Ontario ("AOO"). The Company has been in continual consultations with the AOO and has begun the process of negotiating an Impact Benefits Agreement ("IBA"). 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 Ministry of Natural Resources and Forestry has also asked the Company to consult with the Metis Nation of Ontario ("MNO") as part of its Class Environmental Assessment. These consultations could also lead to an IBA with the MNO.

The Company is not aware of any other aboriginal land claims having been asserted or any legal actions relating to native issues having been instituted with respect to any of the lands comprising the Bissett Creek Project.

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.

Environmental Risks and Hazards

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

Cost of Land Reclamation

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities on the Bissett Creek Project. Reclamation bonds and other forms of financial assurance 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.

Infrastructure

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Although the Bissett Creek Project can be accessed by a good quality all-weather road and labor, power, rail lines and water are all readily available, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's future operations, financial condition and results of operations.

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 Bissett Creek Project to be impracticable.

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

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

Price Volatility and Lack of Active Market

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

Litigation

From time to time, the 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 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

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

Qualified Person

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

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