Eagle Graphite Releases Opening Statement to House of Commons Meeting on Critical Minerals

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COURTENAY, February 22, 2021 - At the invitation of Canada's House of Commons Committee on Natural Resources, Eagle Graphite's (TSXV:EGA) CEO, Jamie Deith , gave testimony earlier today on the subject of critical minerals supply chains. The text of the 5-minute opening statement follows:

Thank you - I deeply appreciate your inviting me to share some thoughts.

When I accidentally bought a graphite mine 15 years ago, I had no idea just how lucky I was to have stumbled on our project. Here was a graphite quarry that was already built and permitted, and had already produced graphite.

The project was and is an environmental dream, with no acid contamination to worry about, and not even any tailings because there is a market for all the material that isn't graphite. It has hydroelectric power for processing, and is amenable to all-electric operations once haul vehicle technology advances far enough. The graphite itself is indispensable for a number of clean energy technologies - it is the carbon that reduces carbon footprint.

The project enjoys overwhelming community support, including support expressed by all political parties, provincial and federal.

It is staffed by loyal and talented people who became experts by actually making graphite - producing some of the highest quality graphite in the world, and doing so on an unbelievably low budget. Before long we successfully qualified as a supplier to some key customers, and all we had to do was scale up production capacity to meet their orders.

On reflection, we had stumbled into no ordinary project, but one whose features are globally unique. Compared to all my peers who had unintentionally purchased their own graphite mines, I was clearly the most fortunate of the bunch.

However, I also had no clue just how much pain we were in for trying to further develop the project.

Natural graphite is the poster child for minerals dominated by China, and in the face of a near monopoly wielded by one of most powerful governments in the world, no combination of attributes could convince prospective sources of capital to invest in the required expansion. Supply chains around the world seemed mostly content with heavy reliance on a single nation.

In the extreme case of natural graphite for lithium-ion batteries, fully 100% of the intermediate stage processing was, and still is taking place in China. This positioning is intentional. China has been investing in electric vehicles since at least 2009, and openly seeks global dominance in the sector.

Meanwhile, project financing circles generally approached green energy as an afterthought, and viewed traditional fossil fuel projects as safer long term bets.

However, as noted by one of your earlier witnesses, viewpoints have recently shifted rapidly and decisively. With GM and Ford the latest to fully commit to EVs, the green energy debate is seemingly over, at least where transportation is concerned. The question is not if, but when, the last fossil fuel car will roll off the line.

At the same time, there is a renewed sense of urgency for secure, localized and diversified supply chains - across all industries, but especially those critical to defense and otherwise foundational to the economy. It has finally dawned on us and our allies collectively that some parts of the economy need a reliable underpinning of steady supply.

Now that this tipping point has arrived, Canada has a choice of roles. One can choose to be base level raw materials supplier. These minerals are poised for exponential demand growth, and projects like my own seem likely to be slammed with more customers than we can handle. In our case this would mean selling our natural graphite for about 1 dollar per kg, based on current markets. If my hunch is correct, our economic friends and adversaries alike will soon gladly take all we have to offer for that 1 dollar. Standing today, this is the limit of Canada's capabilities.

Canada's other alternative is for us to invest heavily and with urgency in downstream manufacturing, nurturing a viable ecosystem of 2nd- and 3rd-stage processing capacity where currently there is a vacuum. For graphite this means processing that $1 output into advanced products like battery anodes, valued at over $5 per kg.

Most of us would prefer the latter role, but achieving this requires significantly increased commitment from all of us; half measures will not buy us half an ecosystem. There are many good ideas as to the form these commitments might take, and there simply isn't enough time to list them now. In any event, whatever we do must be bold, and so compelling that end users and investors alike will find the effort credible enough that they will queue up to buy in. This is how we go from where we are now to a thriving ecosystem. And if we achieve this, it won't just be a happy accident.

Thank you! I look forward to your questions.

The full meeting, including questions and answers, can be viewed online at:
https://www.ourcommons.ca/DocumentViewer/en/43-2/RNNR/meeting-13/notice

About Eagle Graphite

Eagle Graphite owns the only natural flake graphite facility in western North America that is constructed and permitted. The Black Crystal quarry and plant are located 35 kilometres west of the city of Nelson in British Columbia, Canada, 70 kilometres north of the state of Washington, USA. The Company's shares are listed on the TSXV under the symbol "EGA".

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