

# **Northern Graphite Corporation**

## **Condensed Interim Consolidated Financial Statements**

**For the Three- and Nine-Month Periods Ended September 30, 2023 and 2022**

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

# NORTHERN GRAPHITE CORPORATION

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2023 and December 31, 2022

(Unaudited – Stated in thousands of Canadian dollars)

	Notes	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 2,242	\$ 5,076
Restricted cash and reclamation deposits	3	-	7
Receivables	6	3,198	4,100
Prepays		1,827	1,643
Deposits		111	32
Inventories	7	22,423	18,265
Marketable securities		430	560
<b>Total current assets</b>		<b>30,231</b>	<b>29,683</b>
Non-current assets			
Non-current graphite stockpile inventory	7	-	6,331
Exploration and evaluation assets	8	16,513	15,407
Property, plant and equipment	9	24,504	23,110
Mineral interests	10	18,591	20,437
Other assets	11	1,856	1,994
Restricted cash and deposits	3, 26	1,867	2,076
Goodwill	4	2,713	2,713
<b>Total Assets</b>		<b>\$ 96,275</b>	<b>\$ 101,751</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	12, 24	\$ 7,819	\$ 5,044
Flow through shares liability	17	378	-
Current portion of senior secured loan	13	2,231	1,896
Current portion of royalty	14	2,323	2,812
Current portion of leases	16	478	519
<b>Total current liabilities</b>		<b>13,229</b>	<b>10,271</b>
Non-current liabilities			
Senior secured loan	13	15,315	13,191
Royalty	14	2,206	2,415
Deferred revenue	15	32,044	29,358
Leases	16	1,091	1,063
Reclamation provisions	26	6,684	6,601
Deferred tax liability		2,169	2,676
<b>Total Liabilities</b>		<b>72,738</b>	<b>65,575</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	57,421	52,617
Warrants	17	10,368	10,760
Contributed surplus	17	4,455	4,002
Foreign currency translation		(2,626)	(454)
Accumulated deficit		(46,081)	(30,749)
<b>Total shareholders' equity</b>		<b>23,537</b>	<b>36,176</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 96,275</b>	<b>\$ 101,751</b>

Nature of operations (note 1)

Liquidity risk (note 2)

Subsequent events (notes 9 and 28)

**APPROVED ON BEHALF OF THE BOARD ON November 29, 2023:**

(Signed) Gregory Bowes, Director

(Signed) Donald Christie, Director

# NORTHERN GRAPHITE CORPORATION

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

Three and Nine Months Ended September 30, 2023 and 2022

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

	Notes	Three months ended Sept 30, 2023	Three months ended Sept 30, 2022	Nine months ended Sept 30, 2023	Nine months ended Sept 30, 2022
<b>Revenue</b>		\$ 4,933	\$ 4,483	\$ 12,889	\$ 8,176
<b>Cost of sales</b>					
Production costs	18	3,453	3,357	9,028	5,620
Depletion and depreciation		778	359	2,094	469
<b>Total cost of sales</b>		<b>4,231</b>	<b>3,716</b>	<b>11,122</b>	<b>6,089</b>
<b>Income from mine operations</b>		<b>702</b>	<b>767</b>	<b>1,767</b>	<b>2,087</b>
<b>Expenses</b>					
General and administrative	19	2,177	1,779	6,611	3,410
Share-based compensation	17, 24	175	80	1,124	1,324
Project evaluation, acquisition, and integration		-	365	45	2,056
Foreign exchange (gain) loss		407	(556)	510	(616)
<b>Total expenses</b>		<b>2,759</b>	<b>1,668</b>	<b>8,290</b>	<b>6,174</b>
<b>Operating loss</b>		<b>(2,057)</b>	<b>(901)</b>	<b>(6,523)</b>	<b>(4,087)</b>
Loss (gain) on marketable securities		200	(70)	130	230
Foreign exchange (gain) loss on financing instruments	13 to 15	1,098	3,057	(97)	3,375
Finance cost	20	1,188	656	3,793	1,742
Interest income		(17)	(71)	(52)	(115)
Impairment loss	9	-	-	209	-
Care and maintenance	9	2,305	-	5,096	-
Okorusu moving costs	9	83	-	515	-
<b>Loss before taxes</b>		<b>(6,914)</b>	<b>(4,473)</b>	<b>(16,117)</b>	<b>(9,319)</b>
Current tax expense		(20)	282	300	535
Deferred tax expense (recovery)		(67)	68	(738)	(11)
<b>Net loss</b>		<b>(6,827)</b>	<b>(4,823)</b>	<b>(15,679)</b>	<b>(9,843)</b>
<b>Other comprehensive loss</b>					
Foreign currency translation		976	(816)	(2,172)	(1,488)
<b>Other comprehensive loss</b>		<b>\$ (5,851)</b>	<b>\$ (5,639)</b>	<b>\$ (17,851)</b>	<b>\$ (11,331)</b>
<b>Loss per share – basic and diluted</b>		<b>(0.05)</b>	<b>(0.04)</b>	<b>(0.12)</b>	<b>(0.09)</b>
<b>Weighted average shares outstanding</b>					
- basic and diluted		<b>130,032,152</b>	<b>107,770,249</b>	<b>128,081,100</b>	<b>104,060,036</b>

# NORTHERN GRAPHITE CORPORATION

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Three and Nine Months ended September 30, 2023 and 2022

(Unaudited – Stated in thousands of Canadian Dollars)

	Notes	Three months ended Sept 30, 2023	2022	Nine months ended Sept 30, 2023	2022
<b>Operating activities</b>					
Net loss		\$ (6,827)	\$ (4,823)	\$ (15,679)	\$ (9,843)
Items not affecting cash					
Depletion and depreciation	9, 10	1006	545	2,285	671
Income taxes		(89)	350	(207)	524
Share based payments	17	228	80	1,147	1,324
Interest expense and accretion	20	1,041	525	3,398	1,510
Accretion of reclamation provision	20	22	94	99	169
Impairment loss		-	-	209	-
Foreign exchange loss		2,882	2,649	1,211	2,967
Loss (gain) on marketable securities		200	(70)	130	230
Loss on derecognition of ROU assets		(143)	-	(85)	-
Expenses settled in shares		-	-	-	142
Changes in non-cash working capital items					
Receivables, prepaids and deposits		822	(1,718)	(343)	(6,452)
Inventories		3,245	(1,342)	2,504	(1,994)
Accounts payable and accrued liabilities		(673)	1,348	1,796	4,618
<b>Net cash provided by (used in) operating activities</b>		<b>1,714</b>	<b>(2,362)</b>	<b>(3,535)</b>	<b>(6,134)</b>
<b>Investing activities</b>					
Cash paid in LDI acquisition	4	-	-	-	(25,636)
Cash paid in Namibia acquisition, net of cash acquired	5	-	-	-	(20,003)
Restricted cash and deposits	26	212	(43)	219	(8,592)
Land and building use lease payments	9	-	-	-	(2,948)
Exploration and evaluation costs	8	(607)	(261)	(1,403)	(623)
Cash received on sale of assets		-	-	220	-
Additions to property, plant, equipment, mineral property and intangibles	9, 10	(227)	(1,479)	(2,626)	(2,027)
<b>Net cash used in investing activities</b>		<b>(622)</b>	<b>(1,783)</b>	<b>(3,590)</b>	<b>(59,829)</b>
<b>Financing activities</b>					
Private placement, net of costs paid	17	-	-	2,250	21,394
Proceeds from exercise of warrants	17	-	-	2,093	174
Sale of Bissett Creek royalty	8	950	-	950	-
Proceeds from exercise of options	17	-	151	378	151
Proceeds from senior secured debt, net of costs	13	-	-	-	14,690
Proceeds from deferred revenue stream	15	-	-	-	25,658
Proceeds from royalty financing, net of costs	14	-	-	-	4,992
Royalty payments	14	(326)	-	(1,233)	-
Lease payments	16	(133)	(113)	(395)	(186)
<b>Net cash provided by financing activities</b>		<b>491</b>	<b>38</b>	<b>4,043</b>	<b>66,873</b>
Effect of exchange rate changes on cash		(65)	237	248	230
Net increase (decrease) in cash and cash equivalents		1,583	(4,107)	(3,082)	910
Cash and cash equivalents, beginning		724	8,588	5,076	3,578
<b>Cash and cash equivalents, ending</b>		<b>\$ 2,242</b>	<b>\$ 4,718</b>	<b>\$ 2,242</b>	<b>\$ 4,718</b>

Supplemental Cash Flow Information – Note 22

## NORTHERN GRAPHITE CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Nine Months Ended September 30, 2023 and 2022

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

	Number of shares	Share Capital	Warrants	Contributed Surplus	Other Comprehensive Income	Accumulated Deficit	Total
<b>Balances at December 31, 2022</b>	<b>121,315,522</b>	<b>\$ 52,617</b>	<b>\$ 10,760</b>	<b>\$ 4,002</b>	<b>\$ (454)</b>	<b>\$ (30,749)</b>	<b>\$ 36,176</b>
Exercise of warrants (note 17)	4,652,500	2,708	(615)	-	-	-	2,093
Expiry of stock options (note 17)	-	-	-	(385)	-	347	(38)
Exercise of options (note 17)	950,000	615	-	(237)	-	-	378
Exercise of RSU	325,000	150	-	(150)	-	-	-
Share based payments (note 17 and 24)	-	-	-	1,225	-	-	1,225
Share issuance (note 17)	100,000	50	-	-	-	-	50
Flow-through unit issuance (note 17)	3,000,000	1,305	199	-	-	-	1,504
Warrant issuance	-	(24)	24	-	-	-	-
Foreign currency translation	-	-	-	-	(2,172)	-	(2,172)
Loss for the period	-	-	-	-	-	(15,679)	(15,679)
<b>Balances at September 30, 2023</b>	<b>130,343,022</b>	<b>57,421</b>	<b>10,368</b>	<b>4,455</b>	<b>(2,626)</b>	<b>(46,081)</b>	<b>23,537</b>
<b>Balances at December 31, 2021</b>	<b>81,371,422</b>	<b>\$ 30,862</b>	<b>\$ 627</b>	<b>\$ 2,503</b>	<b>\$ -</b>	<b>\$ (16,260)</b>	<b>\$ 17,732</b>
Issuance of common shares and warrants, net (note 17)	31,462,500	16,619	5,172	-	-	-	21,791
Issuance of common shares and warrants for acquisition of LDI (note 17)	6,841,600	4,176	955	-	-	-	5,131
Issuance of warrants for senior secured debt, royalty, stream (note 17)	-	-	4,065	-	-	-	4,065
Exercise of warrants (note 17)	385,000	226	(52)	-	-	-	174
Expiry of stock options (note 17)	-	-	-	(62)	-	62	-
Exercise of options (note 17)	300,000	243	-	(92)	-	-	151
Share based payments (note 17 and 24)	-	-	-	1,324	-	-	1,324
Foreign currency translation	-	-	-	-	(1,488)	-	(1,488)
Loss for the period	-	-	-	-	-	(9,843)	(9,843)
<b>Balances at September 30, 2022</b>	<b>120,360,522</b>	<b>\$ 52,126</b>	<b>\$ 10,767</b>	<b>\$ 3,673</b>	<b>\$ (1,488)</b>	<b>\$ (26,041)</b>	<b>\$ 39,037</b>

# NORTHERN GRAPHITE CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2023 and 2022

*(Unaudited - Stated in thousands of Canadian Dollars, except for share amounts)*

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### 1. NATURE OF OPERATIONS

Northern Graphite Corporation (“Northern” or the “Company”) is a mineral resource exploration, development and production company engaged in the acquisition, exploration, development and production of graphite and other mineral properties. The Company was incorporated under the laws of the Province of Ontario on February 25, 2002. On April 29, 2022, the Company acquired the producing Lac-des-Îles graphite mine in Quebec (“LDI”) and the Okanjande graphite deposit and Okorusu processing plant in Namibia (together “Okanjande”) (notes 4 and 5). In addition, Northern holds a 100% interest in the Mousseau Property graphite project in Quebec (“Mousseau”) and the Bissett Creek graphite project in Ontario (“Bissett Creek”) and had an option to earn up to an 80% interest in the South Okak nickel-copper-cobalt project in Labrador project (“South Okak”) (the Company is engaged in discussions to amend the option agreement which lapsed in accordance with its terms). The Company is listed on the TSX Venture Exchange (symbol “NGC”) and the OTCQB Market (symbol “NGPHF”).

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

### 2. BASIS OF PRESENTATION

#### Statement of Compliance

These condensed interim consolidated financial statements for the three- and nine-month periods ended September 30, 2023 and 2022 (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These Interim Financial Statements do not include all the information and disclosures required in annual consolidated financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended December 31, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

In the preparation of these condensed interim consolidated financial statements, the Company has consistently applied the same use of estimates and judgements and significant accounting policies as disclosed in Notes 3 and 4 to its audited consolidated financial statements for the year ended December 31, 2022.

These Interim Financial Statements were approved and authorized for issue by the Board of Directors on November 29, 2023.

#### Basis of consolidation

Subsidiaries are entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. These Interim Financial Statements include the accounts of the wholly-owned subsidiaries as shown below. All inter-company balances, and gains and losses on intercompany transactions, have been eliminated for consolidation purposes.

#### Basis of measurement

These Interim Financial Statements have been prepared on a historical cost basis except those accounts as noted in the financial instruments section (note 23). In addition, the Interim Financial Statements have been prepared using the accrual basis of accounting.

# NORTHERN GRAPHITE CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2023 and 2022

(Unaudited - Stated in thousands of Canadian Dollars, except for share amounts)

### Functional and presentation currency

These Interim Financial Statements are presented in Canadian dollars, which is the functional currency of the Company. The Company's material wholly-owned subsidiaries and their functional currencies as at September 30, 2023 and December 31, 2022 are as follows:

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

### Liquidity risk

The Interim Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company's management believes that it can continue to finance operating expenses over the next twelve months with funds on hand (including the impact of the financing in note 28) and generated from LDI operations and the sale of inventories. The Company's investment programs are discretionary and have considerable scope for flexibility in terms of the amount and timing of expenditures. The Company will require additional capital to restart operations in Namibia and advance the Bissett Creek, Mousseau and South Okak Projects and there is no assurance management will be successful in its endeavors. The Company's Interim Financial Statements do not include any adjustments that might result from negative outcomes with respect to these material uncertainties such as the inability to obtain funding on reasonable terms, or any terms at all.

### 3. RESTRICTED CASH AND RECLAMATION DEPOSIT

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

As at September 30, 2023, restricted cash consists of \$1,817 (December 31, 2022 - \$1,817) as collateral for an irrevocable letter of credit for reclamation obligations relating to LDI, \$50 as collateral for a VISA deposit (December 31, 2022 - \$50), \$nil of interest (December 31, 2022 - \$7), and \$nil (December 31, 2022 - \$209) for a Namibian electricity deposit.

### 4. ACQUISITION OF LAC-DES-ÎLES GRAPHITE MINE

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

On closing of the acquisition of LDI, the Company paid \$22,734 (US\$17,771) in cash, \$1,561 in cash as a reimbursement for a reclamation deposit and issued 6,841,600 private placement units of the Company at a price of \$0.75 which each consisted of one common share and one-half share purchase warrant exercisable at \$1.01 for a period of two years, for a combined fair value of \$5,131. In addition, the purchase price was subject to post closing adjustments, which were paid in November 2022.

## NORTHERN GRAPHITE CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2023 and 2022

(Unaudited - Stated in thousands of Canadian Dollars, except for share amounts)

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

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

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

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

Cash	\$	24,295
Private placement units (note 17)		5,131
Post closing adjustments		1,341
<b>Total Consideration</b>	<b>\$</b>	<b>30,767</b>

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

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

Goodwill has been allocated to the LDI cash-generating unit. The goodwill balance results from the requirement to recognize a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases.

Business combination costs, including advisory, legal, regulatory and other professional fees, and success fees payable on completion of the transaction totaled \$nil and \$341 for the three and nine months ended September 30, 2022 respectively which were expensed in the Project evaluation, acquisition, and integration line of the condensed interim consolidated statement of loss and other comprehensive loss.

#### 5. ACQUISITION OF NAMIBIAN GRAPHITE DEPOSIT AND PROCESSING PLANT

On April 29, 2022, the Company acquired 100% ownership of the Okanjande project which consists of the Okanjande graphite deposit and processing equipment at the Okorusu plant in Namibia ("Okanjande").

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

## NORTHERN GRAPHITE CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2023 and 2022

(Unaudited - Stated in thousands of Canadian Dollars, except for share amounts)

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

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

An income approach (using a discounted cash flow approach) was used to value the mineral interests of Okanjande. The DCF approach reflects the present value of the expected operating cash flows based on an appropriate discount

rate (27.2%) to reflect the time value and risk of the invested capital. Property, plant and equipment were valued with the cost approach. The consideration paid was allocated on assets and liabilities received on a pro-rata basis net of working capital items.

The following table summarizes the total consideration of the acquisition:

Cash	\$	20,237
Transaction costs		694
<b>Total Consideration</b>	<b>\$</b>	<b>20,931</b>

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

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

#### 6. RECEIVABLES

	September 30, 2023	December 31, 2022
Trade receivables	\$ 1,707	\$ 1,615
Value added tax	1,382	2,450
Other	109	35
	<b>\$ 3,198</b>	<b>\$ 4,100</b>

The Company's expected credit loss as at September 30, 2023 is a nominal amount (December 31, 2022 – nominal amount).

## NORTHERN GRAPHITE CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2023 and 2022

(Unaudited - Stated in thousands of Canadian Dollars, except for share amounts)

#### 7. INVENTORIES

	September 30, 2023	December 31, 2022
Materials and supplies	\$ 1,784	\$ 1,289
Graphite ore stockpiles	9,841	8,592
Finished goods	10,798	14,715
Total inventory	\$ 22,423	\$ 24,596
Non-current graphite stockpile inventory	-	6,331
Total current inventory	\$ 22,423	\$ 18,265

The amount of inventories recognized as an expense during the three and nine months ended September 30, 2023 was \$4,493 and \$11,083 respectively (September 30, 2022 – \$3,701 and \$6,059).

#### 8. EXPLORATION AND EVALUATION ASSETS

	Bissett Creek	Mousseau	South Okak	LDI	Total
Balance, December 31, 2022	\$ 13,309	\$ 959	\$ 1,139	\$ -	\$ 15,407
Engineering and metallurgical	74	103	-	388	565
Geological and geophysical	18	9	8	-	35
Site costs and royalties	68	38	-	1,058	1,164
Sale of royalty interest	(758)	-	-	-	(758)
Acquisition cost	-	100	-	-	100
Balance, September 30, 2023	\$ 12,711	\$ 1,209	\$ 1,147	\$ 1,446	\$ 16,513

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

#### Bissett Creek, Ontario, Canada

The Company has a 100% interest in Bissett Creek which consists of a 1,938 hectares mining lease, expiring in June 2034, a 565 hectare mining lease, expiring in August, 2035, and 52 cells under Ontario's claim system totaling approximately 1,159 hectares. All leases and cells are located in the United Townships of Head, Clara and Maria, in the County of Renfrew, Ontario.

The Company is required to make royalty payments of \$0.02 per ton of graphite concentrate produced to the previous owners and is subject to a 2.5% net smelter return payable on any other minerals derived and sold from Bissett Creek. An advance royalty of \$27 per annum is payable in semi-annual installments and is recorded in exploration and evaluation assets (\$14 paid in the nine months ended September 30, 2023). The advance will be credited against any future royalty payments.

During 2020, the Company closed the sale of a 1.0% gross revenue royalty ("GRR") on its Bissett Creek Property to Electric Royalties Ltd. ("ERL") for \$500 in cash and 2,000,000 shares of ERL. The Company has the option to buy back

## NORTHERN GRAPHITE CORPORATION

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2023 and 2022

*(Unaudited - Stated in thousands of Canadian Dollars, except for share amounts)*

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half of one percent of the initial GRR by returning the shares of ERL or paying \$1,500 in cash.

During the third quarter of 2023, Northern sold an additional 0.5% GRR to ERL for \$950 in cash. In connection with this sale, the Company will make a separate fixed royalty payment to ERL in the total amount of \$200, payable in equal quarterly payments of \$25 for the next two years. The net present value of these payments is \$192.

#### **Mousseau, Quebec, Canada**

During 2022, the Company entered into an option agreement that provided it with an option to acquire a 100% interest in Mousseau, subject to the owners retaining a 2% net smelter royalty ("NSR"). Pursuant to the agreement,

the Company paid \$50 for the six month exclusive right to conduct due diligence, which was expensed in 2022 and included in project evaluation, acquisition and integration costs, as the Company did not have title to any mineral rights. During 2022, the Company exercised its option and acquired Mousseau West for \$500 in cash and the issuance of 900,000 common shares of the Company. The Company has the right to acquire the 2% NSR from the previous owners at any time upon the payment of \$1,000.

On March 14, 2023, the Mousseau East property consisting of 101.64 hectares was granted to the Company by the Québec Ministère des Ressources naturelles et des Forêts (the "Minister") through an automatic procedure under the *Mining Act* (Québec) due to the lapse of certain adjoining claims previously held by an arm's length third party. In connection with the increase in the area covered by the Company's claims, the Company has paid \$50 and issued 100,000 common shares of the Company to the previous holder of the adjoining claims in order to settle litigation proceedings challenging the Minister's increase in the area of the Company's claims. The Mousseau West and East properties are now collectively referred to as "Mousseau" and comprise 590.5 hectares.

#### **South Okak Project, Labrador, Canada**

During 2021, the Company entered into an option agreement to earn up to an 80% interest in South Okak, located 80 kilometres southeast of Voisey's Bay, Labrador. The project comprises a total of 503 claims covering 12,575 hectares. Under the term of the option agreement, the Company had a first option to earn a 49% interest in the project by incurring exploration expenditures and making cash and/or share payments as follows: (i) payment of \$50 in cash (paid) and the issuance of 500,000 common shares (issued) following the June 7, 2021 effective date of the option agreement; (ii) incurring cumulative exploration expenditures of \$250 (completed) prior to March 1, 2022 and \$500 in cumulative expenditures prior to March 1, 2023 (completed); (iii) payment of \$75 in cash, plus \$200 in cash or common shares, at the Company's option, by June 7, 2023. The Company has not met this condition and accordingly the option agreement is no longer in effect. The Company is engaged in discussions to amend the option agreement on the South Okak property which lapsed in accordance with its terms.

#### **Lac-des-Îles**

During the second quarter of 2023, the Company launched a new drill program at its Lac-des-Îles property that is designed to explore previously untested areas of the property with the objective of extending the life of the mine. Phase 1 of the drilling program was completed in October of 2023. The program consisted of 8,000 meters of drilling and, along with a planned Phase 2 follow-up program, is being financed from the proceeds of the Company's \$2.25 million charity flow-through private placement completed on April 27, 2023.

## NORTHERN GRAPHITE CORPORATION

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#### 9. PROPERTY, PLANT AND EQUIPMENT

	Okanjande	LDI	Other	Total
<b>Cost</b>				
Balance, December 31, 2022	\$ 18,039	\$ 7,252	\$ 1,330	\$ 26,621
Additions	3,683	1,053	60	4,796
Asset impairment	(209)	-	-	(209)
Sale of assets	(319)	-	-	(319)
Foreign currency translation	(1,828)	-	-	(1,828)
Balance, September 30, 2023	19,366	8,305	1,390	29,061
<b>Accumulated depletion and depreciation</b>				
Balance, December 31, 2022	(34)	(2,194)	(1,283)	(3,511)
Depletion and depreciation	(13)	(1,003)	(30)	(1,046)
Balance, September 30, 2023	(47)	(3,197)	(1,313)	(4,557)
Net book value	\$ 19,319	\$ 5,108	\$ 77	\$ 24,504

	Okanjande	LDI	Other	Total
<b>Cost</b>				
Balance, December 31, 2021	\$ -	\$ -	\$ 1,320	\$ 1,320
Acquired assets (notes 4 and 5)	12,694	6,034	-	18,728
Additions	6,413	1,218	10	7,641
Asset impairment	(881)	-	-	(881)
Foreign currency translation	(187)	-	-	(187)
Balance, December 31, 2022	18,039	7,252	1,330	26,621
<b>Accumulated depletion and depreciation</b>				
Balance, December 31, 2021	-	-	(1,250)	(1,250)
Depletion and depreciation	(34)	(2,194)	(33)	(2,261)
Balance, December 31, 2022	(34)	(2,194)	(1,283)	(3,511)
Net book value	\$ 18,005	\$ 5,058	\$ 47	\$ 23,110

As at September 30, 2023 the amount of depletion and depreciation from property, plant and equipment and mineral interests included in inventory was \$447 (September 30, 2022 – \$2,928). For the three and nine months ended September 30, 2023 the amount of depletion and depreciation included in mining operations was \$778 and \$2,094 (three and nine months ended September 30, 2022 – \$249 and \$359) and the amount of depreciation included in general and administrative expenses was \$23 and \$69 (September 30, 2022- \$8 and 24).

As at September 30, 2023, LDI property, plant, and equipment cost includes \$1,667 (December 31, 2022 - \$1,242) for right of use assets with a net book value of \$1,033 (December 31, 2022 - \$951). The right of use assets consists of \$641 for a land use and building lease (December 31, 2022 - \$260) and \$393 for mobile assets (December 31, 2022 - \$691).

The LDI mine and plant were temporarily placed in care and maintenance for the second and third quarter of 2023

## NORTHERN GRAPHITE CORPORATION

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while the Company sold excess inventory which it acquired with LDI. Since there was no mining or production during the second and third quarter, costs incurred of \$1,895 in the third quarter and \$4,686 year to date were recorded in the income statement as Care and Maintenance. The LDI plant was restarted on October 30, 2023. The Okanjande plant was temporarily placed in care and maintenance in the third quarter of 2023. Holding costs of \$410 incurred in the quarter were recorded in the income statement as Care and Maintenance.

As at September 30, 2023, Okanjande construction in process additions includes \$2,802 (December 31, 2022 - \$1,185) for capitalized interest (rate of 12%) arising from accretion on deferred revenue (note 15).

As at September 30, 2023 Other contains the net book value of Bissett Creek plant and equipment of \$14 (December 31, 2022 - \$38) and the net book value of office equipment in the Italian sales office of \$63 (December 31, 2022 - \$9).

In December 2022, the Company made the decision to move the location of its future Namibian processing plant facilities from Okorusu to Okanjande. This move, while enhancing the net present value of the Okanjande project, resulted in an impairment of the site access asset for Okorusu of \$2,286 after amortization of \$179 taken during 2022. The remaining site access asset was reclassified to current and non-current prepaids of \$289 and \$97 (note 11) respectively at December 31, 2022. During May 2023, the Company reached a final settlement with the leaseholder. This subsequent event to the first quarter confirmed the existence of the additional impairment of \$209 which was recorded at March 31, 2023.

The Company intends to move virtually all of the processing facilities to Okanjande except for foundations and other immovable objects. As a result, an impairment charge of \$881 was taken in the fourth quarter of 2022 representing assets that could not be moved to Okanjande.

## NORTHERN GRAPHITE CORPORATION

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#### 10. MINERAL INTERESTS

	Okanjande	LDI	Total
Cost			
Balance, December 31, 2022	\$ 9,886	\$ 15,726	\$ 25,612
Additions	840	83	923
Foreign currency translation	(993)	-	(993)
Balance, September 30, 2023	9,733	15,809	25,542
Accumulated Depletion and Depreciation			
Balance, December 31, 2022	-	(5,175)	(5,175)
Depletion and depreciation	-	(1,776)	(1,776)
Balance, September 30, 2023	-	(6,951)	(6,951)
Net book value	\$ 9,733	\$ 8,858	\$ 18,591

	Okanjande	LDI	Total
Cost			
Balance, December 31, 2021	\$ -	\$ -	\$ -
Acquired assets (notes 4 and 5)	9,357	15,610	24,967
Additions	685	116	801
Foreign currency translation	(156)	-	(156)
Balance, December 31, 2022	9,886	15,726	25,612
Accumulated Depletion and Depreciation			
Balance, December 31, 2021	-	-	-
Depletion and depreciation	-	(5,175)	(5,175)
Balance, December 31, 2022	-	(5,175)	(5,175)
Net book value	\$ 9,886	\$ 10,551	\$ 20,437

As at September 30, 2023, Okanjande mineral interests included \$1,481 (December 31, 2022 - \$641) for capitalized interest (rate of 12%) arising from accretion on deferred revenue (note 15).

#### 11. OTHER ASSETS

	September 30, 2023	December 31, 2022
Intangible assets	\$ 169	\$ 169
Intangible assets accumulated amortization	(55)	(14)
Contract assets (note 15)	1,742	1,742
Non-current portion of Okorusu lease access	-	97
	\$ 1,856	\$ 1,994

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#### 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	September 30, 2023	December 31, 2022
Trade payables	\$ 5,099	\$ 3,313
Trade related accruals	1,284	915
Income tax payable	987	704
Payroll and related benefits	449	112
	<b>\$ 7,819</b>	<b>\$ 5,044</b>

#### 13. SENIOR SECURED LOAN

On April 29, 2022 the Company completed a senior secured loan in the amount of \$15,350 (US\$12,000) made at a 2% discount, which matures in 48 months, bears interest at 9% plus the greater of the three month SOFR or 1% and issued the lender 4,800,000 warrants each of which is exercisable to purchase one common share of the Company at an exercise price of \$1.01 with an expiry date of April 29, 2024. The loan was discounted at a market interest rate of 15.2%, with the residual proceeds allocated to the value of warrants resulting in a value of \$1,858. At the Company's option, interest payable during the initial twelve months can be, and has been, capitalized (\$2,538) and added to the principal. In addition, the Company has negotiated terms with the lender to provide the Company with the option to capitalize interest payments due on June 30, September 30, and December 31, 2023 and add the balances to the principal amount. The loan is secured against the assets of LDI and Okanjande. The loan is subject to standard conditions and covenants, including maintenance of positive working capital and cash balances as well as debt service and loan life coverage upon achievement of certain cash flow levels. As at September 30, 2023, the Company was in compliance with these covenants.

Balance, December 31, 2021	\$ -
Funds received	15,350
Warrant issuance value	(1,858)
Financing costs	(789)
Interest expense and accretion	1,600
Foreign exchange loss	784
Balance, December 31, 2022	15,087
Current portion of senior secured loan	1,896
Non-current portion of senior secured loan	\$ 13,191
Balance, December 31, 2022	\$ 15,087
Interest expense and accretion	2,473
Foreign exchange gain	(14)
Balance, September 30, 2023	17,546
Current portion of senior secured loan	2,231
Non-current portion of senior secured loan	\$ 15,315

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#### 14. ROYALTY FINANCING

On April 29, 2022 the Company sold a 9% royalty on graphite concentrate sales revenue from LDI for gross proceeds of \$5,117 (US\$4,000) and issued the royalty purchaser 1,200,000 warrants each of which is exercisable to purchase one common share of the Company at an exercise price of \$1.01 with an expiry date of April 29, 2024. The royalty was discounted at a market interest rate of 22.5%, with the residual proceeds allocated to the value of the warrants resulting in a value of \$465. The purchaser of the royalty has also been granted a right of first refusal with respect to any proposed grant of a stream, royalty or similar transaction on Bissett Creek. The deposit is subject to standard conditions and covenants. As at September 30, 2023, the Company was in compliance with these covenants.

Balance, December 31, 2021	\$	-
Funds received		5,117
Warrant issuance value		(465)
Financing costs		(167)
Interest expense and accretion		887
Payments made		(433)
Foreign exchange loss		288
Balance, December 31, 2022		5,227
Current portion of royalty		2,812
Non-current portion of royalty	\$	2,415
Balance, December 31, 2022	\$	5,227
Interest expense and accretion		580
Payments made		(1,233)
Foreign exchange gain		(45)
Balance, September 30, 2023		4,529
Current portion of royalty		2,323
Non-current portion of royalty	\$	2,206

## NORTHERN GRAPHITE CORPORATION

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#### 15. DEFERRED REVENUE

On April 29, 2022 the Company completed, in exchange for an upfront deposit of \$25,584 (US\$20,000), a minerals purchase and sale agreement for 11.25% of the graphite produced by Okanjande until 350,000 tonnes of contained graphite in concentrate have been produced and delivered, at which time, at the option of the stream purchaser, the stream may convert into a 1% royalty for the remaining life of the Okanjande deposit. The stream is secured by the assets of Okanjande. The stream purchaser has also been granted a right of first refusal with respect to any proposed grant of a stream, royalty or similar transaction on Okanjande. As partial consideration for entering into the stream, the Company has issued 4,500,000 warrants, each of which is exercisable to purchase one common share of the Company at an exercise price of \$1.01 with an expiry date of April 29, 2024. The value of the warrants was \$1,742 and was determined using the Black-Scholes option pricing model (note 17) and has been recognized as a contractual asset which will be expensed over the term of the contract, beginning once sales commence. The Company will have the option, subject to any consents or approvals required under the secured loan, to reduce the stream percentage by up to 50% upon payment of \$20,618 (US\$15,250) in 2024 or \$23,660 (US\$17,500) in 2025. This option will be exercisable in whole or in part on a pro rata basis and was assigned a nil value at inception. The deposit is subject to standard conditions and covenants. As at September 30, 2023, the Company was in compliance with these covenants.

Balance, December 31, 2021	\$	-
Funds received		25,584
Interest accretion		2,213
Foreign exchange loss		1,561
Balance, December 31, 2022	\$	29,358
Balance, December 31, 2022	\$	29,358
Interest accretion		2,724
Foreign exchange gain		(38)
Balance, September 30, 2023	\$	32,044

#### 16. LEASES

The Company has lease agreements relating to mobile equipment and a land and building use with interest rates ranging from 4.5% to 10.0%.

	September 30, 2023	December 31, 2022
Balance, beginning of year	\$ 1,582	\$ -
Acquisition related additions (notes 4 and 5)	-	1,037
Additions	586	934
Derecognition	(216)	-
Principal payments	(395)	(312)
Interest expense and accretion	77	36
Foreign exchange	(65)	(113)
Balance, end of period	1,569	1,582
Current portion of leases	478	519
Non-current portion of leases	\$ 1,091	\$ 1,063

During the second quarter of 2023, the Company entered into a new office lease with the same party and derecognized the old office lease.

# NORTHERN GRAPHITE CORPORATION

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### 17. SHARE CAPITAL

#### Authorized

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

#### For the Nine Months Ended September 30, 2023

On March 14, 2023 the Company issued 100,000 common shares and paid \$50 cash to the previous holder of the claims adjoining the Mousseau property in order to settle litigation proceedings challenging the Minister's increase in the area of the Company's claims by 101.64 hectares to 590.54 hectares (note 8).

In the nine month period ended September 30, 2023, 4,652,500 warrants with a strike price of \$0.45 were exercised for gross proceeds of \$2,093 in exchange for 4,652,500 common shares of the Company.

In the nine month period ended September 30, 2023, 325,000 RSUs were exercised in exchange for 325,000 common shares of the Company.

In the nine month period ended September 30, 2023, 600,000 stock options with a strike price of \$0.50 were exercised for gross proceeds of \$300 in exchange for 600,000 common shares of the Company, 150,000 stock options with a strike price of \$0.25 were exercised for gross proceeds of \$38 in exchange for 150,000 common shares of the Company and 200,000 stock options with a strike price of \$0.20 were exercised for gross proceeds of \$40 in exchange for 200,000 common shares of the Company.

#### Stock option issuances

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

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

During May 2023, the Board of Directors approved a grant of stock options to purchase a total of 390,000 common shares of the Company at a price of \$0.55 per share, vesting one quarter after each of years one, and two, and one half after year three, which are exercisable for a period of five years.

During June 2023, the Board of Directors approved a grant of stock options to purchase a total of 100,000 shares of the Company at a price of \$0.55 per share, vesting one third after each of years one, two, and three, which are exercisable for a period of five years.

#### RSU issuances

During May 2023 the Board of Directors approved a grant of 490,000 RSUs to certain new officers and employees with a vesting period of one quarter after each of years one and two, and one half after year three.

#### Private Placement

On April 27, 2023, the Company closed a non-brokered private placement financing of 3,000,000 units of Northern issued on a charity flow-through basis at a price of \$0.75 per unit for gross proceeds of \$2,250. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one common share at an exercise price of \$0.75 for a period of two years. This was accounted for by fair valuing the shares and warrants with the residual of \$610 being allocated to flow through share liability as the value of tax deductions to be renounced by the Company. This liability was reduced to \$378 at September 30, 2023 based on eligible expenditures made in the second and third quarters. In connection with the transaction, the Company issued 180,000 warrants to the agents exercisable at \$0.75 per share for a period of two years valued at \$24 and has recorded a finder's fee of \$135.

#### For the Year Ended December 31, 2022

In February 2022, the Company completed an initial closing of a brokered private placement raising gross proceeds

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of \$19,322 through the sale of 25,762,500 subscription receipts at a price of \$0.75 per subscription receipt. Each subscription receipt was automatically exercised, without payment of any additional consideration and without further action on the part of the holder thereof, into one unit upon closing of the acquisition of LDI (note 4) and Okanjande (note 5) on April 29, 2022. Each unit was comprised of one common share of the Company and one-half of one share purchase warrant. Each whole warrant is exercisable to acquire one common share at an exercise price of \$1.10 per common share with an expiry date of April 29, 2024. \$745 of the proceeds were allocated to the warrants on a relative fair value basis.

In connection with the initial closing of the private placement, the agents received 1,545,750 agent's warrants with a fair market value of \$745 and a cash fee of \$1,159. Each agent's warrant is exercisable for one common share at an exercise price of \$0.75 per common share at any time on or before February 10, 2024.

On April 29, 2022, the Company completed the final closing of the private placement through the sale of an additional 5,000,000 subscription receipts for gross proceeds of \$3,750. Each subscription receipt was automatically exercised, without payment of any additional consideration and without further action on the part of the holder thereof, into one unit upon closing of the acquisition of LDI (note 4) and Okanjande (note 5) on April 29, 2022. Each unit was comprised of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable to purchase one common share at an exercise price of \$1.10 per common share with an expiry date of April 29, 2024. \$698 of the proceeds were allocated to the warrants on a relative fair value basis.

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

On April 29, 2022, as partial consideration for the acquisition of LDI (note 4) the Company issued 6,841,600 private placement units of the Company at a price of \$0.75 which consisted of one common share and one-half share purchase warrant for a combined fair value of \$5,131. The warrants have an exercise price of \$1.10 and expire on April 29, 2024.

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

On September 26, 2022 300,000 stock options were exercised at a price of \$0.50 for gross proceeds of \$151 in exchange for 300,000 common shares of the Company.

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

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

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#### Warrants

Information with respect to the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price \$
<b>Balance, December 31, 2021</b>	<b>5,092,500</b>	0.45
Warrants issued	<b>31,147,800</b>	1.05
Warrants exercised	<b>(440,000)</b>	0.45
<b>Balance, December 31, 2022</b>	<b>35,800,300</b>	0.97
Warrants issued	<b>1,680,000</b>	0.75
Warrants exercised	<b>(4,652,500)</b>	0.45
<b>Balance, September 30, 2023</b>	<b>32,827,800</b>	1.03

The Company's warrants outstanding as at September 30, 2023 are as follows:

Exercise price	Number of Warrants Outstanding and Exercisable	Expiry Date
\$0.75	1,545,750	Feb 10, 2024
\$0.75	300,000	April 27, 2024
\$0.75	1,680,000	April 27, 2025
\$1.01	10,500,000	April 29, 2024
\$1.10	18,802,050	April 29, 2024
	<b>32,827,800</b>	

As at September 30, 2023, the weighted average remaining contractual life of warrants outstanding is 0.62 years

(December 31, 2022 – 1.16 years).

The value of warrants determined during the periods ended September 30, 2023 and 2022 utilized the Black-Scholes option pricing model with input factors and assumptions as follows:

	Nine months Ended September 30, 2023	Nine months Ended September 30, 2022
<b>Warrants granted during the period</b>	<b>1,680,000</b>	31,147,800
Weighted-average exercise price	<b>0.75</b>	\$1.05
Expected warrant life	<b>2 years</b>	2 years
Expected volatility	<b>71.63%</b>	100% - 109%
Risk-free interest rate	<b>3.73%</b>	1.50% - 2.63%
Dividend yield	<b>Nil</b>	Nil
Weighted-average fair value (Black-Scholes value)	<b>0.17</b>	\$0.37

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### Restricted share units

The Company has a DSU/RSU Plan which is a fixed security-based compensation plan with the maximum number of common shares of the Company that may be issued to participants under the DSU/RSU Plan being 13,034,302 shares, subject to customary adjustments as provided for in the DSU/RSU Plan. The maximum aggregate number of common shares issuable to insiders of the Company (as a group) under the DSU/RSU Plan and the Company's Option Plan shall together collectively not exceed 10% of the issued and outstanding number of shares at any time.

RSU's issued are valued as the product of share price on issuance date and the number of RSU's issued and expensed in accordance with the vesting schedule.

A summary of the RSU activity is presented below:

	Number of Restricted stock units
<b>Balance, December 31, 2021</b>	-
Granted	1,300,000
<b>Balance, December 31, 2022</b>	1,300,000
Granted	490,000
Exercised	(325,000)
<b>Balance, September 30, 2023</b>	<b>1,465,000</b>

A summary of the Company's outstanding RSU's at September 30, 2023 is as follows:

Issue price	RSU's outstanding	RSU's exercisable
\$0.46	975,000	-
\$0.45	490,000	-
<b>Balance, September 30, 2023</b>	<b>1,465,000</b>	-

As at September 30, 2023 there was \$437 of unrecognized share-based compensation costs related to unvested RSU awards granted under the Company's DSU/RSU Plan. In the three and nine month periods ended September 30, 2023, \$104 and \$366 of share-based compensation costs were recognized (three and nine months ended September 30, 2022 - \$Nil and \$Nil).

During May 2023, the Board of Directors approved an award of RSUs for a total of 490,000 shares of the Company, vesting 1/4 on each of January 4, 2024 and 2025 and 1/2 on January 4, 2026.

### Stock options

The Company has an Option Plan which is a rolling security-based compensation plan with the maximum number of common shares of the Company that may be issued to participants under the Option Plan being equal to 10% of the issued and outstanding shares of the Company at any time. Under the Option Plan, the Company may grant non-transferable stock options to purchase common shares of the Company for a period of up to ten years from the date of the grant. The maximum aggregate number of common shares issuable to insiders of the Company (as a group) under the Option Plan and the DSU/RSU Plan shall together collectively not exceed 10% of the issued and outstanding number of shares at any time.

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A summary of the stock option activity is presented below:

	Number of options	Weighted average exercise price \$
<b>Balance, December 31, 2021</b>	5,800,000	0.41
Granted	4,506,000	0.69
Exercised	(300,000)	0.50
Expired	(350,000)	0.41
<b>Balance, December 31, 2022</b>	9,656,000	0.54
Granted	1,790,000	0.55
Exercised	(950,000)	0.40
Expired	(1,276,000)	0.64
<b>Balance, September 30, 2023</b>	<b>9,220,000</b>	<b>0.54</b>

A summary of the Company's outstanding stock options at September 30, 2023 is as follows:

Exercise price	Stock options outstanding	Stock options exercisable	Expiry date
\$0.20	1,300,000	1,300,000	July 23, 2025
\$0.50	2,700,000	2,700,000	April 15, 2026
\$0.55	1,100,000	1,100,000	January 20, 2028
\$0.55	200,000	200,000	February 10, 2028
\$0.55	390,000	-	May 4, 2028
\$0.55	100,000	-	June 29, 2028
\$0.60	200,000	70,000	September 16, 2027
\$0.60	1,030,000	343,333	October 4, 2025
\$0.75	500,000	500,000	December 31, 2026
\$0.75	250,000	250,000	March 8, 2026
\$0.75	1,325,000	1,325,000	January 30, 2027
\$0.75	25,000	25,000	December 31, 2023
\$0.75	100,000	100,000	May 11, 2024
	<b>9,220,000</b>	<b>6,813,333</b>	

## NORTHERN GRAPHITE CORPORATION

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A summary of the Company's outstanding stock options at December 31, 2023 is as follows:

Exercise price	Stock options outstanding	Stock options exercisable	Expiry date
\$0.20	1,500,000	1,500,000	July 23, 2025
\$0.25	150,000	150,000	January 21, 2024
\$0.50	600,000	600,000	January 12, 2023
\$0.50	200,000	200,000	February 22, 2026
\$0.50	2,700,000	2,700,000	April 15, 2026
\$0.60	200,000	-	September 16, 2027
\$0.60	1,631,000	543,667	October 4, 2025
\$0.75	500,000	250,000	December 31, 2026
\$0.75	175,000	175,000	January 2, 2023
\$0.75	300,000	300,000	October 31, 2024
\$0.75	250,000	100,000	March 8, 2026
\$0.75	1,325,000	1,325,000	January 30, 2027
\$0.75	25,000	25,000	December 31, 2023
\$0.75	100,000	50,000	May 11, 2024
	9,656,000	7,918,667	

As at September 30, 2023, the weighted average remaining contractual life of stock options outstanding is 2.90 years (September 30, 2022 – 3.35 years). As at September 30, 2022, a total of 7,350,000 stock options were exercisable.

The value of stock options determined during the nine months ended September 30, 2023 and 2022 utilized the Black-Scholes option pricing model with input factors and assumptions as follows:

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Stock options granted during the period	1,790,000	2,875,000
Weighted-average exercise price	0.55	\$0.74
Expected stock option life	5 years	1 to 5 years
Expected volatility	105.21% to 108.83%	91% to 119%
Risk free interest	2.88% to 3.78%	0.97% to 3.41%
Dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil
Weighted average fair value (Black-Scholes value)	\$0.40	\$0.53

As at September 30, 2023 there was \$180 of unrecognized share-based compensation costs related to unvested stock option awards granted under the Company's Option Plan. In the three and nine months periods ended September 30, 2023, \$71 and \$758 of share-based compensation costs were recognized (three and nine months ended September 30, 2022 - \$80 and \$1,324).

During May 2023 the Board of Directors approved a grant of 390,000 stock options to certain new officers and employees to purchase a total of 390,000 shares of the Company at a price of \$0.55 per share, with the stock options granted to officers vesting 1/3 on each of January 4, 2024, 2025 and 2026, while the stock options granted to employees vest 1/4 on each of January 4, 2024 and 2025 and 1/2 on January 4, 2026, for a period of five years.

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#### 18. PRODUCTION COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Raw materials and consumables	\$ 499	\$ 980	\$ 1,587	\$ 1,392
Salaries and employee benefits	1,107	802	2,617	1,465
Contracted services	769	723	2,650	1,366
Electricity and energy	297	604	915	1,025
Freight	166	41	303	125
Other	615	207	956	247
	\$ 3,453	\$ 3,357	\$ 9,028	\$ 5,620

#### 19. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Legal and audit	\$ 115	\$ 310	\$ 524	\$ 485
Office, management, and director fees	1,952	1,235	5,657	2,412
Promotion and investor relations	55	203	251	390
Regulatory and transfer agent	32	23	110	99
Depreciation	23	8	69	24
	\$ 2,177	\$ 1,779	\$ 6,611	\$ 3,410

#### 20. FINANCE EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest expense and accretion (notes 13 – 16)	\$ 1,996	\$ 1,650	\$ 6,153	\$ 2,661
Accretion of reclamation provision (note 26)	22	94	99	169
Capitalization of deferred revenue interest (notes 9 and 10)	(830)	(1,088)	(2,457)	(1,088)
	\$ 1,188	\$ 656	\$ 3,793	\$ 1,742

During the three and nine months periods ended September 30, 2023 the Company paid interest expense of \$55 and \$374 respectively (three and nine month periods ended September 30, 2022 \$37 and \$63 respectively).

# NORTHERN GRAPHITE CORPORATION

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 21. CAPITAL MANAGEMENT

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

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

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

As at September 30, 2023, the Company was in compliance with all debt covenant requirements.

### 22. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30, 2023	Nine months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2022
Exploration and evaluation costs in accounts payable and accrued liabilities	\$412	\$412	\$ 35	\$ 35
Okanjande in process costs in accounts payable and accrued liabilities	\$252	\$252	\$ 657	\$ 657
Value of warrants issued for financing	-	\$224	\$ -	\$ 4,065
Changes in accounts payable related to financing activity	\$1	\$378	\$ -	\$ -
Fair value of common shares issued for claim payment (note 8)	-	\$50	\$ -	\$ -
Bissett Creek royalty sale minimum cash payment accrued in accounts payable (note 8)	\$192	\$192	\$-	\$-

**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****Fair value**

Certain of the Company's accounting policies and disclosures require the determination of fair value. Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods. Fair values have been determined for measurement and/or disclosure purposes based on the fair value hierarchy contained in the Company's financial instrument accounting policy. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The fair value hierarchy categorizes inputs to valuation techniques used in measuring fair value into the following three levels:

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

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

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

As at September 30, 2023 the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the condensed interim consolidated statements of financial position at fair value on a recurring basis are categorized as follows: cash and cash equivalents and marketable securities (Level 1) of \$2,672 (December 31, 2022 - \$5,636).

As at September 30, 2023 and December 31, 2022, there were no financial assets and liabilities measured and recognized at fair value on a non-recurring basis. The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between Level 1, Level 2 and Level 3 for the nine months ended September 30, 2023 and the year ended December 31, 2022. As at September 30, 2023 and December 31, 2022, there were no financial assets or liabilities measured and recognized in the condensed interim consolidated statements of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy.

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments. The carrying value of the senior secured loan approximates its fair value as it bears a market rate of interest. The Company has performed a sensitivity analysis with a 3% increase in interest rates which indicates that the carrying value of the royalty would approximate its fair value and the carrying value of the deferred revenue differs from the fair value by approximately \$1,400.

**Currency risk**

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. Some of the Company's operating and corporate administration expenditures are incurred in US dollars and the fluctuation of the US dollar in relation to the Canadian dollar will have an impact on the Company's profitability and the carrying amounts of the Company's financial assets and liabilities. At September 30, 2023, the Company had the following financial assets and liabilities denominated in US dollars: cash and cash equivalents of \$293 (December 31, 2022 - \$2,146); trade receivables of \$1,561 (December 31, 2022 - \$1,355); accounts payable and accrued liabilities of \$294 (December 31, 2022 - \$130); senior secured loan of \$12,978 (December 31, 2022 - \$12,814); royalty of \$3,350 (December 31, 2022 - \$4,102); and deferred revenue of \$23,701 (December 31, 2022: \$21,200). With other variables unchanged, a 1% increase on the USD/CAD exchange rate would result in an unrealized foreign exchange loss of \$519. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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*(Unaudited - Stated in thousands of Canadian Dollars)*

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### Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices for graphite. Commodity price risks are affected by many factors that are outside the Company's control including global or regional consumption patterns, the supply of and demand for graphite, inflation and political and economic conditions. Management closely monitors trends in commodity prices of graphite as part of its routine activities, as these trends could significantly impact future cash flows. A 10% increase or decrease in the price of graphite at September 30, 2023 would have resulted in a decrease or increase of \$1,289 in the Company's income from mine operations for the nine month period ended September 30, 2023 (September 30, 2022 - \$818).

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. Four major customers make up 65% of the Company's 2023 revenue, as such there is a risk of economic dependence.

The Company invests cash and cash equivalents, restricted cash and reclamation deposits with financial institutions that are financially sound based on their credit rating. The Company's exposure to credit risk associated with receivables is influenced mainly by the individual characteristics of each customer. Given the Company's relatively short operating history at LDI, current customers have limited history of credit default with the Company. The Company had nominal credit losses during the nine months ended September 30, 2023. Substantially all trade receivables outstanding at September 30, 2023 have since been collected by the Company.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure. Further discussion on liquidity and management's plans are outlined in note 2 and further analysis relating to the maturity of the Company's financial obligations are outlined in note 25.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by \$213. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 24. RELATED PARTY TRANSACTIONS AND COMPENSATION OF KEY MANAGEMENT

During the three- and nine-month periods ended September 30, 2023, the Company expensed salary and compensation to key management personnel of \$793 and \$1,753 (three and nine months ended September 30, 2022 - \$442 and \$970) and management fees to a company owned and controlled by key management personnel of \$8 and \$41 (three and nine months ended September 30, 2022 - \$6 and \$52). During the three- and nine-month periods ended September 30, 2023, the Company expensed directors' fees of \$50 and \$149 (three and nine months ended September 30, 2022 - \$15 and \$45). During the three- and nine-month periods ended September 30, 2023, the Company expensed share-based payments for stock options granted to key management personnel and directors of \$166 and \$1,099 (three and nine months ended September 30, 2022 - \$64 and \$1,260).

As at September 30, 2023, \$513 (December 31, 2022 - \$64) was included in accounts payable and accrued liabilities owing to officers and directors relating to management and directors' fees and for reimbursement of expenses.

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

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

During May 2023, the Board of Directors approved a grant of stock options to certain new officers and employees to purchase a total of 390,000 common shares of the Company at a price of \$0.55 per share, vesting one quarter after each of years one, and two, and one half after year three, which are exercisable for a period of five years.

During May 2023 the Board of Directors approved a grant of 490,000 RSU's to certain new officers and employees with a vesting period of one quarter after each of years one and two, and one half after year three.

In the nine-month period ended September 30, 2023, 325,000 RSUs were exercised by certain officers of the Company in exchange for 325,000 common shares of the Company.

### 25. COMMITMENTS AND CONTINGENCIES

At September 30, 2023, the Company had the following contractual obligations outstanding:

	Within 1 Year	2-3 years	4-5 years	5+ Years	Total
Accounts payable and accrued liabilities	\$7,819	\$-	\$-	\$-	\$7,819
Senior secured loan	2,213	24,703	-	-	26,916
Royalty	2,323	2,529	-	-	4,852
Deferred revenue	-	11,821	13,588	36,267	61,676
Lease commitments	478	537	367	659	2,041
Reclamation provisions	-	5,070	1,321	2,722	9,113
Bissett Creek GRR sale	100	100	-	-	200
Firm commitments	2,378	-	-	-	2,378
	\$15,311	\$44,760	\$15,276	\$39,648	\$114,995

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### 26. RECLAMATION PROVISIONS

The Company has an obligation to undertake decommissioning, reclamation and environmental work when environmental disturbance is caused by the development and ongoing production of a mining operation. Movements in the reclamation provisions during the nine month period ended September 30, 2023 and the year ended December 31, 2022 are allocated as follows:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	\$ 6,503	\$ 362
Acquisition of LDI (note 4)	-	5,679
Change in estimate	82	116
Payments	-	(10)
Accretion	99	356
Balance, end of period	\$ 6,684	\$ 6,503

Of the total balance of \$6,684 at September 30, 2023, \$394 was attributable to Bissett Creek and \$6,291 was attributable to LDI. The reclamation provision for LDI is based on an updated report prepared by an independent third party. During March 2022 the Company entered into an irrevocable letter of credit for \$1,817 as part of the security required for reclamation obligations relating to LDI. The irrevocable letter of credit is secured by a cash deposit of \$1,817 and is subject to annual renewal.

The undiscounted liability as at September 30, 2023 was \$2,329 (December 31, 2022 - \$2,329) for Bissett Creek (assuming operations go ahead as planned) and \$9,765 (December 31, 2022 - \$9,251) for LDI. The discount and inflation rates used for LDI are 4.2% and 2.0%, respectively.

As at September 30, 2022, the Company had restricted cash on deposit for reclamation obligations relating to LDI. These amounts were released to the Northern in the second half of 2022 upon the governmental administrative transfer of the reclamation obligations from the sell of LDI to the Company.

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## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 27. SEGMENTED INFORMATION

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

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

The following geographic data includes assets based on their location as at September 30, 2023 and December 31, 2022.

	September 30, 2023			
	Corporate	LDI	Namibia	Total
Cash and cash equivalents	\$ 867	\$ 1,347	\$ 28	\$ 2,242
Other current assets	966	24,724	2,299	27,989
Non current assets	17,001	19,991	29,052	66,044
Current liabilities	7,675	4,147	1,407	13,229
Non current liabilities	49,957	9,046	506	59,509
Net income (loss)	\$ (10,896)	\$ (2,547)	\$ (2,236)	\$ (15,679)

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

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The following table presents revenue from sales to major customers that exceeded 10% of the Company's revenue for the periods ended September 30, 2023 and 2022:

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Customer 1	\$ 3,219	\$ 1,936
Customer 2	1,420	1,458
Customer 3	1,291	1,402
Customer 4	1,231	-
Customer 5	1,230	-
Total revenue from major customers	\$ 8,391	\$ 4,796
Total revenue from major customers as a percentage of total revenue	65%	59%

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

### 28. SUBSEQUENT EVENTS

Subsequent to September 30, 2023, the Company obtained additional financing of US\$3,000 from Sprott Resources and Royalties in the form of:

- An increase in the amount of the Senior Secured Loan by US\$1,000 (from US\$12,000 to US\$13,000), and
- An increase in the amount of the Royalty Financing by US\$2,000 (from US\$4,000 to US\$6,000) through an additional 4% graphite sales revenue royalty on LDI reducing to 0.25% once the additional royalty has been paid on 45,000 tonnes of sales.

In October 2023, Northern engaged Senergy Communications Capital Inc. ("Senergy") and Outside The Box Capital Inc. ("Outside The Box") to provide investor relations and marketing services to the Company. Senergy has been retained for an initial period of 4 months for a fee of \$25.5. Outside The Box has been retained for a total period of 12 months. The Company granted Outside The Box 615,384 stock options, each exercisable to acquire one common share of Northern at an exercise price of \$0.325 per share for a period of two years from the date of grant (the "Options"). The Options will vest in 4 equal tranches of 153,486 Options on each of the dates which are respectively 3, 6, 9 and 12 months from the date of the grant. In the event that the Outside The Box agreement is terminated in accordance with its terms, all Options which have not yet vested will expire and be terminated as of the date of the termination of the agreement. The Company will also pay Outside The Box a fee of \$50 per quarter during the term of the agreement.