

MESSAGE FROM THE CEO

“While we are frustrated with our share price, which reflects neither what we have achieved in the past 18 months, nor the enormous potential that lies before us, going forward we expect our legacy industrial division to provide sufficient and sustainable cash flow to support operations while our battery materials division strives for the home run.”



July 2024

In just two years, we have successfully transitioned from being a single-asset exploration company to becoming the only producer of natural flake graphite in North America.

It's a time that has been underscored by our mission to cement our role in the worldwide energy transition and graphite industry in the West, even as both are battered by unprecedented global geopolitical and trade tensions, challenging equity markets and a global economy racked with some of the highest inflation and interest rates in decades.

We have integrated our legacy operations at Lac des Iles and extended the mine life by approximately eight years, and now supply close to 20 percent of the North American industrial graphite market. Currently we have more orders than we can fill and expect market share gains given the increased output at LDI to 25,000 tonnes per year (tpy).

We launched the NGC Battery Materials Group (NGCBM), formed with the acquisition of the assets, R&D and sales team of the battery division of Germany's Heraeus Group, including a fully operational, state-of-the-art electrochemical laboratory in Frankfurt. The group has proven that our graphite can perform at or above commercial standards in battery anode material for electric vehicles, offers testing services to industry participants, and markets Porocarb®, our patented hard carbon material performance additive for all solid state anode material worldwide.

Our Performance

In 2022, the mission of our new management team at Northern was to build, “a billion-dollar company within five years,” an ambition that was based on widespread industry projections of an EV industry that would be in full swing by 2025.

While we still maintain that ambition, the timeline has clearly shifted.

The Western graphite industry has been dominated by China, which is aggressively pursuing its ambition to corner not just the EV market but the entire global auto industry, in part by leveraging a decades-long stranglehold on the critical minerals needed to produce lithium-ion batteries, especially graphite.



Today, our competitors in China are heavily subsidized by the state and sell graphite and battery anode material at a large discount to prices in the West. Our domestic graphite industry simply cannot compete without government support to level the playing field.

So, what are we doing about it?

We are fighting to accelerate the development of our high quality graphite assets, including LDI, Bissett Creek and Okanjande, in order to meet the large demand that is coming down the pipeline from the Gigafactories that are currently being built in North America and in Europe. Of course, all of these expansions will depend on securing project financing and long-term sales contracts with battery makers.

In the past few months alone, as part of the North American Graphite Alliance (NAGA), we have been at the table in the White House with battery makers and auto manufacturers to find ways to build a sustainable graphite industry that protects the strategic interests and energy security of the West; we also met with G7 countries plus Australia and others in Ottawa to discuss how to establish secure critical mineral supply chains to support the EV and energy transitions in the West despite the actions of China.

The good news is that our participation in these efforts are helping to produce results. Most notably, the United States has announced tariffs on Chinese natural graphite imports starting in 2026, and mandated original equipment manufacturers (OEMs) to source their battery grade graphite domestically starting in 2027 if their vehicles are to qualify for IRA tax credits. The United States and Europe have announced tariffs on EV imports to protect their automotive industries from China's global ambitions, and Canada is soon likely to follow suit.

Changing Course

We have, however, had to change course to adjust to the economic realities of an evolving timeline that has strained our financial resources. We are working with strategic partners, governments and investors to stabilize our financial position and revise agreements to better reflect revenue projections that have shifted considerably since we acquired the Imerys assets in 2022.

We are continuing ongoing negotiations with multiple potential battery makers and OEM partners in the US, Asia and Europe that are seeking to collaborate with a quality supplier of graphite with current production, immediately available inventory and the capacity to support future growth.

We are optimistic that battery makers and OEMs will be ready to commit to offtake agreements and direct investment as governments in North America and Europe announce policies that clearly define the rules for market engagement going forward. The recently announced 25 percent US tariff on graphite imports from China, for example, is a good start and will bring us closer to competitive pricing.

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Let's Make it Happen.

Hugues Jacquemin
Chief Executive Officer, Northern Graphite