Northern Graphite Corporation

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

(Expressed in thousands of Canadian dollars except for number of shares and per share amounts)

Independent Auditor's Report

To the Shareholders of Northern Graphite Corporation:

Opinion

We have audited the consolidated financial statements of Northern Graphite Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss and had negative cash flows from operations during the year ended December 31, 2022 and, as of that date, the Company had an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Acquisition of Lac-Des-Îles Graphite Mine

Key Audit Matter Description

We draw attention to Notes 3, 4, 6, 11, 12, 18 and 19 to the consolidated financial statements.

On April 29, 2022, the Company acquired 100% ownership of the producing Lac-des-Îles graphite mine in Quebec ("LDI"). 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. The Company has determined that the acquisition of LDI is a business combination for accounting purposes under IFRS 3, *Business Combinations*.

The purchase price consisted of cash on closing, private placement units and the settlement of post-closing adjustments in cash. The purchase price was allocated to the assets acquired and liabilities assumed based on their respective fair values, with the excess of the purchase price allocated to goodwill. The fair value of the assets acquired and liabilities assumed are subject to significant judgment and estimation uncertainty.

Audit procedures performed to evaluate the reasonableness of the estimates and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to acquisition of LDI. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and assessed management's memos against relevant accounting standards to determine if the acquisition was appropriately accounted for as a business combination in accordance with IFRS 3.

- Tested the purchase price allocation ("PPA") resulting from the business combination, which requires management to estimate the fair value of identifiable assets acquired and liabilities assumed, through:

    - Recalculating the PPA and comparing it to management's calculations for mathematical accuracy;
    - Obtaining support for opening balances of assets acquired and liabilities assumed; and
    - Engaging internal and external valuation specialists to assess the reasonableness of the PPA model and fair value of various net assets acquired.

- Agreed cash and equity consideration to supporting documents and recalculated the fair value of private placement units issued, including allocations between share capital and warrant reserves.

- Engaged a tax expert to evaluate calculation of the deferred income tax liability arising from the acquisition.

Acquisition of Namibian Graphite Deposit and Processing Plant

Key Audit Matter Description

We draw attention to Notes 3, 4, 7, 11, 12 and 18 to the consolidated financial statements.

On April 29, 2022, the Company acquired 100% of the Okanjande graphite deposit and Okorusu processing plant in Namibia (the "Namibian Entities"). The Company has determined the acquisition of the Namibian Entities does not constitute a business combination for accounting purposes under IFRS 3, *Business Combinations* and therefore is assessed as an asset acquisition.

The purchase price consisted of cash and was allocated to the assets acquired and liabilities assumed based on their relative fair values. The fair value of the assets acquired and liabilities assumed are subject to significant judgment and estimation uncertainty.

Audit procedures performed to evaluate the reasonableness of the estimates and assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of valuation specialists.

Audit Response

We responded to this matter by performing procedures in relation to acquisition of the Namibian Entities. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and assessed management's memos against relevant accounting standards to determine if the acquisition of the Namibian Entities was appropriately accounted for as an asset acquisition in accordance with IFRS 3.

- Agreed cash consideration to supporting documents and ensured transaction costs were appropriately allocated and capitalized as part of consideration.

- Obtained support for opening balances of assets acquired and liabilities assumed.

- Engaged valuation specialists to assess the reasonableness of the PPA model and fair value of various assets acquired.

- Recalculated the PPA and compared it to management's calculations for mathematical accuracy.

Valuation of Reclamation Provisions

Key Audit Matter Description

We draw attention to Notes 3, 4, 23, 28 and 29 to the consolidated financial statements.

The Company is obligated to restore and rehabilitate the environment disturbed by its mining and processing operations. Rehabilitation activities are governed by a combination of legislative and license requirements.

The acquisitions during the year resulted in an increased level of judgment and estimation uncertainty around the valuation of reclamation provisions with respect to the assessment of the nature and extent of future work to be performed, the cost of performing that work, and the timing of when the reclamation will take place and economic assumptions such as the discount rate and inflation rate applied to future cash outflows associated with reclamation activities to bring them to their present value. Management estimated the provision for LDI by incorporating the most recent mine closure plan prepared by an independent expert.

Management has concluded that no reclamation provision is required for the Namibian Entities. Significant judgment was involved in arriving at this determination.

Audit Response

We responded to this matter by performing procedures in relation to the valuation of reclamation provisions. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained management's memos regarding the provisions and assessed the methodology and approach to determine whether the provision, or lack thereof, was in compliance with the requirements of IAS 37.

- Obtained corroborative third-party evidence over the reclamation provision recognized, including expert reports and performed an assessment over the estimated amount and timing of future costs. Obtained reliance letters for any expert reports relied upon for determining the provisions.

- Independently assessed the discount and inflation rates used to arrive at the present value of the reclamation provisions.

- Recalculated the expected provision and compared to the amount recognized by management for reasonability.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brent Wolfe.

MNP LLP

Vancouver, British Columbia
May 1, 2023

Chartered Professional Accountants

NORTHERN GRAPHITE CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2022 and December 31, 2021

(Stated in thousands of Canadian Dollars)

	Notes	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		$ 5,076	$ 3,578
Restricted cash and reclamation deposits	5	7	-
Receivables	8	4,100	79
Prepaids	12	1,643	40
Deposits		32	25
Inventories	9	18,265	-
Marketable securities		560	750
Deferred costs		-	750
Total current assets		29,683	5,222
Non-current assets			
Non-current graphite stockpile inventory	9	6,331	-
Exploration and evaluation assets	10	15,407	13,518
Property, plant and equipment	11	23,110	70
Mineral interests	12	20,437	-
Other assets	13	1,994	-
Restricted cash and reclamation deposits	5, 29	2,076	846
Goodwill	6	2,713	-
Total Assets		$ 101,751	$ 19,656
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14, 27	$ 5,044	$ 1,562
Current portion of senior secured loan	15	1,896	-
Current portion of royalty	16	2,812	-
Current portion of leases	18	519	-
Total current liabilities		10,271	1,562
Non-current liabilities			
Senior secured loan	15	13,191	-
Royalty	16	2,415	-
Deferred revenue	17	29,358	-
Leases	18	1,063	-
Reclamation and other provisions	29	6,601	362
Deferred tax liability	20	2,676	-
Total Liabilities		65,575	1,924
SHAREHOLDERS' EQUITY			
Share capital	19	52,617	30,862
Warrants	19	10,760	627
Contributed surplus	19	4,002	2,503
Other comprehensive income		(454)	-
Accumulated deficit		(30,749)	(16,260)
Total shareholders' equity		36,176	17,732
Total Liabilities and Shareholders' Equity		$ 101,751	$ 19,656

Nature of operations (note 1)

Going concern (note 2)

Subsequent events (notes 10, 29 and 32)

APPROVED ON BEHALF OF THE BOARD ON May 1, 2023:

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

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

NORTHERN GRAPHITE CORPORATION

CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

For the years ended December 31, 2022 and 2021

(Stated in thousands of Canadian Dollars, except for number of shares and per share amounts)

		For the years ended	
	Notes	**December 31, 2022**	December 31, 2021
Revenue		**$ 11,993**	$ -
Cost of Sales			
Production costs	21	**7,888**	-
Depletion and depreciation		**1,055**	-
Total cost of sales		**8,943**	-
Income from mine operations		**3,050**	-
General and administrative	22	**4,866**	1,313
Share-based compensation	19, 27	**1,490**	845
Project evaluation, acquisition, and integration	6	**1,920**	1,488
Foreign exchange gain		**(498)**	-
Total expenses		**7,778**	3,646
Operating loss		**(4,728)**	(3,646)
Loss (gain) on marketable securities		**190**	(414)
Finance expense	23	**3,328**	16
Foreign exchange loss on financing instruments	15, 16, 17	**2,633**	-
Interest income		**(159)**	(22)
Impairment	11	**3,167**	-
Loss before taxes		**(13,887)**	(3,226)
Current tax expense	20	**701**	-
Deferred tax expense (recovery)	20	**(37)**	-
Net loss		**(14,551)**	(3,226)
Other comprehensive loss			
Foreign currency translation		**(454)**	-
Other comprehensive loss		**(15,005)**	(3,226)
Loss per share – basic and diluted		**(0.14)**	(0.04)
Weighted average shares outstanding - basic and diluted		**107,766,203**	77,465,330

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

NORTHERN GRAPHITE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

	Notes	For the years ended December 31, 2022	December 31, 2021
Operating activities			
Net loss		**$ (14,551)**	$ (3,226)
Items not affecting cash			
Depletion and depreciation	11,12	**2,772**	31
Income taxes		**524**	-
Share based payments	19, 27	**1,654**	844
Interest expense and accretion	23	**2,909**	-
Accretion of reclamation provision	29	**356**	16
Impairment	11	**3,167**	-
Foreign exchange loss		**2,212**	-
Loss (gain) on marketable securities		**190**	(414)
Expenses settled in shares		**142**	-
Changes in non-cash working capital items			
Receivables, prepaids and deposits		**(5,290)**	(40)
Inventories		**(6,222)**	-
Accounts payable and accrued liabilities		**1,632**	1,389
Net cash used in operating activities		**(10,505)**	(1,400)
Investing activities			
Cash paid in LDI acquisition	6	**(25,636)**	-
Cash paid in Namibia acquisition, net of cash acquired	7	**(20,003)**	-
Restricted cash and deposits investments and receipts	5	**534**	-
Reclamation provision payments	29	**(10)**	
Exploration and evaluation costs	10	**(1,343)**	(678)
Additions to property, plant, and equipment and intangibles	11, 12, 13	**(5,116)**	-
Deferred acquisition costs		**-**	(619)
Net cash used in investing activities		**(51,574)**	(1,297)
Financing activities			
Private placement, net of costs	19	**21,394**	2,794
Proceeds from exercise of warrants		**199**	2,400
Proceeds from exercise of options	19	**150**	-
Proceeds from senior secured debt, net of costs	15	**14,690**	-
Proceeds from deferred revenue stream	17	**25,658**	-
Proceeds from royalty financing, net of costs	16	**4,992**	-
Royalty payments	16	**(433)**	-
Deposit and lease payments	18	**(3,272)**	-
Deferred financing costs		**-**	(131)
Net cash provided by financing activities		**63,378**	5,063
Effect of exchange rate changes on cash		**199**	-
Net increase in cash and cash equivalents		**1,299**	2,366
Cash and cash equivalents, beginning		**3,578**	1,212
Cash and cash equivalents, ending		**$ 5,076**	$ 3,578

Supplemental Cash Flow Information – Note 25

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

NORTHERN GRAPHITE CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As at December 31, 2022 and 2021

(Stated in thousands of Canadian Dollars, except for number of shares)

	Number of shares	Share Capital	Warrants	Contributed Surplus	Other Comprehensive Income	Accumulated Deficit	Total
Balances at December 31, 2021	**81,371,422**	**$ 30,862**	**$ 627**	**$ 2,503**	**$ -**	**$ (16,260)**	**$ 17,732**
Issuance of common shares and warrants, net (note 19)	31,462,500	16,619	5,172	-	-	-	21,791
Issuance of common shares and warrants for acquisition of LDI (note 6 and 19)	6,841,600	4,176	955	-	-	-	5,131
Issuance of common shares for Mousseau West (note 10 and 19)	900,000	459	-	-	-	-	459
Issuance of warrants for senior secured debt, royalty, deferred revenue stream (notes 15, 16 and 17)	-	-	4,065	-	-	-	4,065
Exercise of warrants (note 19)	440,000	258	(59)	-	-	-	199
Expiry of stock options (note 19)	-	-	-	(62)	-	62	-
Exercise of options (note 19)	300,000	243	-	(93)	-	-	150
Share based payments (note 19 and 27)	-	-	-	1,654	-	-	1,654
Foreign currency translation	-	-	-	-	(454)	-	(454)
Loss for the year	-	-	-	-	-	(14,551)	(14,551)
Balances at December 31, 2022	121,315,522	$ 52,617	$ 10,760	$ 4,002	$ (454)	$ (30,749)	$ 36,176
Balances at December 31, 2020	**65,112,756**	**$ 25,099**	**$ 946**	**$ 2,405**	**$ -**	**$ (13,781)**	**$ 14,669**
Issuance of common shares and warrants, net (note 19)	10,688,000	2,134	660	-	-	-	2,794
Exercise of warrants (note 19)	5,070,666	3,169	(769)	-	-	-	2,400
Common shares issued for property (note 19)	500,000	250	-	-	-	-	250
Expiry of stock options (note 19)	-	-	-	(747)	-	747	-
Expiry of warrants (note 19)	-	210	(210)	-	-	-	-
Share based payment expense (note 19 and 27)	-	-	-	845	-	-	845
Loss for the year	-	-	-	-	-	(3,226)	(3,226)
Balances at December 31, 2021	81,371,422	$ 30,862	$ 627	$ 2,503	$ -	$ (16,260)	$ 17,732

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

(Stated in thousands of Canadian Dollars)

1. NATURE OF OPERATIONS

Northern Graphite Corporation ("Northern" or the "Company") is a mineral resource exploration, development and production company engaged in the acquisition, exploration, development and production of graphite and other battery mineral properties. The Company was incorporated under the laws of the Province of Ontario on February 25, 2002. On April 29, 2022, the Company acquired the producing Lac-des-Îles graphite mine in Quebec ("LDI") and the Okanjande graphite deposit and Okorusu processing plant in Namibia (notes 6 and 7). In addition, Northern holds a 100% interest in the Mousseau West Graphite project ("Mousseau West") and the Bissett Creek Graphite project ("Bissett Creek") and has 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 OTCQB Market (symbol "NGPHF").

The Company's registered office is located at 1000 Innovation Drive, Suite 500, Ottawa, Ontario, K2K 3E7.

2. BASIS OF PRESENTATION

Statement of Compliance

These consolidated financial statements as at and for the years ended December 31, 2022 and 2021 (the "Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS").

In the opinion of management, all adjustments necessary to present fairly the consolidated financial position of the Company as at and for the years ended December 31, 2022 and 2021 and the results of its operations and cash flows for the years then ended have been made. The accounting policies set out in note 4 were consistently applied to all the periods presented, unless otherwise noted.

These Consolidated Financial Statements were approved and authorized for issue by the Board of Directors on May 1, 2023.

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 subsidiaries as shown below. All inter-company balances, and gains and losses on intercompany transactions, have been eliminated for consolidation purposes.

Basis of measurement

These Consolidated Financial Statements have been prepared on a historical cost basis except those accounts as noted in the financial instruments section (note 26) and share-based compensation which is measured in accordance with IFRS 2 Share-based payments. In addition, these Consolidated Financial Statements have been prepared using the accrual basis of accounting.

Functional and presentation currency

These Consolidated Financial Statements are presented in Canadian dollars, which is the functional currency of the Company. The Company's material wholly-owned subsidiaries and their functional currencies are as follows:

Name of Subsidiary	Location	Percentage Ownership	Functional Currency
Graphite Nordique Inc.	Canada	100%	CAD
Northern Graphite Processing (Namibia) (Pty) Ltd.	Namibia	100%	NAD
Northern Graphite Holdings (Namibia) (Pty) Ltd.	Namibia	100%	NAD
Northern Graphite Okanjande Mining (Pty) Ltd.	Namibia	100%	NAD

As at December 31, 2021, Graphite Nordique Inc. was the Company's sole material wholly-owned subsidiary.

Going concern

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

3. USE OF ESTIMATES AND JUDGEMENTS

In preparing these Consolidated Financial Statements management has made judgements and estimates that affect the application of the Company's accounting policies and have a material impact on the Consolidated Financial Statements. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis and revisions to estimates are recognized prospectively.

The key judgements made in preparing these Consolidated Financial Statements are as follows:

Going concern

Judgement is required related to the assessment of the Company's ability to continue as a going concern.

Functional currency

Judgement is required in determining the functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates.

Asset acquisition

The Company accounted for the acquisition of Okanjande (note 7) as an asset acquisition. Significant judgement was required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Okanjande was not considered a business under IFRS 3 – Business Combinations as Okanjande did not have significant inputs, processes and outputs, that together constitute a business as the formerly producing operation was on care and maintenance.

Taxes

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the probable timing and the level of future taxable income realized, including the usage of tax planning strategies.

Exploration and evaluation assets

Judgement is required for the classification of expenditures as exploration and evaluation assets.

Deferred revenue

The upfront deposit received under a mineral purchase and sale agreement (note 17) was accounted for as deferred revenue in accordance with IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). As the Company's obligation under the mineral purchase and sale agreement will be satisfied through deliveries of graphite, which is a non-financial item rather than cash or other financial assets, it was determined to be entered into and continued to be held for the purpose of the delivery of a non-financial item in accordance with the Company's expected sale or usage requirements and thus not within the scope of IFRS 9 Financial Instruments ("IFRS 9"). The determination of whether the obligation is within the scope if IFRS 15 or IFRS 9 requires management's judgement.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the Consolidated Financial Statements are as follows:

Business combinations
The allocation of the final purchase price is based upon management's estimates and assumptions with respect to fair value associated with the assets to be acquired and the liabilities assumed. The determination of final fair values of assets acquired and liabilities assumed requires management to make significant estimates, assumptions and judgements.

Estimated mineral reserves and depletion rates for mineral interests
The carrying amounts of the Company's producing mining properties are depleted based on recoverable tonnes contained in mineral reserves which are estimated using reports which are prepared according to National Instrument 43-101 Technical Report standards. Changes to estimates of recoverable tonnes of reserves resulting from revisions to the Company's mine plans and changes in graphite price forecasts can result in a change to future depletion rates.

Depreciation rates for property, plant and equipment
Depreciation expenses are estimated based on estimated asset lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the Consolidated statement of loss and other comprehensive loss on a prospective basis.

Market interest rates
Both the senior secured loan (note 15) and the royalty (note 16) were initially recorded at fair value by discounting at a market interest rate, with residuals funds received allocated to the warrants issued as part of these agreements. The determination of a fair market interest rate requires management to make significant estimates, assumptions and judgements.

Acquisition related costs
The Company has allocated costs to separate transactions which it has determined to be a business combination and an asset acquisition (notes 6 and 7). In certain circumstances where costs relating to both transactions could not be separately identified, the Company has allocated costs to both transactions based on the estimated fair value of each transaction.

Useful lives of equipment, buildings and improvements
The Company estimates the useful lives of equipment, buildings, and improvements based on the period over which the assets are expected to be available for use. The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by the Company. The amounts and timing of recorded expenses for any period would be affected by changes in assumptions and estimates used.

Inventory valuation
Materials and supplies, ore stockpiles and finished goods, are valued at the lower of cost and net realizable value. Estimates in the carrying values of inventories arise due to the nature of the valuation of ore stockpiles and finished goods based on an appropriate allocation of direct mining costs, direct labour and material costs, mine site overhead, and depletion and depreciation.

Exploration and evaluation assets
The Company is required to review the carrying value of its exploration and evaluation properties at each reporting date for potential impairment. Impairment is indicated if the carrying value of the Company's exploration and evaluation assets is not recoverable. If impairment is indicated, the amount by which the carrying value of exploration and evaluation assets exceeds their estimated fair value is charged to the statements of comprehensive loss.

Evaluating for recoverability during the exploration and evaluation phase requires judgement in determining whether future economic benefits from future exploitation, sale or otherwise are likely. Evaluations may be more complex where activities have not reached a stage which permits a reasonable assessment of the existence of reserves or resources. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of geological and geophysical data, the Company's financial ability to continue exploration and evaluation activities, contractual issues with joint venture partners, the impact of government legislation and political stability in the region, and the impact of current and expected future metal prices on potential reserves.

Deferred revenue

Revenue to be recognized from the upfront deposit received from the mineral purchase and sale agreement is considered variable and is subject to changes in the total graphite tonnes to be delivered. Changes in estimates of total graphite tonnes to be delivered are applied prospectively.

Reclamation and site closure provision

The Company recognizes the liability for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties, when those obligations result from the exploration or development of its properties. The provision is calculated as the present value of the expenditures required to settle the obligation. The Company assesses its provision for site reclamation and site closure at each reporting date. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is adjusted to reflect the passage of time (accretion expense) and for changes in estimated future cash outflows. The provision at the reporting date represents management's best estimate of the present value of the future restoration and site closure costs required.

Share-based payments

The Company has a stock option plan (as amended and restated, the "Option Plan"), a deferred share unit and restricted share unit compensation plan (the "DSU/RSU Plan") and issues warrants as described in note 19. The Company measures the compensation cost of stock options issued under the Option Plan, restricted share units ("RSU's") issued under the DSU/RSU Plan and warrants issued using the fair-value method as determined using the Black-Scholes option pricing model. Compensation costs are measured at the grant date based on the fair value of the award and are recognized over the vesting period as share-based payments with a corresponding increase to contributed surplus. Upon exercise, common shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, as adjusted for any consideration paid. The Company transfers the value of forfeited and expired unexercised vested stock options, DSU's or warrants to accumulated deficit from contributed surplus at the date of expiration.

The Black-Scholes option pricing model incorporates highly subjective assumptions, including volatility, estimated forfeiture rates and expected time until exercise, which affect the calculated values.

4. SIGNIFICANT ACCOUNTING POLICIES

Business Combinations

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

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

Cash and cash equivalents
Cash and cash equivalents include bank balances, funds held in trust with lawyers, and short term investments that are readily convertible into cash with original maturities of three months or less.

Restricted cash and reclamation deposits
Restricted cash and reclamation deposits include an irrevocable letter of credit as part of the security required for reclamation obligations.

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

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

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

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

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

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

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

Property and equipment

Upon initial acquisition, buildings, plant and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

In subsequent periods, buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value and is not depreciated.

Each component or part of property and equipment with a cost that is significant in relation to total cost of the item will be depreciated separately unless there is no difference in depreciation on the respective components.

Depletion and depreciation of mineral interests, property, plant and equipment

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

LDI mineral interest and property, plant and equipment – over the mineral reserves of the related graphite deposit
Okanjande mineral interests – ROU assets classified as mineral interests are over the lease contract periods
Okanjande – 3 to 10 years
Other – 3 – 20 years

Construction in progress

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

Impairment of long-lived assets

At each consolidated statement of financial position date, the Company assesses whether there is any indication that any long-lived assets or finite life tangible assets are impaired. The Company monitors the recoverability of long-lived assets based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the assets. An impairment is recognized if the recoverable amount, determined as the higher of an asset's fair value less cost to sell and the discounted future cash flows generated from use and eventual disposal of an asset, is less than its carrying value. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

Impairment of goodwill

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

Financial instruments

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

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held by a business whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Receivables and reclamation deposits are classified as and measured at amortized cost.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVTOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVTOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company's cash and cash equivalents and marketable securities are measured at FVTPL with changes in fair value recognized in the statements of loss and other comprehensive loss.

Financial assets at FVTOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of loss and other comprehensive loss. The election is available on an investment-by-investment basis.

Financial liabilities

Financial liabilities, including accounts payable and accrued liabilities are recognized initially at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in the statements of loss and other comprehensive loss when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable, accrued liabilities, senior secured loan and royalty are classified and measured at amortized cost.

Derecognition of financial assets and liabilities

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership. Gains and losses on derecognition are generally recognized in the statements of loss and other comprehensive loss. The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expelled. The financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss.

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period end. Any gains or losses arising from changes in fair value of derivatives are recorded in statements of loss and comprehensive loss.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 – Fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets, other than those at FVTPL, that are measured at amortized cost. At each reporting date, the loss allowance for a financial asset measured at amortized cost is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial asset measured at amortized cost, other than a trade receivable, has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to the 12-month expected credit losses. For trade receivables, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses.

Deferred revenue

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

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

Leases

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

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

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

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

Asset retirement obligations
The present 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.

Share capital and share purchase warrants
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or liability. The Company's common shares, share purchase warrants, DSU's, RSU's and stock options are classified as equity instruments. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds of issuance. Amounts recorded relating to expired warrants are transferred to share capital.

The proceeds from the issue of shares and warrants issued together as units are allocated between common shares and share purchase warrants on a pro-rata basis based on relative fair values at the date of issuance. The fair value of common shares is based on the market closing price on the day preceding the date the units are issued and the fair value of share purchase warrants is determined using the Black-Scholes option pricing model as of the date of issuance.

Share-based payments
The Company has the Option Plan, the DSU/RSU Plan and issues warrants as described in note 19. The Company measures the compensation cost of stock options issued under the Option Plan, RSU's issued under the DSU/RSU Plan and warrants issued using the fair-value method as determined using the Black-Scholes option pricing model. Compensation costs are measured at the grant date based on the fair value of the award and are recognized over the vesting period as share-based payments with a corresponding increase to contributed surplus. Upon exercise, common shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, as adjusted for any consideration paid. The Company transfers the value of forfeited and expired unexercised vested stock options, RSU's or warrants to accumulated deficit from contributed surplus at the date of expiration.

The Black-Scholes option pricing model incorporates highly subjective assumptions, including volatility, estimated forfeiture rates and expected time until exercise, which affect the calculated values.

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

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

Borrowing Costs

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

Income taxes

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

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

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

Loss per share

Basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method which includes the dilutive effect of warrants, stock options and contingently issuable shares in the weighted average number of common shares outstanding for the year when applicable. For the years ended December 31, 2022 and 2021, all outstanding warrants and stock options were anti-dilutive.

Other comprehensive income (loss)

Other comprehensive income (loss) represents the change in net equity for the period resulting from unrealized gains and losses on foreign currency. Cumulative changes in other comprehensive income are included in foreign currency translation which is presented as a category in shareholders' equity.

Translation of foreign currencies

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

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

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

Recent and future accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the current year 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.

Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1, Presentation of Financial Statements and the IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on the application of materiality judgements to accounting policy disclosures. The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement to assist in the application of materiality concept when making judgements about accounting policy disclosures. The amendments are effective January 1, 2023, with early adoption permitted. Prospective application is required on adoption.

5. RESTRICTED CASH AND RECLAMATION DEPOSIT

Cash which the Company does not have immediate access to and is held in escrow accounts, on deposit with governmental agencies for reclamation obligations or as security for surety bonds has been presented as restricted cash. Restricted cash which the Company expects to receive, and have access to, within a year has been presented within current assets.

In November 2022, cash held in escrow of $6,725 was released to the Company upon the governmental administrative transfer of the reclamation obligations from the seller of LDI to the Company. Related to this matter, the Company has entered into a surety bond for $8,231.

In October 2022, the Company received $848 of formerly restricted cash related to the Bissett Creek closure plan in exchange for entering into a surety bond for $850.

In December 2022, the Company received $1,561 of formerly restricted cash related to LDI. In connection with this, the Company has entered into the $8,231 surety bond discussed above.

(Stated in thousands of Canadian Dollars)

As at December 31, 2022, restricted cash consists of $1,817 as collateral for an irrevocable letter of credit for reclamation obligations relating to LDI, $50 as collateral for a VISA deposit, $7 of interest to be released, and $209 for a Namibian electricity deposit.

As at December 31, 2021, restricted cash consisted of $846 deposited with the Minister of Finance for the Province of Ontario in relation to Bissett Creek.

6. ACQUISITION OF LAC-DES-ÎLES GRAPHITE MINE

On April 29, 2022, the Company acquired 100% ownership of the producing LDI graphite mine in Quebec. The acquisition of LDI was completed as a direct asset purchase with the assumption of certain liabilities and the business' employees through the Company's wholly-owned subsidiary Graphite Nordique Inc. from a subsidiary of Imerys S.A. ("Imerys").

On closing of the acquisition of LDI, the Company paid $22,734 (US$17,771) in cash, $1,561 in cash as a reimbursement for a reclamation deposit and issued 6,841,600 private placement units of the Company at a price of $0.75 which consisted of one common share and one-half share purchase warrant exercisable at $1.10 for a period of two years, for a combined fair value of $5,131. In addition, the purchase price was subject to post closing adjustments, which were paid in November 2022.

The Company has determined the acquisition of LDI's assets should be treated as a business combination for accounting purposes under IFRS 3 - Business Combinations. The purchase price allocation resulting from a business combination requires management to estimate the fair value of identifiable assets acquired and liabilities assumed. The determination of fair value involves making estimates relating to the acquired assets and liabilities including inventory, mineral interests, property, plant and equipment and mine rehabilitation provisions.

The Company has completed a valuation of the fair value of the mineral interests and property, plant and equipment of LDI with the assistance of an independent third party.

An income approach (using a discounted cash flow approach) was used to value the mineral interests of LDI. The DCF approach reflects the present value of the expected operating cash flows based on an appropriate discount rate (6.1%) to reflect the time value and risk of the invested capital. Property, plant and equipment were valued with the cost approach.

The following table summarizes the fair value of the consideration paid to acquire LDI:

Cash	$	24,295
Private placement units (note 19)		5,131
Post closing adjustments		1,341
Total Consideration	$	30,767

(Stated in thousands of Canadian Dollars)

The following table summarizes the finalized fair values of identified assets and liabilities recognized as a result of the acquisition:

Inventories	$	13,517
Right of use assets		276
Property, plant and equipment		5,758
Mineral interests		15,610
Reclamation deposits		1,561
Goodwill		2,713
Leases		(276)
Reclamation provision		(5,679)
Deferred tax liability		(2,713)
Net Assets Acquired	$	30,767

Business combination costs, including advisory, legal, regulatory and other professional fees, and success fees payable on completion of the transaction totaled $341 which were expensed in the Project evaluation, acquisition, and integration line of the Consolidated statement of loss and other comprehensive loss for the year ended December 31, 2022 ($934 for the year ended December 31, 2021).

The acquired business contributed revenues of $11,993 and income from mine operations of $3,050 to the Company for the period from April 29, 2022 to December 31, 2022. If the acquisition had occurred on January 1, 2022, estimated pro-forma revenue and income for the year ended December 31, 2022 would have been $19,101 and $5,308 respectively.

During November 2022, the post closing adjustment of $1,341 was paid to Imerys.

Goodwill has been allocated to the LDI cash-generating unit (“CGU”). The goodwill balance results from the requirement to recognize a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. For the purpose of testing this goodwill for impairment, the related deferred tax liability recognized on acquisition that remains at the balance sheet date is treated as part of the CGU. In accordance with IFRS standards, an annual impairment test was conducted on the acquired goodwill as it related to the LDI CGU resulting in no impairment at December 31, 2022.

7. ACQUISITION OF NAMIBIAN GRAPHITE DEPOSIT AND PROCESSING PLANT

On April 29, 2022, the Company acquired 100% of the Okanjande graphite deposit and processing equipment at the Okorusu plant in Namibia (“Okanjande”).

The acquisition of Okanjande was completed through the acquisition of Imerys Gecko Holdings (Namibia) (Pty) Ltd. which was subsequently renamed Northern Graphite Processing (Namibia) (Pty) Ltd. As consideration for the acquisition, the Company paid Imerys and its joint venture partner $20,237 in cash.

The Company accounted for the acquisition of Okanjande as an asset acquisition.

The Company has completed a valuation of the fair value of the mineral interests and property, plant and equipment of Okanjande with the assistance of an independent third party.

An income approach (using a discounted cash flow approach) was used to value the mineral interests of Okanjande. The DCF approach reflects the present value of the expected operating cash flows based on an appropriate discount rate (27.2%) to reflect the time value and risk of the invested capital. Property, plant and equipment were valued with the cost approach. Consideration was allocated on assets and liabilities received on a pro-rata basis net of working capital items.

(Stated in thousands of Canadian Dollars)

The following table summarizes the total consideration of the acquisition:

Cash	$	20,237
Transaction costs		694
Total Consideration	$	20,931

The following table summarizes the total consideration and the final allocation of assets and liabilities acquired based on their fair values:

Cash	$	209
Restricted cash		213
Receivables		3
Right of use assets		615
Property, plant and equipment		12,079
Mineral interests		9,357
Accounts payable and accrued liabilities		(165)
Withholding tax obligation		(619)
Leases		(761)
Total	$	20,931

8. RECEIVABLES

		December 31, 2022		December 31, 2021
Trade receivables	**$**	**1,615**	$	-
Value added tax		**2,450**		79
Other		**35**		-
	$	**4,100**	$	79

The Company's expected credit loss as at December 31, 2022 is a nominal amount.

9. INVENTORIES

		December 31, 2022		December 31, 2021
Materials and supplies	**$**	**1,289**	$	-
Graphite ore stockpiles		**8,592**		-
Finished goods		**14,715**		-
Total inventory		**24,596**		-
Non-current graphite ore stockpiles		**6,331**		-
Total current inventory	**$**	**18,265**	$	-

The amount of inventories recognized as an expense during the year ended December 31, 2022 was $8,621 (December 31, 2021 – nil) in total cost of sales.

(Stated in thousands of Canadian Dollars)

10. EXPLORATION AND EVALUATION

For the years ended December 31, 2022 and December 31, 2021 capitalized exploration and evaluation costs were as follows:

	Bisset Creek	Mousseau West	South Okak	Total
Balance, December 31, 2021	$ 12,958	$ -	$ 560	$ 13,518
Community engagement	146	-	-	146
Engineering and metallurgical	34	-	-	34
Environmental and mine permitting	101	-	-	102
Geological and geophysical	-	-	579	579
Site costs and royalties	69	-	-	69
Acquisition cost	-	959	-	959
Balance, December 31, 2022	$ 13,309	$ 959	$ 1,139	$ 15,407

	Bisset Creek	Mousseau West	South Okak	Total
Balance, December 31, 2020	$ 12,624	$ -	$ -	$ 12,624
Cash option payment	-	-	50	50
Common shares issued for property option	-	-	250	250
Engineering and metallurgical	101	-	-	101
Environmental and mine permitting	153	-	-	153
Geological and geophysical	-	-	244	244
Site costs and royalties	80	-	16	96
Balance, December 31, 2021	$ 12,958	$ -	$ 560	$ 13,518

Bissett Creek, Ontario, Canada

The Company has a 100% interest in Bissett Creek 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 $0.02 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 Bissett Creek. An advance royalty of $27 per annum is payable in semi-annual installments and is recorded in exploration and evaluation assets ($27 paid as of December 31, 2022). The advance will be credited against any future royalty payments.

During 2020, the Company closed the sale of a 1.0% gross revenue royalty ("GRR") on its Bissett Creek Property to Electric Royalties Ltd. ("ERL") for $500 in cash and 2,000,000 shares of ERL. Under the terms of the agreement, ERL had a two-year option to acquire an additional half of one percent GRR by paying $750 which expired unexercised. The Company has the option to buy back half of one percent of the initial GRR at any time by returning the shares of ERL or paying $1,500 in cash.

Mousseau West, Quebec, Canada

During February 2022, the Company entered into an option agreement that provides it with an option to acquire a 100% interest in Mousseau West, subject to the owners retaining a 2% net smelter royalty. Pursuant to the agreement, the Company paid $50 for the six month exclusive right to conduct due diligence on the property, which was expensed in 2022 and included in project evaluation, acquisition and integration costs, as the Company did not have title to any mineral rights. During October 2022, the Company acquired the property for $500 in cash and the issuance of 900,000 common shares of the Company. The Company has the right to acquire the 2% NSR from the owners at any time upon the payment of $1,000.

Mousseau West consists of 12 claims totalling 489 hectares in size. It is located approximately 150 kms north of Montreal in the Mont-Laurier area.

Subsequent to year end (note 32), the area covered by Mousseau West has been increased by an additional 101.64 hectares.

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 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 (completed) prior to March 1, 2022 and $500 in cumulative expenditures prior to March 1, 2023 (completed); (iii) payment of $75 in cash, plus $200 in cash or common shares, at the Company's option, by June 7, 2023; and, (iv) incurring cumulative exploration expenditures of $1,000 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 in cash, plus $200 in cash or common shares, at the Company's option, by June 7, 2024; and, (ii) incurring cumulative exploration expenditures of $1,500 prior to March 1, 2025. Following completion of the second option earn-in, the optionors will be carried to production on their 20% interest.

(Stated in thousands of Canadian Dollars)

11. PROPERTY, PLANT AND EQUIPMENT

	Okanjande in process	LDI property, plant and equipment	Other	Total
Cost				
Balance, December 31, 2021	$ -	$ -	$ 1,320	$ 1,320
Acquired assets (notes 6 and 7)	12,694	6,034	-	18,728
Additions	6,413	1,218	10	7,641
Asset write off (note 7)	(881)	-	-	(881)
Foreign exchange	(187)	-	-	(187)
Balance, December 31, 2022	18,039	7,252	1,330	26,621
Accumulated depletion and depreciation				
Balance, December 31, 2021	-	-	(1,250)	(1,250)
Depletion and depreciation	(34)	(2,194)	(33)	(2,261)
Balance, December 31, 2022	(34)	(2,194)	(1,283)	(3,511)
Net book value	$ 18,005	$ 5,058	$ 47	$ 23,110

	Okanjande in process	LDI property, plant and equipment	Other	Total
Cost				
Balance, December 31, 2020 and 2021	$ -	$ -	$ 1,320	$ 1,320
Accumulated depletion and depreciation				
Balance, December 31, 2020	-	-	(1,219)	(1,219)
Depletion and depreciation	-	-	(31)	(31)
Balance, December 31, 2021	-	-	(1,250)	(1,250)
Net book value	$ -	$ -	$ 70	$ 70

As at December 31, 2022 the amount of depletion and depreciation included in inventory as at December 31, 2022 was $4,857 (December 31, 2021 – nil), and the amount of depreciation included in general and administrative expenses was $46 (December 31, 2021 -$31).

As at December 31, 2022, LDI property, plant, and equipment cost includes $1,242 (December 31, 2021 - $nil) for right of use assets with a net book value of $951 (December 31, 2021 - $nil). The right of use assets consists of $260 for a land use and building lease and $691 for mobile assets.

As at December 31, 2022, Okanjande in process additions includes $1,141 (December 31, 2021 - $nil) for capitalized interest (rate of 11.7%) arising from accretion on deferred revenue (note 17).

As at December 31, 2022 Other contains net book value of Bissett Creek plant and equipment of $38 (December 31, 2021 - $70) and net book value of office equipment in the Italian sales office of $9 (December 31, 2021 - $Nil).

(Stated in thousands of Canadian Dollars)

In December 2022, the Company made the decision to move the location of its future processing plant facilities from Okorusu to Okanjande. This move, while enhancing the net present value of the project, resulted in an impairment of the lease access asset for Okorusu of $2,286 after amortization taken of $179 during the year. The remaining lease access asset has been reclassified to current and non-current prepaids of $289 and $97 (note 13) respectively.

The Company intends to move virtually all of the processing facilities to Okanjande except for foundations and other immovable objects. As a result, an impairment charge of $881 has been taken representing the cost allocated in the purchase equation to the items that could not be moved to Okanjande.

12. MINERAL INTERESTS

	Okanjande mineral interests	LDI mineral interests	Total
Cost			
Balance, December 31, 2020 and 2021	$ -	$ -	$ -
Acquired assets (notes 6 and 7)	9,357	15,610	24,967
Additions	685	116	800
Foreign exchange	(156)	-	(155)
Balance, December 31, 2022	9,886	15,726	25,612
Accumulated depletion and depreciation			
Balance, December 31, 2020 and 2021	-	-	-
Depletion and depreciation	-	(5,175)	(5,175)
Balance, December 31, 2022	-	(5,175)	(5,175)
Net book value	$ 9,886	$ 10,551	$ 20,437

As at December 31, 2022, Okanjande mineral interests includes $685 (December 31, 2021 - $nil) for capitalized interest (rate of 11.7%) arising from accretion on deferred revenue (note 17).

13. OTHER ASSETS

Balance, December 31, 2021	$ -
Intangible assets	169
Intangible assets accumulated amortization	(14)
Contract assets (note 17)	1,742
Non-current portion of Okorusu lease access	97
Balance, December 31, 2022	$ 1,994

(Stated in thousands of Canadian Dollars)

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are primarily comprised of amounts outstanding for purchases relating to mining operations, exploration and evaluation activities and corporate expenses. Accounts payable and accrued liabilities are comprised of the following items:

	December 31, 2022	December 31, 2021
Trade payables	**$ 3,313**	$ 207
Trade related accruals	**658**	1,355
Taxes payable	**961**	-
Payroll and related benefits	**112**	-
Balance, December 31, 2022	**$ 5,044**	$ 1,562

15. SENIOR SECURED LOAN

On April 29, 2022 the Company completed a senior secured loan in the amount of $15,350 (US$12,000) made at a 2% discount, which matures in 48 months, bears interest at 9% plus the greater of the three month SOFR or 1% and issued the lender 4,800,000 warrants each of which is exercisable to purchase one common share of the Company at an exercise price of $1.01 with an expiry date of April 29, 2024. The loan was discounted at a market interest rate of 15.2%, with the residual proceeds allocated to the value of warrants resulting in a value of $1,858. At the Company's option, interest payable during the initial twelve months can be, and has been, capitalized ($1,272) and added to the principal. The loan is secured against the assets of LDI and Okanjande. The loan is subject to standard conditions and covenants, including maintenance of positive working capital and cash balances as well as debt service and loan life coverage upon achievement of certain cash flow levels. As at December 31, 2022, the Company was in compliance with these covenants.

Balance, December 31, 2021	$ -
Funds received	15,350
Warrant issuance value	(1,858)
Financing costs	(789)
Interest expense and accretion	1,600
Foreign exchange loss	784
Balance, December 31, 2022	15,087
Current portion of senior secured loan	1,896
Non-current portion of senior secured loan	13,191

(Stated in thousands of Canadian Dollars)

16. ROYALTY FINANCING

On April 29, 2022 the Company sold a 9% royalty on graphite concentrate sales revenue from LDI for gross proceeds of $5,117 (US$4,000) 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 with an expiry date of April 29, 2024. The royalty was discounted at a market interest rate of 22.5%, with the residual proceeds allocated to the value of the warrants resulting in a value of $465. 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 Bissett Creek. The deposit is subject to standard conditions and covenants. As at December 31, 2022, the Company was in compliance with these covenants.

Balance, December 31, 2021	$ -
Funds received	5,117
Warrant issuance value	(465)
Financing costs	(167)
Interest expense and accretion	887
Payments made	(433)
Foreign exchange loss	288
Balance, December 31, 2022	5,227
Current portion of royalty	2,812
Non-current portion of royalty	2,415

17. DEFERRED REVENUE

On April 29, 2022 the Company completed, in exchange for an upfront deposit of $25,584 (US$20,000), a minerals purchase and sale agreement for 11.25% of the graphite produced by Okanjande 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 Okanjande. 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 Okanjande. 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 with an expiry date of April 29, 2024. The fair value of the warrants was $1,742 and was determined using the Black-Scholes option pricing model (note 19) and has been recognized as a contract asset which will be expensed over the term of the contract, beginning once sales commence. 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 $20,655 (US$15,250) in 2024 or $23,702 (US$17,500) in 2025. This option will be exercisable in whole or in part on a pro rata basis and was assigned a nil value at inception. The deposit is subject to standard conditions and covenants. As at December 31, 2022, the Company was in compliance with these covenants.

Balance, December 31, 2021	$ -
Funds received	25,584
Interest accretion	2,213
Foreign exchange loss	1,561
Balance, December 31, 2022	29,358

(Stated in thousands of Canadian Dollars)

18. LEASES

During the year ended December 31, 2022 the Company acquired and entered into several lease agreements relating to mobile equipment and a land and building use with interest rates ranging from 4.5% to 10.0%.

	December 31, 2022	December 31, 2021
Balance, beginning of year	$ -	$ -
Acquisition related additions (note 6 and 7)	1,037	-
Additions	934	-
Principal payments	(312)	-
Interest expense and accretion	36	-
Foreign exchange	(113)	-
Balance, end of year	1,582	-
Current portion of leases	519	-
Non-current portion of leases	1,063	$ -

19. SHARE CAPITAL

Authorized
The Company is authorized to issue an unlimited number of common shares having no par value.

For the Year Ended December 31, 2022

In February 2022, the Company completed an initial closing of a brokered private placement raising gross proceeds of $19,322 through the sale of 25,762,500 subscription receipts at a price of $0.75 per subscription receipt. Each subscription receipt was automatically exercised, without payment of any additional consideration and without further action on the part of the holder thereof, into one unit upon closing of the acquisition of LDI (note 6) and Okanjande (note 7) on April 29, 2022. Each unit was comprised of one common share of the Company and one-half of one share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of $1.10 per common share with an expiry date of April 29, 2024. $745 of the proceeds were allocated to the warrants on a relative fair value basis.

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 $745 and a cash fee of $1,159. 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.

On April 29, 2022, the Company completed the final closing of the private placement through the sale of an additional 5,000,000 subscription receipts for gross proceeds of $3,750. Each subscription receipt was automatically exercised, without payment of any additional consideration and without further action on the part of the holder thereof, into one unit upon closing of the acquisition of LDI (note 6) and Okanjande (note 7) on April 29, 2022. Each unit was comprised of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable to purchase one common share at an exercise price of $1.10 per common share with an expiry date of April 29, 2024. $698 of the proceeds were allocated to the warrants on a relative fair value basis.

In connection with the final closing of the private placement, the agents received 300,000 agents' warrants with a fair market value of $134 and a cash fee of $225. Each agents' warrant is exercisable for one common share at an exercise price of $0.75 per share at any time on or before April 27, 2024.

(Stated in thousands of Canadian Dollars)

On April 29, 2022, as partial consideration for the acquisition of LDI (note 6) the Company issued 6,841,600 private placement units of the Company at a price of $0.75 which consisted of one common share and one-half share purchase warrant for a combined fair value of $5,131. The warrants have an exercise price of $1.10 and expire on April 29, 2024.

In July 2022 the Company issued 700,000 common shares to an arm's length advisory firm for monthly consulting fees payable and additional advisory fees totaling $525.

On September 26, 2022 300,000 stock options were exercised at a price of $0.50 for gross proceeds of $150 in exchange for 300,000 common shares of the Company.

On October 4, 2022 the Company issued 900,000 common shares and paid $500 cash in order to exercise its option to acquire a 100% interest in Mousseau West.

During the year 440,000 warrants were exercised at a price of $0.45 for gross proceeds of $198 in exchange for 440,000 common shares of the Company.

For the Year Ended December 31, 2021

On February 12, 2021, the Company closed a non-brokered private placement financing raising gross proceeds of $2,993 through 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. A total of 5,344,000 warrants were issued with an expiry date of February 10, 2023. Cash finder fees of $154 were 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	**31,147,800**	1.05
Warrants exercised	**(440,000)**	0.45
Balance, December 31, 2022	**35,800,300**	0.97

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

Exercise price	**Number of Warrants Outstanding and Exercisable**	**Expiry Date**
$0.45	4,652,500	Feb 10, 2023
$0.75	1,545,750	Feb 10, 2024
$0.75	300,000	April 27, 2024
$1.01	10,500,000	April 29, 2024
$1.10	18,802,050	April 29, 2024
	35,800,300	

(Stated in thousands of Canadian Dollars)

As at December 31, 2022, the weighted average remaining contractual life of warrants outstanding is 1.16 years (December 31, 2021 – 1.12 years).

The value of warrants issued during the years ended December 31, 2022 and 2021 were determined either as a residual of a financing transaction or utilizing the Black-Scholes option pricing model. For those whose value was determined utilizing the Black-Scholes method, the input factors and assumptions are as follows:

	Year Ended December 31, 2022	**Year Ended December 31, 2021**
Warrants granted during the year	**31,147,800**	5,344,000
Weighted-average exercise price	**$1.05**	$0.45
Expected warrant life	**2 years**	2 years
Expected volatility	**99.58%-109.27%**	109.35%
Risk-free interest rate	**1.50%-2.63%**	0.23%
Dividend yield	**Nil**	Nil
Weighted-average fair value (Black-Scholes value)	**$0.37**	$0.22

Restricted stock units

The DSU/RSU Plan is a fixed security-based compensation plan and the maximum number of common shares of the Company that may be issued to participants under the DSU/RSU Plan is 12,036,052 shares, subject to customary adjustments as provided for in the DSU/RSU Plan. The maximum aggregate number of common shares issuable to insiders of the Company (as a group) under the DSU/RSU Plan and the Option Plan shall together collectively not exceed 10% of the issued and outstanding number of shares at any time.

A summary of the RSU activity is presented below:

	Number of Restricted stock units
Balance, December 31, 2021 and December 31, 2020	-
Granted	1,300,000
Balance, December 31, 2022	**1,300,000**

A summary of the Company's outstanding RSU's at December 31, 2022 is as follows:

Issue price	**RSU's outstanding**	**RSU's exercisable**
$0.46	1,300,000	-
Balance, December 31, 2022	**1,300,000**	-

As at December 31, 2022 there was $583 of unrecognized share-based compensation costs related to unvested RSU awards granted under the Company's DSU/RSU Plan and $15 of share-based compensation costs were recognized.

(Stated in thousands of Canadian Dollars)

Stock options

The Company has adopted 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 aggregate number of common shares issuable to insiders of the Company (as a group) under the Option Plan and the DSU/RSU Plan shall together collectively not exceed 10% of the issued and outstanding number of shares at any time.

A summary of the stock option 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	4,506,000	0.69
Exercised	(300,000)	0.50
Expired	(350,000)	0.41
Balance, December 31, 2022	**9,656,000**	**0.54**

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

Exercise price	Stock options outstanding	Stock options exercisable	Expiry date
$0.20	1,500,000	1,500,000	July 23, 2025
$0.25	150,000	150,000	January 21, 2024
$0.50	600,000	600,000	January 12, 2023
$0.50	200,000	200,000	February 22, 2023
$0.50	2,700,000	2,700,000	April 15, 2026
$0.60	200,000	-	September 16, 2027
$0.60	1,631,000	543,667	October 4, 2025
$0.75	500,000	250,000	December 31, 2026
$0.75	175,000	175,000	January 2, 2023
$0.75	300,000	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	25,000	25,000	December 31, 2023
$0.75	100,000	50,000	May 11, 2024
	9,656,000	7,918,667	

As at December 31, 2022, a total of $7,918,667 stock options were exercisable.

(Stated in thousands of Canadian Dollars)

A summary of the Company's outstanding stock options at December 31, 2021 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	150,000	February 22, 2023
$0.50	2,800,000	2,800,000	April 15, 2026
$0.50	250,000	250,000	January 31, 2022
	5,800,000	5,750,000	

As at December 31, 2022, the weighted average remaining contractual life of stock options outstanding is 2.83 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 years ended December 31, 2022 and 2021 utilized the Black-Scholes option pricing model with input factors and assumptions as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Stock options granted during the period	**4,506,000**	**3,250,000**
Weighted-average exercise price	**$0.69**	**$0.50**
Expected stock option life	**1 to 5 years**	**2 to 5 years**
Expected volatility	**90.56% to 119.38%**	**93.9% to 109.5%**
Risk free interest	**0.97% to 3.68%**	**0.23% to 0.75%**
Dividend yield	**Nil**	**Nil**
Forfeiture rate	**Nil**	**Nil**
Weighted average fair value (Black-Scholes value)	**$0.45**	**$0.27**

As at December 31, 2022 there was $425 of unrecognized share-based compensation costs related to unvested stock option awards granted under the Company's Option Plan and $1,639 of share-based compensation costs were recognized.

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

Contributed surplus

Contributed surplus as at December 31, 2022 and December 31, 2021 consists of a share-based payment reserve related to stock options and restricted stock units issued under the Company's Option Plan and DSU/RSU Plan.

(Stated in thousands of Canadian Dollars)

20. INCOME TAXES

The following table reconciles the expected income taxes at the Canadian statutory income tax rates to the amounts recognized in the statements of comprehensive loss for the years ended December 31, 2022 and 2021:

		Year ended December 31, 2022		Year ended December 31, 2021
Loss before income taxes	$	(13,887)	$	(3,226)
Canadian statutory income tax rate		26.5%		26.5%
Expected income tax recovery		(3,680)		(855)
Differences resulting from:				
Share issuance costs		-		(53)
Non taxable gain		25		(55)
Non-deductible and other items		1,282		494
Change in deferred tax assets not recognized		2,854		469
Quebec mining duty		291		-
Other		(108)		-
Income tax	$	**664**	$	-

		Year ended December 31, 2022		Year ended December 31, 2021
Current tax expense				-
Quebec mining duty	$	701	$	-
Deferred tax expense (recovery)				
Income tax		271		-
Quebec mining duty		(308)		-
Total income tax expense	$	**664**	$	-

(Stated in thousands of Canadian Dollars)

Continuity of deferred tax liability		Year ended December 31, 2022		Year ended December 31, 2021
Opening deferred tax liability		-		-
Deferred tax at acquisition – LDI	$	(2,713)	$	-
Deferred income tax expense (recovery)		(271)		
Deferred Quebec mining duty tax expense (recovery)		308		
Ending deferred tax liability	$	**(2,676)**	$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at December 31, 2022 and 2021 are comprised of the following:

		December 31, 2022		December 31, 2021
Non-capital loss carry forwards	$	1,653	$	566
Benefit of Quebec mining duty deductions		637		-
Financial and Reclamation liabilities		3,011		-
Mineral interests, property, plant and equipment and exploration and evaluation assets		(3,480)		(490)
Deferred acquisition costs		-		(35)
Marketable securities		(16)		(41)
Quebec Mining Duty		(2,405)		-
Inventory		(1,929)		-
Other		(147)		-
	$	(2,676)	$	-

The unrecognized deductible temporary differences as at December 31, 2022 and 2021 are comprised of the following:

		December 31, 2022		December 31, 2021
Non-capital loss carry forwards	$	69,696	$	17,208
Property and equipment		3,028		547
Reclamation and close down provision		376		362
SR&ED expenditures		1,486		1,486
Financing costs		211		264
Investment tax credits – Federal		440		440
Investment tax credits – Ontario		89		89
Stream and senior secured loan		4,559		-
	$	79,885	$	20,396

(Stated in thousands of Canadian Dollars)

As at December 31, 2022, the Company has non-capital loss carry forwards in Canada of approximately $29,744 which can be applied to reduce future Canadian taxable income and will expire between 2027 and 2042. The Company has non-capital loss carry forwards in Italy of $147 which can be applied to reduce future Italian taxable income. The Company has non-capital loss carry forwards in Namibia of $45,636 which can be applied to reduce future Namibian taxable income.

The Company files income tax returns in Canada, Namibia, Italy, and is subject to examination in these jurisdictions for all years since the Company's inception. As at December 31, 2022, all tax years are subject to examination by the tax authorities and no tax authority audits are currently underway. Fiscal years outside the normal statute of limitation remain open to audit by tax authorities due to tax attributes generated in those early years which have been carried forward and may be audited in subsequent years when utilized. The timing of the resolution, settlement and closure of any income tax audits is highly uncertain, and the Company is unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits. It is possible that the balance of gross unrecognized tax benefits could significantly change in the next twelve months. As at December 31, 2022, the 2022 tax year filings for the Company and its subsidiaries (where applicable) remain unfiled and have not been assessed by the relative tax authorities.

21. PRODUCTION COSTS

	December 31, 2022	December 31, 2021
Raw materials and consumables	$ 2,004	$ -
Salaries and employee benefits	2,071	-
Contracted services	2,127	-
Electricity and energy	1,224	-
Other	462	-
	$ 7,888	$ -

22. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2022	December 31, 2021
Legal and audit	$ 654	$ 166
Office, management, and director fees	3,517	744
Promotion and investor relations	490	289
Regulatory and transfer agent	159	83
Depreciation (Note 11)	46	31
	$ 4,866	$ 1,313

23. FINANCE EXPENSE

	December 31, 2022	December 31, 2021
Interest expense and accretion (notes 15 to 18)	$ 4,798	$ -
Accretion of reclamation provision (note 29)	356	16
Capitalization of deferred revenue interest (note 11 and 12)	(1,826)	-
	$ 3,328	$ 16

During the year ended December 31, 2022 the Company paid interest expense of $98 (year ended December 31, 2021 – $Nil).

(Stated in thousands of Canadian Dollars)

24. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration, development and operation of its exploration, development and producing mining interests and to maintain a flexible capital structure for its projects for the benefit of its stakeholders.

The Company's capital consists of items included in shareholders' equity, the senior secured loan and leases net of cash and cash equivalents and current restricted cash.

Management reviews the capital structure on a regular basis to ensure the above-noted objectives are met. The Company manages the capital structure and makes adjustments to it considering changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue common shares, or acquire or dispose of assets or issue debt if circumstances permit.

As at December 31, 2022, the Company was in compliance with all debt covenant requirements.

25. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2022		December 31, 2021	
Exploration and evaluation costs in accounts payable and accrued liabilities	$	27	$	33
Value of warrants issued for financing	$	4,065	$	-
Common shares issued for advisory fees	$	525	$	-
Common shares issued for property	$	459	$	250

26. 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. The fair value hierarchy categorizes inputs to valuation techniques used in measuring fair value into the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly, such as prices, or indirectly (derived from prices).

Level 3 – unobservable inputs for which market data are not available.

As at December 31, 2022 the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the Consolidated statement of financial position at fair value are categorized as follows: cash and cash equivalents, marketable securities (Level 1) of $5,636 (December 31, 2021 - $4,328).

As at December 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 for the year ended December 31, 2022 and the year ended December 31, 2021, except for marketable securities which were transferred from Level 2 to Level 1 in 2021. As at December 31, 2022 and December 31, 2021, there were no financial assets or liabilities measured and recognized in the Consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy.

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments. The carrying value of the senior secured loan approximates its fair value as it bears a market rate of interest. The Company has performed a sensitivity analysis which indicates that the carrying value of the royalty obligation would be $100,000 less than its fair value with a 3% increase in the market rate.

Currency risk
Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. Some of the Company's operating and corporate administration expenditures are incurred in US dollars and the fluctuation of the US dollar in relation to the Canadian dollar will have an impact on the Company's profitability and the carrying amounts of the Company's financial assets and liabilities. At December 31, 2022, the Company had the following financial assets and liabilities denominated in US dollars: cash and cash equivalents of $2,146; trade receivables of $1,355; accounts payable and accrued liabilities of $130; senior secured loan of $12,814; royalty of $4,102; and deferred revenue of $21,200 (December 31, 2021: $nil). With other variables unchanged, a 1% increase on the USD/CAD exchange rate would result in an unrealized foreign exchange loss of $471. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency.

Commodity price risk
The Company is subject to commodity price risk from fluctuations in the market prices for graphite. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for graphite, inflation and political and economic conditions. Management closely monitors trends in commodity prices of graphite as part of its routine activities, as these trends could significantly impact future cash flows. A 10% increase or decrease in the price of graphite at December 31, 2022 would have resulted in a decrease or increase of $1,199 in the Company's income from mine operations for the year ended December 31, 2022 (December 31, 2022 - $nil).

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. Four major customers make up 72% of the Company's 2022 revenue, as such there is a risk of economic dependence. All trade receivables at December 31. 2022 have since been collected from these customers.

The Company invests cash and cash equivalents, restricted cash and reclamation deposits with financial institutions that are financially sound based on their credit rating. The Company's exposure to credit risk associated with receivables is influenced mainly by the individual characteristics of each customer. Given the Company's relatively short operating history at LDI, current customers have limited history of credit default with the Company. The Company had minimal credit losses during the year ended December 31, 2022. All trade receivables outstanding at December 31, 2022 have since been collected by the Company.

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 and further analysis relating to the maturity of the Company's financial obligations are outlined in note 28.

(Stated in thousands of Canadian Dollars)

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. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by $140. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

27. RELATED PARTY TRANSACTIONS AND COMPENSATION OF KEY MANAGEMENT

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

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

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

At the Company's Annual and Special Shareholder meeting held on November 21, 2022, loans to certain executives of the Company in the amount of $338 for the purpose of purchasing securities of the Company were approved by the Company's shareholders. These loans had not been issued and the related share purchases had not occurred as at December 31, 2022. At the same meeting the Company's shareholders approved the DSU/RSU Plan.

28. COMMITMENTS AND CONTINGENCIES

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

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

(Stated in thousands of Canadian Dollars)

29. RECLAMATION AND OTHER PROVISIONS

The Company has an obligation to undertake decommissioning, reclamation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining operation. Movements in the reclamation provisions during the year ended December 31, 2022 and December 31, 2021 are allocated as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Balance, beginning of year	$ 362	$ 346
Acquisition of LDI (note 6)	5,679	-
Change in estimate	116	-
Payments	(10)	
Accretion	356	16
Balance, end of year	$ 6,503	$ 362

Of the total balance of $6,503 at December 31, 2022, $376 was attributable to Bissett Creek and $6,127 was attributable to LDI. The reclamation provision for LDI was based on a report prepared by an independent third party. During March 2022 the Company entered into an irrevocable letter of credit for $1,817 as part of the security required for reclamation obligations relating to LDI. The irrevocable letter of credit is secured by a cash deposit of $1,817.

Subsequent to year end, the Company received a draft update of the closure plan for LDI. It is currently being reviewed and when this process is completed, an update of the closure provision is expected.

The undiscounted liability as at December 31, 2022 was $2,329 (December 31, 2021 $2,329) for Bissett Creek and the undiscounted liability as at December 31, 2022 was $9,251 (December 31, 2021 $Nil) for LDI respectively. The discount and inflation rates used for LDI are 4.1% and 2.0%, respectively.

Other provisions of $98 are for employee leave provisions at Northern Graphite Okanjande Mining (Pty) Ltd.

30. SEGMENTED INFORMATION

Operating segments are those operations whose operating results are reviewed by the chief operating decision makers (“CODM”) to make decisions about resources to be allocated to the segments and assess their performance, provided those operations pass certain quantitative thresholds. The CODM for the Company are the Chief Executive Officer and the Chief Financial Officer.

Since the acquisition of the LDI and Namibian assets in April 2022, management has viewed the operations as two separate geographical units, Canada and Namibia. The Company has only one revenue source, being the sale of graphite concentrate from its operations in LDI.

(Stated in thousands of Canadian Dollars)

The following geographic data includes assets based on their location as at December 31, 2022 and December 31, 2021.

	December 31, 2022				December 31, 2021
	Corporate	LDI	Namibia	Total	Canada
Cash and cash equivalents	$ 483	$ 4,412	$ 181	$ 5,076	$ 3,578
Other current assets	1,030	21,316	2,261	24,607	1,644
Non current assets	17,352	26,518	28,198	72,068	14,434
Current liabilities	6,054	2,481	1,736	10,271	1,562
Non current liabilities	45,339	9,304	661	55,304	362
Net Loss	$ (13,019)	$ 1,813	$ (3,345)	$ (14,551)	$ (3,226)

The following table presents revenue from sales to major customers that exceeded 10% of the Company's revenue for the years ended December 31, 2022 and 2021:

	Year ended December 31, 2022	Year ended December 31, 2021
Customer 1	$ 3,235	$ -
Customer 2	2,144	-
Customer 3	1,831	-
Customer 4	1,374	-
Total revenue from major customers	8,584	-
Total revenue from major customers as a percentage of total revenue	% 72	% -

Revenue from major customers is entirely based in the Canadian segment.

31. GLOBAL COVID-19 PANDEMIC

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, and have contributed to an economic slowdown. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. COVID-19 may hinder both the Company's ability to conduct exploration activities in the jurisdictions that it operates in and its ability to raise financing for exploration or operating costs due to uncertain capital markets, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition. One example of supply chain interruptions that has impacted the Company is the delay in delivery of long-lead time mills ordered for the Okanjande processing facility. It is management's assumption that the Company will continue to operate as a going concern.

32. SUBSEQUENT EVENTS

Stock option exercises

Subsequent to December 31, 2022, 600,000 stock options with a strike price of $0.50 were exercised for gross proceeds of $300 and 150,000 stock options with a strike price of $0.25 were exercised for gross proceeds of $37.

Warrant exercises

Subsequent to December 31, 2022, 4,652,500 warrants with a strike price of $0.45 were exercised for gross proceeds of $2,094.

Stock option issuances

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

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

Change in announced vesting terms for RSU's

On February 12, 2023, Northern announced that the 1,300,000 RSUs granted by the Company to certain officers and employees in December 2022 were issued subject to time-based vesting of one quarter of the RSUs on each of the first and second anniversaries of the respective start dates for the officers and employees with the balance vesting on the third anniversary. It was originally announced that one quarter of the RSUs would vest on each of their first, second, third and fourth anniversaries. This change was made for tax reasons specific to the award of the RSU's.

Mousseau West

On March 14, 2023, the Company announced that the area covered by Mousseau West has been increased by an additional 101.64 hectares to a total of 590.54 hectares by the Québec ministère des Ressources naturelles et des Forêts (the "Minister") through an automatic procedure under the *Mining Act* (Québec) due to the lapse of certain adjoining claims previously held by an arm's length third party. In connection with the increase in the area covered by the Company's claims, the Company has paid $50 and issued 100,000 common shares of the Company to the previous holder of the adjoining claims in order to settle litigation proceedings challenging the Minister's increase in the area of the Company's claims.

Agreement to acquire ownership interest in NeoGraf Solutions

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

Private Placement

On April 27, 2023, the Company closed a non-brokered private placement financing of up to 3,000,000 units of Northern issued on a charity flow-through basis at a price of $0.75 per unit for proceeds of $2,250. Each unit will consist of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one common share at an exercise price of $0.75 for a period of two years.