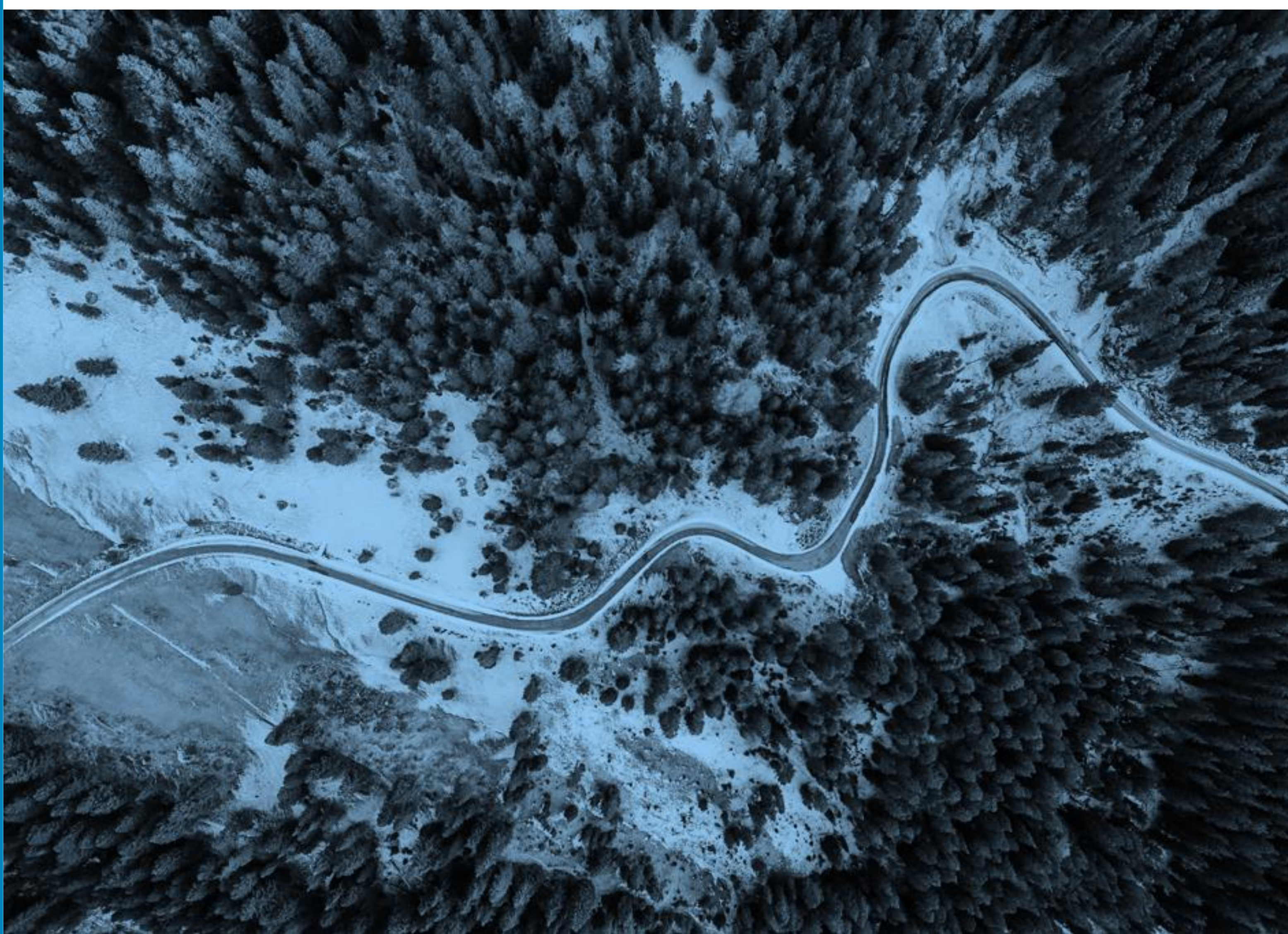
NOUVEAU MONDE GRAPHITE INC.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2019 AND 2018
(IN CANADIAN DOLLARS)



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NOTICE TO READERS OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS:

The unaudited consolidated interim financial statements of Nouveau Monde Graphite Inc. for the three-month periods ended March 31, 2019, were not audited by a firm of external auditors.

(s) Eric Desaulniers
President and Chief Executive Officer

(s) Charles-Olivier Tarte
Chief Financial Officer

(Unaudited, in Canadian dollars)

	Notes	March 31, 2019 $	December 31, 2018 $
ASSETS			
CURRENT			
Cash and cash equivalents	5	742,958	3,794,449
Grant receivable		-	235,835
Investment		15,180	19,757
Sales taxes receivable		608,352	979,158
Tax credits receivable	6	1,339,098	1,339,098
Prepaid expenses		50,697	53,246
		2,756,285	6,421,543
NON-CURRENT			
Tax credits receivable	6	3,091,551	2,811,454
Property and equipment	8	1,273,660	1,287,845
Intangible assets	9	1,976,419	2,126,752
Right-of-use assets	10	550,816	-
Restricted cash	5	779,309	779,309
Exploration and evaluation assets	11	25,553,653	24,252,483
Total assets		35,981,693	37,679,386
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		4,542,402	5,785,742
Current portion of long-term debt	7	1,229,640	930,841
		5,772,042	6,716,583
NON-CURRENT			
Asset retirement obligation	12	621,111	621,111
Deferred income tax liability		4,111,353	3,860,873
Long-term debt	7	2,645,087	2,377,300
Other liabilities		448,168	448,168
Total liabilities		13,597,761	14,024,035
EQUITY			
Share capital	13.1	36,258,461	36,242,680
Warrants	13.2	4,779,707	4,779,707
Contributed surplus		4,226,802	4,218,869
Deficit		(22,881,038)	(21,585,905)
Total equity		22,383,932	23,655,351
Total liabilities and equity		35,981,693	37,679,386

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These consolidated financial statements were approved by the Company's Board of Directors on May 27, 2019.

APPROVED BY THE BOARD OF DIRECTORS

(s) Eric Desaulniers - « Director »

(s) Yannick Beaulieu - « Director »

The accompanying notes are an integral part of the consolidated financial statements.

(Unaudited in Canadian dollars)

	Notes	For the three-month periods ended	
		March 31, 2019	March 31, 2018
Expenses			
Professional fees		168,131	176,507
Consulting fees		55,470	96,775
Employee benefit expenses		340,521	256,241
Share-based payments	13.5	13,714	12,776
Depreciation of property and equipment	8	14,186	9,306
Amortization of intangible assets	9	150,334	-
Loss (gain) on investment		4,577	(12,269)
Travelling and representation expenses		92,469	113,394
Advertising and congress expenses		14,302	129,089
Office expenses		32,617	41,911
Stock exchange, authorities and communication expenses		21 275	72,355
Maintenance and repairs		1,836	5,278
Other operating expenses		75,108	35,184
Financial fees	7	60,113	(17,356)
Loss before tax		1,044,653	919,190
Deferred income tax expense		250,480	-
Net loss and comprehensive loss		1,295,133	919,190
Basic and diluted loss per share		(0,007)	(0,007)
Weighted average number of shares outstanding		175,316,744	134,761,752

The accompanying notes are an integral part of the consolidated financial statements.

(Unaudited in Canadian dollars)

	Number	Share capital	Warrants	Contributed surplus	Deficit	Total equity
		$	$	$	$	$
Balance as at January 1, 2019	175,311,126	36,242,680	4,779,707	4,128,869	(21,585,905)	23,655,351
Options exercised	50,000	15,781	-	(5,781)	-	10,000
Share-based payments	-	-	-	13,714	-	15,374
Net loss and comprehensive loss	-	-	-	-	(1,295,133)	(1,295,133)
Balance as at March 31, 2019	**175,361,126**	**36,258,461**	**4,779,707**	**4,226,802**	**(22,881,038)**	**22,383,932**

The accompanying notes are an integral part of the consolidated financial statements.

	Number	Share capital	Warrants	Contributed surplus	Deficit	Total equity
		$	$	$	$	$
Balance as at January 1, 2018	134,801,078	25,701,940	3,370,718	3,169,941	(12,777,560)	19,465,039
Warrants exercised	70,000	17,182	(3,181)	-	-	14,000
Options exercised	50,000	19,245	-	(6,745)	-	12,500
Share-based payments	-	-	-	21,188	-	21,188
Warrants issued for services rendered	-	-	148,446	-	-	148,446
Net loss and comprehensive loss	-	-	-	-	(919,190)	(919,190)
Balance as at March 31, 2018	**134,681,078**	**25,738,367**	**3,515,983**	**3,184,384**	**(13,696,750)**	**18,741,983**

The accompanying notes are an integral part of the consolidated financial statements.

(Unaudited in Canadian dollars)

	Notes	For the three-month periods ended March 31, 2019	March 31, 2018
		$	$
OPERATING ACTIVITIES			
Net loss and comprehensive loss		(1,295,133)	(919,190)
Depreciation of property and equipment	8	14,186	9,306
Amortization of intangible assets	9	150,334	-
Loss (gain) on investment		4,577	(12,269)
Deferred income tax expenses (recovery)		250,480	
Share-based payments		13,714	12,776
Net change in working capital	14	(1,087,671)	(1,173,077)
Cash flows used in operating activities		(1,949,513)	(2,082,459)
INVESTING ACTIVITIES			
Additions to exploration and evaluation assets	11	(1,111,978)	(2,156,958)
Addition to property and equipment	8	-	(98,880)
Cash flows used in investing activities		(1,111,978)	(2,255,839)
FINANCING ACTIVITIES			
Warrants exercised		-	14,000
Options exercised		10,000	12,500
Cash flows from financing activities		10,000	26,500
Net change in cash and cash equivalents		(3,051,491)	(4,311,793)
Cash and cash equivalents beginning of the period		3,794,449	10,147,987
Cash and cash equivalents end of the period		742,958	5,836,194
Supplemental information	14		

The accompanying notes are an integral part of the consolidated financial statements.

1. NATURE OF OPERATIONS AND LIQUIDITY

Nouveau Monde Graphite Inc. (the "Company" or "Nouveau Monde" or "NMG"), was established on December 31, 2012. under the *Canada Business Corporations Act*. The Company specializes in exploration and evaluation of mineral properties located in Quebec.

On February 7, 2017, Nouveau Monde Mining Enterprises Inc. changed the name of the Company to ''Nouveau Monde Graphite Inc.''.

The Company's shares are listed under the symbol NOU on the TSX Venture Exchange. The address of the Company's registered office is 331 Brassard, Saint-Michel-des-Saints, Quebec, Canada.

As at March 31, 2019, the Company had a negative working capital of $3,015,757 had an accumulated deficit of $22,881,038 and incurred a loss of $1,295,133 for the period then ended. Working capital included current tax credits receivable of $1,339,098 and cash equivalents of $742,958.

With the financing completed in April 2019 (described in note 19), management believes that the Company has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue future operations and fund its exploration and development activities is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, a combination of strategic partnership, project debt finance, offtake financing, royalty financing and other capital markets alternatives. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

2. BASIS OF PREPARATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company have been prepared in accordance with ''International Financial Reporting Standards' («IFRS») as issued by the International Accounting Standards Board ("IASB ").

The consolidated financial statements for the reporting three-month period ended March 31, 2019 (including comparatives) were approved and authorized for issue by the Board of Directors on May 27, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICIES

IFRS 16 – Leases

On January 1, 2019, the Company implemented IFRS 16, "Leases" ("IFRS 16"), replacing International Accounting Standard 17, "Leases" ("IAS 17") and related interpretations. The standard introduced a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The Company implemented the standard using the modified retrospective approach. As a result, the Company's first quarter of 2019 results reflect lease accounting under IFRS 16. Under IFRS 16, the depreciation expense on right-of-use assets and interest expense on lease liabilities replaces rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of a lease. Prior year results have not been restated.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. As at January 1, 2019, the Company recognized a $639,512 lease liabilities related to previous operating lease, that are now considered debt obligations upon adoption of IFRS 16 (see note 7). These leases were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.38%. The associated right-of-use assets were measured at the amount equal to the lease liability as at January 1, 2019 (see note 10).

As a result of the adoption of IFRS 16, the accounting policy for leases applied starting from January 1, 2019 as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

I. the contract involves the use of an identified asset

II. the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

III. the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less.

4. ESTIMATES, JUDGMENTS AND ASSUMPTIONS

In preparing its consolidated financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses.

Information about the significant estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, revenues and expenses is presented below. Actual results may differ significantly.

Going concern

The assessment of the Company's ability to implement its strategy by funding working capital and its exploration and evaluation activities requires the exercise of judgment. The estimates and assumptions made are reviewed regularly and are based on historical data and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Provision for asset retirement obligations

The Company's exploration activities are subject to a number of environmental protection laws and regulations. The Company accounts for management's best estimate of asset retirement obligations in the period in which the obligations arise. Costs actually incurred in future periods could be significantly different from these estimates. In addition, future changes in laws and regulations, timing of estimated cash flows and discount rates may impact the carrying amount of this provision.

Recognition of deferred tax assets and measurement of income tax expense

Management regularly assesses the likelihood that its deferred income tax assets will be realized. As part of this assessment, management must determine whether it is probable that the Company will subsequently generate sufficient taxable income to which such losses can be applied during the deferral period. By its nature, this assessment requires a great deal of judgment. To date, management has not recorded any deferred tax assets in excess of existing taxable temporary differences that are expected to reverse during the deferral period.

Impairment of exploration and evaluation assets

Evaluating facts and circumstances that demonstrate the existence of any indication that an asset may have depreciated or recover in value is a subjective process that involves judgment and often a number of estimates and assumptions.

If there is an indication that an asset may have depreciated or recover in value, the recoverable amount of the individual asset or the cash-generating unit should be estimated.

Tax credits

Tax credits for the current period and prior periods are measured at the amount the Company expects to recover, based on its best estimate and judgment, from the tax authorities as at the reporting date. However, there are uncertainties as to the interpretation of the tax regulations, in particular regarding refundable mining rights credits for loss and refundable tax credits on eligible exploration expenses, as well as regarding amount and timing of recovery of these tax credits. In order to determine whether the expenses it incurs are eligible for exploration tax credits, the Corporation must use a lot of judgment and resort to complex techniques, which makes the recovery of tax credits uncertain. As a result, there may be a significant difference between the amount recognized in respect of tax credits and the actual amount of tax credits received as a result of the tax administrations' review of matters that were subject to interpretation. uncertain. In the event of such a difference, an adjustment must be made to the tax credits for mineral prospecting expenses in future periods. It can take a long time for the tax administration to report its decisions on tax issues, thereby extending the tax credit recovery period. Mineral exploration tax credits that the Company expects to recover in a period of more than one period are classified as non-current assets. The amounts recognized in the consolidated financial statements are based on the best estimates of the Company and in its best possible judgment, as noted above. However, given the uncertainty inherent in obtaining the approval of the tax authority concerned, the amount of tax credits that will actually be recovered and the timing of such recovery may differ materially from accounting estimates. would affect the financial position and cash flow of the Company.

(Unaudited in Canadian dollars)

5. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018
	$	$
Cash	742,958	3,794,449

As at March 31, 2019, the Company has restricted cash of $779,309 of which $621,111 related the asset retirement obligation and $158,198 relate to a letter of credit granted to Investissement Québec with respect to the loan financing (describe in note 7).

6. TAX CREDITS RECEIVABLE

	March 31, 2019	December 31, 2018
	$	$
Current portion of tax credits receivable	1,339,098	1,339,098
Non-current portion of tax credits receivable	3,091,551	2,811,454
	4,430,649	4,150,552

Tax credits that are expected to be received beyond 12 months are recorded in non current assets.

7. LONG TERM DEBT

	March 31, 2019	December 31, 2018
	$	$
Loan payable (7.1)	3,308,141	3,308,141
Lease liabilities (7.2)	559,586	-
End of the period	3,867,727	3,308,141
Current portion of Long-term debt	(1,222,640)	(930,841)
Non current portion of Long-term debt	2,645,087	2,377,300

7.1 LOAN PAYABLE

	March 31, 2019	December 31, 2018
	$	$
Opening balance	3,308,141	-
Proceeds	-	3,361,788
Issue costs	-	(53,647)
Interest payable	-	-
End of the period	3,308,141	3,308,141
Current term portion	(930,841)	(930,841)
Non current term portion	2,377,300	2,377,300

On December 21, 2018, The Company closed a financing with Investissement Québec for an aggregate amount of $4,665,000 through four loan offers for which the first tranche of an amount of $3,361,788 ($943,000 short term and $2,418,788 long term) has been received while the second tranche will be received in 2019 pursuant to Nouveau Monde's cash flow needs but subject to the achievement of conditions set forth in the loan offers. During the period ended March 31, 2019 the interest paid were $60,179.

The loans were secured by a first ranking mortgages for an aggregate amount of $4,655,000 charging the universality of its present and future claims and accounts receivables. The loans have to be repaid at the latest by June 30, 2019 and June 30, 2020 respectively the short term and long-term loans. The loans bear respectively interest at the preferential rate of 3.95% as at March 31, 2019 per period increased of 2.3% and 2.43% when interest are payable.

7.2 LEASE LIABILITIES

	March 31, 2019	December 31, 2018
	$	$
Opening balance	-	-
Adjustment-IFRS 16	639,512	-
New liabilities under leases	-	-
Principal repayment	(79,926)	-
	559,586	-
Current term portion	(291,799)	-
Non current term portion	267,787	-

(Unaudited in Canadian dollars)

8. PROPERTY AND EQUIPMENT

	Land	Building	Equipment	Computer	Furniture	Rolling stock	Total
	$	$	$	$	$	$	$
Cost							
Balance as at January 1, 2019	226,543	1,036,945	62,580	31,864	49,135	9,218	1,416,285
Acquisition	-	-	-	-	-	-	-
Balance as at March 31, 2019	226,543	1,036,945	62,580	31,864	49,135	9,218	1,416,285
Accumulated depreciation							
Balance as at January 1, 2019	-	46,871	58,461	5,867	14,771	2,470	128,440
Depreciation	-	9,765	305	1,923	1,694	499	14,186
Balance as at March 31, 2019	-	56,636	58,765	7,790	16,465	2,969	142,625
Net book value as at March 31, 2019	**226,543**	**980,309**	**3,815**	**24,074**	**32,670**	**6,249**	**1,273,660**

	Land	Building	Equipment	Computer	Furniture	Rolling stock	Total
	$	$	$	$	$	$	$
Cost							
Balance as at January 1, 2018	147,809	446,392	62,107	16,680	45,456	-	718,444
Acquisition	78,734	590,553	473	15,184	3,679	9,218	697,841
Balance as at December 31, 2018	226,543	1,036,945	62,580	31,864	49,135	9,218	1,416,285
Accumulated depreciation							
Balance as at January 1, 2018	-	20,298	57,126	739	7,784		85,947
Depreciation	-	26,573	1,335	5,128	6,987	2,470	42,493
Balance as at December 31, 2018	-	46,871	58,461	5,867	14,771	2,470	128,440
Net book value as at December 31, 2018	**226,543**	**990,074**	**4,419**	**25,997**	**34,364**	**6,748**	**1,287,845**

(Unaudited in Canadian dollars)

9. INTANGIBLE ASSETS

During the year ended in December 31 2018, the Company and Hydro-Quebec (HQ) signed a licence agreement by which the Company is allowed to use HQ's patented technologies for the micronization, spheronization, purification and natural graphite coating to serve the lithium-ion battery market. The Company paid US $2 million ($2,561,818) for the use of the patents which have different expiry dates between October 24, 2021, to June 7, 2028. The licence was capitalized as an intangible asset and will be amortized over the life of the underlying patents.

	Softwares	License	Total
	$	$	$
Cost			
Balance as at January 1, 2019	16,058	2,561,818	2,577,876
Acquisition	-	-	-
Balance as at March 31, 2019	16,058	2,561,818	2,577,876
Balance as at January 1, 2019	3,019	448,105	451,124
Amortization	965	149,364	150,333
Balance as at March 31, 2019	3,984	597,474	601,457
Net book value as at March 31, 2018	**12,075**	**1,964,345**	**1,976,419**

	Softwares	License	Total
	$	$	$
Cost			
Balance as at January 1, 2018	10,741	-	10,741
Acquisition	5,317	2,561,818	2,567,135
Balance as at December 31, 2018	16,058	2,561,818	2,577,876
Balance as at January 1, 2018	547	-	547
Amortization	2,472	448,105	450,577
Balance as at December 31, 2018	3,019	448,105	451,124
Net book value as at December 31, 2018	**13,039**	**2,113,713**	**2,126,752**

10. RIGHT-OF-USE ASSETS

	Building	Equipment	Rolling stock	Total
				$
Cost				
As at December 31, 2018	-	-		-
Adjustment – IFRS 16 (Note 3)	232,990	312,177	94,345	639,512
As at January 1, 2019	232,990	312,177	94,345	639,512
As at March 31, 2019	**232,990**	**312,177**	**94,345**	**639,512**
Accumulated depreciation				
As at December 31, 2018	-	-	-	-
Adjustment – IFRS 16 (Note 3)	-	-	-	-
As at January 1, 2019	-	-	-	-
Depreciation for the period	31,770	41,203	15,723	88,696
As at March 31, 2019	**31,770**	**41,203**	**15,723**	**88,696**
Net book value				
As at January 1, 2019	232,990	312,177	639,512	639,512
As at March 31, 2019	**201,220**	**270,974**	**550,816**	**550,816**

The Company's future minimum operating lease payments for the next year are in the amount of $108,054.

(Unaudited in Canadian dollars)

11. EXPLORATION AND EVALUATION ASSETS

	Balance as at January 1st, 2019	Additions	Tax credits net	Balance as at March 31, 2019
Quebec, Canada	$	$	$	$
Matawinie property				
Mining rights	1,657,778	-	-	1,657,778
Exploration and evaluation expenses	22,594,705	1,581,268	(280,098)	23,895,875
Total	24,252,483	1,581,268	(280,098)	25,553,653

	Balance as at January 1st, 2018	Additions	Tax credits net	Balance as at December 31, 2018
Quebec, Canada	$	$	$	$
Matawinie property				
Mining rights	861,764	796,014	-	1,657,778
Exploration and evaluation expenses	8,117,675	17,061,806	(2,584,776)	22,594,705
Total	8,979,439	17,857,820	(2,584,776)	24,252,483

12. ASSET RETIREMENT OBLIGATION

As at March 31, 2019, the obligation related to the Matawinie property is $621,111 ($621,111 as at December 31, 2018) .

13. EQUITY

13.1 SHARE CAPITAL

Authorized share capital :

Unlimited number of common shares voting and participating, with no par value.

13.2 WARRANTS

	March 31, 2019		December 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warants	Weighted average exercise price
		$		$
Balance, beginning of period	52,039,727	0.39	43,192,476	0.36
Issued	-	-	14,261,837	0.40
Exercised	-	-	(3,871,003)	0.20
Expired	-	-	(1,543,583)	0.31
Balance end of period	52,039,727	0.39	52,039,727	0.39

The number of warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

	March 31, 2019		December 31, 2018	
	Number	Exercise price	Number	Exercise price
		$		$
June 15, 2019	2,506,000	0.35	2,506,000	0.35
September 19, 2019	7,357,498	0.40	7,357,498	0.40
October 20,2019	15,410,087	0.40	15,410,087	0.40
May 17, 2020	3,333,336	0.40	3,333,336	0.40
July 13, 2020	4,480,584	0.40	4,480,584	0.40
September 28,2020	5,792,584	0.40	5,792,584	0.40
October 2, 2020	655,333	0.40	655,333	0.40
December 22, 2020	7,534,914	0.35	7,534,914	0.35
February 7, 2021	4,969,391	0.35	4,969,391	0.35
	52,039,727		52,039,727	

(Unaudited in Canadian dollars)

13.3 BROKER'S OPTIONS

	March 31, 2019		December 31, 2018	
	Number of broker warrants	Weighted average exercise price	Number of broker warrants	Weighted average exercise price
		$		$
Balance, beginning of period	1,474,525	0.31	1,335,711	0.30
Issued	-	-	331,994	0.30
Exerced	-	-	(90,000)	0.23
Expired	(26,100)	0.35	(103,180)	0.30
Balance end of period	1,448,425	0.31	1,474,525	0.31

Outstanding broker's options exercisable in exchange for an equivalent number of shares is as follows:

	March 31, 2018		December 31, 2018	
Expiration date	**Number**	**Exercise price**	**Number**	**Exercise price**
		$		$
February 7, 2019	-	-	26,100	0.35
September 19, 2019	581,260	0.30	581,260	0.30
October 20, 2019	535,171	0.30	535,171	0.30
July 13, 2020	125,669	0.40	125,669	0.40
September 28, 2020	127,689	0.40	127,689	0.40
October 2, 2020	78,636	0.40	78,636	0.40
	1,448,425		1,474,525	

13.4 ADVISORY WARRANTS

	March 31, 2019		December 31, 2018	
	Number of advisory warrants	Weighted average exercise price	Number of advisory warrants	Weighted average exercise price
		$		$
Balance, beginning of period	1,771,665	0.36	-	-
Issued	-	-	1,771,665	0.36
Balance end of period	1,771,665	0.36	1,771,665	0.36

The number of advisory warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

	March 31, 2019		December 31, 2018	
Expiration date	**Number**	**Exercise price**	**Number**	**Exercise price**
		$		$
October 20, 2019	1,150,000	0.39	1,150,000	0.39
July 13, 2020	55,000	0.30	55,000	0.30
October 2, 2020	566,665	0.30	566,665	0.30
	1,771,665		1,771,665	

(Unaudited in Canadian dollars)

13.5 SHARE-BASED PAYMENTS

The Board of Directors determines the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture.

All share-based payments will be settled in equity. The Company has no legal or contractual obligation to repurchase or settle the options in cash.

The Company's share options are as follows for the reporting periods presented:

	March 31, 2019		December 31, 2018	
	Number of options	Average exercise price	Number of options	Average exercise price
		$		$
Balance at the beginning of the period	11,450,000	0.29	9,050,000	0.27
Granted	-	-	4,400,000	0.34
Exercised	(50,000)	0.20	(750,000)	0.20
Expired	-	-	(600,000)	0.30
Forfeited	-	-	(650,000)	0.36
Balance at the end of the period	11,400,000	0.29	11,450,000	0.29
Options that can be exercised	11,156,250	0.29	11,087,500	0.29

	March 31, 2019		December 31, 2018	
Expiration date	**Number**	**Exercice price**	**Number**	**Exercice price**
		$		$
3 Aprill 2019	200,000	0.20	250,000	0.20
11 May 2020	500,000	0.27	500,000	0.27
9 June 2020	600,000	0.18	600,000	0.18
10 October 2020	300,000	0.35	300,000	0.35
7 January 2021	650,000	0.20	650,000	0.20
11 February 2021	250,000	0.20	250,000	0.20
18 March 2021	225,000	0.20	225,000	0.20
15 June 2021	175,000	0.30	175,000	0.30
1 November 2021	250,000	0.25	250,000	0.25
2 November 2021	500 000	0.45	500 000	0.45
23 Décember 2021	575,000	0.25	575,000	0.25
13 February 2022	1,800,000	0.275	1,800,000	0.275
11 July 2022	500,000	0.30	500,000	0.30
25 September 2022	725,000	0.35	725,000	0.35
25 September 2022	150,000	0.40	150,000	0.40
20 October 2022	200,000	0.39	200,000	0.39
27 November 2022	200,000	0.42	200,000	0.42
18 May 2023	3,150,000	0.32	3,150,000	0.32
21 June 2023	450,000	0.31	450,000	0.31
	11,400,000		11,450,000	

(Unaudited in Canadian dollars)

14. ADDITIONAL INFORMATION-CASH FLOWS

	For the three-month periods ended	
	March 31, 2019	March 31, 2018
	$	$
Sales taxes receivable	370,806	(329,632)
Prepaid expenses	2,549	(128,379)
Accounts payable and accrued liabilities	(1,461,026)	(715,066)
Total	(1,087,671)	(1 173,077)

Items not affecting cash :

	For the three-month periods ended	
	March 31, 2019	March 31, 2018
	$	$
Accounts payable and accrued liabilities included in exploration and evaluation assets	4,009,212	947,656

15. INFORMATION DISCLOSURE ABOUT CAPITAL

The Company monitors capital on the basis of the carrying amount of equity and loans is $26,258,659 as at March 31, 2019 ($26,963,492 as at December 31, 2018).

The objective of the Company's capital management is to preserve its ability to continue its operations and its program of acquisition, exploration and evaluation of mineral properties. It manages its capital structure and makes adjustments based on economic conditions and risk characteristics of underlying assets.

The Company is not subject to externally imposed capital requirements unless the Company closes a flow-through financing for which funds should be reserved for exploration expenditures. Changes in capital are described in the consolidated statements of changes in equity.

16. FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks resulting from its operations. The Company's management manages the financial risks. The Company does not enter into financial instrument agreements, including derivative financial instruments for speculative purposes.

The main financial risks to which the Company is exposed as well as its policies for managing such risk are detailed below:

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its exploration and evaluation expenditure programs. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company has historically generated cash flow primarily from its financing and investing activities.

All of the Company's short-term financial liabilities in the amount of $5,772,042 ($6,716,583 as at December 31, 2018) have contractual maturities of less than one period and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity

With the financing completed in April 2019 (described in note 18), management believes that the Company has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due. (see Note 1).

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. The Company's credit risk is primarily related to receivables and cash and cash equivalents. The receivables consist mainly of the refund of the goods and services tax receivable from the governments of Canada and Quebec, as well as tax credits receivable from the Government of Quebec. Management mitigates credit risk by maintaining cash with Canadian chartered banks.

17. FAIR VALUE MEASUREMENT

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy group's financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for assets or liabilities that are not based on observable data (unobservable inputs).

Investments in shares measured at fair value in the statement of financial position as at March 31, 2019, and December 31, 2018, are classified in level 1. For all other financial assets and liabilities, their net carrying amount is a reasonable approximation of fair value given their relatively short maturities.

18. COMMITMENTS

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than earlier of the following dates:

- Two periods following the flow-through placements;
- One period after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard, refusal of certain expenses by the tax authorities could have a negative tax impact for investors.

In 2018, the Company received $2,302,336 following flow-through placements for which the Company renounced tax deduction.

19. SUBSEQUENT EVENTS

On April 3, 2019, the Company entered into definitive agreements in connection with a non-brokered private placement with Pallinghurst Graphite Limited, an affiliate of The Pallinghurst Group ("Pallinghurst") for an amount of $10,298,875 pursuant to which Pallinghurst has agreed to subscribe to 43,825,000 common shares (the "Shares") in the capital of the Corporation, at a price of $0.235 per Share (the "Offering Price") (the "Pallinghurst Placement").

On April 25, 2019, the Company has completed the non-brokered private placement. No brokerage, investment banking or similar fees were paid by the Corporation for the Pallinghurst Placement and the Shares issued to Pallinghurst are subject to a four (4) months plus one (1) day statutory hold period ending on August 26, 2019. As of the Closing Date, Pallinghurst holds approximately 19.99% of the Shares. In the context of the Pallinghurst Placement, Pallinghurst agreed not to sell its Shares for up to two periods following the Closing Date, subject to conditions.
On May 27, 2019, the Board of Directors grant a total of 1,125,000 stock options to executive officers. These stock options are granted pursuant to the terms and conditions of the Corporation's stock option plan. Each stock option entitles the holder to purchase one common share of the Company at a price of $ 0.235 per common share for a period of 5 years from the date of grant.