

NORTHERN GRAPHITE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Nine Month Periods Ended September 30, 2019

(Information as at November 15, 2019 unless otherwise noted)

The following provides management's discussion and analysis of results of operations and financial condition of Northern Graphite Corporation ("Northern" or the "Company") for the three and nine month periods ended September 30, 2019 and 2018. Management's discussion and analysis ("MD&A") was prepared by Company management and approved by the Board of Directors on November 15, 2019.

This MD&A should be read in conjunction with the Company's condensed interim financial statements for the three and nine month periods ended September 30, 2019 and 2018 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements and also with the Company's audited annual financial statements for the years ended December 31, 2018 and 2017 which have been prepared in accordance with IFRS for annual financial statements. All figures are presented in Canadian dollars unless otherwise indicated. The MD&A is prepared in conformity with National Instrument 51-102F1.

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to carry out the Bissett Creek Project and programs related thereto, in addition to the need for future financing, are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to the cautionary language at the end of this MD&A and readers are advised to refer to it when reading any forward-looking statements.

Introduction

The Company was incorporated on February 25, 2002 under the *Business Corporations Act* (Ontario) to develop and hold title to the Bissett Creek graphite project ("Bissett Creek" or the "Bissett Creek Project").

Nature of Operations

The Company's principal focus is the potential development of the Bissett Creek Project located in the County of Renfrew, Ontario. This deposit is somewhat unique in that it contains a very high percentage of large and extra large flake graphite which will command premium pricing. Bissett Creek was extensively explored and evaluated in the 1980's but was not developed as graphite prices subsequently declined due to an excess of supply from China. More recently, increased demand from traditional steel markets, rapidly growing demand from the relatively new lithium ion battery ("LiB") market, and potential supply problems with Chinese production have created renewed interest in graphite projects worldwide.

Northern completed a Full Feasibility Study in July, 2012 (the "FS") which confirmed the technical and financial viability of constructing and operating an open pit mine and 2,500 tonne per day (tpd) processing plant at Bissett Creek. A technical report prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") was filed on SEDAR in August, 2012. The Ontario Ministry of Energy, Northern Development and Mines ("MENDM") accepted the Company's amended mine closure plan ("MCP") which is based on the FS. Accordingly, the Company is authorized to construct a mine at Bissett Creek subject to it receiving a number of other permits and authorizations from various government agencies.

The FS was optimized and updated in September, 2013 (the "FS Update") following an additional 61 hole, 3,425 metre drill program, the release of a new and larger resource estimate and revision of the mine plan based on the new resource model. The FS Update also incorporated some modifications to capital and operating cost assumptions and lower graphite prices.

The Company plans to develop the Bissett Creek Project in two phases. The production scenario outlined in the FS and FS Update represents Phase 1 and is a conservative approach that consists of building a smaller project with a reasonable capital cost and a realistic production volume relative to the size of the current graphite market. In Phase 2, production will be doubled to meet the expected growth in graphite demand, in part arising from the LiB and electric vehicle markets. The Company has completed a preliminary economic assessment on a Phase 2 expansion case (the "Expansion PEA") and filed a technical report prepared in accordance with NI 43-101 on SEDAR in December, 2013. This is the

current technical report on the Bissett Creek Project. The Expansion PEA assumes production will be doubled after three years of operation based on Measured and Indicated resources only. The Company also updated the Expansion PEA (the "Expansion PEA Update") to assess the economics of building a two million tonne per annum ("Mtpa") processing plant at the outset rather than expanding to 2 Mtpa after three years of operation.

Because of the passage of time since completion of the various technical reports, the Company has reviewed the economics of the Phase 1 development scenario in order to evaluate the effect of some modifications to the flow sheet as well as changes in commodity prices, exchange rates, equipment and labor costs, and other project inputs. The Company also evaluated the effect of increasing the proposed production rate of 20,000 tonnes of concentrate per annum by at least 20 percent. The results of this analysis were released as a sensitivity analysis on the Expansion PEA and indicate that the Bissett Creek Project still has an attractive net present value ("NPV") and internal rate of return ("IRR") as cost inflation has been offset by very favorable movements in the CDN/US dollar exchange rate and savings from some simplification of the flowsheet.

A comprehensive metallurgical test program is currently underway at SGS Lakefield to confirm graphite recoveries, concentrate purity and flake size yield under the new flow sheet.. Once these results are available, the Company will determine if it would be necessary or beneficial to prepare and file a new NI 43-101 report. The Company believes that the extensive technical studies completed on the Bissett Creek Project over many years may allow it to proceed directly to detailed engineering once financing has been arranged and a construction decision made.

In 2012, the Company filed a revised Mine Closure Plan ("MCP") which was accepted by MENDM. In accordance with the MCP, the Company is required to deposit \$2,329,008 with the Province of Ontario prior to the commencement of commercial production. This represents the estimated amount that would be required to restore the Bissett Creek property to its original environmental state after the mine has been constructed and operations cease. An initial deposit of \$836,631, including accrued interest, has already been made. Accordingly, the Company is in a position to begin construction of a mine at Bissett Creek, subject to arranging the necessary full project financing and obtaining various other permits and authorizations from a number of government agencies. These are in the process of being obtained and are expected to be received in the normal course prior to the commencement of mining operations. Because of operational changes made to improve the economics of the Bissett Creek Project, and to the passage of time, the MENDM has informed the Company that it must file an amendment to the MCP which will include a re-estimation of reclamation costs and the amount of the associated deposit.

The Bissett Creek Project

The Company holds a 100% interest in the Bissett Creek Project, which is located approximately 15 km from the Trans-Canada Highway (Highway 17) between the towns of Deep River and Mattawa, Ontario. Bissett Creek is located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Province of Ontario, approximately 300 km northeast of Toronto and 200 km west of Ottawa, Ontario.

The Bissett Creek property consists of Ontario mining lease number 109550 (covering 565 hectares) which expires on August 31, 2035, and Ontario mining lease number 109335 (covering 1,938 hectares) which expires on June 30, 2034 (the "Mining Leases"). Property taxes and annual rental payments with respect to the Mining Leases are payable to the Minister of Finance and were \$31,713 during the nine month period ended September 30, 2019 (year ended December 31, 2018 - \$18,743; year ended December 31, 2017 - \$24,810). The Company also held five unpatented mining claims, contiguous to the Mining Leases, which have been converted into 52 cells covering approximately 1,159 hectares under Ontario's new Mining Lands Administration System.

Royalties on Bissett Creek consist of an annual advance payment of \$27,000 to the families of the original discoverers of the deposit which will be credited against a royalty of \$20 per ton of concentrate sold once the mine is operational, and a 2.5% net smelter royalty ("NSR") on any other minerals derived from the Bissett Creek property.

Graphite prices began to increase in 2005 due to increased demand from traditional steel and automotive markets and peaked in 2012 in a range of US\$2,500 to US\$3,000 per tonne for large flake graphite and some shortages were reported. The subsequent slowdown in the Chinese economy combined with a lack of growth in economies in US/Japan/Europe has caused prices to decrease over 50% from 2012 levels where they have largely remained. Prices recovered somewhat in the second half of 2017 due to an improvement in the steel market, continued growth in LiB and expandable graphite

demand and supply problems in China caused by the stricter enforcement of environmental regulations. Based on its review of industry sources, the Company believes that current prices are approximately US\$900 per tonne for large (+80 mesh) flake graphite while +50 mesh XL flake is selling for approximately US\$1,750 per tonne and +32 mesh XXL flake at US\$2,250 per tonne. Approximately 60% of production from Bissett Creek will be XXL and XL flake making it one of the highest margin deposits. These grades are mainly used in the expandable graphite market. The steel market is recovering, the expandable graphite and LiB markets continue to grow and Chinese production of larger flake sizes appears to be declining which bodes well for higher large flake prices in the future. Prices for small flake concentrate, which is mainly used in the manufacture of LiBs, continue to be depressed by new supply from China and a large mine in Africa. Based on information from a number of industry sources, the Company believes that it could achieve an average selling price in the order of US\$1,500 per tonne in the current market.

The Bissett Creek Project is unique among its North American peers in that it has a reasonable capital cost, an initial production rate that is realistic relative to the size of the current market (and which can be expanded as demand grows), and the highest percentage of large/XL flake. Northern's strategy differs from most of its peers in that the large/XL flake nature of Bissett Creek enables the Company to initially focus on high margin and value-added industrial markets, mainly in the US and Europe. This includes micronized graphite, expandable graphite and high purity flake graphite which receive premium prices. The Company will expand into the LiB market when economics improve. Unlike many graphite deposits, essentially all Bissett Creek production will be "battery grade". No value added products are included in the economics in the FS or Expansion PEA or the updates and sensitivity analyses relating thereto.

As at September 30, 2019, the Company had capitalized \$13,284,214 of exploration and evaluation expenditures relating to Bissett Creek. Over the balance of 2019, the Company intends to continue optimizing the costs and economics for the Bissett Creek Project and completing the majority of the remaining permitting. Accordingly, the Company is essentially in a position to make a construction decision subject to arranging the necessary financing.

Mineral Resources

Based on a 1.02% graphitic carbon ("Cg") cut-off, the Bissett Creek deposit has estimated Measured and Indicated resources of 69.8 million tonnes grading 1.74% Cg (1.2 million tonnes of in situ graphite) and Inferred resources of 24.0 million tonnes grading 1.65% Cg (0.4 million tonnes of in situ graphite) (the "2013 Resource Estimate"). The Bissett Creek deposit has an exceptionally high content of high purity, coarse flake graphite which are very important factors that must be considered along with tonnage and grade.

Mineral resources were estimated in conformance with the CIM Mineral Resource definitions referred to in NI 43-101 Standards of Disclosure for Mineral Projects. Pierre Desautels, P.Geol., Principal Resource Geologist, and Gordon Zurowski, P.Eng., Principal Mining Engineer, both of AGP and Qualified Persons under NI 43-101 who are independent of the Company, prepared the mineral resource estimate.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues including changing costs, recoveries and mineral prices.

The quantity and grade of reported inferred mineral resources are uncertain in nature and there has been insufficient exploration drilling to define these inferred mineral resources as indicated or measured mineral resources and it is uncertain if further exploration will result in upgrading them to indicated or measured mineral resources.

Feasibility Study

The Company completed the FS for the Bissett Creek Project in 2012. The FS was prepared by G Mining Services Inc. and confirmed the technical and financial viability of constructing and operating an open pit mine and 2,500 tpd processing plant at Bissett Creek. In 2013, the Company revised the mine plan in the FS based on the 2013 Resource Estimate and updated the FS economics. The FS Update also incorporated some modifications to capital and operating cost assumptions and lower graphite prices. The FS Update was prepared by AGP and as it did not constitute a material change, a new NI 43-101 report was not filed.

Summary of Updated Feasibility Study Economics

	2013 FS Update (base case)	2012 FS
Probable reserves (million tonnes)	28.3Mt*	19.0Mt
Feed Grade (% graphitic carbon)	2.06%*	1.89%
Waste to ore ratio (excl. low grade stockpile)	0.79	0.50
Processing rate (tonnes per day - 92% availability)	2,670	2,300
Mine life*	28 years	23 years
Mill recovery	94.7%	92.7-94.7%
Average annual production	20,800t	15,900t
Capital cost (\$ millions - including 10% contingency)	\$101.6M	\$102.9M
Cash operating costs (\$/tonne of concentrate)*	\$795	\$968
Mining costs (\$/tonne of ore)	\$5.63	\$5.79
Processing costs (\$/tonne of ore)	\$8.44	\$9.60
General and administrative costs (\$/tonne of ore)	\$2.50	\$2.94
CDN/US dollar exchange rate	1.05	1.00
Graphite prices (US\$ per tonne)	\$1,800	\$2,100
Pre tax NPV @8% (CDN\$ millions)	\$129.9	\$71.7
Pre tax IRR (%)	19.8%	15.6%
After tax NPV @8% (CDN\$ millions)	\$89.3	\$46.9
After tax IRR (%)	17.3%	13.7%

*Includes 24 million tonnes ("Mt") grading 2.20% Cg and 4.0 Mt grading 1.26% Cg of low grade stockpile ("LGS") to be processed at the end of the mine life. An additional 12.5 Mt LGS grading 1.26% Cg is stored in the pit and is available for processing through a future expansion or at the end of the mine life. The waste to ore ratio is 0.24 if the low grade stockpile is processed. All grades are diluted.

The proposed development of the Bissett Creek graphite deposit consists of a shallow open pit mine and a processing plant with conventional crushing, grinding and flotation circuits followed by concentrate drying and screening. Power for the plant will be generated on site using compressed natural gas ("CNG") that will be delivered by truck from the main Trans Canada line, 15 km away. The processing plant includes a sulphide flotation circuit to remove enough sulphides to make approximately 97% of the tailings benign. All sulphide and non-sulphide generating waste rock will be backfilled into mined out areas of the pit after five years of operation, and all sulphide tailings after eight years, resulting in low final closure costs.

Probable mining reserves for the Bissett Creek deposit were established based on, and are a subset of, the 2013 Resource Estimate. The final mine plan only contemplated a 25 to 30 year operation and resulted in Probable Reserves of 28.3 Mt of ore grading 2.06% Cg based on a COG of 0.96% Cg. Probable Reserves include 24.3 Mt grading 2.20% Cg that will be processed first and 4.0 Mt grading 1.26% Cg from a low grade stockpile ("LGS") that will be processed at the end of the mine life. In order to increase head grades in the initial years of production while maintaining a reasonable stripping ratio, Measured and Indicated resources grading between 0.96% Cg and 1.5% Cg will be stockpiled, largely within the mined out areas of the pit. The total LGS will be 16.5 Mt grading 1.26% Cg and will provide a great deal of flexibility in future operations as it will be available for processing at a later date, either through an expanded facility or at the end of the mine life. It also represents a low cost source of feed that could be processed during periods of depressed prices.

There are an additional 27.3 million tonnes of Measured and Indicated resources grading 1.62% Cg which are not included in the mine plan and 24 million tonnes of Inferred resources grading 1.65% Cg which are treated as waste. Resource limits have not yet been fully defined and resources may be expanded in the future with additional drilling.

Flake graphite is sold based on 80% meeting the required size specification. Therefore, smaller flake sizes can be blended into larger as long as the carbon content is maintained. The -100 mesh small flake concentrate that will be produced from Bissett Creek is suitable for this purpose. After blending, the FS Update assumes 60% of Bissett Creek production will be +50 mesh and a third of this material is actually +32 mesh, 35% of production will be +80 mesh, and 5% will be +100 mesh.

Sensitivity Analysis - FS Update Pre-Tax NPV and IRR

	US\$2,100/t		US\$1,800/t		US\$1,500/t	
	NPV*	IRR	NPV*	IRR	NPV*	IRR
Base Case	\$201.1	25.7%	\$129.9	19.8%	\$58.7	13.6%
Grade +10%	\$250.6	29.7%	\$172.3	23.4%	\$93.9	16.8%
Grade -10%	\$151.6	21.6%	\$87.6	16.2%	\$23.6	10.3%
Operating costs -10%	\$218.8	27.1%	\$147.6	21.3%	\$76.5	15.2%
Operating costs +10%	\$183.4	24.2%	\$112.2	18.3%	\$41.0	11.9%
Capex -10%	\$212.3	28.4%	\$141.2	22.0%	\$70.0	15.3%
Capex +10%	\$189.8	23.4%	\$118.7	18.0%	\$47.5	12.2%
*CDN\$ millions @ 8%						

A number of significant, low risk opportunities exist to improve upon the FS Update including.

- There is scope to reduce capital costs through the purchase of used equipment and lease financing of the mining fleet and natural gas generators.
- The 2013 Preliminary Economic Assessment and the 2014 Expansion PEA Update indicate that the economics of building a processing plant with double the capacity of that used in the FS Update are more attractive.

Additional testing has determined that waste rock and the low grade stockpile will not become acid generating for a substantial period of time and therefore a lined pad is not required as contemplated in the FS Update. Also, the Company intends to build an engineered wetland to treat any run off from the low grade stockpile and therefore no additional operating costs or upfront financial assurance will be required to return to the pit, any potentially acid generating material that is stored on surface.

Expansion Preliminary Economic Assessment

The Company completed and filed a NI 43-101 Technical Report with respect to a Preliminary Economic Assessment on a Phase 2 expansion case for Bissett Creek. The Expansion PEA, which is the current NI 43-101 Technical Report with respect to the Bissett Creek Project, was undertaken to demonstrate the ability to double processing capacity (to 2 Mtpa) after three years of operation based only on Measured and Indicated resources. The Expansion PEA indicates that Bissett Creek has viable economics even at lower graphite prices.

In 2014, the Company updated the Expansion PEA (the “Expansion PEA Update”) in order to assess the economics of building a two Mtpa processing plant, at the outset, rather than increasing from one Mtpa to two Mtpa after three years of operation. There was no requirement for a new NI 43-101 report relating to the Expansion PEA Update as the changes were not material. A press release was issued and filed on SEDAR and includes detailed cash flows relating to the Expansion PEA Update.

Both the Expansion PEA and the Expansion PEA Update show improved economics over the FS Update because production is essentially being doubled while capital costs increase by less than 50%. The 2014 Expansion PEA Update is the most robust plan because it is more efficient to build one large mill rather than building a second parallel circuit after three years. However, a project this size has the potential to adversely affect prices, especially considering the volume of XL and XXL flake sizes that will be produced. The Company would only contemplate the expanded capacity scenarios if it can secure a strategic partner and or suitable offtake agreements.

Comparison of the study results

	2013 FS Update	2013 Expansion PEA	2014 Expansion PEA Update
Reserves/resources (million tonnes)*	28.3*	39.4*	40.5 ¹
Feed Grade (% graphitic carbon)	2.06%*	1.85%*	1.83% ¹
Waste to ore ratio	0.79	0.24	0.25
Processing rate (tonnes per day - 92% availability)	2,670	2,670-5,340	5,480
Mine life (years)	28	22	21
Mill recovery	94.7%	94.7%	94.7%
Average annual production	20,800t	33,183t	44,200t ²
Initial capital cost (\$ millions - including 10% contingency)	\$101.6M	\$101.6M	\$134.1
Expansion capital	NA	\$45.2M	NA
Sustaining capital	\$43.0	\$58.7M	\$55.1
Cash operating costs (\$/tonne of concentrate)	\$795	\$695	\$736
Mining costs (\$/tonne of ore)	\$5.63	\$4.05	\$3.74
Processing costs (\$/tonne of ore)	\$8.44	\$7.35	\$7.78
General and administrative costs (\$/tonne of ore)	\$2.50	\$1.45	\$1.45
CDN/US dollar exchange rate	1.05	1.05	1.05

*The probable reserve in the FS update consists of 24 million tonnes ("Mt") grading 2.20% Cg and 4.0 Mt of low grade stockpile ("LGS") grading 1.26% Cg. The PEA accelerates the processing of the probable reserve and processes an additional 11.1 million tonnes of measured and indicated resources from the LGS at the end of the mine life. All grades are diluted.

¹ Potentially economically extractable resources are based on the 24 million tonne probable reserve grading 2.20% Cg (as estimated in the FS Update) being processed first followed by the processing of 16.1 million tonnes of Measured and Indicated resources grading 1.26 % Cg from a low grade stockpile. *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*

² first 10 years

Economic Summaries of the Expansion Scenarios

	2013 FS Update	2013 Expansion PEA			2014 Expansion PEA Update		
		(base case)			(base case)		
Graphite prices (US\$ per tonne)	\$1,800	\$2,100	\$1,800	\$1,500	\$2,100	\$1,800	\$1,500
Pre tax NPV @8% (CDN\$ millions)	\$129.9	\$335.6	\$231.0	\$126.6	\$380.9	\$264.7	\$148.4
Pre tax IRR (%)	19.8%	33.0%	26.3%	18.8%	40.7%	31.7%	22.2%
After tax NPV@8% (CDN\$ millions)	\$89.3	\$221.9	\$150.0	\$77.3	\$257.9	\$178.9	\$99.0
After tax IRR (%)	17.3%	27.7%	22.0%	15.7%	33.9%	26.7%	18.9%

Current Project Economics

During 2018 and into 2019 the Company engaged G Mining Services to carry out a review of the economics of the Bissett Creek Project given the passage of time since the FS Update and Expansion PEA were completed. The review evaluated the effect of some modifications to the flow sheet as well as changes in commodity prices, exchange rates, equipment and labor costs, and other project inputs. The review estimated that the capital cost of Phase 1 has increased by approximately five percent. While the cost of some equipment has declined and costs have been reduced through flow sheet modifications, other items such as the power plant have increased and civil, mechanical and electrical costs have all increased due to inflation. Operating costs are expected to be up to 20 percent higher than original estimates.

For the purposes of quantifying the potential effects of G Mining's review, the Company provided the following sensitivity analysis with respect to the current NI 43-101 PEA Report. The sensitivity analysis is based on a five percent increase in capital and a 20 percent increase in operating costs, current exchange rates and commodity prices, and no change in resources or the mine plan.

	NI 43-101 PEA	Sensitivity Analysis
CDN/US dollar exchange rate	1.05	1.30
Graphite price (US\$/t)	\$1,800	\$1,750
Graphite price (CDN\$/t)	\$1,890	\$2,276
Initial capital cost (CDN\$ millions)	\$101.6	\$106.6
Initial capital cost (US\$ millions)	\$96.8	\$82.0
Expansion capital (CDN\$ millions)	\$45.2	\$47.5
Sustaining capital (CDN\$ millions)	\$58.7	\$61.5
Total capital costs (CDN\$ millions)	\$205.5	\$215.6
Average annual production (tonnes)*	38,400	38,400
Total cash operating costs (CDN\$ millions)	\$507.2	\$608.7
Cash operating costs (CDN\$/tonne)	\$695	\$834
Cash operating costs (US\$/tonne)	\$662	\$642
Pre-tax NPV (@8% - CDN\$ millions)	\$231.0	\$304.9
After -tax NPV (@8% - CDN\$ millions)	\$150.0	\$198.2
Pre-tax IRR (%)	26.3%	30.1%
After-tax IRR (%)	22.0%	25.0%
* Average over first 15 years		

The disclosure herein relating to project economics is supported only by the sensitivity analysis within the PEA and does not reflect the PEA base case economic analysis. The PEA is based on Measured and Indicated resources only. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The PEA is preliminary in nature and there is no certainty that the results of the preliminary economic assessment will be realized.

G Mining subsequently completed an analysis which indicated that increasing annual concentrate production by at least 20 percent can be achieved with a relatively modest six percent increase in capital costs for the first phase of development. Higher production would also reduce unit operating costs and is expected to have a very positive effect on the Bissett Creek Project's NPV and IRR. Accordingly, the Company intends to integrate an initial production rate of approximately 25,000 tonnes per year into its development plans.

A metallurgical test program is currently underway at SGS Lakefield to confirm graphite recoveries, concentrate purity and flake size yield under the new flow sheet.. Once these results are available, the Company will determine if it would be necessary or beneficial to prepare and file a new NI 43-101 report.

Corporate Developments

In April 2018, the Company announced that additional testing had confirmed that lithium ion battery (“LiB”) anode material made from concentrates from its Bissett Creek deposit meets or exceeds current commercial specifications. The test work was carried out by the Beijing General Research Institute of Mining and Metallurgy (“BGRIMM”), a Chinese state owned metallurgical research and development company. Test results indicate that the crystallinity, yield and specific surface area (5.652 m²/g for 16μ material) of the Bissett Creek material were all better than industry standards. A yield of 50 percent was achieved on a batch basis and can potentially be increased to 70 percent with a continuous, commercial process. The tap density was 1 g/cm³ which is comparable to existing products.

In May 2018, the Company announced that continuing metallurgical testing by SGS Lakefield (“SGS”) identified a potential opportunity to simplify the Bissett Creek process plant design that could lead to reduced capital and operating costs for the project.

In June 2018, the Company announced it had signed a memorandum of understanding with a European commodity trading company to sell 100 percent of the projected output from the Bissett Creek graphite project in China. The parties intend to enter into a binding agreement when a number of conditions have been met, including the arrangement of project financing. The Company’s partner will be identified at that time as per its request.

Customers of the trading company have tested graphite from a number of different sources outside China and have found that Northern’s graphite is of the highest quality and fits best with market requirements. Chinese production of extra-large (plus 50 mesh) and extra-extra-large (plus 32 mesh) flake graphite is declining while demand is growing, particularly in the expandable graphite market.

On December 12, 2018 the Company announced that G Mining Services Inc. had completed a review of the economics of the Bissett Creek Project in order to evaluate the effect of some modifications to the flow sheet as well as changes in commodity prices, exchange rates, equipment and labor costs, and other project inputs. The review indicates an improvement in the estimated NPV and IRR as cost inflation has been offset by very favorable movements in the CDN/US dollar exchange rate and savings from some simplification of the flowsheet.

In January 2019, the Company announced it had filed the final patent application for its proprietary natural graphite purification technology.

In February 2019, the Company announced that as part of its continuing review of the economics of the Bissett Creek Project, it has completed, through G Mining Services Inc., an analysis which indicates that increasing annual concentrate production by at least 20 percent can be achieved with a relatively modest 6 percent increase in capital costs for the first phase of development. Higher production would also reduce unit operating costs and is expected to have a very positive effect on the project’s net present value and internal rate of return. Accordingly, the Company intends to integrate an initial production rate of approximately 25,000 tonnes per year into its development plans.

During May 2019, the Company announced that it had engaged Red Cloud Klondike Strike Inc. (“RCKS”) to act as its strategic and financial advisor. RCKS will assist the Company in evaluating and pursuing alternatives to maximize shareholder value including identifying potential sources of financing and/or corporate partners needed to advance the development of the Bissett Creek project. In connection with this engagement, the Company has granted RCKS 450,000 stock options exercisable at \$0.20 per share for a 12 month period from the date of grant. While the long term supply/demand picture for graphite is very robust, this effort has not yet been successful as in the short term, there is limited interest in new graphite projects due to ample supply, low prices and the opaque nature of the industry.

Selected Information

The following table contains selected interim financial information for the three and nine month periods ended September 30, 2019 and 2018.

	Nine months ended September 30, 2019 \$	Nine months ended September 30, 2018 \$
Statement of Loss and Comprehensive Loss Data		
Total revenue	Nil	Nil
Total expenses	(539,405)	(913,197)
Loss and comprehensive loss	(507,855)	(873,801)
Loss per share – basic and diluted	(0.01)	(0.01)
Statement of Financial Position Data	As at September 30, 2019	As at December 31, 2018
Total assets	15,906,545	16,480,768
Total long-term debt	Nil	Nil
Total liabilities	470,314	563,303
Shareholders' equity:		
Share capital	25,105,383	25,262,083
Total shareholders' equity	15,436,231	15,917,465

Results of Operations

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
General and administrative expenses				
Legal and audit	9,580	8,354	26,886	26,339
Office, management and director fees	103,225	109,766	339,008	371,514
Promotion and investor relations	450	21,685	58,066	176,588
Regulatory and transfer agent	12,416	10,736	62,518	62,833
Share-based payments	334	7,990	26,621	249,879
Depreciation	8,769	8,769	26,306	26,044
Loss from operations	(134,774)	(167,30)	(539,405)	(913,197)
Interest income	8,668	13,177	31,550	39,396
Loss and comprehensive loss for the period	(126,106)	(154,123)	(507,855)	(873,801)

During the nine month period ended September 30, 2019, the total net loss was \$365,946 lower than the same period during 2018. Significant factors that resulted in the smaller loss included: Office, management and director fees were \$32,506 lower during the first nine months of 2019 compared to the first nine months of 2018, primarily due to a voluntary reduction in the CEO's salary effective January 1, 2019; Directors fees were lower due to the resignation of a Company director during early 2018 who was not replaced; and, Promotion and investor relations costs were \$118,522 lower during the first nine months of 2019 when compared to the first nine months of 2018 as costs for trade show attendance, related travel and certain promotional campaigns were curtailed. During 2019, the Company recognized \$26,621 in non-cash share-based expenses related to stock options which represented a decrease of \$223,258 compared to 2018. A grant of stock options to management and directors during January 2018 gave rise to the higher expense during 2018. Interest income was \$31,550 during the first nine months of 2019 being \$7,846 lower than interest earned in the first nine months of 2018.

For the three month period ended September 30, 2019, the Company recorded a loss and comprehensive loss of \$126,106, or \$0.00 per share, compared to \$154,123, or \$0.00 per share during Q3 2018. For the nine month period ended September 30, 2019, the Company recorded a loss and comprehensive loss of \$507,855, or \$0.01 per share, compared to \$873,801, or \$0.01 per share during 2018.

A total of \$344,158 (2018 – \$626,693) in expenditures were capitalized to the Company's exploration and evaluation assets during the nine month period ended September 30, 2019. Environmental and mine permitting costs were \$192,643 and related primarily to on-going environmental data collection and permitting work. Feasibility study costs were \$70,307 and related to work on updating project economics and metallurgical tests being conducted by SGS. First Nations consultation costs were \$2,019. Site and royalty costs were \$79,189.

Liquidity and Capital Resources

As at September 30, 2019 the Company held cash of \$1,534,581 (December 31, 2018 – \$2,370,622) and had working capital of \$1,500,898 (December 31, 2018 – \$2,302,459). During the nine month period ended September 30, 2019, the Company utilized net cash of \$539,889 with respect to operating activities; and, invested cash of \$296,152 in exploration and evaluation costs for the Bissett Creek Project.

The Company has a long-term reclamation deposit with the Ministry of Finance for the Province of Ontario of \$836,631. As at September 30, 2019, the Company has recorded a provision of \$340,125 representing the estimated liability for the current cost of reclamation for the Bissett Creek site.

Substantial additional capital is required to ultimately build a mine and processing plant at the Bissett Creek Project and to enable the Company to enter production and continue its operations. There is a high degree of risk and many inherent uncertainties in the mining industry and there is no assurance management will be successful in its endeavours.

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Company management believes that it can continue to finance operating expenses over the next twelve months with funds on hand. Given the continuation of weak capital markets in the resource sector, there exists a material uncertainty as to the Company's ability to raise additional funds on favourable terms. The Company's discretionary activities have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will thoroughly assess all such activities before undertaking them in advance of additional financing being secured.

Financing activity

No financing was raised during the first nine months of 2019. During the first quarter of 2018, the Company realized cash proceeds of \$153,562 with respect to the exercise of 438,750 compensation options.

On March 24, 2017, the Company completed a non-brokered private placement and issued 8,333,333 units at a price of \$0.30 per unit for gross proceeds of \$2,500,000. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Company at an exercise price of \$0.40 per share until March 24, 2019. During February 2019, the Company extended the expiry date of these warrants to March 24, 2021. In connection with the private placement, the Company paid fees totalling \$136,500 to the agents, and issued to the agents 455,000 compensation options. Each compensation option entitled the holder to purchase one common share at an exercise price of \$0.35 per share until March 24, 2018.

On November 22, 2017, the Company completed a non-brokered private placement and issued 4,582,644 units at a price of \$0.45 per unit for gross proceeds of \$2,062,190. Each unit was comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of the Company at an exercise price of \$0.60 per share until November 22, 2019. Subsequent to quarter end the Company extended the expiry date of the warrants to November 22, 2021. In connection with the private placement, the Company paid fees totaling \$131,119 to the agents, and issued to the agents 291,370 compensation options. Each compensation option entitled the holder to purchase one common share at an exercise price of \$0.60 per share until November 22, 2018.

Contractual Obligations

As at September 30, 2019 and December 31, 2018, the Company had no contractual obligations or commitments for capital or operating leases, purchase obligations or other long-term commitments.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative instrument obligations, or with respect to any obligations under a variable interest entity arrangement.

Transactions with Related Parties**Key management compensation**

During the nine month period ended September 30, 2019, the Company expensed management fees to a company owned and controlled by key management personnel of \$44,921 (nine months ended September 30, 2018 – \$46,541) and salary and compensation to key management personnel of \$135,000 (nine months ended September 30, 2018 – \$187,500). During the nine month period ended September 30, 2019, the Company expensed directors' fees of \$45,000 (nine months ended September 30, 2018 – \$47,500). During the nine month period ended September 30, 2019, the Company expensed share-based compensation for stock options granted to key management personnel and directors of \$20,918 (nine months ended September 30, 2018 – \$249,879).

Proposed Transactions

The Company continually reviews potential merger, acquisition, investment and other joint venture transactions that could enhance shareholder value. At the current time, there are no reportable proposed transactions.

Changes in Accounting Policies**Recent and future accounting standards**

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2018. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded from the discussion below.

IFRS 9, Financial Instruments (effective January 1, 2018) introduced new requirements for the classification and measurement of financial assets and replaced IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options available in IAS 39. The Company adopted the new standard effective January 1, 2018. The adoption of IFRS 9 had no impact on the Company's results of operations, financial position, and disclosures.

IFRS 15, Revenue from Contracts with Customers provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard was effective for reporting periods beginning on or after January 1, 2018. The adoption of IFRS 15 had no impact on the Company's results of operations, financial position, and disclosures.

IFRS 16, Leases, was issued by the IASB in January 2016. The new standard brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been adopted. The Company adopted IFRS 16 effective January 1, 2019 and there has been no impact of adoption of IFRS 16 on its financial statements.

Critical Accounting Estimates and Judgements

The preparation of the financial statements requires Company management to make estimates, assumptions, and judgements about the future that affect the amounts recorded in the financial statements. These estimates, assumptions, and judgements are based on the Company's experience and management's expectations about future events that are believed to be reasonable under the circumstances. They are continually being re-evaluated based on new facts and experience. Actual results may differ from estimates, assumptions and judgements. The effect of a change in an accounting estimate is recognized prospectively in the period of change and future periods if the change impacts both periods.

Significant estimates used in the preparation of the Company's financial statements include, but are not limited to:

- (i) asset carrying values and impairment charges;
- (ii) the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from development expenditures incurred;
- (iii) the expected costs of asset retirement obligations; and
- (iv) the calculation of share-based compensation and the valuation of warrants which includes the assumptions used in the Black-Scholes option pricing model including volatility, estimated forfeiture rates and expected time until exercise.

Significant judgements used in the preparation of the Company's financial statements include, but are not limited to:

- (i) those relating to the assessment of the Company's ability to continue as a going concern;
- (ii) the useful lives and related depreciation of property and equipment;
- (iii) the identification of separately identifiable components in property and equipment where their respective cost is significant in comparison to the total cost;
- (iv) the classification of expenditures as exploration and evaluation assets; and
- (v) the recognition of deferred tax.

Critical Accounting Policies

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its financial statements.

Going Concern

The Company is an exploration stage company that incurred a net loss of \$507,855 for the nine month period ended September 30, 2019 (Year ended December 31, 2018 – \$1,037,290) and has accumulated a deficit of \$12,970,843 since the inception of the Company. As at September 30, 2019, the Company had working capital of \$1,500,898 (December 31, 2018 – \$2,302,459). The Company's ability to continue as a going concern is dependent upon its ability to raise additional capital to continue the development of the Bissett Creek Property. During the year ended December 31, 2017, the Company raised \$4,562,190 through private placements of shares and warrants. Substantial additional capital is required to ultimately build a mine and processing plant on the Bissett Creek Property. There is a high degree of risk and many inherent uncertainties in the mining industry and there is no assurance management will be successful in its endeavours.

The Interim Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's management believes that it can continue to finance operating expenses over the next twelve months with funds on hand. Given the continuation of weak capital markets in the resource sector, there exists a material uncertainty as to the Company's ability to raise additional funds on favourable terms. The Company's discretionary activities have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will thoroughly assess all such activities before undertaking them in advance of additional financing being secured. The Company's Interim Financial Statements do not include any adjustments that might result from negative outcomes with respect to these uncertainties.

Impairment of Long-Lived Assets

At each 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. Where 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.

Mining properties and exploration and evaluation expenditures

Mining properties correspond to acquired interests in mining exploration permits/claims/leases which include the rights to explore, mine, extract and sell all minerals from such permits/claims/leases. All pre-exploration costs, i.e. 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 are 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.

Share-based compensation

The Company has a stock option plan (the "Plan") as described in note 5 of its Interim Financial Statements. The Company measures the compensation cost of stock options issued under the Plan 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 in share-based payment expense in the statement of comprehensive loss 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 Black-Scholes option pricing model incorporates highly subjective assumptions, including volatility, estimated forfeiture rates and expected time until exercise, which affect the calculated values. At the end of each reporting period, the Company reviews the option pricing model and updates model inputs for any changes for the purposes of determining the fair value of new grants and reflects the impact of changes to non-market input estimates for previous grants in net loss with a corresponding adjustment to contributed surplus.

Restoration and site closure provision

The Company has an obligation to reclaim the Bissett Creek Project after the end of mining operations and has estimated the costs necessary to comply with existing reclamation standards. The fair 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.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax is determined based on differences between the financial statement carrying values of existing assets and liabilities and

their respective income tax bases (temporary differences), and losses carried forward. Deferred tax is measured using the enacted tax rates, or substantially enacted tax rates, which will be in effect when the temporary differences are likely to reverse. The effect on deferred tax of a change in tax rates is included in operations in the period in which the change is enacted. The amount of deferred tax recognized is limited to the amount of the benefit that is probable.

Deferred tax and the recognition and measurement of uncertain tax positions are subject to various assumptions and management judgement. Actual results may differ from these estimates. In circumstances where the applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates could occur that materially affect the amounts of deferred tax recorded.

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 the it first becomes a party to it. 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.

Disclosure of Outstanding Share Data

Information with respect to outstanding common shares, warrants and compensation options and stock options as at November 15, 2019, September 30, 2019 and December 31, 2018 is as follows:

	November 15, 2019	September 30, 2019	December 31, 2018
Common shares	65,112,756	65,112,756	65,112,756
Warrants and compensation options	6,200,487	6,200,487	6,200,487
Stock options	4,000,000	4,000,000	4,000,000
Fully diluted shares outstanding	75,313,243	75,313,243	75,313,243

During January 2019, the Company granted 150,000 stock options exercisable at \$0.25 per share to a director of the Company. During May 2019, the Company granted 450,000 stock options exercisable at \$0.20 per share to a consultant of the Company. During June 2019, a total of 600,000 stock options held by a former director were forfeited.

During January 2019, the Company extended the expiry date of 3,909,166 warrants exercisable at \$0.40 from March 24, 2019 to March 24, 2021. Subsequent to quarter end, the Company extended the expiry date of 2,291,321 warrants exercisable at \$0.60 from November 22, 2019 to November 22, 2021.

Trends

There are significant uncertainties regarding the prices of industrial minerals and the availability of equity financing for the purposes of mineral exploration and development. For instance, the prices of industrial minerals, including graphite, have fluctuated widely in recent years and it is expected that wide fluctuations may continue. Management of the Company is not aware of any trend, commitment, event or uncertainty both presently known or reasonably expected by the Company to have a material adverse effect on the Company's business, financial condition or results of operations other than the normal speculative nature of the natural resource industry and the risks disclosed below under the heading "Risk Factors".

Risk Factors

An investment in the Company's common shares is speculative and subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. The risk factors noted below, in no specific order, are not an exhaustive list of all risk factors associated with an investment in the Company's common shares or in connection with the operations of the Company.

- Exploration stage company developing one single asset;
- The highly speculative nature of mineral exploration and development;
- No history of mineral development and production;
- Mining operations and no insurance coverage on the inherent risks of such operations;
- Limited operating history and financial resources;
- Governmental and environmental regulation, permits and compliance;
- The reliability of results of prior exploration work;
- Reliance on management and experts;
- Reliability of proprietary technologies;
- Intellectual property protection;
- Competition and the over supply of graphite from other operations;
- Risk to infrastructure;
- The possibility of conflicts of interest for the Company's directors and/or officers;
- The possibility of cost overruns, delays and construction risk;
- Competitive conditions;
- Title to property;
- First Nation land claims;
- Environmental risks and hazards;
- Cost of land reclamation;
- Commodity prices;
- Price volatility and lack of active market;
- Litigation; and
- No earning or dividend record and no anticipation of paying dividends in the foreseeable future.

For a more detailed discussion of the above risk factors, refer to the Company's Annual Information Form filed on SEDAR for the year ended December 31, 2018.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains “forward-looking statements” which reflect management’s expectations regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements may include, but are not limited to, statements with respect to the future financial or operating performance of the Company and its projects, the future price of graphite or other metal prices, the estimation of Mineral Resources, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; fluctuations in currency exchange rates; changes in project parameters as plans continue to be refined; changes in labor costs or other costs of production; future prices of graphite or other industrial mineral prices; potential over supply of graphite from other operations; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labor disputes and other risks of the mining industry, including but not limited to environmental hazards, cave-ins, pit-wall failures, flooding, rock bursts and other acts of God or unfavorable operating conditions and losses; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; actual results of reclamation activities, and the factors discussed in the section entitled “Risk Factors” in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Qualified Person

Gregory Bowes B.Sc., MBA, P.Geo., is the Company’s Qualified Person as that term is defined within National Instrument 43-101 and has reviewed and approved the technical content of this MD&A.

Additional Information relating to the Company is available on SEDAR at www.sedar.com.