



**NORTHERN  
GRAPHITE  
CORPORATION**

**TSXV NGC  
OTCQB NGPHF**

[northerngraphite.com](http://northerngraphite.com)

*Join our Zoom call at 4 pm to hear CEO Greg Bowes answer questions about the Transaction*

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## **Northern Graphite to Acquire Two Graphite Mines from Imerys Group Company to become the only North American and third largest<sup>1</sup> non-Chinese graphite producer**

**December 2, 2021:** Northern Graphite Corporation (**NGC:TSX-V, NGPHF:OTCQB**) (the “Company” or “Northern”) announces that it has signed binding purchase and sale agreements to acquire 100% ownership of the producing Lac des Iles graphite mine (“LDI”) in Quebec from a subsidiary of Imerys Group (collectively with any subsidiaries “Imerys”) and the Okanjande graphite deposit/Okorusu processing plant in Namibia from Imerys and its joint venture partner (the “Transaction”) for approximately US\$40 million. Closing of the Transaction is subject to a number of conditions including the approval of the TSX Venture Exchange (the “TSX-V”). The Transaction is considered a “Fundamental Acquisition” under TSX-V policies and accordingly, trading in the Company’s shares has been halted until the earlier of satisfactory review of the Transaction by the TSX-V or closing of the Transaction.

Northern intends to raise US\$55 million in financing to complete the Transaction which includes payment of the purchase price, capital improvements, reclamation bonding, working capital and transaction expenses. The Company has signed a term sheet with Sprott Resource Streaming and Royalty Corp. for US\$40 million in debt/royalty/stream financing and an engagement letter with Sprott Capital Partners LP to act as lead agent with respect to an equity offering of up to US\$15 million. The Sprott group intends to participate in the equity offering with an investment of US\$3 million and Imerys will receive US\$3 million in equity, on the same terms as the offering, as partial payment of the purchase price. Imerys is also providing other support for the Transaction. Further details on the financing are provided below.

Gregory Bowes, CEO commented that: “This is a truly transformational deal that will elevate Northern from one of over 20 junior graphite companies looking for project financing to being the only North American and the world’s third largest<sup>1</sup> non-Chinese graphite producing company. In addition, Northern will have two large scale development projects in stable jurisdictions that will enable the Company to significantly expand production to meet growing demand from the EV/battery markets. He added that: “Following completion of the Transaction Northern intends to aggressively expand into value added EV/battery, graphene and industrial markets through both acquisitions and investments.”

[Click here](#) to watch CEO Greg Bowes comment on the Transaction

### **Transaction Highlights**

- Northern is acquiring 40-50,000tpy of graphite concentrate production capacity which will make it the third largest<sup>1</sup> natural graphite producing company outside of China
- The Company will become the only significant North American graphite producer and will acquire an existing customer base and market share

- The Namibian operation will be brought back online and enable Northern to expand its market share in North America and Europe by reducing dependence on Chinese supply
- The Transaction will provide a platform from which to finance and develop Northern's Bissett Creek deposit which an independent source has rated as the highest margin graphite project in the world
- The Lac des Iles, Bissett Creek and Okanjande deposits are all located close to infrastructure in politically stable countries with high ESG standards
- Third party sources have verified that all deposits have high quality flake graphite that is suitable for all battery and industrial applications which is not the case with all deposits
- Both Bissett Creek and Okanjande have substantial measured and indicated resources which provide the ability to significantly expand production to meet growing demand from the EV/battery markets

1. As per study by Benchmark Mineral Intelligence

### **Acquisition Summary**

Under the terms of the purchase and sale agreements for the Transaction (the "Agreements"), Northern will acquire all of the assets of the LDI operation and all of the outstanding shares of Imerys Geckco Holdings (Namibia)(Pty) Ltd. ("JVCo"), on a cash and debt free basis. The purchase price is approximately US\$40 million and Northern will assume rehabilitation obligations for the eventual closure of LDI which have been estimated at US\$6.6 million.

The Agreements provide for, among other things, customary representations, warranties, conditions precedent and termination rights. Completion of the Transaction is targeted for on or about January 15, 2022 and is subject to customary closing conditions including closing of the related acquisition financings and receipt of regulatory and other approvals, including the approval of the TSX-V and for the acquisition of JVCo, the approval of the Namibian Competition Commission. As the terms of the Transaction were negotiated at arm's length and as no new control persons are expected to be created under the Transaction or related financings, shareholder approval is not expected to be required. The Agreements provide for an outside date of five months for completion of the Transaction, subject to extension through agreement of the parties.

Lac des Iles has been in operation for over 20 years and is the only significant graphite producer in North America. It will produce up to 15,000 tonnes of graphite concentrate annually over the next three years and the Company believes there are opportunities to extend and expand production. With LDI, the Company is also acquiring an established market share and customer base that can be transitioned to supply from Namibia and Bissett Creek. The Company intends to file a technical report with respect to LDI in accordance with National Instrument 43-101 within 45 days of the date hereof.

The Namibian operation consists of the Okanjande graphite deposit and a processing facility located 78 km away at the idle Okorusu Fluorspar Mine which Imerys retrofitted to process graphite bearing material. The JV started mining operations at Okanjande in 2017 and the material was trucked to Okorusu for processing. The processing plant did not perform to expectations and it was put on care and maintenance in November 2018.

Northern has developed a plan to modify the Okorusu processing plant to increase throughput and recovery and improve the flake size distribution. The plan will cost approximately US\$7 million and take up to nine months to implement and bring the operation back into production at a rate of approximately 30,000tpy. Namibia is one of the best jurisdictions in Africa in which to operate, Okanjande graphite is of the highest quality, the operation has access to grid power and it is five hours over good roads from the deep water port of Walvis Bay which provides ready access to European and North American markets. These attributes, plus a much shorter time to market, provide a competitive advantage over other African graphite projects. Northern's ultimate plan is to build a large new processing plant adjacent to the Okanjande deposit to produce 100-150,000tpa of graphite concentrate to meet rapidly growing EV and battery demand.

The Okanjande/Okorusu operation is based on a weathered, measured and indicated resource of 6.1 million tonnes ("Mt") grading 4.7% graphitic carbon. There is also an inferred weathered resource of 1.2Mt grading 3.9% and a number of "weathered" exploration targets outside the main deposit. The weathered resources overlie fresh rock,

measured and indicated resources of 28.8Mt grading 5.3% (1.5Mt of contained graphite) and fresh rock inferred resources of 24.3Mt grading 4.5% (1.1Mt of contained graphite). All resources were calculated with a 3% cut off grade and have not yet been closed off by drilling.

*While Okanjande resources have been reviewed by an Independent Qualified Person as part of the Company's due diligence, the Company is treating them as historical in nature as an Independent Qualified Person has not done sufficient work to fully verify them and therefore they should not be relied upon.* Northern intends to file a technical report with respect to Okanjande in accordance with National Instrument 43-101 within 45 days of the date hereof.

Northern's Bissett Creek project is an advanced stage project with a full Feasibility Study. It is located in the southern part of Canada between the cities of North Bay and Ottawa and close to the Trans-Canada highway providing ready access to labour, supplies, equipment, natural gas and markets. An independent study estimates that Bissett Creek will have the highest margin of any existing or proposed graphite deposit due to it having the highest quality concentrates, a very favorable location and simple metallurgy. Measured and indicated resources include 1.74 million tonnes of contained graphite (almost 600,000 tonnes of which are proven and probable reserves) and inferred resources contain an additional 0.4 million tonnes of graphite. The Company plans to start production at 25,000tpy and to expand production to 80-100,000tpy as the EV/battery markets grow (based on measured and indicated resources only).

### **Financing Summary**

The consummation and execution of Northern's business plan will require approximately US\$55 million in financing for payment of the Transaction purchase price and expenses, capital expenditures related to the restart of operations in Namibia, reclamation bonding and working capital. The Transaction will be funded through a combination of debt, sale of a royalty and stream on the assets being acquired and other support from Imerys. Northern has signed a term sheet with Sprott for US\$40 million in financing consisting of a US\$15 million senior secured debenture, US\$5 million for a royalty on LDI and a US\$20 million stream financing on the Namibian project, as follows:

*Debenture:* Senior secured debenture of Northern in the principal amount of US\$15 million issued at a 2% discount and maturing 48 months from issuance. The debenture will bear interest at 9% plus the greater of USD 3-month LIBOR or 1%, interest will be payable and compounded semi-annually except that at Northern's option interest payable during the initial 12 months can be capitalized and added to the principal of the debenture. The debenture will be a senior secured obligation of the Company secured against the LDI assets and the Namibian project. As partial consideration for entering into the debenture, the Company will issue Sprott warrants to purchase six million common shares of Northern at an exercise price equal to a 35% premium to the share price for the equity financing as described below for a period of two years.

*Royalty Financing:* US\$5 million for purchase of a 9% royalty on graphite concentrate sales revenue from LDI. The royalty will be secured on title to the project and Sprott will be granted a right of first refusal with respect to any proposed grant of a stream, royalty or similar transaction on the Company's Bissett Creek project. As partial consideration for entering into the royalty, the Company will issue Sprott warrants to purchase 1.5 million common shares of Northern at an exercise price equal to a 35% premium to the price for the equity financing as described below for a period of two years.

*Streaming Financing:* Upfront advance of US\$20 million on a commodity purchase agreement for 11.25% of the graphite produced by the Namibian project until 350,000 tonnes of contained graphite in concentrate have been produced and delivered, at which time the stream will convert to a 1% royalty for the remaining life of the Okanjande deposit. The stream will be secured by the same security package as the debenture and Sprott will be granted a right of first refusal with respect to any proposed grant of a stream, royalty or similar transaction on the Okanjande deposit. As partial consideration for entering into the stream, the Company will issue Sprott warrants to purchase 4.5 million common shares of Northern at an exercise price equal to a 35% premium to the share price for the equity financing as described below for a period of two years. The Company will have the option, subject to any consents or approvals required under the debenture, to reduce the stream percentage by up to 50% upon payment of US\$15.25 million in 2024 or US\$17.5 million in 2025. This option will be exercisable in whole or in part on a pro rata basis.

These financings will be completed in connection with the closing of the Transaction, subject to completion of due diligence, definitive documentation and other customary closing conditions, including the approval of the TSX-V.

### **Equity Financing**

The Company plans to conduct a brokered private placement of subscription receipts for proceeds of up to US\$15 million. The Sprott group intends to participate in the offering with a total investment of US\$3 million and Imerys will receive US\$3 million in equity, on the same terms as the offering, as partial payment of the purchase price. Pricing and other terms for the private placement will be determined in the context of the market. It is expected that the proceeds will be placed into escrow and released on closing of the Transaction.

A finder's fee is payable in connection with the Transaction to NINE58 Advisors, an arm's length investment advisory firm based in London, United Kingdom, in the amount of 1.5% of the acquisition cost.

### **About Northern Graphite**

Northern Graphite is a Canadian company, listed on the TSX Venture Exchange, that is focussed on becoming a world leading producer of natural graphite and on the upgrade of mine concentrates into high value products critical to the green energy revolution including electric vehicles, lithium-ion batteries, fuel cells and graphene, as well as advanced industrial technologies.

### **About Imerys Group**

Imerys is the world leader in mineral-based specialty solutions for industry, with €3.8 billion in 2020 revenues and 16,400 employees, Imerys delivers high value-added, functional solutions to a diversified set of industrial sectors, from processing industries to consumer goods. The Group draws on its knowledge of applications, technological expertise and its material science know-how to deliver solutions based on beneficiation of its mineral resources, synthetic minerals and formulations. These contribute essential properties to customers' products and performance, including refractoriness, hardness, conductivity, opacity, durability, purity, lightness, filtration, absorption and repellency. Imerys is determined to develop responsibly, in particular by fostering the emergence of environmentally-friendly products and processes.

### **Qualified Person**

Gregory Bowes, B.Sc. MBA, P. Geo., a Qualified Person as defined under National Instrument 43-101, has reviewed and is responsible for the technical information in this news release.

### **For additional information**

Please visit the Company's website at <http://www.northerngraphite.com/investors/presentation/>, the Company's profile on [www.sedar.com](http://www.sedar.com), contact Gregory Bowes, CEO (613) 241-9959 or visit our **Social Channels**.



*This news release contains certain "forward-looking statements" within the meaning of applicable Canadian securities laws. Forward-looking statements and information are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "potential", "possible" and other similar words, or statements that certain events or conditions "may", "will", "could", or "should" occur. Forward-looking statements in this release include statements regarding, among others; economic and technical studies, graphite prices, project economics, permitting, the development timeline and the graphite market. All such forward-looking statements are based on assumptions and analyses made by management based on their experience and perception of historical trends, current conditions and expected future developments, as well as other factors they believe are appropriate in the circumstances. However, these statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected including, but not limited to, unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of other parties to perform as agreed; social or labour unrest; changes in commodity prices; unexpected failure or inadequacy of infrastructure and the failure of ongoing and contemplated studies to deliver anticipated results or results that would justify and support continued studies, development or operations. Readers are cautioned not to place undue reliance on forward-looking information or statements.*

*Although the forward-looking statements contained in this news release are based on what management believes are reasonable*

*assumptions, the Company cannot assure investors that actual results will be consistent with them. These forward-looking statements are made as of the date of this news release and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this news release.*

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