

Northern Graphite Corporation

Condensed Interim Consolidated Financial Statements

For the Three- and Nine-Month Periods Ended September 30, 2024 and 2023

(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, 2024 and December 31, 2023

(Unaudited – Stated in thousands of Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicting that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

NORTHERN GRAPHITE CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2024 and December 31, 2023

(Unaudited – Stated in thousands of Canadian dollars)

| | Notes | September 30, 2024 | December 31, 2023 |
|--|--------|--------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 309 | \$ 3,115 |
| Receivables | 4 | 2,772 | 2,244 |
| Prepays | | 1,838 | 1,794 |
| Deposits | | 343 | 147 |
| Inventories | 5 | 8,263 | 17,129 |
| Marketable securities | 6 | - | 490 |
| Total current assets | | 13,525 | 24,919 |
| Non-current assets | | | |
| Non-current finished goods inventories | 5 | 2,207 | 1,863 |
| Exploration and evaluation assets | 6 | 16,136 | 15,693 |
| Property, plant and equipment | 7 | 25,566 | 23,956 |
| Mineral interests | 8 | 16,823 | 18,367 |
| Other assets | 9 | 1,798 | 1,841 |
| Restricted cash and reclamation deposits | 3, 24 | 1,922 | 1,874 |
| Goodwill | | 2,713 | 2,713 |
| Total Assets | | \$ 80,690 | \$ 91,226 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 10, 22 | \$ 8,479 | \$ 6,897 |
| Flow through shares liability | 15 | 500 | 500 |
| Current portion of senior secured loan | 11 | 22,698 | 3,146 |
| Current portion of royalty | 12 | 8,986 | 3,769 |
| Current portion of leases | 14 | 465 | 506 |
| Total current liabilities | | 41,128 | 14,818 |
| Non-current liabilities | | | |
| Senior secured loan | 11 | - | 16,163 |
| Royalty | 12 | - | 2,999 |
| Deferred revenue | 13 | 36,063 | 32,305 |
| Leases | 14 | 826 | 964 |
| Reclamation provisions | 24 | 6,743 | 6,402 |
| Deferred tax liability | | 827 | 1,788 |
| Total Liabilities | | 85,587 | 75,439 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 15 | 67,897 | 57,421 |
| Warrants | 15 | 223 | 10,368 |
| Contributed surplus | 15 | 5,154 | 4,961 |
| Foreign currency translation | | (872) | (2,571) |
| Accumulated deficit | | (77,299) | (54,392) |
| Total Shareholders' equity | | (4,897) | 15,787 |
| Total Liabilities and Shareholders' Equity | | \$ 80,690 | \$ 91,226 |

Going concern (note 1)

Subsequent events (notes 7, 11 and 12)

APPROVED ON BEHALF OF THE BOARD ON November 27, 2024:

(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, 2024 and 2023

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

| | | Three months ended Sept 30, | | Nine months ended Sept 30, | |
|---|----------|-----------------------------|--------------------|----------------------------|--------------------|
| | Notes | 2024 | 2023 | 2024 | 2023 |
| Revenue | | \$ 6,709 | \$ 4,933 | \$ 17,706 | \$ 12,889 |
| Cost of Sales | | | | | |
| Production costs | 16 | 5,763 | 3,453 | 14,919 | 9,028 |
| Depletion and depreciation | | 1,593 | 778 | 3,844 | 2,094 |
| Total cost of sales | | 7,356 | 4,231 | 18,763 | 11,122 |
| (Loss) income from mine operations | | (647) | 702 | (1,057) | 1,767 |
| Expenses | | | | | |
| General and administrative | 17 | 2,306 | 2,177 | 7,231 | 6,611 |
| Share-based compensation | 15, 22 | 97 | 175 | 358 | 1,124 |
| Project evaluation, acquisition, and integration | | - | - | - | 45 |
| Cost reimbursement of NGC BAM lab expenses | | (420) | - | (1,099) | - |
| Foreign exchange (gain) loss | | (595) | 407 | (857) | 510 |
| Total expenses | | 1,388 | 2,759 | 5,633 | 8,290 |
| Operating loss | | (2,035) | (2,057) | (6,690) | (6,523) |
| Loss on marketable securities | | - | 200 | 90 | 130 |
| Foreign exchange (gain) loss on financing instruments | 11 to 13 | (933) | 1,098 | 1,130 | (97) |
| Finance expense | 18 | 2,925 | 1,188 | 9,089 | 3,793 |
| Interest income | | (30) | (17) | (99) | (52) |
| Impairment expense | 5, 7 | 359 | - | 4,324 | 209 |
| Care and maintenance | 7 | 675 | 2,305 | 2,415 | 5,096 |
| Okorusu moving costs | | - | 83 | 22 | 515 |
| Loss before taxes | | (5,031) | (6,914) | (23,661) | (16,117) |
| Current tax expense (recovery) | | 48 | (20) | 207 | 300 |
| Deferred tax recovery | | (320) | (67) | (961) | (738) |
| Net loss | | (4,759) | (6,827) | (22,907) | (15,679) |
| Other comprehensive loss | | | | | |
| Foreign currency translation gain (loss) | | 852 | 976 | 1,699 | (2,172) |
| Other comprehensive loss | | (3,907) | (5,851) | (21,208) | (17,851) |
| Loss per share – basic and diluted | | (0.04) | (0.05) | (0.18) | (0.12) |
| Weighted average shares outstanding | | 130,962,312 | 130,032,152 | 130,709,565 | 128,081,100 |
| - basic and diluted | | | | | |

NORTHERN GRAPHITE CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Three and Nine Months ended September 30, 2024 and 2023

(Unaudited – Stated in thousands of Canadian Dollars)

| | Notes | Three months ended Sept 30, 2024 | Three months ended Sept 30, 2023 | Nine months ended Sept 30, 2024 | Nine months ended Sept 30, 2023 |
|---|-------|-------------------------------------|-------------------------------------|------------------------------------|------------------------------------|
| Operating activities | | | | | |
| Net loss | | \$ (4,759) | \$ (6,827) | \$ (22,907) | \$ (15,679) |
| Items not affecting cash | | | | | |
| Depletion and depreciation | 7, 8 | 1,731 | 1,006 | 4,310 | 2,285 |
| Income taxes | | (272) | (89) | (754) | (207) |
| Share based payments | 15 | 119 | 228 | 424 | 1,147 |
| Interest expense and accretion | 18 | 3,079 | 1,041 | 8,997 | 3,398 |
| Accretion of asset retirement obligation | 18 | 20 | 22 | 47 | 99 |
| Impairment expense (notes 5 and 7) | | 359 | - | 4,324 | 209 |
| Foreign exchange (gain) loss | | (343) | 2,882 | 1,121 | 1,211 |
| Loss on marketable securities | | - | 200 | 90 | 130 |
| Loss on derecognition of ROU assets | | - | (143) | - | (85) |
| Changes in non-cash working capital items | | | | | |
| Receivables, prepaids and deposits | | (756) | 822 | (711) | (343) |
| Inventories | | 1,554 | 3,245 | 2,940 | 2,504 |
| Accounts payable and accrued liabilities | | (760) | (673) | 497 | 1,796 |
| Net cash provided by (used in) operating activities | | (28) | 1,714 | (1,622) | (3,535) |
| Investing activities | | | | | |
| Restricted cash and deposits | 24 | (20) | 212 | (48) | 219 |
| Exploration and evaluation costs | 6 | (244) | (607) | (384) | (1,403) |
| Cash received on sale of assets | | - | - | 400 | 220 |
| Cash received on sale of marketable securities | 6 | - | - | - | - |
| Additions to property, plant, equipment, mineral property and intangibles | 7,8 | (35) | (227) | (232) | (2,626) |
| Net cash (used in) investing activities | | (299) | (622) | (264) | (3,590) |
| Financing activities | | | | | |
| Private placement, net of costs paid | 15 | - | - | - | 2,250 |
| Sale of Bissett Creek royalty | 6 | - | 950 | - | 950 |
| Proceeds from exercise of warrants | 15 | - | - | - | 2,093 |
| Proceeds from exercise of options | 15 | - | - | 100 | 378 |
| Royalty payments | 12 | - | (326) | (658) | (1,233) |
| Deposit and lease payments | 14 | (103) | (133) | (319) | (395) |
| Net cash from (used in) financing activities | | (103) | 491 | (877) | 4,043 |
| Effect of exchange rate changes on cash | | 2 | (65) | (43) | 248 |
| Net increase (decrease) in cash and cash equivalents | | (430) | 1,583 | (2,763) | (3,082) |
| Cash and cash equivalents, beginning | | 737 | 724 | 3,115 | 5,076 |
| Cash and cash equivalents, ending | | \$ 309 | \$ 2,242 | \$ 309 | \$ 2,242 |

Supplemental Cash Flow Information – Note 20

NORTHERN GRAPHITE CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Nine Months Ended September 30, 2024 and 2023

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

| | Number of shares | Share Capital | Warrants | Contributed Surplus | Foreign Currency Translation | Accumulated Deficit | Total |
|--|---------------------|------------------|------------------|------------------------|------------------------------------|------------------------|------------------|
| Balances at December 31, 2023 | 130,343,022 | \$ 57,421 | \$ 10,368 | \$ 4,961 | \$ (2,571) | \$ (54,392) | \$ 15,787 |
| Exercise of options (note 15) | 307,692 | 126 | - | (26) | - | - | 100 |
| Exercise of RSU | 447,500 | 205 | - | (205) | - | - | - |
| Expiry of warrants (note 15) | - | 10,145 | (10,145) | - | - | - | - |
| Share based payment expense (notes 15 and 22) | - | - | - | 424 | - | - | 424 |
| Foreign currency translation | - | - | - | - | 1,699 | - | 1,699 |
| Loss for the period | - | - | - | - | - | (22,907) | (22,907) |
| Balances at September 30, 2024 | 131,098,214 | 67,897 | 223 | 5,154 | (872) | (77,299) | (4,897) |
| Balances at December 31, 2022 | 121,315,522 | \$ 52,617 | \$ 10,760 | \$ 4,002 | \$ (454) | \$ (30,749) | \$ 36,176 |
| Exercise of warrants (note 15) | 4,652,500 | 2,708 | (615) | - | - | - | 2,093 |
| Expiry of stock options (note 15) | - | - | - | (385) | - | 347 | (38) |
| Exercise of options (note 15) | 950,000 | 615 | - | (237) | - | - | 378 |
| Exercise of RSU (note 15) | 325,000 | 150 | - | (150) | - | - | - |
| Share based payments (note 15 and 22) | - | - | - | 1,225 | - | - | 1,225 |
| Share issuance (note 15) | 100,000 | 50 | - | - | - | - | 50 |
| Flow-through unit issuance (note 15) | 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) |
| Balances at September 30, 2023 | 130,343,022 | 57,421 | 10,368 | 4,455 | (2,626) | (46,081) | 23,537 |

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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”). In addition, Northern holds a 100% interest in the Mousseau graphite project in Quebec (“Mousseau”) and the Bissett Creek graphite project in Ontario (“Bissett Creek”). 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.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of \$77,299 as at September 30, 2024 which has been primarily funded by the issuance of shares, a senior secured loan (note 11), royalty financing (note 12), a deferred revenue agreement (note 13) and sales of graphite concentrate. As at September 30, 2024, the Company had a negative working capital balance of \$27,603. The Company’s ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares and entering into financing arrangements, but there is no assurance that it will be able to continue to do so in the future. There is a material uncertainty related to these conditions that casts significant doubt about the Company’s ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. Any such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements for the three- and nine-months periods ended September 30, 2024 and 2023 (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, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These Interim Financial Statements were approved and authorized for issue by the Board of Directors on November 27, 2024.

Cost reimbursement of NGC BAM lab expenses have been reclassified from general and administrative expenses in the 2024 columns of the condensed interim consolidated statements of loss and other comprehensive loss. The reclassification had no impact on the operating loss and net loss.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

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.

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

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 21). In addition, the Interim Financial Statements have been prepared using the accrual basis of accounting.

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 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 |

Recent and future accounting standards

Amendments to IAS 1 – Presentation of Financial Statements

In October, 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* titled *Non-current Liabilities with Covenants*. These amendments sought to improve the information that an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within 12 months after the reporting period. These amendments to IAS 1 override and incorporate the previous amendments, *Classification of Liabilities as Current or Non-current*, issued in January 2020, which clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments are effective January 1, 2024, with early adoption permitted. Retrospective application is required on adoption. Northern adopted these amendments effective January 1, 2024 with no material impact on these Interim Financial Statements.

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 and reclamation deposits. 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, 2024, restricted cash includes \$1,817 (December 31, 2023 - \$1,817) as collateral for an irrevocable letter of credit for reclamation obligations relating to LDI.

4. RECEIVABLES

| | September 30, 2024 | December 31, 2023 |
|-------------------|--------------------|-------------------|
| Trade receivables | \$ 2,056 | \$ 980 |
| Value added tax | 709 | 1,246 |
| Other | 7 | 18 |
| | \$ 2,772 | \$ 2,244 |

The Company's expected credit loss as at September 30, 2024 is a nominal amount (December 31, 2023 – nominal amount).

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

5. INVENTORIES

| | September 30, 2024 | December 31, 2023 |
|--------------------------------------|--------------------|-------------------|
| Materials and supplies | \$ 1,220 | \$ 1,684 |
| Graphite ore stockpiles | 1,451 | 7,297 |
| Finished goods | 7,799 | 10,011 |
| Total inventory | 10,470 | 18,992 |
| Non-current finished goods inventory | 2,207 | 1,863 |
| Total current inventory | \$ 8,263 | \$ 17,129 |

The amount of inventories recognized as an expense during the three and nine months ended September 30, 2024 was \$6,737 and \$17,572 respectively (September 30, 2023 – \$4,493 and \$11,083).

During the first quarter of 2024, as a result of lower realized prices on sales of concentrate and higher operating costs due to planned production ramp-up, the Company recorded a net realizable value impairment of \$478 on its finished goods inventory.

During the second quarter of 2024, primarily as a result of lower sales prices from committed sales for the second half of 2024, the Company recorded net realizable value impairments of \$768 on its stockpile inventory and \$2,719 on its finished goods inventory. In the third quarter of 2024, Northern recorded an impairment to finished goods inventory of \$359 as a result of an inventory count. Total inventory impairments recorded for the three and nine months ended September 30, 2024 were \$359 and \$4,324, respectively (September 30, 2023 nil and nil).

6. EXPLORATION AND EVALUATION ASSETS

| | Bissett Creek | Mousseau | LDI | Total |
|-------------------------------|---------------|--------------|--------------|---------------|
| Balance, December 31, 2023 | \$ 12,774 | \$ 1,237 | \$ 1,682 | \$ 15,693 |
| Engineering and metallurgical | 9 | - | 263 | 272 |
| Site costs and royalties | 53 | 3 | 115 | 171 |
| Balance, September 30, 2024 | 12,836 | 1,240 | 2,060 | 16,136 |

Bissett Creek, Ontario, Canada

The Company has a 100% interest in Bissett Creek which consists of a 1,938 hectare 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, 2024). 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 half of one percent of the initial GRR by 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 the remaining payments at September 30, 2024 is \$90.

On May 27, 2024, the Company sold its 2,000,000 shares of ERL for \$400 in cash.

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

Mousseau, Quebec, Canada

During February 2022, the Company entered into an option agreement that provided it with an option to acquire a 100% interest in the Mousseau West property, subject to the owners retaining a 2% net smelter royalty. Pursuant to the agreement, the Company paid \$50 for the six months 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 October 2022, the Company 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 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.

Lac-des-Îles

During the second quarter of 2023, the Company carried out a drill program designed to explore previously untested areas of the property with the objective of extending the life of the mine. The program consisted of 8,000 meters of drilling and was financed through the proceeds of a \$2.25 million charity flow-through private placement.

On June 27, 2024 the Company announced it received a grant of \$400 from Québec’s Ministère des Ressources Naturelles et des Forêts (MRNF) for the Company’s upcoming drill program to pay 50 percent of eligible expenses for geo-metallurgical and geo-environmental drilling to be carried out this year.

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

| | Okanjande in process | LDI property, plant and equipment | Other | Total |
|---|-------------------------|---|----------|-----------|
| Cost | | | | |
| Balance, December 31, 2023 | \$ 18,966 | \$ 8,304 | \$ 1,393 | \$ 28,663 |
| Additions | 61 | 60 | 80 | 201 |
| Change in reclamation asset | - | 294 | - | 294 |
| Sale of assets | (13) | - | - | (13) |
| Foreign currency translation | 1,666 | - | - | 1,666 |
| Balance, September 30, 2024 | 20,680 | 8,658 | 1,473 | 30,811 |
| Accumulated depletion and Depreciation | | | | |
| Balance, December 31, 2023 | (47) | (3,339) | (1,321) | (4,707) |
| Depletion and depreciation | (59) | (452) | (27) | (538) |
| Balance, September 30, 2024 | (106) | (3,791) | (1,348) | (5,245) |
| Net book value | 20,574 | 4,867 | 125 | 25,566 |

As at September 30, 2024 the amount of depletion and depreciation from property, plant and equipment and mineral interests included in inventory was \$1,261 (September 30, 2023 – \$447). For the three and nine months ended September 30, 2024 the amount of depletion and depreciation included in mining operations was \$1,593 and \$3,844 (three and nine months ended September 30, 2023 – \$778 and \$2,094) and the amount of depreciation included in general and administrative expenses was \$18 and \$54 (September 30, 2023 - \$23 and \$69).

As at September 30, 2024, LDI property, plant, and equipment cost includes \$1,667 (December 31, 2023 - \$1,667) for right of use assets with a net book value of \$639 (December 31, 2023 - \$913). The right of use assets consists of \$501 for a land use and building lease (December 31, 2023 - \$606) and \$138 for mobile assets (December 31, 2023 - \$308).

The LDI mine and plant were temporarily placed in care and maintenance for the second, third and part of the fourth quarters of 2023 while the Company sold excess inventory which it acquired with LDI. The plant restarted on October 30, 2023, but the mine continued on care and maintenance. The LDI mine restarted operations on April 25, 2024. In order to preserve cash, the Company temporarily stopped its mining operations on July 15 while continuing to operate the plant on a seven days a week basis, from its existing stockpile. In the third quarter of 2024, in order to preserve cash, the mine was temporarily placed on care and maintenance on July 15 and then restarted operations on September 3. Since there was no mining during the first quarter and part of the second and third quarters of 2024, costs incurred for the three and nine months ended September 30, 2024 of \$347 and \$1,126 respectively (September 30, 2023 - \$1,895 and \$4,686) were recorded in the condensed interim consolidated statements of loss and other comprehensive loss as care and maintenance expense. Subsequent to September 30, 2024, the Company placed the plant and mine under a temporary shutdown for maintenance and repairs on November 3, 2024 with the target to resume operations on January 6, 2025.

The Okanjande plant was temporarily placed in care and maintenance in the third quarter of 2023. Holding costs incurred for the three and nine months ended September 30, 2024 of \$328 and \$1,289, respectively (September 30, 2023 - \$410 and \$410) were recorded in the consolidated statements of loss and other comprehensive loss as care and maintenance expense.

As at September 30, 2024, Okanjande in process additions includes \$2,256 (December 31, 2023 - \$2,256) for capitalized interest (rate of 12%) arising from accretion on deferred revenue (note 13).

In December 2022, the Company made the decision to move the location of its future processing plant facilities from Okorusu to Okanjande. During May 2023, the Company reached a final settlement with the leaseholder. This confirmed the existence of the additional impairment of \$209 which was recorded in the first quarter of 2023.

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

8. MINERAL INTERESTS

| | Okanjande | LDI | Total |
|--|-----------|-----------|-----------|
| Cost | | | |
| Balance, December 31, 2023 | \$ 9,509 | \$ 15,809 | \$ 25,318 |
| Foreign currency translation | 826 | - | 826 |
| Balance, September 30, 2024 | 10,335 | 15,809 | 26,144 |
| Accumulated depletion and Depreciation | | | |
| Balance, December 31, 2023 | - | (6,951) | (6,951) |
| Depletion and depreciation | - | (2,370) | (2,370) |
| Balance, September 30, 2024 | - | (9,321) | (9,321) |
| Net book value | 10,335 | 6,488 | 16,823 |

As at September 30, 2024, Okanjande mineral interests included \$1,197 (December 31, 2023 - \$1,197) for capitalized interest (rate of 12%) arising from accretion on deferred revenue (note 13).

9. OTHER ASSETS

| | September 30, 2024 | December 31, 2023 |
|--|--------------------|-------------------|
| Intangible assets | \$ 169 | \$ 169 |
| Intangible assets accumulated amortization | (113) | (70) |
| Contract assets (note 13) | 1,742 | 1,742 |
| | 1,798 | 1,841 |

10. 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, 2024 | December 31, 2023 |
|------------------------------|--------------------|-------------------|
| Trade payables | \$ 5,566 | \$ 3,953 |
| Trade related accruals | 1,409 | 1,406 |
| Income tax payable | 735 | 962 |
| Payroll and related benefits | 769 | 576 |
| | 8,479 | 6,897 |

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

11. 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 have been, capitalized (\$1,272) and added to the principal. In addition, the Company negotiated terms with the lender to capitalize interest payments due on June 30, September 30, and December 31, 2023 and added the balances (\$2,046) to the principal amount.

In the fourth quarter of 2023, the Company obtained an additional \$1,359 (US\$1,000) under the above secured loan facility.

The loans are secured against the assets of LDI and Okanjande. The loans are 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, 2024, the Company had not met some of the covenants relating to the amended and restated credit agreement dated November 29, 2023, including:

- The payment of accrued interest of \$1,611 (US\$1,177) on the semi-annual cash interest payment date as of September 30, 2024;
- Maintaining, at all times, on a consolidated basis, positive working capital, and
- Maintaining, at all times, on a consolidated basis, a minimum cash balance of US\$750.

As at September 30, 2024 and November 27, 2024, the lender has agreed to waive all defaults relating to the senior secured loan.

The Company is currently in discussions with the lender relating to the revision of existing agreements.

The Company has adjusted these condensed interim consolidated financial statements to reflect the non-current portion of the senior secured loan (\$22,698 [US\$16,815]) as a current liability.

| | |
|--|-----------|
| Balance, December 31, 2022 | \$ 15,087 |
| Funds received | 1,359 |
| Financing costs | (60) |
| Interest expense and accretion | 3,380 |
| Foreign exchange gain | (457) |
| Balance, December 31, 2023 | 19,309 |
| Current portion of senior secured loan | 3,146 |
| Non-current portion of senior secured loan | 16,163 |

| | |
|--|-----------|
| Balance, December 31, 2023 | \$ 19,309 |
| Interest expense and accretion | 3,015 |
| Foreign exchange loss | 374 |
| Balance, September 30, 2024 | 22,698 |
| Current portion of senior secured loan | 22,698 |
| Non-current portion of senior secured loan | - |

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

12. 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 (these warrants expired unexercised during the second quarter of 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.

In the fourth quarter of 2023, the Company sold 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 for gross proceeds of \$2,719 (US\$2,000).

The rate of accretion on the royalty increased in the first quarter of 2024 as a result of management's updated LDI production plan.

The purchaser of the royalties 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 deposits are subject to standard conditions and covenants.

As at September 30, 2024, the Company had not met one of the covenants relating to the amended and restated royalty agreement dated November 29, 2023, consisting of the payment of certain royalty amounts due in the second and third quarters of 2024 for a total of \$1,155 (US\$864).

An additional royalty amount with respect to third quarter 2024 sales of \$806 (US\$579) was due on October 31, 2024 and is currently unpaid.

As at September 30, 2024 and November 27, 2024, the lender has agreed to waive the default related to the royalty payments.

The Company is currently in discussions with the lender relating to the revision of existing agreements including the payment schedule of outstanding royalty amounts.

The Company has adjusted these condensed interim consolidated financial statements to reflect the non-current portion of the senior secured loan (\$8,986 [US\$6,657]) as a current liability.

| | | |
|--------------------------------|----|---------|
| Balance, December 31, 2022 | \$ | 5,227 |
| Funds received | | 2,719 |
| Financing costs | | (121) |
| Interest expense and accretion | | 803 |
| Payments made | | (1,649) |
| Foreign exchange gain | | (211) |
| Balance, December 31, 2023 | | 6,768 |
| Current portion of royalty | | 3,769 |
| Non-current portion of royalty | | 2,999 |

| | | |
|--------------------------------|----|-------|
| Balance, December 31, 2023 | \$ | 6,768 |
| Interest expense and accretion | | 2,763 |
| Payments made | | (658) |
| Foreign exchange loss | | 113 |
| Balance, September 30, 2024 | | 8,986 |
| Current portion of royalty | | 8,986 |
| Non-current portion of royalty | | - |

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

13. 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 (these warrants expired unexercised in the second quarter of 2024). The value of the warrants was \$1,742 and was determined using the Black-Scholes option pricing model (note 15) 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 \$20,586 (US\$15,250) in 2024 or \$23,623 (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, 2024, the Company was in compliance with these covenants.

| | | |
|----------------------------|----|--------|
| Balance, December 31, 2022 | \$ | 29,358 |
| Interest accretion | | 3,711 |
| Foreign exchange gain | | (764) |
| Balance, December 31, 2023 | | 32,305 |

| | | |
|-----------------------------|----|--------|
| Balance, December 31, 2023 | \$ | 32,305 |
| Interest accretion | | 3,116 |
| Foreign exchange loss | | 642 |
| Balance, September 30, 2024 | | 36,063 |

14. 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, 2024 | December 31, 2023 |
|---|--------------------|-------------------|
| Balance, beginning of year | \$ 1,464 | \$ 1,582 |
| Additions | - | 600 |
| Derecognition | - | (216) |
| Principal payments | (330) | (564) |
| Financing cost / Interest expense and accretion | 104 | 139 |
| Foreign exchange | 53 | (71) |
| Balance, end of period | 1,291 | 1,470 |
| Current portion of leases | 465 | 506 |
| Non-current portion of leases | 826 | 964 |

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

15. 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, 2024

In the first nine months of 2024, 307,692 stock options with a strike price of \$0.325 per share were exercised for gross proceeds of \$100 in exchange for 307,692 common shares of the Company.

In the first three quarters of 2024, 447,500 vested RSUs were exercised for the issuance of 447,500 common shares of the Company.

Stock option and RSU issuances

On January 11, 2024, the Company announced the appointment of Samantha Espley as a director of the Company. In connection with her appointment, the Company granted Ms. Espley a total of 400,000 stock options under the Company's amended and restated stock option plan, which have an exercise price of \$0.55 per share, an exercise period of five years and which vested immediately upon grant.

On February 28, 2024, the Board of Directors approved a grant of stock options to certain new officers and employees to purchase a total of 1,011,000 common shares of the Company at a price of \$0.35 per share, vesting one third after each of years one, two, and year three, which are exercisable for a period of five years.

The Company's Board of Directors has granted RSUs and Stock options as part of its long-term incentive and retention plan for key executives and employees.

On August 28, 2024, the Board of Directors approved a grant of stock options to certain employees to purchase a total of 1,700,000 common shares of the Company at a price of \$0.20 per share, vesting one quarter after each of years one and two and one half after year three, and which are exercisable for a period of five years. In addition, the Board of Directors approved a grant of 5,100,000 RSUs to certain officers and employees with a vesting period of one quarter after each of years one and two, and one half after year three.

Year Ended December 31, 2023

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 is \$500 at September 30, 2024 based on eligible expenditures made since April 27, 2023 (December 31, 2023 - \$500). In order to meet the terms of the flow through share agreement, the Company is required to spend an additional \$1,850 on qualifying expenditures before December 31, 2024. 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.

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

Warrants

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

| | Number of warrants | Weighted average exercise price \$ |
|------------------------------------|--------------------|------------------------------------|
| Balance, December 31, 2023 | 32,827,800 | 1.03 |
| Warrants expired | (31,147,800) | 1.05 |
| Balance, September 30, 2024 | 1,680,000 | 0.75 |

The Company's warrants outstanding as at September 30, 2024 are as follows:

| Exercise price | Number of Warrants Outstanding and Exercisable | Expiry Date |
|----------------|--|----------------|
| \$0.75 | 1,680,000 | April 27, 2025 |
| | 1,680,000 | |

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 13,001,802 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.

A summary of the RSU activity is presented below:

| | Number of Restricted stock units |
|------------------------------------|----------------------------------|
| Balance, December 31, 2023 | 1,465,000 |
| Granted | 5,100,000 |
| Exercised | (447,500) |
| Balance, September 30, 2024 | 6,117,500 |

A summary of the Company's outstanding RSU's at September 30, 2024 is as follows:

| Issue price | RSU's outstanding | RSU's exercisable |
|------------------------------------|-------------------|-------------------|
| \$0.46 | 650,000 | - |
| \$0.45 | 367,500 | - |
| \$0.07 | 5,100,000 | - |
| Balance, September 30, 2024 | 6,117,500 | - |

As at September 30, 2024 there was \$489 of unrecognized share-based compensation costs related to unvested RSU awards granted under the Company's DSU/RSU Plan. In the three and nine months periods ended September 30, 2024, \$70 and \$211 of share-based compensation costs were recognized (three and nine months ended September 30, 2023 - \$104 and \$366).

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

Stock options

The Company has adopted the Option Plan for directors, officers, employees and consultants of the Company. 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.

A summary of the stock option activity is presented below:

| | Number of options | Weighted average exercise price \$ |
|------------------------------------|----------------------|--|
| Balance, December 31, 2023 | 9,810,384 | 0.53 |
| Granted | 3,111,000 | 0.29 |
| Exercised | (307,692) | 0.33 |
| Expired | (742,692) | 0.57 |
| Balance, September 30, 2024 | 11,871,000 | 0.49 |

A summary of the Company's outstanding stock options at September, 2024 is as follows:

| Exercise price | Stock options outstanding | Stock options exercisable | Expiry date |
|----------------|------------------------------|------------------------------|-------------------|
| \$0.20 | 1,300,000 | 1,100,000 | July 23, 2025 |
| \$0.20 | 1,700,000 | - | August 29, 2029 |
| \$0.35 | 1,011,000 | - | October 27, 2025 |
| \$0.50 | 2,700,000 | 2,350,000 | 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 | 100,000 | June 29, 2028 |
| \$0.55 | 400,000 | 400,000 | January 10, 2029 |
| \$0.60 | 895,000 | 371,667 | October 4, 2025 |
| \$0.75 | 250,000 | 250,000 | March 8, 2026 |
| \$0.75 | 500,000 | 500,000 | December 31, 2026 |
| \$0.75 | 1,325,000 | 1,225,000 | January 30, 2027 |
| | 11,871,000 | 7,596,667 | |

As at September 30, 2024, the weighted average remaining contractual life of stock options outstanding is 2.67 years (December 31, 2023 – 2.83 years). As at September 30, 2024, a total of 7,596,667 stock options were exercisable.

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

The value of stock options granted during the six months ended September 30, 2024 and the year end December 31, 2023 was determined utilizing the Black-Scholes option pricing model with input factors and assumptions as follows:

| | Nine Months Ended September 30, 2024 | Year Ended December 31, 2023 |
|---|--|------------------------------------|
| Stock options granted during the period | 3,111,000 | 2,405,384 |
| Weighted-average exercise price | 0.29 | \$0.41 |
| Expected stock option life | 5 years | 2 to 5 years |
| Expected volatility | 101.65% to 103.96% | 77.01% to 108.83% |
| Risk free interest | 2.97% to 3.63% | 2.88% to 4.58% |
| Dividend yield | Nil | Nil |
| Forfeiture rate | Nil | Nil |
| Weighted average fair value (Black-Scholes value) | 0.08 | \$0.32 |

As at September 30, 2024 there was \$196 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, 2024, \$49 and \$213 of share-based compensation costs were recognized (three and nine months ended September 30, 2023 - \$71 and \$758).

16. PRODUCTION COSTS

| | Three months ended Sept 30, | | Nine months ended Sept 30, | |
|--------------------------------|-----------------------------|--------|----------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Raw materials and consumables | \$ 991 | \$ 499 | \$ 2,507 | \$ 1,587 |
| Salaries and employee benefits | 1,886 | 1,107 | 4,727 | 2,617 |
| Contracted services | 930 | 769 | 2,814 | 2,650 |
| Electricity and energy | 644 | 297 | 1,876 | 915 |
| Freight | 548 | 166 | 981 | 303 |
| Insurance | 448 | 201 | 1,035 | 310 |
| Other | 316 | 414 | 979 | 646 |
| | 5,763 | 3,453 | 14,919 | 9,028 |

17. GENERAL AND ADMINISTRATIVE EXPENSES

| | Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------------|----------------------------------|--------|---------------------------------|--------|
| | 2024 | 2023 | 2024 | 2023 |
| Legal and audit | \$ 110 | \$ 115 | \$ 455 | \$ 524 |
| Office and management | 2,155 | 1,952 | 6,498 | 5,657 |
| Promotion and investor relations | - | 55 | 151 | 251 |
| Regulatory and transfer agent | 16 | 32 | 53 | 110 |
| Depreciation | 25 | 23 | 74 | 69 |
| | 2,306 | 2,177 | 7,231 | 6,611 |

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

18. FINANCE EXPENSE

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|----------|---------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Interest expense and accretion (including notes 11 – 14) | \$ 2,905 | \$ 1,996 | \$ 9,042 | \$ 6,153 |
| Accretion of reclamation provision (note 24) | 20 | 22 | 47 | 99 |
| Capitalization of deferred revenue interest (notes 7 and 8) | - | (830) | - | (2,457) |
| | 2,925 | 1,188 | 9,089 | 3,793 |

During the three and nine months periods ended September 30, 2024 the Company paid interest expense of \$60 and \$341 respectively (three and nine months ended September 30, 2023 - \$55 and \$374).

19. 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 mineral properties 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 Company's capital structure on a regular basis to ensure the above-noted objectives are met. The Company manages its 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.

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

| | Three months ended September 30, 2024 | Nine months ended September 30, 2024 | Three months ended September 30, 2023 | Nine months ended September 30, 2023 |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| Exploration and evaluation costs in accounts payable and accrued liabilities | \$ 147 | \$ 59 | \$ 412 | \$ 412 |
| Reclamation provision – change in estimate | \$ 439 | \$ 294 | \$ - | \$ - |
| Okanjande in process costs in accounts payable and accrued liabilities | \$ 15 | \$ 12 | \$ 252 | \$ 252 |
| Value of warrants issued for financing | \$ - | \$ - | \$ - | \$ 224 |
| Changes in AP related to financing activity | \$ - | \$ - | \$ 1 | \$ 378 |
| Fair value of common shares issued for claim payment (note 6) | \$ - | \$ - | \$ - | \$ 50 |
| Bissett Creek royalty sale minimum cash payment accrued in accounts payable | \$ - | \$ - | \$ 192 | \$ 192 |

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

As at September 30, 2024 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 \$309 (December 31, 2023 - \$3,605).

As at September 30, 2024 and December 31, 2023, 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, 2024 and the year ended December 31, 2023. As at September 30, 2024 and December 31, 2023, 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 net present value analysis which indicates that the fair value of the royalty obligation at September 30, 2024 is approximately \$16,085 (carrying value - \$8,986)

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, 2024, the Company had the following financial assets and liabilities denominated in US dollars: cash and cash equivalents of \$262 (December 31, 2023 - \$2,066); trade receivables of \$1,471 (December 31, 2023 - \$745); accounts payable and accrued liabilities of \$197 (December 31, 2022 - \$201); senior secured loan of \$16,814 (December 31, 2023 - \$14,599), and royalty of \$6,657 (December 31, 2023 - \$5,117). At September 30, 2024, with other variables unchanged, a 1% increase on the USD/CAD exchange rate would result in an unrealized foreign exchange loss of \$743 (December 31, 2023 - \$574). The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency.

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, 2024 would have resulted in a decrease or increase of \$1,771 and \$671 in the Company's income from mine operations for the nine month and three month periods ended September 30, 2024, respectively (September 30, 2023 - \$1,289 and \$493).

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. Substantially all trade receivables at September 30, 2024 have since been collected from these customers.

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, 2024.

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 1 and further analysis relating to the maturity of the Company's financial obligations are outlined in note 23.

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. As at September 30, 2024, with other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by \$276. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

22. RELATED PARTY TRANSACTIONS AND COMPENSATION OF KEY MANAGEMENT

During the three and nine month periods ended September 30, 2024, the Company expensed salary and compensation to key management personnel of \$574 and \$1,713 (three and nine months ended September 30, 2023 - \$793 and \$1,753) and management fees to a company owned and controlled by key management personnel of \$15 and \$42 (three and nine months ended September 30, 2023 - \$8 and \$41). During the three and nine month periods ended September 30, 2024, the Company expensed directors' fees of \$41 and \$122 (three and nine months ended September 30, 2023 - \$50 and \$149). During the three and nine month periods ended September 30, 2024, the Company expensed share-based payments for stock options granted to key management personnel and directors of \$79 and \$329 (three and nine months ended September 30, 2023 - \$166 and \$1,099).

As at September 30, 2024, \$447 (December 31, 2023 - \$651) was included in accounts payable and accrued liabilities owing to officers and directors relating to management and directors' fees and for reimbursement of expenses.

On January 11, 2024, the Company announced the appointment of Samantha Espley as a director of the Company. In connection with her appointment, the Company granted Ms. Espley a total of 400,000 stock options under the Company's amended and restated stock option plan, which have an exercise price of \$0.55 per share, an exercise period of five years and which vested immediately upon grant.

On February 27, 2024, the Board of Directors approved a grant of stock options to certain new officers and employees to purchase a total of 1,011,000 common shares of the Company at a price of \$0.35 per share, vesting one third after each of years one, two, and year three, which are exercisable for a period of five years. Of these stock options, 200,000 were to a related party.

At the Company's Annual and Special Shareholder meeting held on November 21, 2022, loans to certain executives of the Company in the amount of \$338 for the purpose of purchasing securities of the Company were approved by the Company's shareholders. These loans had not been issued and the related share purchases had not occurred as at September 30, 2024. At the same meeting the Company's shareholders approved the DSU/RSU Plan.

In the first nine months of 2024, 447,500 vested RSUs were exercised by related parties for the issuance of 447,500 common shares of the Company.

The Company's Board of Directors has granted RSUs and Stock options as part of its long-term incentive and retention plan to key executives and employees.

On August 28, 2024, the Board of Directors approved a grant of stock options to certain employees to purchase a total of 1,700,000 common shares of the Company at a price of \$0.20 per share, vesting one quarter after each of years one and two and one half after year three, and which are exercisable for a period of five years. In addition, the Board of Directors approved a grant of 5,100,000 RSUs to certain officers and employees with a vesting period of one quarter after each of years one and two, and one half after year three. Related parties were granted 4,000,000 of these RSUs and none of the stock options.

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

23. COMMITMENTS AND CONTINGENCIES

At September 30, 2024, 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 | \$ 8,479 | \$ - | \$ - | \$ - | \$ 8,479 |
| Senior secured loan | 5,667 | 23,374 | - | - | 29,041 |
| Royalty | 5,349 | 7,574 | 6,387 | 14,754 | 34,064 |
| Deferred revenue | - | 10,572 | 14,236 | 48,406 | 73,214 |
| Lease commitments | 465 | 359 | 318 | 659 | 1,801 |
| Reclamation provisions | - | - | - | 9,765 | 9,765 |
| Firm commitments | 4,289 | - | - | - | 4,289 |
| | \$ 24,249 | \$ 41,879 | \$ 20,941 | \$ 73,584 | \$160,653 |

24. 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, 2024 and the year ended December 31, 2023 are allocated as follows:

| | Nine months ended September 30, 2024 | Year ended December 31, 2023 |
|------------------------------|---|---------------------------------|
| Balance, beginning of period | \$ 6,402 | \$ 6,503 |
| Change in estimate | 294 | (287) |
| Accretion | 47 | 186 |
| Balance, end of period | \$ 6,743 | \$ 6,402 |

Of the total balance of \$6,743 at September 30, 2024, \$412 was attributable to Bissett Creek and \$6,331 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.

The undiscounted liability as at September 30, 2024 was \$2,329 (December 31, 2023 - \$2,329) for Bissett Creek (assuming operations go ahead as planned). This represents the estimated amount that would be required to restore Bissett Creek to its original environmental state but only after a mine has been constructed and operations cease. Related to this matter, the Company has entered into a surety bond for \$850.

The undiscounted liability as at September 30, 2024 was \$9,765 (December 31, 2023 - \$9,765) for LDI. The discount and inflation rates used for LDI are 2.8% and 2.0%, respectively (December 31, 2023, 3.1% and 2.0%, respectively). Related to this matter, the Company has entered into a surety bond for \$8,231.

NORTHERN GRAPHITE CORPORATION

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Months Ended September 30, 2024 and 2023

(Unaudited - Stated in thousands of Canadian Dollars)

25. 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, 2024 and December 31, 2023.

| September 30, 2024 | | | | | | |
|--------------------|-------------|------------|------------|-------|----------|-------------|
| | Corporate | LDI | Namibia | Italy | Germany | Total |
| Non current assets | \$ 15,873 | \$ 20,260 | \$ 30,906 | \$ 56 | \$ 70 | \$ 67,165 |
| Net income (loss) | \$ (15,423) | \$ (5,895) | \$ (1,140) | \$ 52 | \$ (501) | \$ (22,907) |

| December 31, 2023 | | | | |
|--------------------|-------------|------------|------------|-------------|
| | Corporate | LDI | Namibia | Total |
| Non current assets | \$ 15,923 | \$ 21,955 | \$ 28,429 | \$ 66,307 |
| Net income (loss) | \$ (16,320) | \$ (4,439) | \$ (2,884) | \$ (23,643) |

The following table presents revenue from sales to major customers that exceeded 10% of the Company's revenue for the periods ended September 30, 2024 and 2023:

| | Nine months ended September 30, 2024 | Nine months ended September 30, 2023 |
|---|--|--|
| Customer 1 | \$4,553 | \$ 3,219 |
| Customer 2 | 2,398 | 1,420 |
| Customer 3 | 1,841 | 1,291 |
| Customer 4 | 1,762 | 1,231 |
| Customer 5 | 1,748 | 1,230 |
| Total revenue from major customers | 12,302 | 8,391 |
| Total revenue from major customers as a percentage of total revenue | 69% | 65% |

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

During the first nine months of 2024, \$14,532 or 82% (September 30, 2023- \$10,921 or 85%) of total revenue was from customers in the United States.