



NORTHERN
GRAPHITE
CORPORATION

TSXV NGC
OTC NGPHF
FRA 0NG
XSTU 0NG
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Northern Graphite Announces Second Quarter 2023 Results

August 30, 2023: Northern Graphite Corporation (**NGC:TSX-V, NGPHF:OTCQB, FRA:0NG, XSTU:0NG**) (the “**Company**” or “**Northern**”) is pleased to provide an operating and financial summary of results for the three- and six-month periods ended June 30, 2023. The Company’s Financial Statements and Management’s Discussion and Analysis are available on SEDAR+ and on our website.

Operational Summary for the second quarter:

- **Graphite Sales:** Graphite sales were weak over the first half of 2023 which adversely affected the Company’s financial performance. This was largely due to destocking by customers and increased competition from Chinese suppliers after EV subsidies were removed in that country. These factors also affected the Company’s ability to monetize inventories and improve liquidity. Sales rose each month over the course of the second quarter as global market conditions improved, however, and the Company believes this trend will continue going forward as China has reintroduced subsidies on electric vehicles which will lead to increased consumption of domestic graphite production.
- **Mine-to-Market Strategy:** The Company advanced its mine-to-market strategy in the second quarter by signing a letter of intent with the city of Baie-Comeau to purchase land for a planned 200,000 tonne per year Battery Anode Material (“**BAM**”) plant. The Baie-Comeau plant will upgrade graphite that Northern produces into high-value products critical to the green economy, including anode material for Lithium-Ion batteries, fuel cells and graphene. The Company also continued to engage with leading technology companies on partnerships to support development of the Baie-Comeau facility.
- **Downstream integration in non-BAM applications:** The Company is pursuing opportunities to move downstream into non-EV applications in the electronics, construction, graphene and hydrogen fuel cell markets. These markets provide the opportunity to increase revenues and profits through further processing of the Company’s graphite mine concentrates. The Company has entered into an agreement with Edgewater Capital Partners to extend Northern’s option to acquire an ownership interest in NeoGraf Solutions, LLC for six months until February, 2024.
- **Lac des Iles:** The Company launched a new drilling program designed to extend the life of its cornerstone, Lac des Iles graphite mine in Quebec (“**LDI**”), with preliminary results showing promise that the mine will continue to be a critical supplier of natural graphite to the growing EV battery markets.
- **Okanjande:** The Company announced results of a new preliminary economic assessment (“**PEA**”) on its Namibian operations that indicated attractive economics under a plan to move the processing plant previously located at Okorusu to the Okanjande mine rather than rehabilitating the mill in its current location.

CEO Hugues Jacquemin commented, “Traditional graphite markets were weak in the first half of 2023 which adversely affected our financial position and performance. This is being addressed through aggressive cost reductions and efforts to reduce/finance inventories. We see some signs conditions are improving as battery markets grow and Chinese supply

is increasingly focused on their domestic markets. The Company has made good strides toward our mine-to-market strategy, advancing across our key growth catalysts including increased graphite production and laying the groundwork to start producing BAM at Baie-Comeau in 2026. Conversations are advancing with key technology partners to better serve our downstream customers and to be able to make Baie-Comeau into one of the largest, cleanest BAM plants in the world. Final results aren't in yet, but we are optimistic that our cornerstone Lac des Iles mine will be producing for a lot longer than initially expected when we bought it a year ago."

Financial Summary for the second quarter:

- Revenue of \$3.963 million generated based on 2,016 tonnes of graphite concentrate sold at an average realized sales price of \$1,966 /tonne (US\$1,464/tonne) (1)
- Cash costs \$1,333 (US\$993) per tonne of graphite concentrate sold (1)
- Income from mine operations of \$613,000
- An operating loss of \$1.915 million
- The LDI mine and plant were temporarily shut down for the second quarter of 2023 while the Company sold inventory which it acquired with LDI to allow it to serve customers while preserving cash. Although there was no mining or production during the quarter, costs of \$2.791 million were incurred for care and maintenance
- A net loss of \$4.633 million (\$0.04 per share) after care and maintenance and financing costs and net of a foreign exchange gain
- On April 27, 2023 the Company closed a non-brokered private placement financing of 3,000,000 units issued on a charity flow-through basis at a price of \$0.75 per unit for proceeds of \$2,250,000. Each unit consisted 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

(1) The Company reports the non-IFRS financial measures of average realized sales price per tonne of graphite concentrate sold and cash costs per tonne of graphite concentrate sold to manage and evaluate its operating performance. See "Cautionary Note Regarding Non-IFRS Performance Measures" below.

Selected Interim Financial Information (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue	\$3,963	\$ 3,693	\$7,956	\$ 3,693
Cost of Sales				
Production costs	2,688	2,263	5,575	2,263
Depletion and depreciation	662	110	1,316	110
Total cost of sales	3,350	2,373	6,891	2,373
Income from mine operations	613	1,320	1,065	1,320
Expenses				
General and administrative	2,160	1,009	4,434	1,631
Share-based compensation	204	153	949	1,244
Project evaluation, acquisition, and integration	16	1,386	45	1,691
Foreign exchange (gain) loss	148	(29)	103	(60)
Total expenses	2,528	2,519	5,531	4,506
Operating loss	(1,915)	(1,199)	(4,466)	(3,186)
Loss (gain) on marketable securities	10	230	(70)	300
Foreign exchange (gain) loss on financing instruments	(1,148)	318	(1,195)	318
Finance cost	1,397	1,081	2,605	1,086
Interest income	(26)	(39)	(35)	(44)
Impairment loss	-	-	209	-
Care and maintenance	2,791	-	2,791	-
Okorusu moving costs	237	-	432	-

Loss before taxes	(5,176)	(2,789)	(9,203)	(4,846)
Current tax expense	46	253	320	253
Deferred tax recovery	(589)	(79)	(671)	(79)
Net loss	(4,633)	(2,963)	(8,852)	(5,020)
Other comprehensive loss				
Foreign currency translation	(2,097)	(672)	(3,148)	(672)
Other comprehensive loss	\$(6,730)	\$ (3,635)	(12,000)	\$ (5,692)
Loss per share – basic and diluted	(0.04)	(0.03)	(0.07)	(0.05)
Weighted average shares outstanding	129,116,923	107,770,249	127,087,609	107,162,053
- basic and diluted				

Lac des Iles Mine

The LDI mine and plant were temporarily shut down for the second quarter of 2023 while the Company sold inventory to allow it to serve customers while preserving cash. Although there was no mining or production during the quarter, costs of \$2.791 million were incurred for care and maintenance. The plant is expected to restart in the fourth quarter of 2023 and the mine is expected to recommence operations in the first half of 2024.

The Company produced 2,966 tonnes of graphite concentrate and sold 3,829 tonnes of graphite concentrate in the first half of 2023. The Company realized an average sales price of \$2,078 per tonne, cash costs were \$1,456 per tonne sold and mine operating income of \$1,065,000 was generated.

After a detailed review of historical studies and mine plans and the results of an airborne geophysical survey, the Company launched a new drill program during the second quarter of 2023 at LDI that is designed to explore previously untested areas with the objective of extending the life of the mine. The program consists of 8,000 meters of drilling and is being financed from the proceeds of the Company's \$2.25 million charity flow-through private placement completed on April 27, 2023. On August 2, 2023, the Company announced that initial drill results from the first 43 holes (4,081 meters) are encouraging with respect to extending the life of the mine for a lot longer than indicated when Northern acquired it in 2022.

Namibia

On August 28, 2023, the Company released the results of a new PEA that evaluated moving the processing plant for its Namibian operations currently located at Okorusu to the Okanjande mine site rather than rehabilitating the mill in its current location. The PEA indicates that economics remain attractive under the new plan, with higher capital costs but lower operating costs. In addition, greenhouse gas (“GHG”) emissions are reduced, sustainability is improved, and the expansion potential of the project is substantially enhanced.

The PEA, issued July 31, 2023, was prepared by CREO Engineering Solutions and confirms the viability of moving milling operations directly to the Okanjande mine site, eliminating the need to truck mineralized material from the Okorusu processing site 70 kilometers away, reducing operating costs and allowing for a more sustainable operation that includes the use of solar power and reduced water consumption.

Key results include an average annual production of 31,000 tonnes of graphite concentrate to be sold to the American and European markets, production costs of US\$666 per tonne, a Post Tax IRR of 36%, a Post Tax NPV of US\$70 million and a payback of under four years. Results were based on a 10-year mine life and a weighted average graphite price of US\$1,550/tonne. A technical report in respect of the PEA was prepared in accordance with NI43-101 and was filed under the Company's profile on SEDAR on August 28, 2023.

Mine to Market Strategy

On June 29, 2023, the Company announced that it had signed a letter of intent (“LOI”) with the city of Baie-Comeau to purchase land for a 200,000 tonne per year BAM plant as it advances plans to supply anode material to lithium-ion battery manufacturing plants throughout North America. The LOI, which is subject to financing and receipt of regulatory approvals, gives Northern the right to purchase, for US\$1.2 million, a 1.2 million m² property, or approximately 300 acres, in the Baie-Comeau port industrial zone which has access to municipal services and infrastructure. There is effectively no capacity in the

West to convert graphite mine concentrates into anode material and the EV manufacturers are depending on project proponents such as Northern to fill the void and supply existing and planned lithium-ion battery manufacturing plants throughout North America. The Baie-Comeau BAM plant will be one of the world's largest such conversion facilities and will process concentrates from Northern's mines as well as from other producers that will be coming online. The plant will have one of the lowest CO₂ footprints in the industry due to its access to green, hydroelectric power with pricing that is among the most competitive in the world.

On February 13, 2023, Northern announced the signing of an agreement with Edgewater Capital Partners providing the Company with a six-month option to acquire a 33.33% ownership interest and the majority of voting rights (50.1%) in NeoGraf, a US based company focused on the manufacture of specialty value added products from natural graphite, as the Company pursues its strategy of downstream integration into non-BAM markets. In August 2023, the Company reached agreement with Edgewater Capital Partners to extend the Company's option to acquire a stake in NeoGraf for six months.

Graphite Markets Commentary

Graphite demand and sales from the LDI mine have been weak in the first half of 2023 due to two main factors: destocking by customers who ended 2022 with high inventory levels and lower-than-anticipated global graphite demand after China halted incentives for the purchase of EV's which lead to more Chinese manufacturers exporting graphite concentrate at low prices. The Chinese government recently reintroduced rebates on electric vehicles, which the Company believes will refocus their graphite production on supplying battery markets. LDI sales have picked up in the second quarter, however, and forecasts for the second half of the year are favorable.

Liquidity and Capital Resources

As at June 30, 2023 the Company held cash of \$724,000 (December 31, 2022 - \$5,076,000), \$2,051,000 of restricted cash (December 31, 2022 - \$2,083,000) and had working capital of \$18,184,000 (December 31, 2022 - \$19,412,000). Working capital includes \$22,224,000 (December 31, 2022 - \$18,265,000) in inventory consisting of 7,895 tonnes of graphite concentrate (December 31, 2022 - 8,743) and 83,487 tonnes of ore stockpiles (December 31, 2022 - 38,267) as well as materials and supplies. The ore stockpile contains approximately 4,911 tonnes of recoverable graphite (December 31, 2022 - 2,251). The Company is pursuing opportunities to aggressively finance and/or reduce inventories to improve liquidity. In addition to the above the Company also has \$4,277,000 (December 31, 2022 - \$6,331,000) of ore stockpiles consisting of 64,185 tonnes (December 31, 2022 - 107,082) available for processing which is classified as non-current in the financial statements.

Northern has been implementing strict measures during the second quarter to preserve cash, including the temporary shutdown of the LDI mine, and selling from inventories, as well as the downsizing to project mode of its Namibian operations. While additional capital will be required to restart operations in Namibia and advance the Bissett Creek, Mousseau West and South Okak projects, as well as for construction of the Baie-Comeau BAM facility, the Company's capital investment programs are discretionary and flexible and will be managed in a manner that minimizes the need to raise financing at current share prices. Numerous, active discussions are ongoing with respect to strategic partnerships and offtake agreements and there continue to be many positive developments in the EV/battery/critical minerals space.

About Northern Graphite

Northern is a Canadian, TSX Venture Exchange listed company that is focused on becoming a world leader in producing natural graphite and upgrading it into high value products critical to the green economy including anode material for lithium-ion batteries/EVs, fuel cells and graphene, as well as advanced industrial technologies.

Northern is the only significant graphite producing company in North America and expects to become the third largest producer outside of China when its Namibian operations come back online. The Company also has two large scale development projects, Bissett Creek in Ontario and Okanjande in Namibia, that will be a source of continued production growth in the future. All projects have "battery quality" graphite and are located close to infrastructure in politically stable jurisdictions.

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Qualified Person

Gregory Bowes, B.Sc. MBA P.Geo, the Chairman of Northern, is a “qualified person” as defined under NI 43-101 and has reviewed and approved the content of this news release.

For additional information

Please visit the Company’s website at <http://www.northerngraphite.com/investors/presentation/>, the Company’s profile on [SEDAR+.ca](#) our **Social Channels** listed below or contact the Company at (613) 271-2124.

**Cautionary Note Regarding Non-IFRS Performance Measures**

This news release includes certain non-IFRS performance measures that do not have a standardized meaning prescribed by International Financial Reporting Standards (“IFRS”). The Company believes that these measures, in addition to measures prepared in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company and to compare it to information reported by other companies. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. The calculation and an explanation of these measures is provided in the Company’s Management’s Discussion and Analysis and such measures should be read in conjunction with the Company’s Management’s Discussion and Analysis and financial statements.

Cautionary Note Regarding Forward-Looking Statements

This news release contains certain “forward-looking statements” within the meaning of applicable Canadian securities laws. Forward- looking statements and information are frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “potential”, “possible” and other similar words, or statements that certain events or conditions “may”, “will”, “could”, or “should” occur. Forward-looking statements in this release include statements regarding, among others, plans for bringing the Company’s Namibian operations back online, advancing other developments projects to production, developing the capacity to manufacture value added products and raising the financing to complete all or any of these initiatives. All such forward-looking statements are based on assumptions and analyses made by management based on their experience and perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. However, these statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected including, but not limited to unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of other parties to perform as agreed; social or labour unrest; changes in commodity prices; unexpected failure or inadequacy of infrastructure and the failure of ongoing and contemplated studies to deliver anticipated results or results that would justify and support continued studies, development or operations. Readers are cautioned not to place undue reliance on forward-looking information or statements.

Although the forward-looking statements contained in this news release are based on what management believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with them. These forward-looking statements are made as of the date of this news release and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this news release.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.