Northern Graphite Corporation

Condensed Consolidated Interim Financial Statements

For the Three Month Periods Ended March 31, 2022 and 2021

(expressed in Canadian dollars)

Northern Graphite Corporation

Condensed Consolidated Interim Statements of Financial Position

(expressed in Canadian dollars)

(Unaudited)

	As at March 31, 2022 $	As at December 31, 2021 $
Assets		
Current		
Cash and cash equivalents	568,162	3,577,643
Funds held in escrow (note 8)	18,617,556	-
HST receivable	74,108	79,411
Prepaid expenses and deposits	186,794	64,786
Marketable securities (note 4)	680,000	750,000
Deferred costs (note 7)	2,665,821	750,492
	22,792,441	5,222,332
Restricted cash and reclamation deposits (note 14)	2,662,471	845,883
Property, equipment and intangibles (note 5)	154,862	69,624
Exploration and evaluation assets (note 6)	13,641,512	13,518,393
Total assets	39,251,286	19,656,232
Liabilities		
Current		
Accounts payable and accrued liabilities	1,895,114	1,562,028
Subscription receipts payable (note 8)	19,321,875	-
	21,216,989	1,562,028
Reclamation and site closure provision (note 14)	366,689	362,180
Total liabilities	21,583,678	1,924,208
Shareholders' equity		
Share capital (note 8)	31,064,667	30,862,348
Warrants (note 8)	1,325,341	626,566
Contributed surplus (note 8)	3,541,525	2,502,850
Accumulated deficit	(18,263,925)	(16,259,740)
Total shareholders' equity	17,667,608	17,732,024
Total liabilities and shareholders' equity	39,251,286	19,656,232

Nature of operations (note 1)
Subsequent events (notes 7 and 16)

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

Approved by the Board of Directors and authorized for issue on May 27, 2022

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

Northern Graphite Corporation
Condensed Consolidated Interim Statements of (Loss) Income and Comprehensive (Loss) Income
(expressed in Canadian dollars)
(Unaudited)

	Three Months Ended March 31, 2022	2021
	$	$
General and administrative expenses		
Legal and audit	29,858	8,952
Office, management and director fees (note 12)	436,144	142,463
Promotion and investor relations	74,932	47,484
Regulatory and transfer agent	46,671	17,719
Project evaluation and acquisition	305,335	-
Share-based payments (notes 8 and 12)	1,090,684	6,621
Depreciation (note 5)	7,874	7,874
	1,991,498	231,113
Loss from operations	(1,991,498)	(231,113)
Interest income	5,304	2,048
(Loss) gain on marketable securities (note 4)	(70,000)	273,185
(Loss) income and comprehensive (loss) income	(2,056,194)	44,120
(Loss) income per share – basic and diluted	(0.03)	0.00
Weighted average number of shares – basic and diluted	81,691,573	71,361,952

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

Northern Graphite Corporation
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(expressed in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Warrants	Contributed surplus	Accumulated deficit	Total
		$	$	$	$	$
Balance, December 31, 2021	81,371,422	30,862,348	626,566	2,502,850	(16,259,740)	17,732,024
Issuance of agents' warrants (note 8)	-	-	744,719	-	-	744,719
Exercise of warrants (note 8)	347,500	202,319	(45,944)	-	-	156,375
Expiry of stock options (note 8)	-	-	-	(52,009)	52,009	-
Share-based payments (note 8 and 12)	-	-	-	1,090,684	-	1,090,684
Loss and comprehensive loss for the period	-	-	-	-	(2,056,194)	(2,056,194)
Balance, March 31, 2022	81,718,922	31,064,667	1,325,341	3,541,525	(18,263,925)	17,667,608
Balance, December 31, 2020	65,112,756	25,098,662	945,813	2,405,345	(13,780,802)	14,669,018
Issuance of common shares and warrants (note 8)	10,688,000	2,133,934	659,830	-	-	2,793,764
Exercise of warrants (note 8)	3,020,000	1,639,035	(431,035)	-	-	1,208,000
Expiry of warrants (note 8)	-	126,909	(126,909)	-	-	-
Share-based payments (note 8 and 12)	-	-	-	6,621	-	6,621
Income and comprehensive income for the period	-	-	-	-	44,120	44,120
Balance, March 31, 2021	78,820,756	28,998,540	1,047,699	2,411,966	(13,736,682)	18,721,523

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

Northern Graphite Corporation
Condensed Consolidated Interim Statements of Cash Flows
(expressed in Canadian dollars)
(Unaudited)

	Three Months Ended March 31, 2022	2021
	$	$
Cash provided by (used in)		
Operating activities		
(Loss) income for the year	(2,056,194)	44,120
Items not affecting cash:		
Accretion of asset retirement obligation (note 14)	4,509	975
Unrealized loss (gain) on marketable securities (note 4)	70,000	(273,185)
Depreciation (note 5)	7,874	7,874
Share-based payments (note 8 and 12)	1,090,684	6,621
Change in non-cash working capital items:		
HST receivable	5,303	(24,340)
Prepaid expenses and deposits	(122,008)	(16,768)
Accounts payable and accrued liabilities	320,504	(52,604)
Net cash used in operating activities	(679,328)	(307,307)
Financing activities		
Issuance of common shares and warrants, net (note 8)	-	2,793,764
Subscription receipts payable (note 8)	19,321,875	-
Proceeds from exercise of warrants	156,375	1,208,000
Deferred financing costs (note 7)	(1,111,776)	-
Net cash (used in) provided by financing activities	18,366,474	4,001,764
Investing activities		
Net subscription receipts held in escrow (note 8)	(18,617,556)	-
Restricted cash (note 14)	(1,816,588)	-
Property, equipment and intangibles (note 5)	(60,112)	-
Exploration and evaluation costs (note 6)	(143,537)	(34,871)
Deferred acquisition costs (note 7)	(58,834)	-
Net cash used in investing activities	(20,696,627)	(34,871)
Net increase (decrease) in cash and cash equivalents	(3,009,481)	3,659,586
Cash and cash equivalents, beginning	3,577,643	1,211,575
Cash and cash equivalents, end	568,162	4,871,161

Supplemental cash flow information (note 10)

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

1. Nature of operations

Northern Graphite Corporation ("Northern" or the "Company") is an exploration and development stage company engaged in the acquisition, exploration and development of graphite properties. The Company was incorporated under the laws of the Province of Ontario on February 25, 2002. Northern holds a 100% interest in the Bissett Creek Graphite Property (the "Bissett Creek Property") and an option to earn up to an 80% interest in the South Okak Project ("South Okak"). The Company is listed on the TSX Venture Exchange (symbol "NGC") and the OTC Markets (symbol "NGPHF"). During November 2021 the Company incorporated a wholly owned subsidiary, Graphite Nordique Inc., to hold certain mineral property assets. Subsequent to March 31, 2022, the Company acquired the producing Lac des lles graphite mine in Quebec and the Okanjande graphite deposit and Okorusu processing plant in Namibia (note 16).

The Company's registered office is Suite 6000, 1 First Canadian Place, 100 King Street West, Toronto, Ontario M5X 1E2. The Company's mailing address is P.O. Box 279, Manotick (Ottawa), Ontario K4M 1A3.

2. Basis of preparation

a. ***Statement of compliance***
These condensed consolidated interim financial statements for the three month period ended March 31, 2022 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These Interim Financial Statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Interim Financial Statements were approved and authorized for issue by the Board of Directors on May 27, 2022.

b. Basis of consolidation
Subsidiaries are entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. These consolidated financial statements include the accounts of the wholly-owned subsidiary Graphite Nordique Inc., which was incorporated in Canada. All inter-company balances, and gains and losses on intercompany transactions, have been eliminated for consolidation purposes.

c. Basis of measurement
The Interim Financial Statements have been prepared on a historical cost basis except those accounts as noted in the financial instruments section (note 11). In addition, the Interim Financial Statements have been prepared using the accrual basis of accounting.

d. Functional and presentation currency
These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

e. Going concern
The Interim 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. Subsequent to the period end, the Company completed the acquisition of the producing Lac des lles graphite mine in Quebec and the Okanjande graphite deposit and Okorusu processing plant in Namibia (note 7) and related financings (note 16). The Company's management believes it can further develop the Namibian mining assets and the Bisset Creek property (note 6) over the next twelve months with funds on hand and the proceeds from the financings. Substantial capital is required to further develop the Bissett Creek Property into a producing mine and there is no assurance management will be successful in its endeavors.

The Interim Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's management believes that it can continue to finance operating expenses over the next twelve months with funds on hand and from financings completed subsequent to the end of the period (note 16). 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 Interim Financial Statements do not include any adjustments that might result from negative outcomes with respect to these uncertainties.

(expressed in Canadian dollars)

f. Critical accounting estimates and judgments

The preparation of the Interim Financial Statements requires management to make estimates and judgments at the date of the Interim Financial Statements. By their nature, these estimates and judgments are subject to uncertainty and the effect on the Interim Financial Statements of changes in such estimates in future periods could be significant. The significant estimates and made by management in applying the Company's accounting policies are consistent with those that applied to the annual audited financial statements and actual results may differ from these estimates.

3. Significant accounting policies

These Interim Financial Statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual financial statements for the years ended December 31, 2021 and 2020.

4. Marketable securities

During 2020, the Company received 2,000,000 common shares of Electric Royalties Ltd. ("ERL") under the terms of an agreement for the sale of a one percent royalty on the Bissett Creek Property to ERL (note 6). For accounting purposes, these common shares are designated as fair value through profit and loss and are recorded at fair value based upon the quoted market price of ERL's common shares on the TSX Venture Exchange with a discount applied in the prior year for lack of marketability relating to security-specific trading restrictions which expired on January 15, 2022. The following table summarizes information regarding the Company's marketable securities.

	$
Balance, December 31, 2020	336,315
Unrealized gain	413,685
Balance, December 31, 2021	750,000
Unrealized loss	(70,000)
Balance, March 31, 2022	680,000

5. Property, equipment and intangibles

	Buildings and improvements	**Process building**	**Equipment**	**Intangibles work in progress**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
Balance, December 31, 2021	105,384	623,714	590,919	-	1,320,017
Additions	-	-	-	93,111	93,111
Balance, March 31, 2022	105,384	623,714	590,919	93,111	1,413,128
Accumulated depreciation					
Balance, December 31, 2021	105,384	554,255	590,753	-	1,250,392
Depreciation	-	7,861	13	-	7,874
Balance, March 31, 2022	105,384	562,116	590,766	-	1,258,266
Net book value	-	61,598	153	93,111	154,862

	Buildings and improvements	**Process building**	**Equipment**	**Intangibles work in progress**	**Total**
	$	**$**	**$**	**$**	**$**
Cost					
Balance, December 31, 2020 and 2021	105,384	623,714	590,919	-	1,320,017
Accumulated depreciation					
Balance, December 31, 2020	105,384	522,812	590,701	-	1,218,897
Depreciation	-	31,442	14	-	31,496
Balance, December 31, 2021	105,384	554,254	590,755	-	1,250,393
Net book value	-	69,460	164	-	69,624

(expressed in Canadian dollars)

6. Exploration and evaluation assets

For the periods ended March 31, 2022 and December 31, 2021 exploration and evaluation expenditures are as follows:

	Bisset Creek $	South Okak $	Total $
Balance, December 31, 2021	12,958,941	559,452	13,518,393
Environmental and mine permitting	30,069	-	30,069
Engineering	16,200	-	16,200
Community engagement	57,350	-	57,350
Site costs and royalties	19,500	-	19,500
Balance, March 31, 2022	13,082,060	559,452	13,641,512

	Bisset Creek $	South Okak $	Total $
Balance, December 31, 2020	12,623,846	-	12,623,846
Cash option payment	-	50,000	50,000
Common shares issued for property option	-	250,000	250,000
Claim staking	-	16,185	16,185
Geological	-	229,725	229,725
Geophysical	-	13,542	13,542
Environmental and mine permitting	153,161	-	153,161
Engineering	27,330	-	27,330
Metallurgical	74,197	-	74,197
Site costs and royalties	80,407	-	80,407
Balance, December 31, 2021	12,958,941	559,452	13,518,393

Bissett Creek Property, Ontario, Canada

The Company has a 100% interest in the Bissett Creek Property which consists of a 1,938 hectare mining lease, expiring in June, 2034, a 565 hectare mining lease, expiring in August, 2035, and 52 cells under Ontario's claim system totaling approximately 1,159 hectares. All leases and cells are located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario.

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

During 2020, the Company closed the sale of a one percent gross revenue royalty ("GRR") on its Bissett Creek Property to Electric Royalties Ltd. for $500,000 in cash and 2,000,000 shares of ERL (note 4). 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 has the option to buy back half of one percent of the initial GRR at any time after twelve months by returning the shares or paying $1,500,000 in cash.

South Okak Project, Labrador, Canada
During 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 as follows: (i) payment of $50,000 in cash (paid) and the issuance of 500,000 common shares (issued) following the June 7, 2021 effective date of the option agreement; (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.

Mousseau West, Quebec, Canada
During February 2022, the Company entered into an option agreement (the "Agreement") that provides it with an option to acquire a 100% interest in the Mousseau West Graphite property (the "Property"), 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 which was expensed during the period as the Company did not have title any mineral rights. 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.

7. Acquisition of Lac des Iles Graphite Mine 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 graphite mine in Quebec ("LDI") and the Okanjande graphite deposit and Okorusu processing plant in Namibia (the "Okanjande Project") for approximately $48 million (US$37.5 million) from subsidiaries of Imerys SA. Approximately $27.8 million (US$21.7 million) relates to the purchase of LDI and $20.2 million (US$15.8 million) relates to the purchase of Okanjande Project. Closing of the acquisitions were subject to a number of conditions including final approval of the TSX Venture Exchange and the closing of related financings, both of which occurred subsequent to March 31, 2022 (note 16).

The Company determined the transactions are to be considered as two separate transactions. The acquisition of LDI and related assets will be accounted for as a business combination. due to the existence of inputs, processes and outputs. The acquisition of the shares of Imerys Gecko Holdings (Namibia) (Pty) Ltd., which owns the Okanjande Project, will be accounted for as an asset acquisition, due in part to the fact that operations are on care and maintenance. The Company has recorded $678,043 (2021 - $619,209) as deferred costs related to the asset acquisition of Imerys Gecko Holdings (Namibia) (Pty) Ltd. and expensed $66,832 (2021 - $933,572) in business combination related costs for the LDI assets. In addition, management has recorded $1,987,778 (2021 - $131,283) in deferred financing costs related to the transactions which includes agent's warrants issued in connection with a private placement (note 8) with a fair market value of $744,719.

A finder's fee of $810,000 (EUR585,000) is payable in connection with the transactions and was paid subsequent to March 31, 2022.

8. Share capital

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

Private Placements

For the Three Months Ended March 31, 2022
During February 2022, the Company completed an initial closing of a brokered private placement raising gross proceeds of $19,321,875 through 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 relating to the closing of the acquisition of LDI and the Okanjande Project (note 7). Each unit is 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.

(expressed in Canadian dollars)

The net funds received were held in escrow and the subscription proceeds were recorded as subscription receipts payable prior to the satisfaction of the escrow release conditions. Subsequent to March 31, 2022, the escrow release conditions were satisfied and the subscription receipts converted into units consisting of one common share and one-half share purchase warrant (note 16).

In connection with the initial closing of the private placement, the agents received 1,545,750 agent's warrants with a fair market value of $744,719 and will receive a cash fee of $1,159,312, of which, $579,656 was paid on the initial closing. Each agent's warrant is exercisable for one common share at an exercise price of $0.75 per common share at any time on or before February 10, 2024.

For the Three Months Ended March 31, 2021

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. A total of 5,344,000 warrants were issued with an expiry date of February 12, 2023. A cash finder's fees of $153,888 was paid in connection with the placement.

Warrants

Information with respect to the Company's warrants is as follows:

	Number of Warrants	Weighted average exercise price $
Balance, December 31, 2020	6,200,487	0.47
Warrants issued	5,344,000	0.45
Warrants exercised	(5,070,666)	0.47
Warrants expired	(1,381,321)	0.47
Balance, December 31, 2021	**5,092,500**	0.45
Warrants issued	1,545,750	0.75
Warrants exercised	(347,500)	0.45
Balance, March 31, 2022	**6,290,750**	**0.52**

The Company's warrants outstanding as at March 31, 2022 are as follows:

Exercise price	Number of Warrants Outstanding	Expiry date
$0.45	4,745,000	February 12, 2023
$0.75	1,545,750	February 10, 2024
	6,290,750	

As at March 31, 2022, the weighted average remaining contractual life of warrants outstanding is 1.12 years (December 31, 2021 – 1.12 years).

(expressed in Canadian dollars)

The value of warrants determined during the periods ended March 31, 2022 and 2021 utilized the Black-Scholes option pricing model with input factors and assumptions as follows:

	Three Months Ended March 31, 2022	**Three Months Ended March 31, 2021**
Warrants granted during the period	1,545,750	5,344,000
Weighted-average exercise price	$0.75	$0.45
Expected warrant life	2 years	2 years
Expected volatility	109%	109%
Risk-free interest rate	1.50%	0.23%
Dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil
Weighted-average fair value (Black-Scholes value)	$0.48	$0.22

Stock options

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

A summary of the Option Plan activity is presented below:

	Number of options	**Weighted average exercise price $**
Balance, December 31, 2020	4,750,000	0.39
Granted	3,250,000	0.50
Expired	(2,200,000)	0.50
Balance, December 31, 2021	5,800,000	0.41
Granted	2,575,000	0.75
Expired	(250,000)	0.50
Balance, March 31, 2022	**8,125,000**	**0.52**

(expressed in Canadian dollars)

A summary of the Company's outstanding stock options at March 31, 2022 is as follows:

Exercise price	Stock options outstanding	Stock options exercisable	Expiry date
$0.20	100,000	100,000	July 23, 2022
$0.20	1,500,000	1,500,000	July 23, 2025
$0.25	150,000	150,000	January 21, 2024
$0.50	200,000	200,000	November 27, 2022
$0.50	600,000	600,000	January 12, 2023
$0.50	200,000	200,000	February 22, 2023
$0.50	2,800,000	2,800,000	April 15, 2026
$0.75	500,000	125,000	December 31, 2026
$0.75	100,000	-	January 2, 2023
$0.75	300,000	-	October 31, 2024
$0.75	250,000	100,000	March 8, 2026
$0.75	1,325,000	1,325,000	January 30, 2027
$0.75	75,000	-	January 2, 2023
$0.75	25,000	25,000	December 31, 2023
	8,125,000	**7,125,000**	

As at March 31, 2022, the weighted average remaining contractual life of stock options outstanding is 3.46 years (December 31, 2021 – 3.24 years). As at December 31, 2021, a total of 5,750,000 stock options were exercisable.

The value of stock options determined during the three months ended March 31, 2022 and 2021 utilized the Black-Scholes option pricing model with input factors and assumptions as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Stock options granted during the period	2,575,000	200,000
Weighted-average exercise price	$0.75	$0.50
Expected stock option life	1 to 5 years	2 years
Expected volatility	91% to 119%	109.5%
Risk-free interest rate	0.97% to 1.64%	0.23%
Dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil
Weighted-average fair value (Black-Scholes value)	$0.54	$0.32

As at March 31, 2022 there was $301,069 of unrecognized share-based compensation costs related to unvested stock option awards granted under the Option Plan.

Contributed surplus
Contributed surplus as at March 31, 2022 and December 31, 2021 consists of a share-based payment reserve related to stock options issued under the Option Plan.

(expressed in Canadian dollars)

9. Capital disclosures

The Company's capital consists of the equity attributable to the common shareholders, comprised of share capital and accumulated deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to explore and develop its mineral resource property for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company, it has no revenues and its principal source of capital is from the issue of common shares. In order to achieve its objectives, the Company will spend its existing working capital and raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the periods presented in these Interim Financial Statements.

10. Supplemental cash flow information

Non-cash transactions not reflected in the statements of cash flows are as follows:

	Three Months Ended March 31, 2022	**Three Months Ended March 31, 2021**
Exploration and evaluation costs in accounts payable and accrued liabilities	20,418	16,890
Fair value of warrants issued for financing	744,719	-

11. Financial instruments and risk management

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

As at March 31, 2022 the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the statement of financial position at fair value on a recurring basis are categorized as follows: cash and cash equivalents and marketable securities (Level 1) of $1,248,162 (December 31, 2021 - $4,327,643).

As at March 31, 2022 and December 31, 2021, there were no financial assets and liabilities measured and recognized at fair value on a non-recurring basis. The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 during the three months ended March 31, 2022 and the year ended December 31, 2021. As at March 31, 2022 and December 31, 2021, there were no financial assets or liabilities measured and recognized in the statements of financial position at fair value that would be categorized as Level 2 or Level 3 in the fair value hierarchy.

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

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

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

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure. Further discussion on liquidity and management's plans are outlined in note 2.

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

12. Related party transactions and compensation of key management

During the three month period ended March 31, 2022, the Company expensed salary and compensation to key management personnel of $242,000 (March 31, 2021 – $45,000) and management fees to a company owned and controlled by key management personnel of $29,448 (March 31, 2021 – $19,204). During the three month period ended March 31, 2022, the Company expensed directors' fees of $15,000 (March 31, 2021 – $15,000). During the three month period ended March 31, 2022, the Company expensed share-based payments for stock options granted to key management personnel and directors of $892,813 (March 31, 2021 – $Nil).

As at March 31, 2022, $9,863 (December 31, 2021 – $8,238) was included in accounts payable and accrued liabilities owing to officers and directors relating to management and director fees and for reimbursement of expenses.

13. Commitments

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

During 2020, the Company closed the sale of a 1% gross revenue royalty ("GRR") on its Bissett Creek Property to Electric Royalties Ltd. (note 4).

Contractual obligations
As at March 31, 2022 and 2021, the Company had no contractual obligations which related to costs associated with work at the Bissett Creek Property.

14. Provisions

During 2012, the Company filed a revised Mine Closure Plan ("MCP") which was accepted by the Ontario Ministry of Energy, Northern Development and Mines ("MENDM"). In accordance with the MCP, the Company is required to deposit $2,329,008 with the Minister of Finance for the Province of Ontario prior to the commencement of commercial production. This represents the estimated amount that would be 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 (December 31, 2021 – $845,883), including accrued interest, has been made and has been accounted for as a long term deposit. The Company has recorded a provision of $366,689 (December 31, 2021 – $362,180) which represents the estimated current cost of reclamation. The reclamation deposit will be returned to the Company once the MENDM is satisfied that the obligations contained in the MCP have been performed by the Company. Due to a number of operational changes made to improve the economics of the Bissett Creek project and to the passage of time since the MCP was approved, the MENDM has informed the Company that it must file an amendment to the MCP which will include a recalculation of reclamation costs and the amount of the required deposit.

During the period the Company entered into an irrevocable letter of credit for $1,816,588 as part of the security required for reclamation obligations relating to the Lac de Illes mine in Quebec in anticipation of the closing of the acquisition (note 16). The irrevocable letter of credit is secured by a cash deposit of $1,816,588.

15. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of mineral resource properties. The Company's corporate and administrative offices are in Ontario, Canada. The Company's exploration and development activities are focused on the Bissett Creek Property in Ontario, Canada and the South Okak Project located in Labrador, Canada. All property and equipment and exploration and evaluation assets are located in Canada.

16. Subsequent events

Closing of Acquisition of LDI and the Okanjande Project
On April 29, 2022 the Company closed the 100% acquisition of LDI and the Okanjande Project in Namibia.

The acquisition of LDI was completed as a direct asset purchase with the assumption of certain liabilities and the business's employees through the Company's wholly-owned subsidiary Graphite Nordique Inc. As consideration for the acquisition the Company paid Imerys $22,733,174 (USD$17,771,400) in cash and issued to Imerys $5,116,800 (US$4,000,000) worth of units. The units each consisted of one common share and one-half of one share purchase warrant and had the same terms as the private placement described below, resulting in the issuance to Imerys of 6,841,600 common shares and 3,420,800 warrants. The final purchase price is subject to potential post transaction adjustments relating to working capital. Inventory, equipment, mineral interests and the assumption of reclamation liabilities were included in the purchase. The Company is in the process of determining the fair market values of the assets and liabilities purchased and the impact of the acquisition on the consolidated statement of loss.

The acquisition of the Okanjande Project was completed through the acquisition of Imerys Gecko Holdings (Namibia) (Pty) Ltd. As consideration for the acquisition, the Company paid Imerys and its joint venture partner $20,236,943 (US$15,820,000) in cash. The Company owns all the processing equipment necessary to produce graphite concentrate from ore mined from the Okanjande deposit. The Company has entered into a ten year lease with the owner of the Okorusu property for use of the land and buildings where the equipment is located. Under the terms of the lease, the Company made an initial payment of $2,983,420 (EUR2,200,000) and must make annual payments of $339,025 (EUR250,000) in each of the next four years. The Company is in the process of determining the fair market values of the equipment and mineral interests purchased and the impact of the acquisition on the consolidated statement of loss.

Completed Financings
To fund the acquisition of LDI, the Okanjande Project and future working capital needs the Company completed the following financings subsequent to March 31, 2022:

Private Placement
The Company completed a brokered private placement of 30,762,500 subscription receipts issued at a price of $0.75 for gross proceeds of $23,071,875. In addition to the initial closing of the private placement (note 8) in which the Company issued 25,762,500 subscription receipts for gross proceeds of $19,321,875, the Company completed the final closing of the private placement which included 5,000,000

subscription receipts for gross proceeds of $3,750,000. Upon the closing of the LDI and Okanjande Project acquisitions, each subscription receipt automatically converted into one unit of Northern, with each unit being comprised of one common share and one-half of one share purchase warrant of the Company. Each whole warrant is exercisable to purchase one common share of the Company at an exercise price of $1.10 per Common Share for a period of 24 months.

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

Senior Secured Loan
The Company completed a senior secured loan in the amount of $15,350,400 (US$12,000,000), made at a 2% discount, which matures in 48 months. The loan bears interest at 9% plus the greater of the three month SOFR or 1%. At the Company's option, interest payable during the initial twelve months can be capitalized and added to the principal. As partial consideration for providing the loan, the Company has issued 4,800,000 warrants each of which is exercisable to purchase one common share of the Company at an exercise price of $1.01 for a period of two years. The loan will be a senior secured obligation of the Company secured against the assets of LDI and the Okanjande Project.

Royalty Financing
The Company has sold a 9% royalty on graphite concentrate sales revenue from LDI for gross proceeds of $5,116,800 (US$4,00,000) and issued the royalty purchaser 1,200,000 warrants each of which is exercisable to purchase one common share of the Company at an exercise price of $1.01 for a period of two years. The purchaser of the royalty has also been 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.

Graphite Stream
The Company has completed, in exchange for an upfront deposit of $25,584,000 (US$20,000,000) a purchase (stream) agreement for 11.25% of the graphite produced by the Okanjande Project until 350,000 tonnes of contained graphite in concentrate have been produced and delivered, at which time, at the option of the stream purchaser, the stream may convert into a 1% royalty for the remaining life of the Okanjande deposit. The stream is secured by the assets of the Okanjande Project. The stream purchaser has also been granted a right of first refusal with respect to any proposed grant of a stream, royalty or similar transaction on the Okanjande deposit. As partial consideration for entering into the stream, the Company has issued 4,500,000 warrants, each of which is exercisable to purchase one common share of the Company at an exercise price of $1.01 for a period of two years. The Company will have the option, subject to any consents or approvals required under the secured loan, to reduce the stream percentage by up to 50% upon payment of $19,507,800 (US$15,250,000) in 2024 or $22,386,000 (US$17,500,000) in 2025. This option will be exercisable in whole or in part on a pro rata basis.

Stock Options
Subsequent to March 31, 2022 the Company granted 100,000 stock options exercisable at a price of $0.75.

Warrant Exercises
Subsequent to March 31, 2022 the Company issued 37,500 shares from warrant exercises for proceeds of $16,875.