TSXV: NGC | OTC: NGPHF | XSTU: 0NG | FRA: 0NG

Northern Graphite Announces Second Quarter 2024 Results

- **Strict cost control measures implemented to preserve working capital and bolster balance sheet**
- **Increased output from cornerstone Lac des Iles mine to boost operating income**
- **Near record graphite sales amid push into new markets**

August 29, 2024: Northern Graphite Corporation **(NGC:TSX-V, NGPHF:OTCQB, FRA:0NG, XSTU:0NG)** (the "**Company**" or "**Northern**") is pleased to provide an operating summary and financial highlights for the three and six month periods ending June 30, 2024. The Company's Financial Statements and Management's Discussion and Analysis for the period have been filed on SEDAR+ and posted to the Company's website.

"In the second quarter we took decisive action to manage our cash position to ease the strain on our working capital and provide us with greater flexibility to pursue our growth catalysts, including strict overhead cost cutting measures and the sale of inventory that came with the acquisition of the Lac des Iles (**"LDI"**) mine in 2022, and these efforts are bearing fruit," said Northern **Chief Executive Officer Hugues Jacquemin**. "At the same time, we increased our operating income by ramping up production at LDI and achieving near-record sales volumes to industrial customers for a third consecutive quarter, including sales in new geographies. However, commodity and financial markets remain difficult and in the second quarter the Company was not able to meet all the financial covenants for its senior secured loan and royalty financing, including making the required interest and royalty payments. All defaults have been waived by the lender and royalty holder and discussions are ongoing with respect to amending the terms of our senior secured loan and royalty financing. While the current situation is challenging, the long term outlook for our strategy to sell to the EV battery space remains strong and we continue to implement measures to enable the Company to weather the prevailing environment and carry us through until graphite markets recover."

Operational Highlights: Driving Our Growth Catalysts

- To meet increasing customer demand amid continued **near-record sales** and to increase operating income, in April the Company moved the plant at its LDI mine to a seven days per week operation, targeting annual nameplate capacity of 25,000 tonnes per year (**"tpy"**). Management is also aggressively pursuing new markets/customer opportunities in North America and Europe in order to balance liquidity with the amount of working capital tied up in inventories, and to create a market for future expected Namibian production;
- After a successful 2023 drilling campaign and a **new resource estimate** showed potential to significantly extend the life of LDI, the Company is running operational scenarios to open **a new pit** toward the end of the year and is also planning a **second drilling program** in 2024 with the goal of further increasing production through successful exploration;
- In June the Company received support from Québec's Ministère des Ressources Naturelles et des Forêts ("**MRNF**") in the form of a grant for a total of $0.4 million to pay 50 percent of eligible expenses for geo-metallurgical and geo-environmental drilling to be carried out this year on the LDI mining lease;
- The Company continued to work on **advancing its mine-to-market-to-battery strategy** in the quarter, signing non-disclosure agreements with top-tier global battery manufacturers from South Korea, China, and several Western countries who are keen on utilizing Porocarb®, our patented, high-performance macro-porous hard carbon, as a performance additive in lithium-Ion batteries or as a protective carbon coating for All-Solid-State-Battery ("ASSB") anodes;
- The Company actively **engaged in the quarter with the White House**, **battery makers and other graphite producers** to explore 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 and better compete against China; and
- The Company is in ongoing**, active discussions with various government organizations** at the federal and provincial level, and internationally, to gain support for its projects and to speed up development of the battery anode supply chain.

Financial Highlights: Record Sales Trend Continues, Focus on Cash Management

- Revenue of $5.5 million based on 2,772 tonnes of graphite concentrate sold at an average realized sales price of $1,972 per tonne (US$1,441 per tonne), 6% above the first quarter, due to a favorable product mix;
- Sales volumes in the second quarter of 2024 remained strong, 38% higher compared to the second quarter of 2023, but 7% lower than the first quarter of 2024;
- Total sales revenue for the third quarter of 2024 is expected to be above the first and second quarters of 2024 due to efforts to sell additional volumes to customers, including inventory spot sales:
- Cash costs of $1,560 (US$1,198) per tonne of graphite concentrate sold, slightly lower compared to the first quarter costs of $1,628 per tonne (US$1,140). Costs have been negatively impacted by the ramp up of operations which created inefficiencies and unexpected breakdowns, as well as training of new staff and shutdowns due to weather conditions**;**
- Income from mine operations was $0.1 million, compared to a loss from mine operations of $0.5 million during the first quarter of 2024, due primarily to improved average realized sales prices;
- General and administrative expenses decreased by 15% during the second quarter compared to the first quarter of 2024, and by 10% compared to the second quarter of 2023, as a result of the implementation of strict overhead cost control measures;
- The LDI plant was in full production during the second quarter, with production volumes of 4,082 tonnes, increasing by 59% compared to the first quarter of 2024 (2,574 tonnes). Mining operations were restarted at LDI on April 25, 2024;
- An impairment loss (non-cash) of $3.5 million was incurred due to lower anticipated prices on confirmed sales of concentrate for the second half of 2024 which consisted of a net realizable value impairment of $0.8 million on the Company's stockpile inventory and $2.7 million on its finished goods inventory;
- A net loss of $9.4 million ($0.07 per share) which included significant non-cash charges relating to depletion and depreciation, share-based compensation, capitalized finance expenses, impairment expenses and drawdown of inventories. Cash provided by operating activities was $0.1 million;
- 29,602,050 share purchase warrants expired, leaving 1,680,000 warrants outstanding with an exercise price of $0.75;
- Reclassification of $18.5 million of the senior secured loan and $3.9 million of royalty financing from non-current to current liabilities as a result of the Company not meeting all of the covenants related to these instruments. All defaults have been waived by the lender as at June 30, 2024 and as at August 27, 2024, and the Company is currently in discussions with the lender relating to amending the terms of its senior secured loan and royalty financing;
- Cash and working capital: positive cash provided by operating activities ($0.1 million), a significant improvement compared to Q1 ($ 1.7 million used in operating activities)
  - Cash and equivalents of $0.7 million as at June 30, 2024, in line with March 31, 2024 ($0.7 million);
  - Accounts receivable were reduced by $1.8 million compared to March 31, 2024, as a result of cash collection efforts, negotiation of more favorable terms and collection of tax receivables in Namibia; and
  - The above noted senior secured loan and royalty reclassifications to current liabilities ($22.4 million), the Company's working capital optimization efforts and inventory impairments ($3.5 million) and drawdowns resulted in a negative working capital of $25.6 million as at June 30, 2024.

Northern is continuing to work towards its goal of becoming a vertically integrated, mine-to-market supplier to traditional downstream customers and to the emerging market for battery anode material (**"BAM"**) as well as for next generation All Solid State battery chemistries. The main catalysts of our strategy include growing graphite production from our cornerstone LDI mine, restarting the Okanjande mine in Namibia, developing downstream capacity to produce advanced BAM for use in Lithium-Ion batteries and EVs in North America and Europe, and upgrading graphite mine concentrate into value added industrial products.

Mining Operations

As the only producer of natural flake graphite in North America, Northern has a first mover, competitive advantage in supplying Western markets with graphite for the EV revolution. The Company's projects in Canada and Namibia are all battery grade, and can be scaled in a relatively quick, low-cost manner by leveraging existing permitting and infrastructure at both LDI and at its Okanjande mine in Namibia.

Lac des Iles Mine – Quebec

Northern is boosting output from the LDI mine and processing plant to meet growing demand from industrial customers and coming demand from North American battery makers. In April, the Company restarted mining operations and moved its plant to a seven days a week schedule to be able to meet customer orders in the cornerstone U.S. market as well as new demand from new clients in other markets. Output from the plant, where the Company is targeting nameplate capacity of 25,000 tpy, rose 59 percent in the period to 4,082 tonnes, from 2,574 tonnes in the first quarter, and the Company is working to increase output further in the second half of the year as further efficiencies are implemented.

A new resource estimate based on a strong 2023 drilling campaign showed potential to extend the life at LDI by approximately eight years, which will be confirmed and quantified through an updated mineral reserve estimate and life-of-mine plan that will be available later in 2024. The Company is currently finalizing the study of different operational scenarios to open a new pit by the end of the year or early in 2025. According to the mineral resource estimate prepared in the first quarter by SLR Consulting (Canada) Ltd., Indicated Mineral Resources now total approximately 3.29 million tonnes ("Mt") at an average grade of 6.4% graphitic carbon ("**Cg**"), containing approximately 213,000 tonnes of Cg. Inferred Mineral Resources total approximately 1.43 Mt at an average grade of 7.4% Cg, containing approximately 106,000 tonnes of Cg. Existing stockpiles at the mine site are not included in the updated mineral resource estimate. The updated mineral resource estimate assumes an open pit mining scenario and a long-term average flake graphite concentrate market price of US$1,550 per tonne. Mineral resources are constrained within an optimized pit shell at a cut-off grade of 2.3% Cg. A second program is planned for this fall with the objective of further expanding resources, identifying resources with a lower strip ratio and spending $$1.85 million to meet the Company's obligations under its 2023 flow through share financing. The program will be financed in part by an exploration grant from Québec's MRNF to pay 50 percent of eligible expenses for geo-metallurgical and geo-environmental drilling.

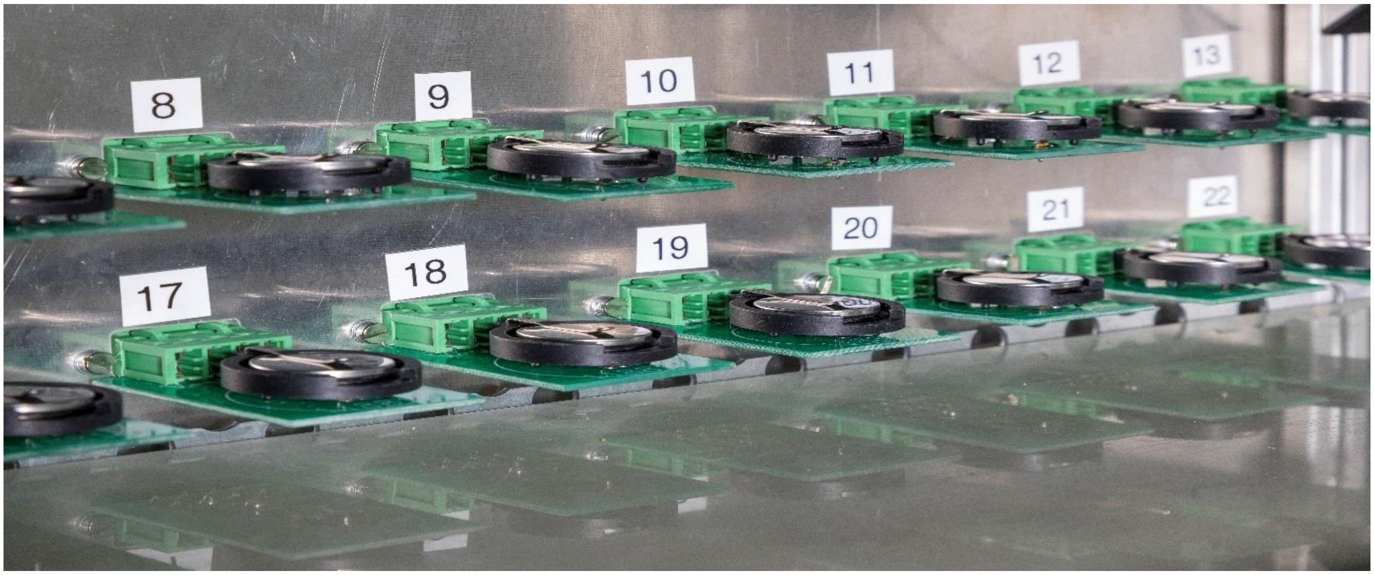
Okanjande Project - Namibia

The Company continues to evaluate options to fund the Okanjande project through the use of a royalty/stream/debt structure and equity contributed by a strategic partner without having to go to the market at current share prices. During the third quarter of 2023, Northern placed Okanjande on care and maintenance except for engineering and activities relating to moving the plant from its site at Okorusu to Okanjande. The timing of the restart is subject to the availability of project financing. A technical report in respect of the PEA prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") was filed under the Company's profile on SEDAR+ (www.sedarplus.ca) on August 28, 2023. The PEA indicated that the economics are attractive under a plan to move the processing plant from Okorusu to the mine site with higher capital costs but lower operating costs. In addition, greenhouse gas emissions are reduced, sustainability is improved, and the expansion potential of the project is substantially enhanced.

Mine-to-Market Strategy – The Porocarb® Promise

The Company continued to work towards advancing its mine-to-market-to-battery strategy in the second quarter, signing non-disclosure agreements with top tier battery manufacturers from South Korea, China and several Western countries who are keen to use Porocarb®, its patented, high-performance porous hard carbon material that enhances the efficiency and speed of energy storage mechanisms as a performance additive in lithium-ion batteries or as a protective coating for ASSB anodes. While timing will depend on the qualification process with battery makers, talks are in an advanced stage, and Porocarb® has the potential to provide significant revenue to the Company sooner than natural graphite lithium-ion BAM products.

Northern launched its battery materials division, NGCBM, in the first quarter to help lead its strategy to use battery-grade graphite from its operations to become an integrated supplier of BAM, the lead component of lithium-ion batteries, to the electric vehicle industry. Led by global battery experts and armed with a fully functional, state-of-the-art laboratory in Frankfurt, NGCBM specializes in advanced material analytics and electrochemical techniques for carbon and battery materials and **enables Northern to produce BAM from its graphite and build and test batteries in its lab**, allowing it to provide tailored solutions to makers of current-state and next-generation battery chemistries. The group was formed through the acquisition of the assets and R&D team of the battery division of Germany's Heraeus Group and includes licensed IP to develop, produce and sell Porocarb®.



NGCBM is able to produce BAM from its graphite and test it under realistic conditions by assembling and characterising batteries in its lab

Under the leadership of NGCBM, the Company is also pursuing efforts to integrate downstream by further processing its graphite for use in lithium-ion batteries by adding shaping, purification and coating technologies to produce BAM in Baie Comeau. This is expected to be done in partnership with companies that are industry leaders in these technologies, and in modular phases as demand for BAM increases. A first phase for the BAM plant, expected to cost in the range of $500 million, is targeted for completion in 2027, subject to financing, regulatory approvals and certain other conditions, and is eligible for potential assistance under programs offered by the province of Québec, the Canadian and U.S. governments, as well as other assistance by the Manicouagan region and potential Plan Nord incentives. The Company has been actively involved in discussions and negotiations with technology and original equipment manufacturer ("**OEM**") partners in both the U.S. and Europe who want to collaborate with a quality supplier of graphite that has current production, immediately available inventory and the capacity to support future growth. Discussions center on volume requirements and the timing thereof and plans for downstream conversion facilities in both North America and Europe. 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. The Company is also engaged with various government organizations at both the federal and provincial level to gain support to speed up the development of the battery anode supply chain, with a particular focus on Ontario and Québec.

Market Commentary

Graphite markets are responding to looming global supply pressures in the face of sustained geopolitical tensions with China, the world's leading producer and processor of the leading component in lithium-ion batteries. As non-battery consumers look increasingly to the West to supply their needs, Northern has seen sustained demand growth since the second half of last year that has been reflected in near-record sales for three consecutive quarters. Sales revenue for the third quarter of 2024 is also expected to be favorable and above the first and second quarters of 2024 as a result of efforts to sell additional volumes to customers, including inventory spot sales for cash management purposes. Management has been aggressively pursuing new markets/customer opportunities in North America and Europe in order to balance liquidity with the amount of working capital tied up in inventories, and to create a market for future expected Namibian production. Industry forecasts for graphite markets to go into deficit in 2025 have been reinforced following actions by the U.S. government to impose tariffs on Chinese natural graphite imports starting in 2026, and to mandate OEMs to source battery grade graphite domestically starting in 2027 if their vehicles are to qualify for U.S. Inflation Reduction Act ("**IRA**") tax credits. Canada, the United States and Europe have all announced tariffs on EV imports to support their automotive industries and better compete with China.

As a member of the North American Graphite Alliance, which represents North American and Canadian producers of battery-grade natural and synthetic graphite, both of which are critical and a leading component in the production of lithium-ion batteries, Northern is engaging in discussions with the White House, OEMs and other producers to find ways to protect and stimulate the region's nascent graphite industry and stringently impose the new two-year certification requirements for OEMs under the IRA's Section 30D Clean Vehicle Tax Credit, which encourages automakers to source domestic components, including critical minerals within lithium-ion batteries, so that consumers can receive a maximum $7,500 tax credit when purchasing an eligible EV.

Balance Sheet Commentary

The Company took decisive action in the quarter to better manage its cash position, bolster its balance sheet and optimize its working capital, including strict overhead cost controls, sales of inventory, optimization of accounts receivable and ramping up output at LDI in order to increase operating income and improve its cash position. The Company reported in the quarter a positive income from mine operations ($0.1 million) and a positive cash provided by operating activities ($0.1 million). While the expansion is increasing operating income, it has also required additional investments in working capital that are straining the Company's resources. On May 27, 2024, the Company sold its 2,000,000 shares of Electric Royalties Ltd. for $0.4 million in cash, and in June the Company announced a grant from Québec's MRNF for its next drilling program at Lac des Iles for a total of $0.4 million and which will pay 50 percent of eligible expenses for geo-metallurgical and geo-environmental drilling to be carried out this year on the mining lease.

The Company is now in discussions with its lender to amend the terms of its senior secured loan to better align with project timelines that have shifted with markets that are evolving at a slower pace than forecast. While these discussions are ongoing, the lender is supportive of Northern's growth plans and is keen to work with the Company to find ways to capitalize on the new resource and extended mine life potential uncovered at LDI and allow the Company to benefit from a strong industrial market for graphite flakes in North America as well as coming demand from EV markets.

The Company reclassified $18.5 million of the senior secured loan and $3.9 million of its royalty financing from non-current to current liabilities as a result of the Company's failure to meet certain covenants related to these instruments during the quarter.

- Senior secured loan - as at June 30, 2024, the Company had not met some of the covenants related to the amended and restated credit agreement dated November 29, 2023, including the payment of accrued interest of $1.6 million (US$1.2 million) due on the semi-annual cash interest payment date as of June 30, 2024; maintaining, at all times, on a consolidated basis, positive working capital; and maintaining, at all times, on a consolidated basis, a minimum cash balance of $750,000.
- Royalty financing - As at June 30, 2024, the Company had not met some of the covenants related to the amended and restated royalty agreement dated November 29, 2023, including the payment of certain royalty amounts due in the second quarter of 2024 totaling $0.4 million (US$0.3 million). An additional royalty amount on second quarter 2024 sales of $0.8 million (US$0.6 million) was due on July 31, 2024 and is currently unpaid.

The lender and royalty holder have waived all of the defaults as of June 30, 2024 and as of August, 27 2024 and the Company is currently in discussions with the lender and royalty holder relating to amending the terms of its senior secured loan and royalty financing.

Going forward, the Company intends to continue to reduce inventories to generate liquidity and maintain the strict overhead cost controls that were implemented during the second quarter of 2024, as well as consider a number of other strategies until support for the only graphite mine in North America materializes or markets improve.

Corporate Update

In order to ensure the Company's continued ability to execute on long-term growth plans with the world class team it has in place, the Company's Board of Directors has approved the grant of a total of 1,700,000 stock options to certain employees pursuant to the Company's Stock Option Plan. These stock options are exercisable to purchase common shares of the Company at an exercise price of $0.20 per share for a period of five years expiring on August 27, 2029, vesting one quarter after each of years one and two and one half after year three. Additionally, the Company has granted a total of 5,100,000 restricted share units ("**RSUs**") to certain officers and employees pursuant to the Company's Deferred Share Unit and Restricted Share Unit Compensation Plan, vesting one quarter after each of years one and two and one half after year three. Once vested, each RSU represents the right to receive one common share of the Company or the equivalent cash value thereof, at the Company's discretion.

In closing, Mr. Jacquemin commented:

"The long-term perspectives of our business remain very attractive, and what we are doing right now is working to mitigate the short-term issues that we have until the market recovers. Do we expect the graphite market to turn? Absolutely. We think that by mid-2025 the world will be short of graphite, and we expect that turn to help us attract investors and the financing we need to build one of North America's most important, integrated, mine-to-battery graphite companies."

About Northern Graphite

Northern, the only flake graphite producing company in North America, 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 expects to become one of the largest natural graphite producers outside of China when its Namibian operations come back online. The Company also has the large-scale Bissett Creek project in Ontario and substantial additional measured and indicated resources in Namibia and the Mousseau property in Quebec which are expected to be sources of continued production growth in the future. All projects have "battery quality" graphite and are located close to infrastructure in politically stable jurisdictions.

For media inquiries contact

Pav Jordan, VP of Communications

Email: pjordan@northerngraphite.com

For further information contact

Guillaume Jacq, CFO

Telephone: (613) 271-2124

Email: info@northerngraphite.com

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 www.northerngraphite.com/investors/presentation the Company's profile on www.sedarplus.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 news release include statements regarding, among others, plans for extending the mine life and output at LDI, bringing the Company's Namibian operations back online, advancing other development projects to production, developing the capacity to manufacture value added products and raising the financing to complete any or all 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, and the inability to raise the required financing. 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.