

# ZERO-CARBON SOLUTIONS™ FOR TOMORROW'S CLEAN TECHNOLOGIES



## 2020 ANNUAL REPORT

Corporate Performance  
& Sustainability Disclosure

**MMG**  
NOUVEAU MONDE GRAPHITE

# PREAMBLE

This Annual Report covering Nouveau Monde Graphite Inc.'s ("we", the "Company" or "Nouveau Monde") activities for the period of January 1, 2020 to December 31, 2020 has been approved by the Company's Board of Directors on April 1, 2021.

The Company's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS"). The monetary presentation currency is the Canadian dollar ("CAD") and all the amounts in the report are in Canadian dollars which is the Company's functional currency.

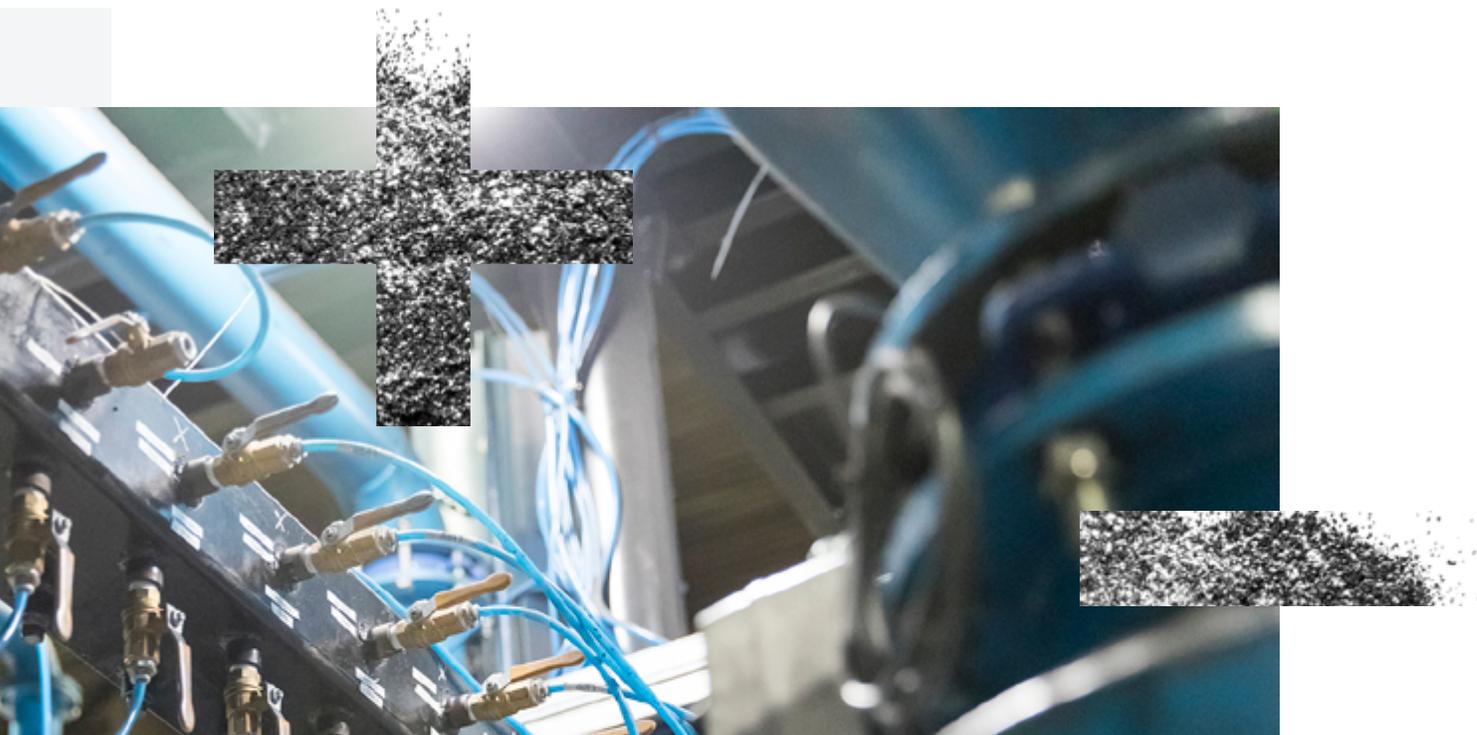
The sustainability disclosure – the first report of its kind for the Company – has been prepared according to the Global Reporting Initiative ("GRI") Core Standards, with additional indicators specific to Nouveau Monde's business model, and to the United Nations' Sustainable Development Goals ("SDG").

## Corporate Structure

The Company was established on December 31, 2012, under the *Canada Business Corporations Act*. Nouveau Monde's registered office is located at 331 Brassard Street, Saint-Michel-des-Saints, Québec, Canada, JOK 3B0.

Nouveau Monde's common shares are listed for trading on the TSX Venture Exchange under the ticker symbol "NOU", and quoted for trading on the OTCQX under the ticker symbol "NMGRF", and on the Frankfurt Stock Exchange under the ticker symbol "NM9".





### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

All statements, other than statements of historical fact, contained in this report including, but not limited to, those relating to (i) the Company's corporate objectives and business strategy including, without limitation, the "Nouveau Monde at a Glance" paragraph, (ii) the Company's business and investor prospects, (iii) the Company's aspirations including, without limitation, the "Our Sustainability Blueprint" paragraph, (iv) the Company's updated pit-constrained mineral resource estimate, (v) the Company's electrification strategy and its intended results, (vi) the Company's planned environmental initiatives, (vii) the Company's intended carbon-neutrality and its GHG estimate of commercial operations, (viii) the development plans and timeline of the Matawinie graphite mineral project and the Bécancour value-added plant, (ix) graphite demand growth and trends, (x) the direct and indirect economic impact of the Matawinie graphite mineral project and the Bécancour value-added plant, (xi) the results and operational highlights of the feasibility study covering the Matawinie graphite mineral project, (xii) the capacity and output of the Bécancour value-added plant, (xiii) the expected unfolding of construction and commissioning as well as the anticipated start of production at the Company's Matawinie and Bécancour projects (xiv) the nature of relationships with stakeholders such as local communities, governments and regulatory authorities and (xv) any information as to the future plans and outlook for the Company, constitute "forward-looking information" or "forward-looking statements" within the meaning of Canadian securities legislation, and are based on expectations, estimates and projections as of the time of this report. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the time of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates and assumptions may prove to be incorrect. Moreover, these forward-looking statements are based upon various underlying factors and assumptions, including the timely delivery and installation of the equipment supporting the production, the Company's business prospects and opportunities

and estimates of the operational performance of the equipment, and such statements are not guarantees of future performance.

The words "anticipates", "plans", "expects", "indicate", "intend", "scheduled", "estimates", "forecasts", "guidance", "initiative", "outlook", "potential", "projected", "pursue", "strategy", "study", "targets", or "believes", or variations of or similar such words and phrases or statements that certain actions, events or results "may", "could", "would", or "should", "might", or "way forward", "will be taken", "will occur" or "will be achieved" and similar expressions identify forward-looking statements.

Forward-looking information and statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking information and statements. Risk factors that could cause actual results or events to differ materially from current expectations include, among others, delays in the scheduled delivery times of the equipment, the ability of the Company to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the availability of financing or financing on favorable terms for the Company, the dependence on commodity prices, the impact of inflation on costs, the risks of obtaining the necessary permits, the operating performance of the Company's assets and businesses, competitive factors in the graphite mining and production industry, changes in laws and regulations affecting the Company's businesses, political and social acceptability risk, environmental regulation risk, currency and exchange rate risk, technological developments, the impacts of the global COVID-19 pandemic and the governments' responses thereto, and general economic conditions, as well as earnings, capital expenditure, cash flow and capital structure risks and general business risks. Unpredictable or unknown factors not discussed in this cautionary statement could also have material adverse effects on forward-looking statements.

The above list is non-exhaustive and non-exclusive. Many of these uncertainties and contingencies can directly or indirectly affect, and could cause, actual results to differ materially from those expressed or implied in any forward-looking statements. There can

be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking information is provided for the purpose of providing information about management's expectations and plans relating to the future. Readers are cautioned not to place undue reliance on these forward-looking statements as a number of important risk factors and future events could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. Readers are further cautioned to review the full description of risks, uncertainties and management's assumptions in Nouveau Monde's most recent Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

### TECHNICAL INFORMATION

Scientific and technical information in this report has been reviewed and approved by Eric Desautniers, MSc, Géo., President & CEO of Nouveau Monde and Antoine Cloutier, Géo., Chief Geologist for Nouveau Monde, each a Qualified Person as defined by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). Further information about the Matawinie graphite mineral project, including a description of key assumptions, parameters, methods and risks, is available in the NI 43-101 technical report, "NI 43-101 Technical Feasibility Study Report for the Matawinie Graphite Project", dated effective July 10, 2018, that was filed with the securities regulatory authorities in each of the provinces of Canada on December 10, 2018, and available on SEDAR. The mineral resource and mineral reserve estimates contained in this presentation have been prepared in accordance with the requirements of securities laws in effect in Canada, including NI 43-101, which governs Canadian securities law disclosure requirements for mineral properties.

## Overview

# NOUVEAU MONDE AT A GLANCE

The energy revolution is accelerating as the world transitions towards a cleaner future. While water, wind and the sun provide renewable power solutions, minerals and advanced materials are the cornerstone of cleantech to capture and store these energies. Nouveau Monde is a development-stage company focused on advancing its wholly-owned Matawinie graphite mine and Bécancour lithium-ion battery anode material plant to production.



At Nouveau Monde, we are striving to become a key contributor to the sustainable energy revolution. The Company is working towards developing a fully-integrated source of green battery anode material in Québec, Canada. Targeting commercial operations by 2023, we are developing advanced carbon-neutral graphite-based material solutions for the growing lithium-ion and fuel cell markets. With low-cost operations and enviable environmental, social, and governance (“ESG”) standards, Nouveau Monde aspires to become a strategic supplier to the world’s leading battery and automobile manufacturers, providing high performing and reliable advanced materials while promoting sustainability and supply chain traceability.

## Our Purpose



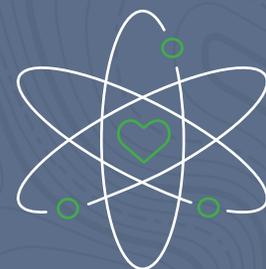
### VISION

Drive the transition to a green future through sustainable Zero-Carbon Solutions™



### MISSION

Produce the greenest advanced graphite materials with a carbon-neutral footprint for a sustainable world



### VALUES

**SAFETY** **RESPONSIBILITY** **OPENNESS**

**INTEGRITY** **ENTREPRENEURIAL SPIRIT**

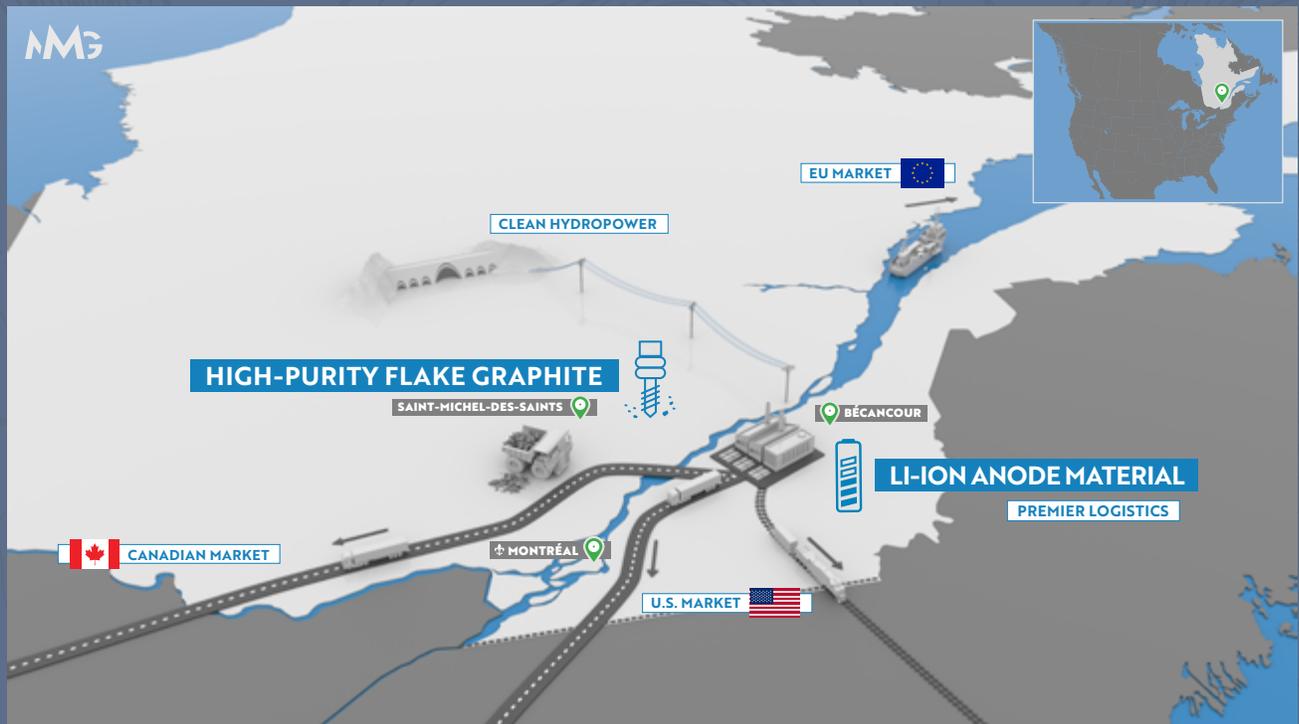
**50x less**  
greenhouse gas footprint



## We Call Québec Home

A tier-1 jurisdiction for mining and business, Québec, Canada provides Nouveau Monde with an advantageous setting to develop our integrated operations leveraging world-renowned environmental standards, research and development (“R&D”) capabilities, robust infrastructure, trade agreements, and a booming battery/electric industrial hub.

The Company’s operations are located in close proximity to one another, within a 150-km radius of Montréal, Québec, enabling low-cost production with a transparent and carbon-neutral supply chain for battery producers.



## Overview

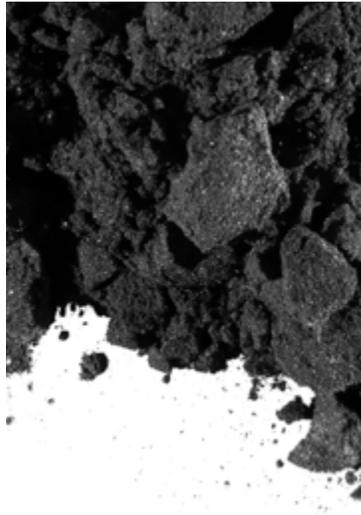
# 2020 HIGHLIGHTS

## JANUARY

Nouveau Monde signed a collaboration and benefit-sharing agreement – one of the most progressive of its kind in Québec’s history – with the Saint-Michel-des-Saints and Upper Matawinie community.



Nouveau Monde’s technical team participated in the public examination of the Matawinie mining project led by the Bureau d’audiences publiques sur l’environnement (“BAPE”), an independent commission mandated by the Québec government to review the environmental, social and economic parameters of the project.



## FEBRUARY

The Company successfully commissioned our phase-1 micronization and spheronization line, and confirmed that graphite sourced at the Matawinie deposit performs to the high-quality standards required for lithium-ion battery usage.

## APRIL

In line with our electrification plans, Nouveau Monde mandated Hydro-Québec for the development, installation, and operation of a 120-kV power line that will supply the Matawinie mine site and help the Company meet our carbon-neutrality targets.

Nouveau Monde secured over \$5.2 million in non-dilutive financial leverage to advance our business strategy targeting lithium-ion battery markets and niche industries.



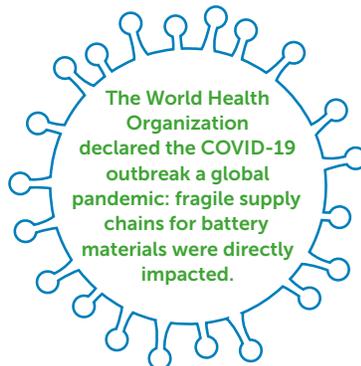
## JUNE

In its report, the independent BAPE commission recognized the economic justification, environmental innovations, integration measures, and social benefits associated with Nouveau Monde’s Matawinie mining project development plans.

The Government of Canada reiterated its support for Nouveau Monde’s innovation and economic development platform through a \$1.5-million repayable funding to implement our proprietary transformation processes for purified spherical graphite manufacturing.

## MARCH

Nouveau Monde updated the pit-constrained mineral resource estimate for the Tony Block west zone deposit, part of our flagship Matawinie graphite property, with an increase of 25% in the combined measured and indicated mineral resource categories.



In the face of COVID-19, the Company rapidly deployed exceptional measures to protect its workforce and community, and weather this period of economic instability.



# \$1.5 M

REPAYABLE FUNDING  
FROM THE GOVERNMENT  
OF CANADA



## AUGUST

Overwhelming shareholder support enabled the Company to close approximately \$20 million worth of financing transactions with The Pallinghurst Group (“Pallinghurst”) to fund the next phase of business development focused on lithium-ion battery material.



## SEPTEMBER

Nouveau Monde’s R&D consortium made significant advancements in battery material development thanks to a breakthrough in silicon-enhanced anode material with improved specific capacity and a longer cycle life, further optimising the Company’s planned production process and profitability.



Tesla’s Battery Day pointed to a 12-fold increase in battery capacity production compared to the current market size.

Following a year of intensified marketing and technical sales activities, Nouveau Monde confirmed our position in North American, European, and Asian markets with hundreds of tonnes of high-quality graphite delivered.

## OCTOBER

Nouveau Monde announced a significant industry collaboration with Forge Nano, an advanced nano-coating company backed by industry leaders such as Volkswagen, LG Technology Ventures and Mitsui, to offer a premium product to the lithium-ion battery market.

Nouveau Monde signed an agreement with Olin, one of the world’s leading chemical companies, for commercial space, chemical supply, and site services to support the commercialization of the Company’s proprietary thermochemical technology to produce advanced graphite materials.



## NOVEMBER

As a partner to the Québec and Canadian governments, Nouveau Monde joined a collaborative endeavor bringing together research and industry leaders to develop electric systems and rapid recharging infrastructure for heavy vehicles adapted to open-pit mining.

The Company opened a London-based European sales office to advance commercial engagement with battery makers and automotive original equipment manufacturers (“OEM”).

Nouveau Monde was selected as the sole and strategic battery material partner of a pilot project on battery materials traceability to drive

the implementation of the Global Battery Alliance’s (“GBA”) Battery Passport principles.

The Company’s proprietary coating process outperformed industry-leading Asian peers, establishing Nouveau Monde as a future producer of advanced and premium battery anode materials.

A world first for open-pit mining, Nouveau Monde advanced our commitment to all-electric equipment by launching an international call for pre-qualification for our fleet and charging infrastructure for our Matawinie project.

## DECEMBER

THE EUROPEAN COMMISSION PROPOSED TO MODERNIZE LEGISLATION ON BATTERIES TO BOLSTER SUSTAINABILITY, CIRCULAR ECONOMY, AND TRACEABILITY, SETTING NEW STANDARDS FOR BATTERY MATERIAL PROVIDERS.





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04

# FROM OUR LEADERSHIP

# MESSAGE FROM THE CHAIRMAN

## Nouveau Monde is Committed to Expand our Fully Integrated Anode Materials Strategy, Embedded in a Sustainable and Zero-Harm Business Model

On behalf of the Board of Directors of Nouveau Monde, I welcome you to the Company's 2020 Annual Report.

Complementing the disclosure of the advancement on our corporate development fronts, this report focuses and explores the topics of sustainability and responsible developments, in accordance with the GRI Sustainability Reporting Core Standards. Nouveau Monde's business success, as we seek to become the Western World's largest anode materials producer, is integrated with our success as a sustainable supplier of critical materials committed to causing zero harm to the environment we operate in. In this report, we summarize our strategy, priorities, and approaches to addressing the Company's important ESG standards for our operations. ESG impact all our stakeholders, including our commitment to our physical environment, employees, customers, partners, and importantly the host communities in which we operate.

Let me start by stating our overall philosophy of "Zero Harm". The implementation of our zero-harm commitment is impacting the way we operate, both as a corporation as well as individuals, working for Nouveau Monde. It is an underlying approach to

how we conduct ourselves. It not only includes how we operate as we extract our resources and how we enrich them, but also includes how we act towards the environment, towards members of our host communities as well as how we interact between employees. We aim at being a catalyst for growth and stakeholder wealth creation, without causing harm. It is on that philosophy we build our vision of becoming the Western World's largest anode materials producer, supporting the electrification of mobility as well as the renewable energy storage markets.

Nouveau Monde is proudly a Québec-based mineral and technology company committed to the sustainable development of advanced graphite-based materials through our Matawinie mining project and our technically advanced Bécancour anode materials plant, striving to become not only the largest graphite producer in North America, Europe, and Australasia, but also the one with the smallest carbon footprint. Nouveau Monde is rapidly rolling out our operations, building a secure and resilient North American supply chain for lithium-ion battery and fuel cell technologies powering the electric vehicle and renewable solar, wind and thermo energy storage markets.

**The implementation of our zero-harm commitment is impacting the way we operate, both as a corporation as well as individuals, working for Nouveau Monde. It is an underlying approach to how we conduct ourselves.**

As we have all experienced in our private and professional lives, in 2020, the COVID-19 pandemic transformed our society and economy. The loss of lives and livelihoods have scared us all. However, COVID-19 has also triggered something else. Across the world, people and the organizations on which they depend, have experienced uncertainty including disruption of critical supply chains. In some cases, this resulted in global shortfalls including the supply of critical materials. This has focused

everybody's mind on establishing sustainable supply chains. COVID-19 magnified the vulnerabilities in our economy and the need to diversify and localize supply chains. With this disruption, we have also been forced to look at traceability, carbon footprint and other critical elements of sustainability. Nouveau Monde has taken this as an opportunity to position the Company as a "best of class" provider of key battery materials, providing our customers with zero-carbon footprint products, delivered in a supply chain which is

100% traceable – proving our contribution to a more sustainable and less harmful world.

Today, Nouveau Monde stands at the precipice of the move away from oligopolistic supply chains. Founded on the values of innovation and sustainability, and focused on the responsible development of a fully-integrated mine to end-product battery materials business model, Nouveau Monde is positioned to become part of the solution for a decarbonized economy and a dependable future.

To this end, we are proud to report on the Company's 2020 ESG initiatives, firmly rooted in the responsible and sustainable development of the vast Matawinie graphite reserves and our high value-added processing facilities at Bécancour. In this Annual and Sustainability Report, we will provide an overview and discussion of Nouveau Monde's performance in these critical areas, along with our commitment to upholding the following global frameworks and domestic initiatives for the development of critical battery minerals:

- » Foremost is Nouveau Monde's commitment to **The Paris Agreement** which is a legally binding international treaty on climate change, adopted by Canada in 2015 at the **United Nations Climate Change Conference**. In response to Canada's nationally determined contributions towards this long-term temperature goal, Nouveau Monde has been engineered to become the world's first all-electric open-pit mine and achieve carbon-neutral operations.





**NOUVEAU MONDE IS  
POSITIONED TO BECOME  
PART OF THE SOLUTION  
FOR A DECARBONIZED  
ECONOMY AND A  
DEPENDABLE FUTURE**

**Our efforts to become the Western World’s largest anode materials producer, are anchored in a corporate sustainable and zero-harm strategy. We continue to be committed and work hard on laying the foundation for our sustainable development.**

- » Early in 2020, Canada and the United States announced the finalization of the **Canada-U.S. Joint Action Plan on Critical Minerals Collaboration**, to advance mutual interests in securing supply chains for minerals such as graphite required for important manufacturing sectors. Nouveau Monde is well-placed to become a near-term, large-scale supplier of responsibly mined and transformed, high-value graphite materials, a key component in electric vehicles, energy storage systems and electronic devices.
- » As a member of the Québec Mining Association, Nouveau Monde is aligned with The Mining Association of Canada’s **Towards Sustainable Mining** initiative, a globally recognized performance system that assists companies in evaluating and managing their environmental and social responsibilities. Nouveau Monde adheres to its guiding principles including performance indicators that demonstrate leadership through committing to safety and health of employees and surrounding communities; engaging with communities; and driving world-leading environmental practices.
- » In 2020, Nouveau Monde also made significant progress towards contributing to the **SDGs** which represent a set of 17 interlocking global goals for equitable, socially inclusive, and environmentally sustainable economic development towards achieving the **United Nations’ 2030 Agenda for Sustainable Development**.
- » On October 29, 2020, the Government of Québec released the **Québec Plan for the Development of Critical and Strategic Minerals (2020-2025)**, to support exploration and

production of critical and strategic minerals in Québec, while respecting local populations and the environment. In November 2020, Nouveau Monde was selected by the Government of Québec as the sole mining partner to implement the **Global Battery Alliance’s** traceability of critical minerals for the mining and battery materials industries in Québec, to chart our commitment to ensure supply chain sustainability, as reflected in the Company’s robust ESG standards and leadership.

The Nouveau Monde board, management and employees, as one team, is fully committed to our exciting development plans. We have already made further big strides in the first quarter of 2021. Our efforts to become the Western World’s largest anode materials producer, are anchored in a corporate sustainable and zero-harm strategy. We continue to be committed and work hard on laying the foundation for our sustainable development, and I encourage you to learn more about our Company and efforts over the past year. We are actively putting the foundation stones in place in order to become a leader in the production of sustainable battery materials for decades to come.

Please join us on this important journey towards decarbonization and securing a cleaner future for the generations to come.

Kind regards,

**Arne H Frandsen**  
Chairman

# MESSAGE FROM THE PRESIDENT & CHIEF EXECUTIVE OFFICER

## A Transformational Year

**We strived to position Nouveau Monde in this global chessboard as a major producer of natural flake graphite, anode material for lithium-ion batteries and value-added graphite solutions with the industry's lowest environmental footprint.**

Since discovering our world-class Matawinie deposit, I have dedicated myself to rallying the talents and key contributors around Nouveau Monde to build a unique business model, one that taps into the energy transition, but mostly, that one exemplifies my vision for a clean, collaborative, and sustainable future. A new world, Nouveau Monde.

2020 represented a pivotal year in this endeavor as we reached significant milestones in our development, and graduated from junior exploration circles to a development-stage integrated mining and technology company.

We have grown tremendously, in terms of expertise, product portfolio, and manufacturing platform. This rapid growth, amidst a world shaken by pandemic and economic disruptions, was possible thanks to our agility, resilience, and the core sustainability compass that guided our development.

As such, we succeeded in advancing two parallel business lines, our original Matawinie mining project, and our value-added activities for graphite-based advanced materials.

For our mining operation, the year was dedicated to completing the environmental assessment with the Government of Québec and the independent BAPE commission, as well as advancing engineering for our commercial project. We joined collective efforts to improve mining practices by electrifying a hauling vehicle and by developing a material traceability framework for the GBA's Battery Passport.

For our secondary transformation line, we commissioned and launched our phase-1 shaping module and secured a strategic contract with a world-leading chemical producer to commence our purification operations. Through collaboration with renowned R&D teams and innovative technology providers, we continued to refine our portfolio of specialty products based on market demands and innovations.

We also expanded activities into Europe as demand soars for green battery-materials. Indeed, the pandemic exacerbated the need for resilient supply chains for strategic minerals. From a small 57 GWh battery production capacity in 2015, megafactories around the globe now account for more than 3,000 GWh of capacity in the pipeline to keep up

**Our efforts to strengthen our Company, seek meaningful partnerships, and map our zero-carbon vision provide a solid foundation for our next milestones.**

with the energy revolution<sup>1</sup>. Strategic advanced material supply from local sources is vital to OEMs' capacity to produce batteries, electric vehicles and energy storage systems.

We strived to position Nouveau Monde in this global chessboard as a major producer of natural flake graphite, anode material for lithium-ion batteries and value-added graphite solutions with the one of industry's lowest environmental footprints.

Our business strategy is backed by community members, customers, governmental bodies, and shareholders as we obtained the financial levers to pursue our development. We remain sensitive to the interests and concerns of our stakeholders, especially First Nations and local communities where we operate, as we aspire to develop truly sustainable, responsible, and exemplary projects that create shared value.

Our efforts to strengthen our Company, seek meaningful partnerships, and map our zero-carbon vision provide a solid foundation to reach our next milestones. The year 2020 constituted a springboard for our growth as we launch commercial development for our projects.



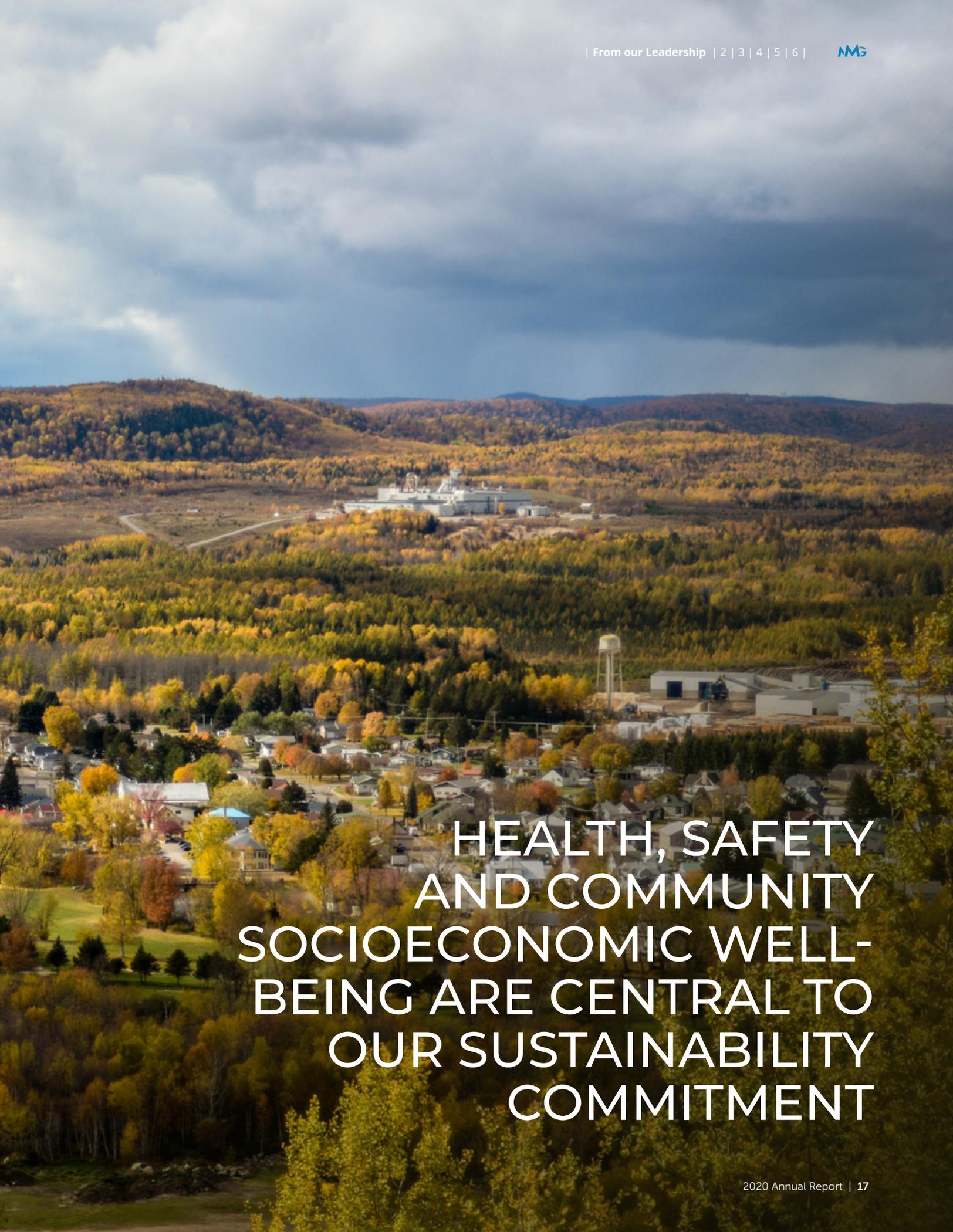
To our employees, communities, shareholders, and business partners, I say thank you for your trust and support as we reinvent our industry. For it takes vision, audacity, resilience, and cooperation to challenge existing practices and create a new path forward.

Onwards,  
En route vers un avenir durable,  
Wapita nikanik,

Eric Desaulniers  
Founder, President & Chief Executive Officer

<sup>1</sup>Benchmark Mineral Intelligence, Megafactory Assessment, February 2021.





HEALTH, SAFETY  
AND COMMUNITY  
SOCIOECONOMIC WELL-  
BEING ARE CENTRAL TO  
OUR SUSTAINABILITY  
COMMITMENT

02

# GOVERNANCE

# LEADERSHIP

As Nouveau Monde grows, we are implementing policies and practices to strengthen our commitment towards transparency, fairness and equality, and governance.

The members of the Board of Directors of Nouveau Monde have the responsibility to oversee the conduct of the business of the Company and the activities of management who are responsible for the day-to-day conduct of the business. We maintain high standards of integrity and accountability, and seek to mitigate risk and protect shareholders when executing our business strategy. The Company considers environmental, social and governance issues when making decisions and implementing its strategy.

We are committed to the principles of sustainability and ethics; the management team and Board of Directors recognize the value of good corporate governance and the need to adopt best practices in terms of social, economic, and environmental responsibility.

## Board of Directors

**Arne H Frandsen**  
Chairman

1

**Daniel Buron**  
Lead Independent Director

2

**Yannick Beaulieu**  
Director

3

**Eric Desaulniers**  
Director

4

**Nathalie Jodoin**  
Director

5

**Jürgen Köhler**  
Director<sup>2</sup>

6

**Nathalie Pilon**  
Director

7

**James Scarlett**  
Director

8

**Chris Shepherd**  
Executive Director

9

The Board of Directors is assisted by three committees:

- » the Audit Committee;
- » the Human Resources and Compensation Committee;
- » the Governance and Sustainable Development Committee.

**11 meetings**  
OF THE BOARD AND ITS  
COMMITTEES IN 2020



<sup>2</sup>Joined the Board of Directors in April 2021.



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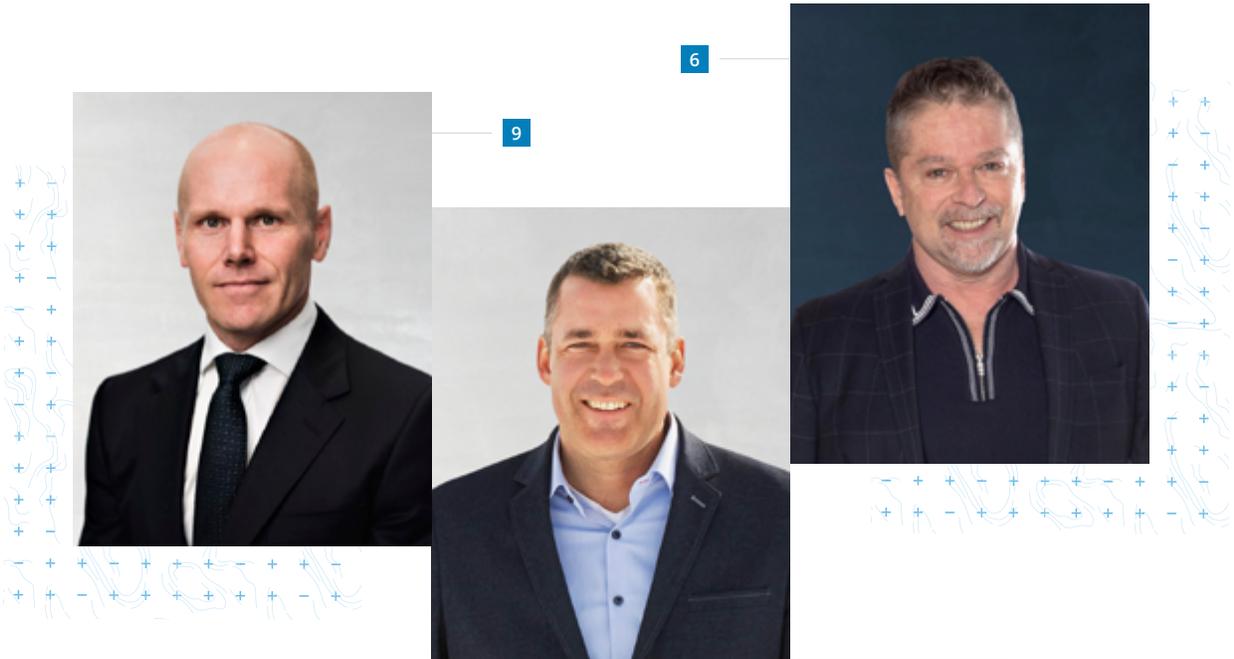
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2



5

## Management Team

**Eric Desaulniers**

Founder, President & Chief Executive Officer

1

**Charles-Olivier Tarte**

Chief Financial Officer

2

**David Torralbo<sup>3</sup>**

Chief Legal Officer & Corporate Secretary

3

**Patrice Boulanger**

Vice President, Sales, Marketing & Business Development

4

**Sylvain Descombes**

Vice President, Construction

5

**Alain Dorval**

Vice President, Process & Metallurgy

6

**Philippe Legault**

Vice President, Human Resources

7

**Martine Paradis**

Vice President, Engineering & Environment

8

**Chris Shepherd**

Vice President, Corporate Development

9

<sup>3</sup>Joined the Company in January 2021.

# SUSTAINABLE DEVELOPMENT ROADMAP

We strive to be a model in the development of responsible mining operations and advanced material manufacturing to drive greater sustainability into our sector and the industries we serve. As such, we are committed to a holistic approach to managing our business strategy, operations, and relationships, assuming responsibility for our present and long-term impact on the people, environment, technology, and economy we engage with.

Sustainability knows no competition nor boundaries. We are driving collaboration across our sector and beyond, to truly reinvent models of resource extraction and transformation.

## Our Journey thus Far

Founded in 2012, exploration first led Nouveau Monde to the Upper Matawinie region in 2014 where the Matawinie graphite deposit was discovered. Ever since, the team has taken very seriously the unique privilege of developing this large-scale mineral resource. In partnership with the community and key stakeholders, we have worked to re-imagine the traditional practices of the sector to catalyse an innovative and bold project focused on sustainable development.

Here are some historical milestones attesting to our commitment for responsible development:



**2014**

- » First meetings with cottage owners in the area bordering the exploration zone



**2015**

- » Public information sessions and stakeholder consultation
- » Robust exploration and preparation of a technical report on the Matawinie project



# 2017

- » Inauguration of our headquarters and community office
- » Elaboration of a pre-development agreement with the Atikamekw First Nation
- » Engagement with concerned groups and opponents 
- » Development of a preliminary integration plan for the mining site areas
- » Establishment of an accompanying committee
- » Meeting with the local business community
- » Construction of phase-1 demonstration operations
- » Initial design studies on co-disposal of tailings
- » Open house at demonstration operations
- » Publishing of the prefeasibility study

# 2018

- » Signing of a framework agreement with the Atikamekw First Nation
- » Training of first operators in mineral processing
- » Signing of an agreement in principle with the municipality of Saint-Michel-des-Saints
- » Construction of phase-2 demonstration operations with plant, water treatment infrastructure, and tailings management facilities 
- » Continuous engagement with stakeholders, from all horizons and opinions on the project
- » Initial polling of community
- » Publishing of the feasibility study

# 2016

- » Environmental scoping
- » Intense community outreach and stakeholder engagement
- » Active dialogue with the Manawan Atikamekw First Nation
- » Initial voluntary acquisition program for owners in proximity to the deposit 
- » Preliminary economic study
- » Launch of R&D efforts on graphite transformation for anode materials

# 2019

- » Signing of a pre-development agreement with the Atikamekw First Nation
- » Submission of the Matawinie project Environmental and Social Impact Assessment ("ESIA") 
- » Start of detailed engineering for the Matawinie project
- » Information session on business opportunities
- » Development of the value-added transformation processes





## Materiality Assessment

For Nouveau Monde's initial report on sustainability, the Company mandated an external consulting firm to conduct a desktop assessment of material topics, feeding on documented recent extensive stakeholder consultations, interviews, third-party analysis of our projects and other development initiatives in our communities, benchmarking, and review of main disclosure frameworks.

The main topics identified, along with their respective definitions, are:

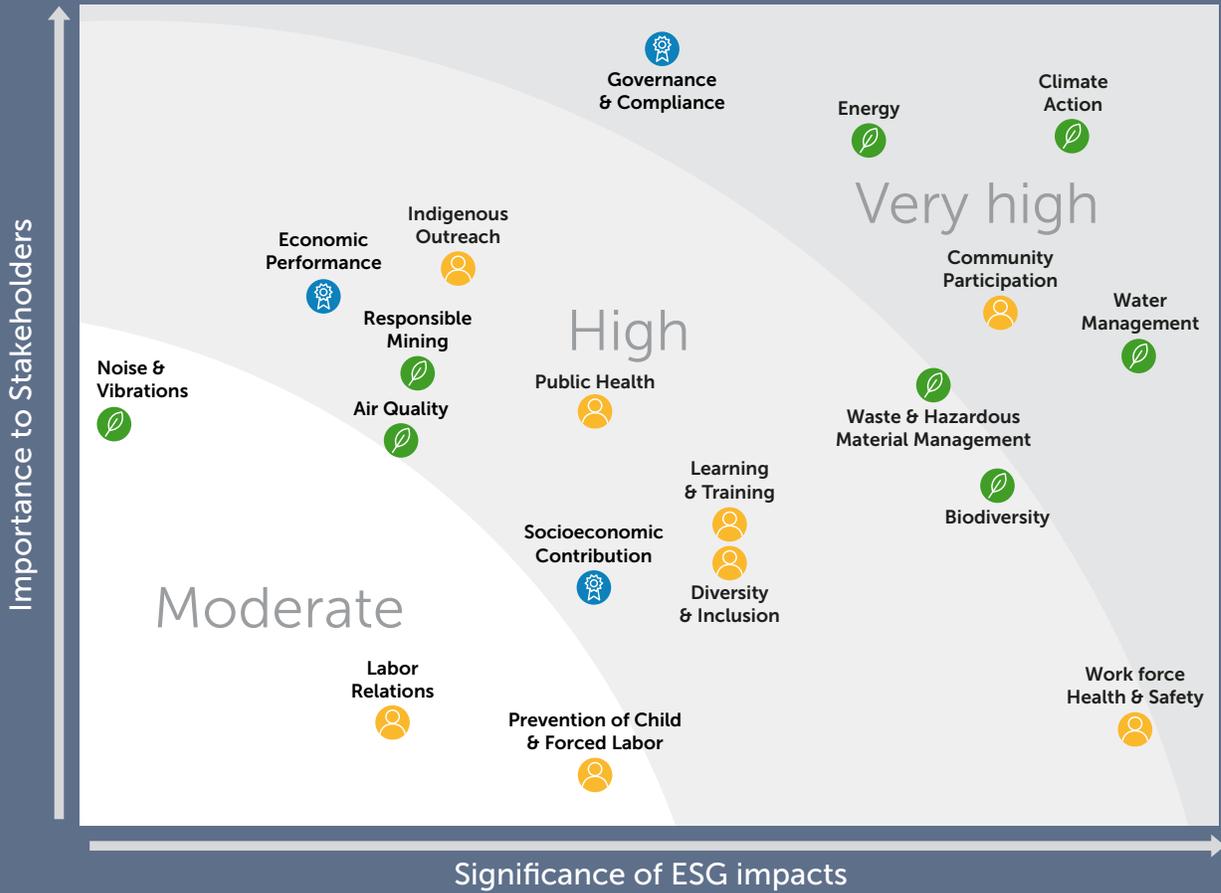
- » Air quality: Management of air pollutants
- » Biodiversity: Preservation of the quality of the environment and biodiversity
- » Climate action: Efforts to address climate change through emissions management and carbon neutrality, product offering and responsible operations
- » Community participation: Engagement and long-term relationship with local communities to integrate concerns and maximize contribution and benefits
- » Economic performance: Promotion of a responsible, innovative and sustainable corporate strategy in order to create long-term economic value
- » Energy: Energy efficiency practices and use of renewable energy sources
- » Governance and compliance: Management of business ethics, transparency and conformity with regulatory requirements
- » Indigenous outreach: Inclusion of Indigenous Peoples to integrate concerns and maximize contribution and benefits
- » Labor relations: Collaboration with employees and worker organizations to ensure proper working conditions
- » Learning and training: Proactive approach to training employees and upskilling local populations, including Indigenous Peoples
- » Noise and vibrations: Noise and vibration control measures
- » Prevention of child and forced labor: Assurance that child or forced labor is not tolerated
- » Public health: Protection of the local populations' physical and mental health
- » Responsible mining: Implementation of responsible business and extraction practices in order to offer a premium responsible product
- » Socioeconomic contribution: Positive benefits to the local community's socio-economic fabric, including coexistence and diversification of local economy
- » Waste and hazardous material management: Tailings and other mining waste management, including landscape rehabilitation
- » Water management: Protection of water quality and proper water use management
- » Workforce health and safety: Promotion of a proactive and preventative approach to health and safety

These topics have been placed along an axis reflecting their importance to stakeholders and an axis reflecting their significance to Nouveau Monde's impact on society and the environment. The level of materiality was calculated by taking the average of each score. The overall level of "importance" is not necessarily an indicator of the Company's performance on or management of the topic, but rather reflects the perceptions of stakeholders as to what topics are of particular concern to them.

All topics presented on the matrix are important, though some are considered to be more so than others, as indicated by the position of

issues on the matrix (very high, high, moderate). Hence, our materiality matrix serves as a guide in deciding what to prioritize in Nouveau Monde's sustainability efforts and what is relevant to disclose. Correlation with topic-specific disclosure as per GRI standards is supplemented in the Sustainability Disclosure section (p. 142).

Nouveau Monde intends to expand its materiality assessment in following sustainability reports through additional direct consultation with our stakeholders.



**Legend**

- Social topics
- Environmental topics
- Economic and governance topics

# Our Sustainability Blueprint

In line with our inaugural Annual Report, we release our 2021-2023 Strategic Sustainability Plan aimed at benefiting people and the planet in line with our values, business plan, Sustainability Policy, materiality assessment, and the United Nations SDGs framework.

As we launch construction of commercial operations and pursue our corporate development, we seek to stimulate progress towards three pillar aspirations.

ASPIRATIONS	CONTRIBUTION TO UN SDGs
 <p><b>CREATING SHARED VALUE</b></p>	
 <p><b>POWERING A CLEANER FUTURE</b></p>	
 <p><b>ACCELERATING THE WHEEL OF CHANGE</b></p>	

## GOALS

- » **Advance zero-harm standards** within the Company and with construction and business partners through robust governance and exemplary practices in relation to health, safety, and environment
  - » **Improve First Nation's participation** in the project and promote a shared perspective within the Company and community
  - » **Maximize benefits for local community** and stakeholders
  - » Foster **diversity and inclusion** within the Company
  - » **Execute business plan responsibly** to deliver on commitments to stakeholders, shareholders, and customers
- 
- » **Attain carbon neutrality** for past and current operations, with a plan for future activities
  - » **Elevate environmental and ethical DNA** of the Company's products
  - » **Create synergy** with other industries in line with the circular economy approach
  - » **Carry out responsible construction of commercial projects** through proactive waste management, infrastructure and logistics optimization, and sustainable design choices
- 
- » **Establish first-class approach** to ESG and transparent disclosure
  - » **Invest in training, research, and leadership** initiatives to advance global sustainability agenda
  - » **Promote and call for sustainability** throughout our value chain, business ecosystem, and community

From here on, actions, targets, and performance against key indicators will be developed with our stakeholders and disclosed in subsequent Annual Reports to document our sustainability journey and contribution towards a clean, responsible future.

03

# OUR ASSETS TO CREATE SHARED VALUE

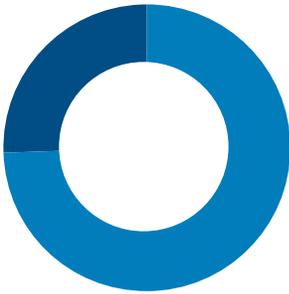
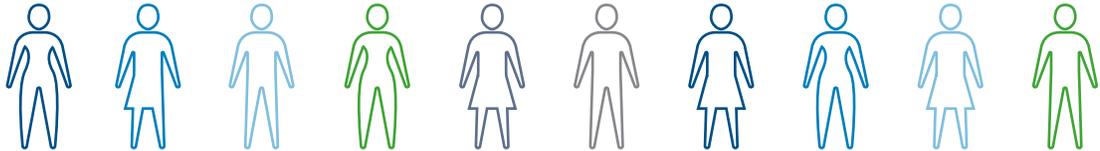
# PEOPLE

## Team Nouveau Monde

Nouveau Monde relies on a team of over 60 employees from diverse fields of expertise and personal backgrounds. In building our Company, we have placed emphasis on gender equality, an inclusive workplace, and opportunities for professional development. Their unwavering support underpinning our responsible corporate strategy paired with their innovative mindset power our growth.

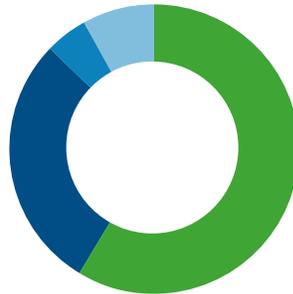


**63**  
EMPLOYEES



### BY GENDER

- 74.6% men
- 25.4% women (including 4 in senior management positions)



### BY SPECIALITY

- 58.7% professionals
- 28.6% production
- 4.8% technical
- 7.9% seasonal or on-call

**14.3%**

EMPLOYEES FROM CULTURALLY DIVERSE BACKGROUNDS

**8,065**

HOURS OF TRAINING FOR PROFESSIONAL DEVELOPMENT





The team of operators at our Saint-Michel-des-Saints demonstration plant proudly poses amid the celebration of a production milestone.

**Safety – that of our employees, contractors, families, communities, and the environment – is paramount.** Occupational health and safety underpin our activities and decision-making enabling a shared responsibility framework for optimum awareness, prevention, and action.

0 incidents

AS PER OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (“OSHA”) RECORDABLE INCIDENT RATE



In response to COVID-19, Nouveau Monde implemented preventive measures and strict work protocols to provide a safe environment for our employees, contractors, and communities. The Company was successful in preventing outbreaks at operating sites.

Saint-Michel-des-Saints, Québec, a traditionally forestry-based community, is home to our Matawinie mining project. After having experienced difficult times following a major downcycle in the wood products industry, the region is rejuvenating. Nouveau Monde has adopted practices favouring local employment to bolster the socioeconomic fabric.

16 jobs

CREATED AT THE DEMONSTRATION PLANT IN 2020



37.5%

OF POSITIONS FILLED WITH LOCAL CANDIDATES



Jean, operator at Nouveau Monde and teacher as part of the training program, covers technical notions with student Anaët.

Focused on sustainable development, we have launched initiatives to train and hire local workers, particularly through the "Comité de formation de la main-d'œuvre de la Haute-Matawinie", which includes industrial, institutional, and business partners who come together to share services.

Nouveau Monde led the implementation of a professional training program to support reskilling of the local workforce ahead of our commercial operations.

→ **2 cohorts, totalling 21 students, trained in 2020**

→ **5 employees recruited from the program**



In addition, a sociovocational integration program for members of the Atikamekw communities was planned to reinforce the employability of Indigenous workers. Program enrollments were completed in the first quarter, but the launch was paused until the pandemic-related measures were lifted, thus facilitating movements between the Manawan and Saint-Michel-des-Saints communities.

**3 youths from Manawan** PARTICIPATED IN THE DISCOVERY MINICOURSE, A SEVEN-DAY FAST-TRACK INTRODUCTION TO KEY NOTIONS OF THE PROGRAM AS WELL AS OUR OPERATIONS, INITIATED BY THE COMPANY

## Stakeholder and Indigenous Engagement

In keeping with our environmental and ethical development goals, the Company made significant efforts since the Matawinie graphite deposit discovery in 2015 to align the project with the realities, concerns, and values of the local community.

- » Over 75 information events, including public sessions, consultations, and open-house events, to establish open and constructive dialogue with local organizations, residents, cottage owners, and members of First Nations.
- » Initiatives aimed at promoting and developing awareness for the mining sector, Nouveau Monde's environmental practices and collaboration opportunities.

Since 2017, an accompanying committee, made up of local citizens, First Nations, business representatives, and local organizations, assists Nouveau Monde in the development of the Matawinie project. It ensures the project's implementation respects the milieu, minimizes environmental impact, and integrates concerns and expectations from the community. The exchange of local know-how and scientific knowledge allows us to validate our independent experts' design and enhance our development plans for the region's economic, social, and environmental benefit.

## 6 meetings

HELD IN 2020 WITH MINUTES  
PUBLICLY RELEASED FOR  
THE COMMUNITY'S INFORMATION

## 3 sub-committee WORKING SESSIONS

The Manawan Atikamekw First Nation is based 85 km north of the Matawinie project. On the heels of the pre-development agreement signed with the Atikamekw First Nation in 2019, Nouveau Monde maintains ongoing dialogue with Band Council representatives, community partners, and contractors. Collaborative efforts this year were comprised of negotiations in respect of an impact and benefit agreement for the Matawinie mining project, recruitment efforts as well as an information session on training, employment and business opportunities held in Manawan.

- **2 agreements in place** guiding the relationship and agreement for the commercial phase
- **21 joint work sessions** on the development of the impact and benefit agreement
- **2 public activities**

Jean-Nicolas and Tobie from our demonstration plant participated to a career fair at Mawanan Otapi high school to inform students of employment opportunities at Nouveau Monde (January 2020)





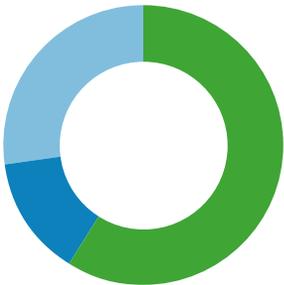
A photograph of industrial workers in a factory setting. In the foreground, a worker wearing a silver hard hat with a headlamp and an orange high-visibility safety vest is seen from the back. To the left, another worker in a blue hard hat, safety glasses, and a blue surgical mask is looking towards the camera. The background shows large blue industrial tanks and complex machinery with blue pipes.

THROUGH CONTINUOUS  
IMPROVEMENT, WE WORK  
TO FIND PATHS FOR  
GREATER SUSTAINABILITY,  
EFFICIENCY AND QUALITY

Nouveau Monde supported many initiatives through our sponsorship program to help organizations reach their goals and to contribute to the development and well-being of our community.

**Over \$3,700 in sponsorships**

DISTRIBUTED IN 2020, PART OF A TOTAL OF \$106,000 SINCE 2017



- 59% local events
- 14% R&D
- 27% next generation mining professionals



In January 2020, the municipality of Saint-Michel-des-Saints and Nouveau Monde formalized their partnership through a collaboration and benefit-sharing agreement establishing financial and participatory mechanisms based on requests expressed by local stakeholders, on sustainable development principles, and on the agreement in principle reached in August 2018.

Through this new agreement Nouveau Monde will contribute up to 2% of net cash flow after taxes to the municipality to boost community spinoffs and reinvestment. The Company will also contribute 1% of net cash flow after taxes to the newly created Community Fund for the Future to help stimulate development projects in Upper Matawinie that promote economic sustainability and community vitality beyond the mine's operating period.

One of the most generous of its kind documented in Québec, this bilateral agreement includes concrete actions in the areas of training, employability, and business opportunities for the local population; the integration of the mining project into the territory through recreation and tourism development; and collaboration mechanisms to provide short-, medium- and long-term benefits for the community.



Mayor Réjean Gouin and Eric Desautels celebrate the signing of the collaboration and benefit sharing agreement.

As we advance the development of our value-added plant in Bécancour, Québec, the Company is enhancing local engagement efforts. The proud industrial heritage of this region, robust infrastructure in place, and established partnerships facilitate Nouveau Monde’s arrival and integration within the community.

## Business Community

Nouveau Monde’s business strategy subscribes to a circular economy model. We recognize the contribution of business partners upstream and downstream from our operations, as well as those supporting our efficient, sustainable, and economic activities. We work to establish partnerships and advance progress in our communities and industries, for shared value.

Nouveau Monde favors local procurement for products, services, and key expertise. In 2020, we awarded:



**\$5,343,870**

IN CONTRACTS TO LOCAL SUPPLIERS AND SERVICE PROVIDERS, INCLUDING \$190,834 TO INDIGENOUS BUSINESSES

**\$11,304,663**

IN CONTRACTS TO PROVINCIAL AND/OR CANADIAN PARTNERS

**\$1,165,430**

IN CONTRACTS TO INTERNATIONAL COMPANIES

Nouveau Monde’s Environment team was supported by students of the Université du Québec en Abitibi-Témiscamingue to build and instrument co-disposal test cells at the demonstration site.

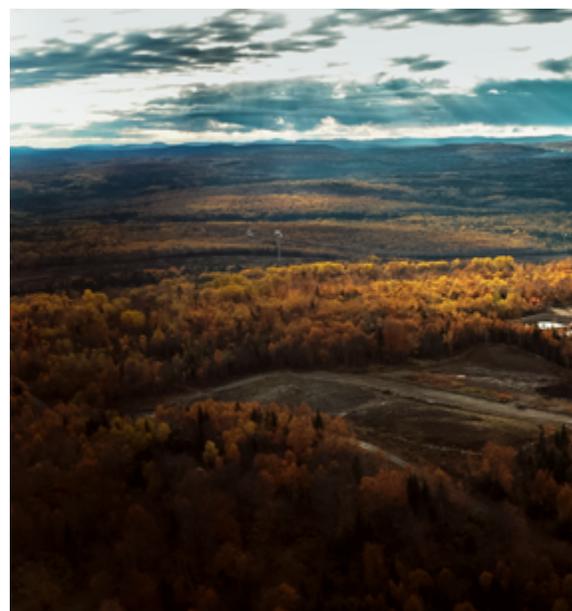


# RESOURCES

## Tony Block

Discovered with novel technologies, the Matawinie property includes 319 mining claims covering 17,585 hectares, in which the Company owns a 100% interest. The Tony Claim Block is located approximately 150 km north of Montréal, Québec, Canada, in Saint-Michel-des-Saints. This block is easily accessible via existing forest roads and is close to high-quality infrastructure, including paved roads and high-voltage power lines.

Nouveau Monde published an updated pit-constrained mineral resource estimate (the “Current Resource”) in March 2020 for the west zone deposit, located in the Tony Claim Block. Results included a 25.6% increase in the combined measured and indicated mineral resource categories with a minimal change to the pit footprint and mineralization that remains open at depth and both to the north and south.



### Pit-Constrained Mineral Resource Estimate for the West Zone<sup>1</sup>

RESOURCE CATEGORY <sup>2</sup>	CURRENT RESOURCE (March 19, 2020) <sup>5</sup>			PREVIOUS RESOURCE (June 27, 2018) <sup>6</sup>		
	Tonnage (Mt) <sup>5,7</sup>	Grade (% Cg) <sup>3</sup>	Cg (Mt)	Tonnage (Mt) <sup>5,7</sup>	Grade (% Cg) <sup>5</sup>	Cg (Mt)
Measured	24.5	4.27	1.05	0	0	0
Indicated	95.8	4.26	4.08	95.8	4.28	4.10
<b>Measured + Indicated</b>	<b>120.3</b>	<b>4.26</b>	<b>5.13</b>	<b>95.8</b>	<b>4.28</b>	<b>4.10</b>
Inferred	4.5	4.43	0.20	14.0	4.19	0.59

<sup>1</sup>The mineral resources provided in this table were estimated using current Canadian Institute of Mining, Metallurgy and Petroleum “CIM” Standards on Mineral Resources and Reserves, Definitions and Guidelines.

<sup>2</sup>Mineral resources are not to be considered mineral reserves as their economic viability has not been demonstrated. Additional drilling and/or trenching will be required to convert Inferred and Indicated Mineral Resources to Indicated and Measured Mineral Resources.

<sup>3</sup>All analyses used for the Resource Estimates were performed by ALS Minerals Laboratories and delivered as graphitic carbon (“% Cg”), internal analytical code C-IR18.

<sup>4</sup>Inferred Mineral Resources represent material that is considered too speculative to be included in economic evaluations. Additional drilling and/or trenching will be required to convert Inferred Mineral Resources to Indicated or Measured Mineral Resources.

<sup>5</sup>Current Resource effective as of March 19, 2020; detailed scientific and technical information can be found in the company’s March 19, 2020 announcement titled: Nouveau Monde Announces Updated Resource Estimate and Increases Combined Measured & Indicated Resources by 25% to 120.3 Mt @ 4.26% Cg.

<sup>6</sup>Previous Resource published June 27, 2018; detailed scientific and technical information can be found in the company’s announcement titled: Nouveau Monde Increases Its Indicated Resources to 95.8MT at a Grade of 4.28% CG for its West Zone Graphite Deposit - Matawinie Property.

<sup>7</sup>The Current and Previous Mineral Resources are stated at a cut-off grade of 1.78% Cg.

<sup>8</sup>The standards used for this Resource Update are the same standards produced over the course of the Prefeasibility Study (results published June 27, 2018). The difference between the Current and Previous Resources comes from new drilling done in 2019 mainly in the south-west sector of the deposit and from deep drilling.

<sup>9</sup>Mineral Resource tonnage, grade and quantity have been rounded to reflect the accuracy of the estimate, and the totals therefore may not represent the exact sums of their components. The Mineral Reserve Estimate has an effective date of May 7, 2019. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resource will be converted into mineral reserve.



## Open-Pit Mineral Reserves Estimate for the West Zone<sup>1</sup>

RESOURCE CATEGORY <sup>2</sup>	CURRENT RESERVE (July 10, 2018) <sup>6</sup>		
	Tonnage (Mt) <sup>4, 5</sup>	Grade (% Cg) <sup>3</sup>	Cg (Mt)
Proven	0	0	0
Provable <sup>2</sup>	59.8	4.35	2.52
Proven & Provable <sup>5</sup>	59.8	4.35	2.52

<sup>1</sup>The mineral reserves provided in this table were estimated using current CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines.

<sup>2</sup>The Mineral Reserves are the Measured and Indicated Mineral Resources that have been identified as being economically extractable and which incorporate mining losses and the addition of waste dilution as set out in detailed scientific and technical information in the NI 43-101 technical report dated July 10, 2018, titled "NI 43-101 Technical Feasibility Study Report for the Matawinie Graphite Project" that was filed with the securities regulatory authorities in each of the provinces of Canada on December 10, 2018.

<sup>3</sup>The cut-off grade for the open pit Mineral Reserves is 2.20% Cg.

<sup>4</sup>Graphite tonnage is based on an average graphite recovery of 94% and concentrate product purity of 97%.

<sup>5</sup>The open pit design includes 59.8 Mt of Probable Mineral Reserves at a diluted grade of 4.35% Cg. In order to access these reserves, 13.2 Mt of overburden and 50.0 Mt of waste rock will need to be removed. This results in a LOM stripping ratio of 1.06 to 1 (waste/ore).

<sup>6</sup>Detailed scientific and technical information on the Matawinie Graphite Project can be found in the NI 43-101 technical report dated July 10, 2018, titled "NI 43-101 Technical Feasibility Study Report for the Matawinie Graphite Project" that was filed with the securities regulatory authorities in each of the provinces of Canada on December 10, 2018.



While enhancing geological knowledge of our Matawinie property, updated estimates reduce the risk for the Company's first years of commercial operations and demonstrate our ability to help meet the demand of manufacturers in the battery supply chain.







## Hydroelectricity

Québec’s clean, affordable, and abundant hydroelectricity provides a sustainable and attractive framework to economical development. With graphite playing such an important role in the energy transition, we have committed to all-electric operations from the extraction and concentration of the mineral to the production of advanced materials.

The Company mandated Hydro-Québec, the state-owned corporation that produces, transports, and delivers power, to develop, install, and operate a 120-kV electrical line that will supply the Matawinie project and help meet our carbon-neutrality target. A dedicated line will connect the mine site and concentrator to Hydro-Québec’s network, enabling the full electrification of our operations.

Nouveau Monde issued an international call for pre-qualification in November 2020 to inform the selection of an initial 60-vehicle fleet and charging infrastructure. Adopting an all-electric operating model provides tremendous environmental benefits as well as long-term savings for the Company.

**11,370 GJ**  
OF HYDROELECTRICITY  
CONSUMED



# ENVIRONMENT

Recognising the finite nature of graphite, Nouveau Monde plans to responsibly develop and operate our projects while limiting our environmental footprint and maximising our products' contribution to a zero-carbon world.



## Responsible Mining

We are dedicated to stringent sustainable development standards. As such, we integrated forward-looking and innovative environmental initiatives to limit the proposed Matawinie mining project's potential impact on the natural and human milieu, namely:

- » integrated onsite water management system ensuring constant monitoring and treatment that meet high-quality standards;
- » co-disposal of tailings and waste rock in line with requirements of the best practices such as The Global Tailings Review, the International Network for Acid Prevention, and the Canadian Mine Environment Neutral Drainage Program;
- » progressive land reclamation through backfilling of the pit and a comprehensive restoration plan;
- » biodiversity protection measures to help preserve and enhance where possible the local ecosystem;
- » optimization of the project's footprint to account for environmental characteristics and address stakeholders' concerns;
- » all-electric fleet – a world's first for an open-pit mine – powered by Québec's clean, abundant, and affordable hydroelectricity.

Nouveau Monde officially filed the ESIA for the Matawinie project in 2019. Following its analysis by 25 provincial agencies and ministries, the Government of Québec mandated the BAPE to launch a public investigation on the project's benefits and impacts, design parameters, and integration within the community. Public hearings held in January and February 2020 informed the commission's report, which was tabled in June 2020. The Commission recognized the economic justification, environmental innovations, integration measures and social benefits associated with the mining project, and identified avenues for improvement.

The Government's environmental assessment continued at the Ministère de l'Environnement et de la Lutte contre les changements climatiques ("MELCC") and resulted in the adoption of a decree authorising the Matawinie mining project<sup>4</sup>.

Through collaborative partnerships with research institutions, Nouveau Monde participates in the development of models and sustainable practices to advance applied science, responsible engineering, and environmental stewardship in the field of mining.



<sup>4</sup>The Québec Government adopted said decree, number 47-2021, on January 20, 2021. It was published on February 10, 2021 along with a press release from the Company.



Nouveau Monde has also created a territory integration plan aimed at enhancing the surroundings of the mining site and improving the region's tourist and educational experience. It includes an eco-adventure park with over 35 km of mountain bike and hiking trails, a graphite education centre with industrial tours, a proposed residential development, and upgrading of spaces near the project.

### Safe Operations

Nouveau Monde conducts business with the environment in mind, striving to preserve our ecosystems and reduce our environmental impact.

The Company's development sites are managed in compliance with all applicable laws, regulations, and authorizations, and in a manner that responsibly conserves resources and minimizes environmental impacts.

**0** NON-CONFORMITY NOTICES

**0** SIGNIFICANT ENVIRONMENTAL SPILLS

**8,746 m<sup>3</sup>**  
OF WATER TREATED AND DISCHARGED AT THE MINING SITE FINAL EFFLUENT

**0** TONNE OF WASTE ROCK MINED



RESPECT FOR  
OUR NATURAL  
ENVIRONMENT IS THE  
CORNERSTONE OF  
OUR DEVELOPMENT  
STRATEGY



## Carbon Neutrality

In line with our vision for a clean future, we are committed to attaining carbon-neutrality from inception and for the duration of our activities. We documented our projected greenhouse gas emissions (“GHG”) to inform the establishment of our strategy towards a net-zero footprint.

ANNUAL GHG ESTIMATE OF COMMERCIAL OPERATIONS (t CO <sub>2</sub> eq)						
Project	Scope 1	Scope 2	Scope 3	Total (t CO <sub>2</sub> eq)	Land change use: Loss of Forest carbon (ΔC)	
Matawinie mine All-electric operation as of year 6	1,625	254	1,446	3,325	900	
Value-added plant	7,735	300	8,965	17,000	0	
<b>Total (t CO<sub>2</sub> eq)</b>	<b>9,360</b>	<b>554</b>	<b>10,411</b>	<b>20,325</b>	<b>900</b>	

Calculations for the Matawinie mine were released and detailed in the Company’s ESIA; estimated scope 3 emissions cover transportation to Nouveau Monde’s Bécancour value-added plant. Calculations for the Bécancour value-added plant are based on internal preliminary feasibility analysis. The GHG estimate is subject to being reassessed in future disclosures to reflect the projects’ respective development and engineering.

Nouveau Monde aims to achieve our carbon neutrality goals for scope 1 (direct emissions from owned or controlled sources), scope 2 (indirect emissions generated by purchased energy) and a portion of scope 3 (indirect emissions generated by a tier) by reducing emissions at the source, leveraging clean hydropower for extraction and transformation operations, using our proprietary technologies for manufacturing advanced materials, investing in nature-based solutions to offset unavoidable future GHG emissions, and purchasing verified and certified carbon credits.

Further analysis into avenues to support our customers in mitigating scope 3 emissions are expected to be completed at a later stage.



# TECHNOLOGY

Dedicated to developing a local, carbon-neutral, and reliable supply chain, Nouveau Monde's high-purity graphite solutions cater to three main market segments:



- » Lithium-ion batteries
- » Fuel-cell technologies



- » Crucibles
- » High-temperature lubricants
- » Carbon additives
- » Alloys



- » Engineered materials
- » Intumescent applications
- » Thermal diffusers
- » Nuclear reactors
- » Insulation

## R&D

Nouveau Monde maintains a portfolio of R&D projects to advance our line of specialty products based on future market demands and innovations.

We have partnered with Hydro-Québec to research and develop graphite anode materials used in lithium-ion batteries. A world-renowned innovation hub, Hydro-Québec's Centre of Excellence in Transportation Electrification and Energy Storage ("CETEES") is developing some of the world's most advanced battery material technologies for electric vehicles and other energy storage applications. Through the partnership, Hydro-Québec's impressive intellectual property portfolio – comprised of over 2,000 patents – and leading edge facilities provide us with a springboard for technological developments and commercialization activities.

### Nouveau Monde holds an operating license

TO COMMERCIALIZE HYDRO-QUÉBEC'S BATTERY MATERIAL TECHNOLOGIES AND POSITION QUÉBEC IN THE LITHIUM-ION BATTERY VALUE CHAIN.



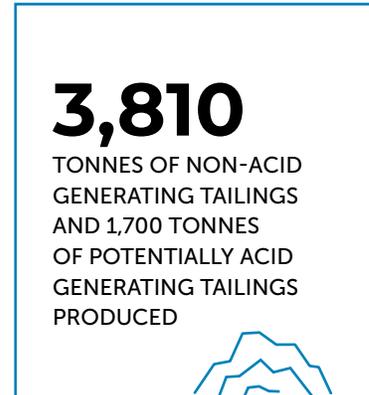
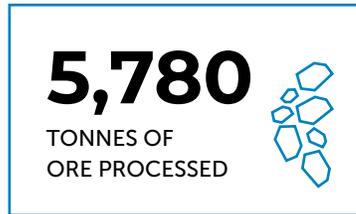
Elite research and close collaboration with academia, government, technology transfer centres, and industry partners complement our in-house R&D efforts to continually enhance our environmental practices, manufacturing techniques, and product offering.

- » ABB Inc.
- » Centre de transfert technologique en écologie industrielle ("CTTÉI")
- » Centre National en électrochimie et en Technologies Environnementales ("CNETE")
- » CETEES (Hydro-Québec)
- » Centre technologique des résidus industriels ("CTRI")
- » Coalia
- » National Research Council of Canada ("NRC")
- » INRS-Énergie, Matériaux et Télécommunications
- » Institut du véhicule innovant ("IVI")
- » McGill University
- » Université de Sherbrooke
- » Université du Québec en Abitibi-Témiscamingue ("UQAT")

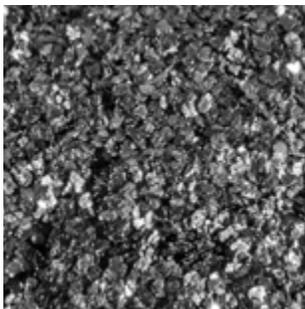
## Demonstration Plant

Our phased approach at every step of product and process development has helped derisk Nouveau Monde's projects while accelerating planned commercialization and supporting advancement of full-scale facilities.

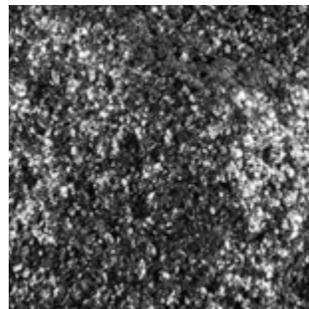
At our demonstration plant in Saint-Michel-des-Saints, several hundred tonnes of graphite concentrate were produced in 2020 from the ore extracted from the Matawinie graphite property with high purity levels through simple and chemical-light milling and flotation circuits.



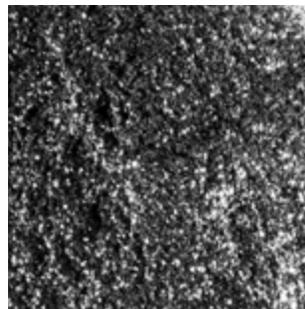
PRODUCTS	DISTRIBUTION	GRADE	MARKETS
Jumbo (+48 mesh)	20%	96-99%	Niche, energy and traditional
Large (+80 mesh)	32%	96-98%	Energy and traditional
Medium (+150 mesh)	34%	95-98%	Energy and traditional
Fines (-150 mesh)	10%	94-96%	Energy and traditional



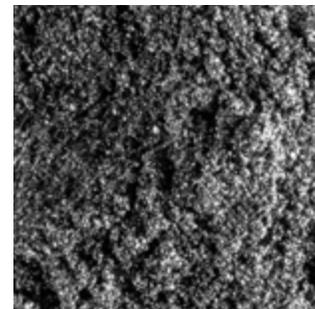
JUMBO



LARGE



MEDIUM



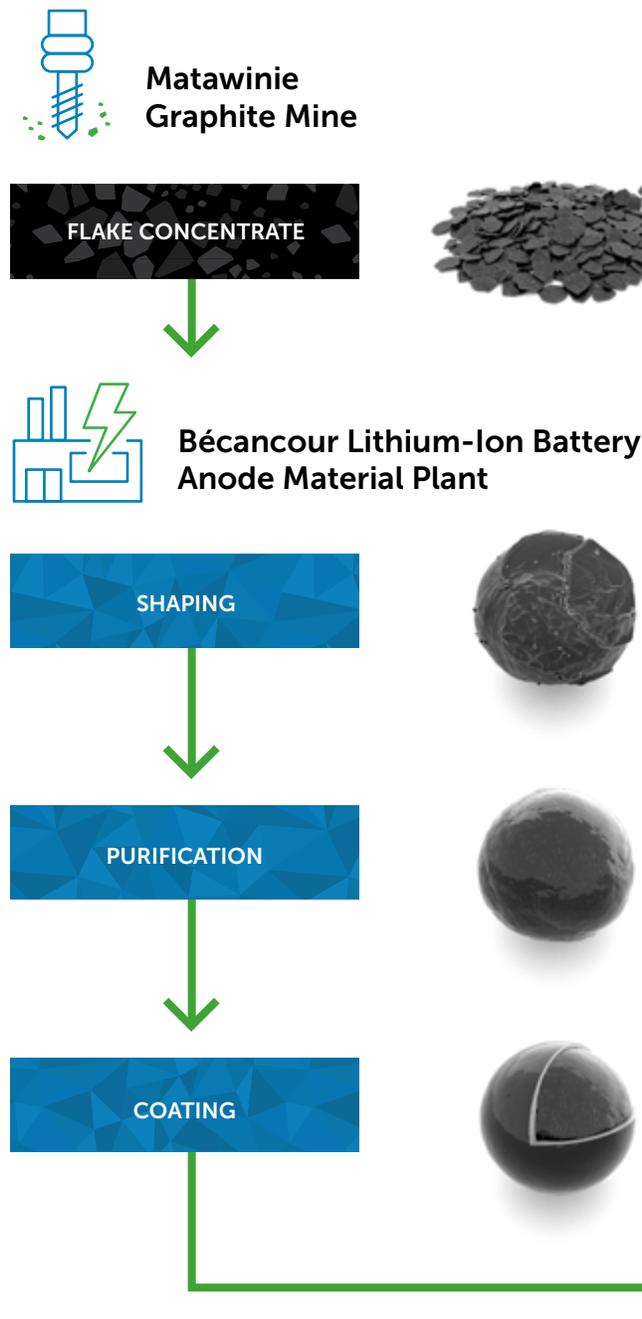
FINES



In addition to qualifying Nouveau Monde's graphite products and establishing a sales record, the plant enables us to test and refine processes for planned commercial operations, therefore informing engineering and procurement activities.

## Value-Added Transformation

Focused on developing the entire value chain from mine to anode materials to provide a traceable and carbon-neutral source for battery manufacturers, Nouveau Monde is developing proprietary processes and initiating construction of an extended technological platform for advanced manufacturing.



Production of spherical graphite commenced in March 2020 following the successful commissioning of our commercial-scale micronization and spheronization line. In addition to validating technology choices, the shaping module allowed us to move forward with our strategy to supply the battery market.

Moreover, laboratory tests and analysis at the CETEES's state-of-the-art facilities demonstrated that graphite from the Matawinie project meets the requirements for use in energy storage applications thanks to the material's cycling performance, excellent load capacity, and high stability when subjected to rapid charge/discharge cycles. In 2020, the Company confirmed through third-party evaluation and testing that spherical graphite produced from the Matawinie project compares favourably to commercial reference material in the lithium-ion battery industry.



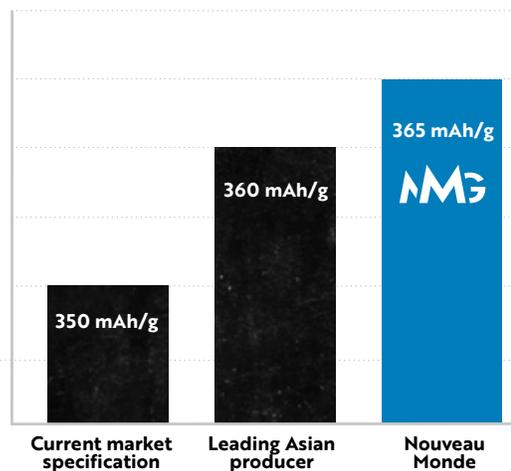
We have also developed a thermochemical purification process to complete our product portfolio with purity greater than 99.95%. In October 2020, Nouveau Monde signed a five-year agreement with Olin Corporation which covers the space for the Company's proposed manufacturing operations, site services, and the supply of certain raw materials to support the commercialization of our advanced graphite materials.

- » Nouveau Monde's first two commercial-scale pilot plant purification modules, for a name-plate capacity of 2,000 tonnes of purified battery-grade graphite per year, are scheduled to be built and commissioned in 2021.
- » Nouveau Monde reserved a 200,000 m<sup>2</sup> parcel of land in the Bécancour industrial park<sup>5</sup>, adjacent to Olin's facility, to build a manufacturing plant of anode material for lithium-ion batteries and purified jumbo flakes with a projected annual production volume of 45,000 tonnes. The property presents no known environmental limitations for construction and offers all necessary infrastructure to have a safe and direct pipeline chemical supply from Olin as well as rail, port, and road access for both importing raw materials and exporting final products throughout North America and Europe.

<sup>5</sup>The land was officially purchased in January 2021.

In addition to lithium-ion batteries, our high-purity graphite products target high-growth markets such as hydrogen fuel cells, and 5G-technology heat dissipation foils.

Complementary to our shaping and purification operations, Nouveau Monde completed an important technical program on our proprietary coating process with our R&D consortium, internal experts and raw material suppliers. Our coated spherical purified graphite ("CSPG") was benchmarked against the leading Asian commercial anode material that currently dominates the lithium-ion supply chain.



We also signed an important collaboration agreement for the use of Forge Nano’s proprietary Atomic Layer Deposition-coating technologies (“ALD”) to enhance the performance of our graphite materials as part of the lithium-ion battery system. Forge Nano is backed by industry leaders such as Volkswagen, LG Technology Ventures and Mitsui Kinzoku.

**Distinctive technological processes paired with all-electric operations are expected to enable the production of anode material with a GHG footprint up to 50 times smaller than that of common spherical graphite.**

 **50x less**  
greenhouse gas footprint



**NMG ANODE GRAPHITE MATERIAL**



⇒ Diesel mining fleet  
⇒ Thousands of km of transportation

**COMMON SPHERICAL GRAPHITE**

# NOUVEAU MONDE'S ADVANCED SOLUTIONS CAN POWER A CLEAN AND RESPONSIBLE TRANSITION TO A DECARBONIZED FUTURE





# FOUNDATIONS



## Shareholders

Nouveau Monde benefits from a supportive governmental and institutional shareholder base who champions project development, as well as tens of thousands of individual investors. Leading investment funds with a major participation include:

- » Pallinghurst
- » Investissement Québec, acting as mandatory for the Government of Québec
- » Caisse de dépôt et de placement du Québec
- » Fonds de solidarité FTQ
- » Traxys
- » Desjardins

→ Insider and institutional participation represents **~50% of total shares outstanding**

We maintained a presence and engagement with investors, turning to virtual solutions due to pandemic restrictions on events and traveling, to communicate our value proposition, educate the market on battery minerals, and expand our shareholder base.

PARTICIPATION AT  
**25 investment-oriented**  
EVENTS





Strong market performance in 2020 placed Nouveau Monde among top 50 performing companies on the OTCQX® Best Market<sup>6</sup> and the TSX Venture Exchange<sup>7</sup>, reiterating our shareholders' support and continued interest for our business model.

<sup>6</sup>As announced on January 28, 2021.  
<sup>7</sup>As announced on February 24, 2021



## Marketplace

Following intensified marketing and technical sales activities in 2020, Nouveau Monde secured and executed sales agreements in North American, European, and Asian markets delivering hundreds of tonnes of high-quality graphite.

→ **Basket price of flake graphite exceeding US \$1,500 per tonne for 2020 sales before value-added transformation**

These transactions complemented our binding offtake and joint marketing agreement with Traxys (signed in 2019) for flake graphite concentrate. We also progressed with the qualification of advanced materials for lithium-ion batteries with several major electric vehicle OEMs.

As commercial discussions intensified with European automakers for our battery anode material, the Company opened a London-based sales office to promptly respond to the growing number of enquiries from local customers and other stakeholders.

Ongoing discussions with customers as well as environmental regulations confirm the value of bringing to market advanced materials with very high-purity, carbon-neutral footprint, traceable chain of value and custody, as well as ESG-focused production.

Nouveau Monde was selected as the sole and strategic battery material partner to implement traceability of minerals in Québec, Canada, thanks to our integrated business model, from mining operations to manufacturing

of advanced materials. This project is affiliated with the GBA and its "Battery Passport", which members include Audi, BMW, Google, Groupe Renault, Honda Motors, LG Chem, Microsoft, Mitsubishi Corp., Saft, SK Innovation, Umicore, Volkswagen, and Volvo.

We continue to strengthen our market position through development effort aimed at by providing customers with a guarantee of transparency, sustainability, ethical and environmentally friendly sourcing.



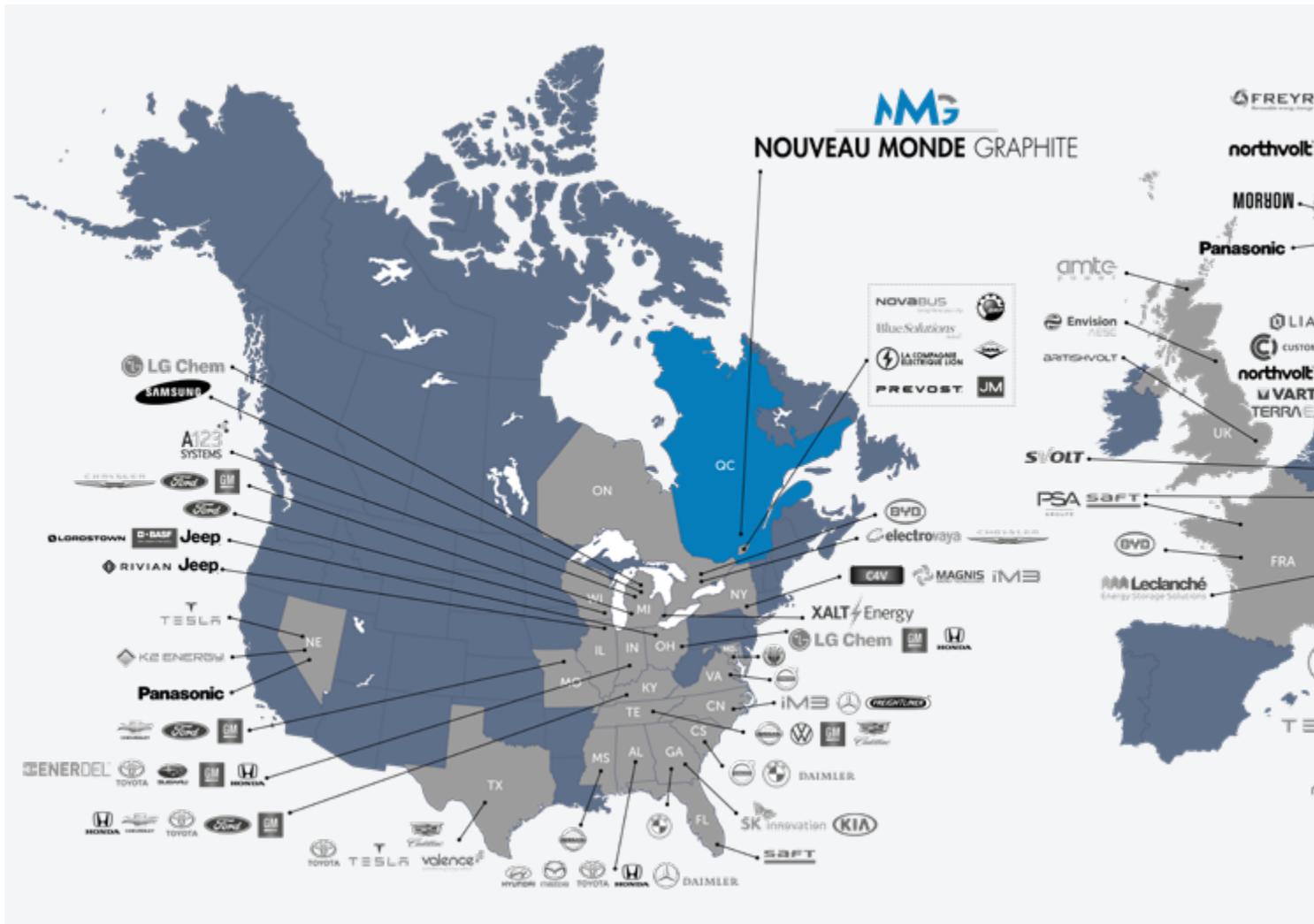
# Geopolitical Landscape

In a market historically dominated by refractory applications, demand driven by the growing lithium-ion battery sector has tightened supply chains. As the number of battery megafactories increases, graphite demand is forecasted to grow over 380% by 2030<sup>8</sup>. The European Union, United States, Canada, and China, among others, have declared graphite a critical mineral due to its essential role in energy storage and cleantech, limited sourcing options, and the rapid growth projected in the market.

Québec, Canada features a rich subsoil with a strong mining backbone, renowned environmental standards, innovative talents, business-forward policies, and virtually unlimited hydropower, making it an ideal location for battery and electric vehicles makers to take root. In line with their electrification strategy, both the Québec and Canadian governments are investing in cleantech through financial incentives, development programs, and infrastructure enhancements to propel growth in the growing electric industrial hub.

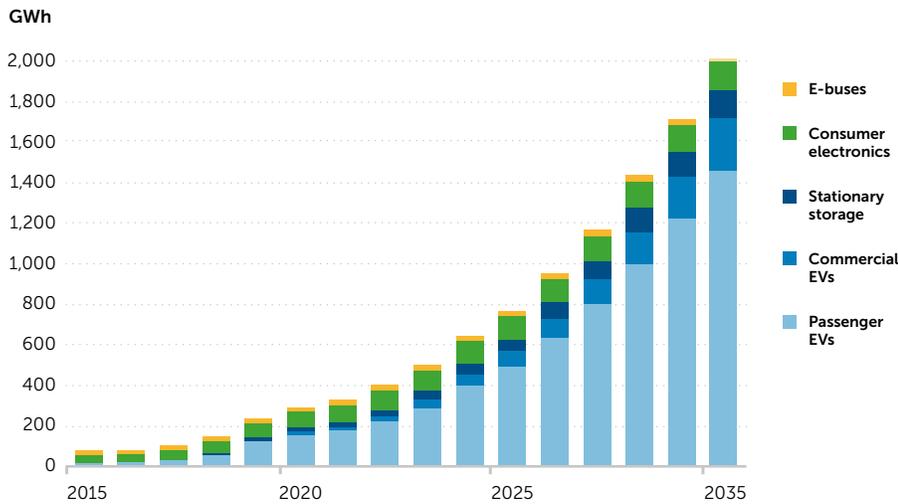
→ **Critical and strategic mineral strategy** in place to bolster development

**Free trade**  
AGREEMENTS WITH  
**40+ countries**



<sup>8</sup>Benchmark Mineral Intelligence, January 2021

### Exponential growth for lithium-ion batteries



Source: BloombergNEF, 2020

LOCATION ENABLING  
**easy AND multimodal logistics**

**Significant sector growth**  
OCCURRING OUTSIDE OF CHINA



### Financial Levers

Throughout the year, Nouveau Monde secured grants, settled debt, and closed financing transactions to fund our development despite the challenge brought by COVID-19 a testament to our business strategy, robust economics, and project developments.

- » Nouveau Monde settled an interest payment owed on a secured convertible bond in the principal amount of \$15 million issued to Pallinghurst through the issuance of an aggregate of 766,351 common shares of its share capital at a price of \$1.04 per share.
- » The Company successfully closed approximately \$20 million worth of financing transactions with Pallinghurst through a convertible bond in the principal amount of \$15 million. The transaction also included a royalty purchase agreement pursuant to which Pallinghurst agreed to exchange the principal amount and accrued interest under its existing loan

offers of \$4.3 million into a net smelter return royalty of 3.0% on the Matawinie graphite mining project, with a partial buy-back option representing 1.0% in favor of the Company.

- » The Government of Canada, through its Canada Economic Development for Québec Regions branch, granted Nouveau Monde \$1.5 million in funding to support its value-added strategy.
- » The Company obtained non-refundable financial assistance of a maximum of \$3,300,000 through the Technoclimat Program of Transition énergétique Québec.
- » The Company secured two loan offers totalling \$1,994,405 from Investissement Québec, to be disbursed as per Nouveau Monde’s cash flow needs.
- » Nouveau Monde received a 5% increase over the initial \$4.25-million grant of Sustainable Development Technology Canada representing an additional amount of \$212,500 as a result of the impact of COVID-19 on Canadian companies.

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# OUR PROGRESS THIS YEAR

# ADVANCING TOWARDS A SUSTAINABLE FUTURE

In 2020, we reached significant milestones, helping establish Nouveau Monde's position as a leading vertically integrated lithium-ion battery anode company for the electric vehicle and clean energy revolution. As we advance our business plans to support the global transition to a decarbonized society, we focus our efforts on delivering the greatest positive contributions while minimising negative impacts in order to power, for individuals and the planet, a sustainable and resilient world.

Highlights from this year's successes are underpinned by our commitment to responsible practices and growth. As such, we intertwined our efforts with the United Nations' SDG framework to underscore our contribution to this global endeavor.





# SUSTAINABLE DEVELOPMENT GOALS

<b>2</b> ZERO HUNGER 	<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>6</b> CLEAN WATER AND SANITATION 
<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 	<b>10</b> REDUCED INEQUALITIES 	<b>11</b> SUSTAINABLE CITIES AND COMMUNITIES 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 
<b>14</b> LIFE BELOW WATER 	<b>15</b> LIFE ON LAND 	<b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS 	<b>17</b> PARTNERSHIPS FOR THE GOALS 	

# WITH THE ATIKAMEKW FIRST NATION

## Nitaskinan: Our Land

Kwei! Manawan ni octin.

***Hello, I come from Manawan!***

In the vast Saint-Maurice River Valley, Atikamekw is spoken; the Indigenous language of the Atikamekw First Nation is part of the larger Algonquin cultural family. The natural oral transmission from one generation to the next has never been interrupted, making it the most vibrant Aboriginal language in Canada and a rich cultural heritage within the Nation.

The Atikamekw see themselves as belonging to a territory rather than owners of the land. Nitaskinan, meaning "Our Land," represents their ancestral territory. Historically, it was divided into areas where each family evolved to subsist and live through the six seasons that transform space and time.

This First Nation's culture, traditions and way of life are intimately linked to nature and its seasonal changes. Hunting, gathering, fishing, and trapping are a core part of this people's identity and have long governed their activities and movements in the territory.



© Historic Collection / Alamy Banque D'Images

Well before the reserve was recognized, Metapeckeka—now known as Manawan—was the main meeting site for the community because of its proximity to hunting grounds.

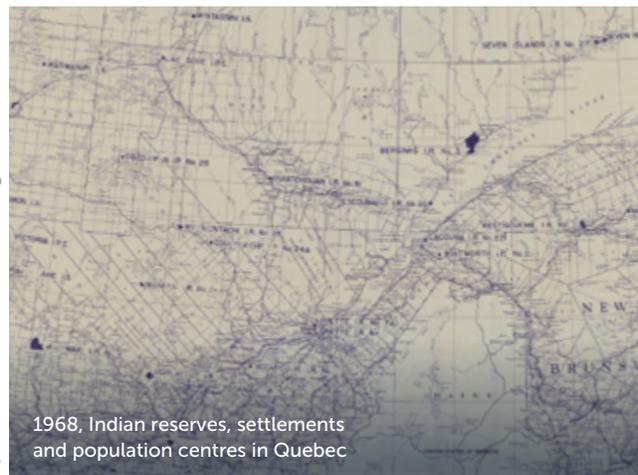
The balance between the Nation and nature was upset in the 17<sup>th</sup> century by Europeans' yearning for the territory's resources, including its furs and forests.

**Over the centuries, this First Nation has experienced significant social and cultural upheavals due to epidemics, the violent Iroquois wars, colonial practices, and assimilation policies.**



Manawan

© Jean-Flantier, Commons.wikimedia.org



1968, Indian reserves, settlements and population centres in Quebec

© Bibliothèque et Archives nationales du Québec

© Hemis / Alamy Banque D'Images



© Francis Vachon / Alamy Banque D'Images



In 1906, the Canadian government agreed to the demands of the Manawan Atikamekw after years of letters, multiple canoe trips to Ottawa, and long negotiations. Recognition of the protected territory, however, was not enough to keep the Nation's natural and cultural heritage intact. The construction of a railway, hydrographic changes from dams, forestry activities, sedentarization, and the residential school system all disturbed the Nation's balance within their society and with nature.

Despite these disruptions and the hardships associated with adapting to changes, the Atikamekw people still use their wisdom to act as stewards of Nitaskinan. Today, 85% of the 7,600 Atikamekw live in the three Atikamekw communities of Manawan, Wemotaci and Obedjiwan, while the rest are present throughout the province of Québec. This First Nation is driven by its traditional values and aspirations to contribute its knowledge and talents to modern society.

**Nouveau Monde is committed to maintaining and enhancing our understanding of Indigenous perspectives, traditions and knowledge while developing constructive and mutually beneficial mechanisms for collaboration.**

Respect for the rights, culture, aspirations and interests of Indigenous peoples guides the development of our sustainable business practices, and a partnership with Indigenous peoples is essential to this approach.

Nouveau Monde did an aerial survey of Nitaskinan for the first time in 2013. From the outset, we have communicated openly with Band Council representatives, Manawan community members, and Atikamekw entrepreneurs to ensure peaceful relations and respectful environmental development while making the project a catalyst for positive social and economic benefits.

Prior to and during the exploration phases as well as throughout the development of the project, we have established transparent dialogue to introduce

the mining project, get feedback on the proposed plans, answer questions, refine the design to address concerns and comments, and share information about training, employment and business opportunities.

Nouveau Monde signed a framework agreement (2018) and a predevelopment agreement (2019) with the Atikamekw First Nation to guide the Matawinie project's development. Today, the Company is actively engaged in discussions to finalize an impact and benefit agreement for the commercial phase of our mining project.

Beyond these agreements, a spirit of partnership is reflected in our many current and future initiatives. The future in Nitaskinan is both green and bright.

**Wapita nikanik**

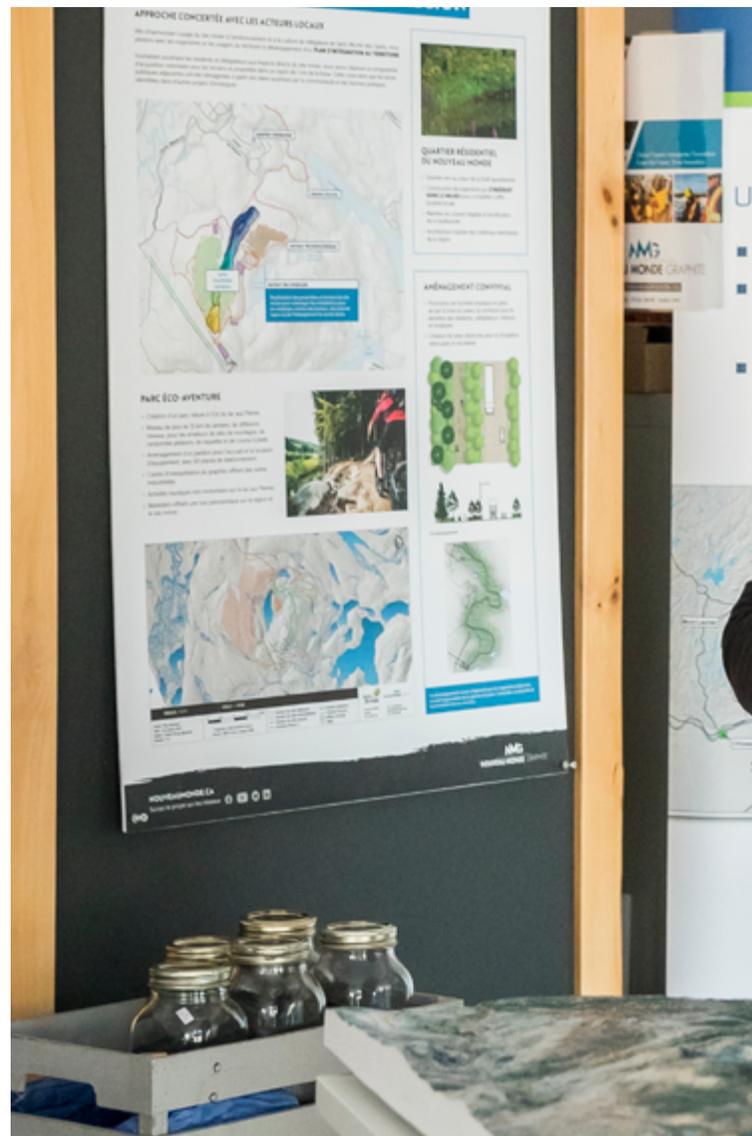
This text was prepared based on documents from the archives of the Atikamekw Nation of Manawan published for the 100<sup>th</sup> anniversary of the creation of the reserve, the Atikamekw Council of Manawan, the Atikamekw Nation Council, and The Canadian Encyclopedia and was reviewed by Karine Wasiana Echaquan.

# FOSTERING COMMUNITY ENGAGEMENT

Natural resources are at the heart of Québec's development. They have attracted explorers, developers, entrepreneurs, woodland contractors, and prospectors to new territories where communities have taken root as economic activities blossomed.

In the Upper Matawinie region, forests were the main attraction. In addition to recreation and tourism, they supported hundreds of direct jobs in forestry, harvesting, sawmilling, and wood transformation in addition to thousands more in indirect services to support the sector.

But in 2008, the cyclical nature of the forest industry combined with the global economic downturn hit hard. A wood-particle plant closed in Saint-Michel-des-Saints initiating a collateral series of closures and bankruptcies in the community, driving families away in search for jobs and, ultimately, impacting levels of services for remaining citizens and businesses.



A geophysicist by trade, Nouveau Monde's founder, Eric Desaulniers, first ventured in the region in 2012 to explore new territories overlooked by the mining industry: a new world, [Nouveau Monde](#). The rest is history, and we are writing a new page everyday.

**From its early exploration days to today, Nouveau Monde has placed the community at the heart of the Matawinie project development through open dialogue and an intent to maximize spinoffs.**

Isabelle Levasseur, proud resident of the Upper Matawinie region and experienced concertation manager, leads the Company's community relations efforts.

Contributing to the United Nations' SDGs





Isabelle Levasseur,  
Manager, Community Relations

**“Because mining was an unknown industry in the region, we focused on explaining the ins and outs of the project, listening to concerns, demystifying environmental misconceptions, and continually improving our design and operational parameters. This helped calm apprehensiveness; citizens would tell me: ‘The more we understand, the less we are worried!’.”**

In addition to refining the project, open dialogue with the community has helped identify avenues for better integration and revealed a strong interest in training, employment, and business opportunities.

Indeed, a survey conducted by Léger confirmed favorable reception of the project in Upper Matawinie, with 82% of respondents calling the project positive or very positive, with a stable rate of support (83% in 2018) and optimistic viewpoints regarding economic benefits (89%) and community integration with respect to quality of life (76%) and the environment (70%).

**“Our greatest achievement has been to be transparent, go out to meet the people, whether at local events or impromptu kitchen assemblies, and invite the community to see for themselves at public open houses, industrial visits, and information sessions.”**

Nouveau Monde has also made use of new provisions under the Québec law to directly present the Matawinie project at the BAPE’s public hearings to engage in open, transparent, and independent consultations with all stakeholders.

Furthermore, the collaboration and benefit-sharing agreement with the municipality, reflective of requests expressed by local stakeholders, sustainable development principles, and the agreement in principle reached in August 2018, now provides a springboard for the community and future generations.

While graphite is a finite resource, the possibilities for sustainable socio-economic development in the region are truly infinite.

# AIMING FOR ENVIRONMENTAL EXCELLENCE

It takes vision, tenacity, and a dose of boldness to step aside from the trail and open a new path forward. But if your destination is top of mind, there is nothing stopping you.

At Nouveau Monde, the team is dedicated to innovating and creating a modern, novel mining model reflective of our commitment towards sustainable development. We have done more than relying on GPS coordinates to map our route ahead. We have immersed ourselves in the territory, learned from other innovative pioneers, and used our environmental and moral compass to guide our way. Martine Paradis, Vice-President Environment and Engineering, leads the effort:

**"We're doing things differently, starting with environmental considerations to design the best project possible, at all stages of the mine's life. It can't be an afterthought, it ought to be front and centre as we engineer the infrastructure and plan the operational parameters. We're doing just that because we value the region's natural character; it's our community too."**

Nouveau Monde's development plan includes extensive environmental measures, from water and biodiversity protection to backfilling and land restoration, a clear illustration of which is tailings management through co-disposal for progressive reclamation during operations.

By dry-stacking and desulphurising tailings, the solution avoids the construction of tailing ponds and dikes that can constitute a potential long-term environmental liability. In addition to providing greater environmental safety, the system reduces the infrastructure's footprint, helps avoid acid mine drainage and enables progressive reclamation through storage facilities and backfilling of the pit, closure site covering and vegetating during operations.

**"We've pulled from peer successes across the world to design what we consider to be the optimal proactive environment management scheme. We have thousands of pages of technical reports, modeling, analysis, laboratory and field tests, and engineering to demonstrate the robustness of our plans."**

The project's design criteria establishes that there should be no negative consequences to the surrounding population or other sensitive components, and that the project be adapted to climate change.

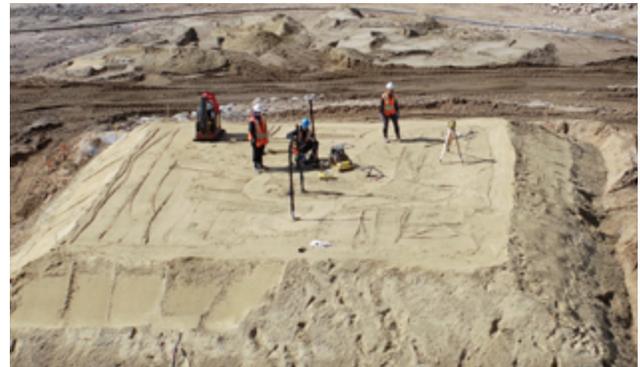


Contributing to the United Nations' SDGs





Martine Paradis,  
Vice President, Engineering  
& Environment

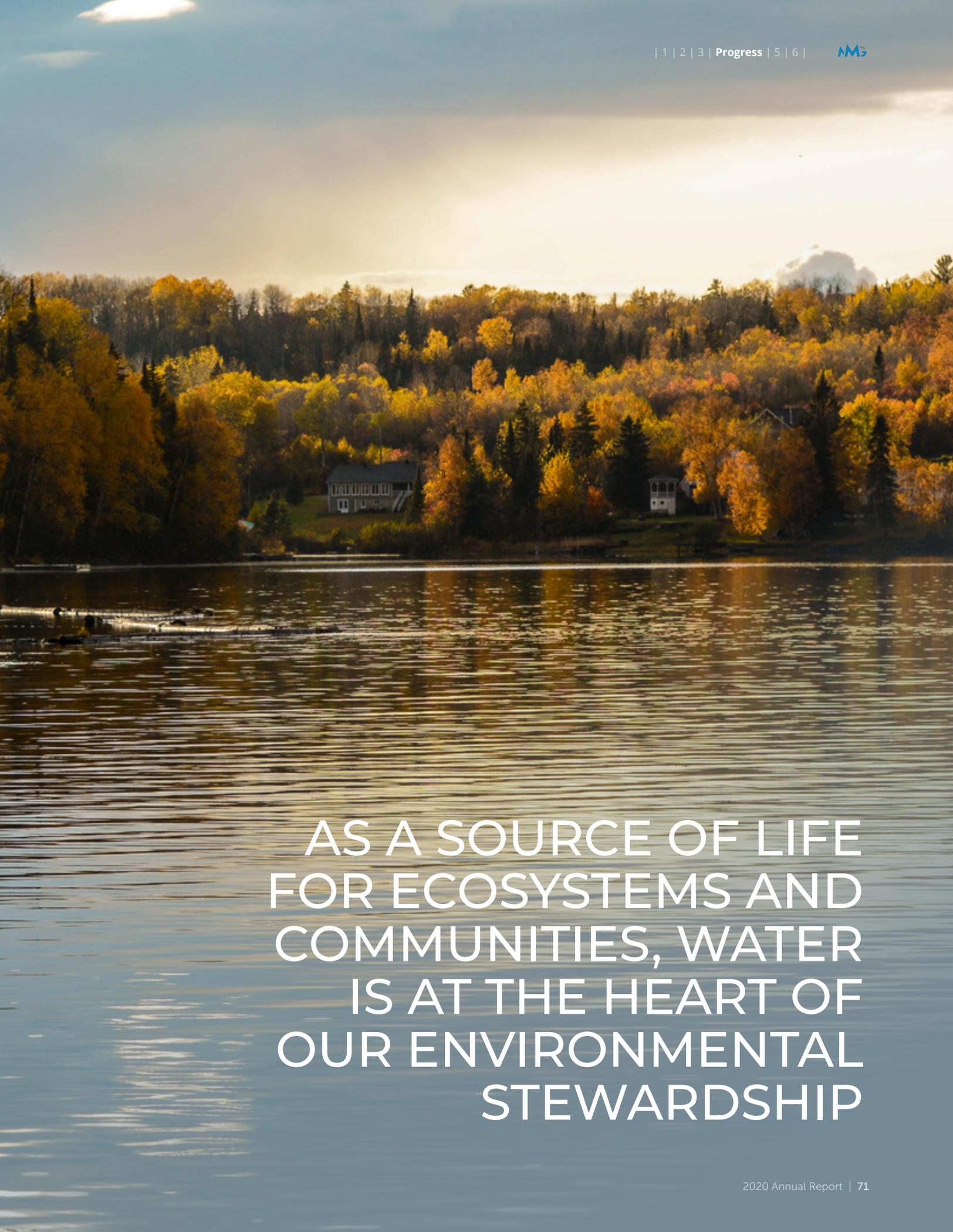


Thanks to efforts at our demonstration operations, Nouveau Monde has already validated the desulphurization process and completed the construction of a co-disposal experimental cell. Martine and the team also submitted the model to the BAPE commissioners and Québec MELCC technical experts to ensure a thorough review and substantiate the seriousness of our commitment to the environment and the community. Following the rigorous environmental review, the Québec Government issued a ministerial decree authorising the Matawinie project in January 2021.

**“We are bringing forward a holistic approach to mining. The capital and operating costs associated with our innovative system may seem higher, but the short and long-term return, both in savings and environmental protection, far exceeds the initial investment.”**

As governments and regulatory authorities increasingly demand that environmental issues be a priority in development, this approach is destined to become a model case for the industry. Nouveau Monde’s Matawinie project represents the future of resource development, may onlookers and peers find inspiration and direction from our journey.





AS A SOURCE OF LIFE  
FOR ECOSYSTEMS AND  
COMMUNITIES, WATER  
IS AT THE HEART OF  
OUR ENVIRONMENTAL  
STEWARDSHIP

# MASTERING METALLURGY

In Québec, Canada, children learn early on how each snowflake is unique. No matter how many fall from the skies and cover our vast country, there are no two alike.

So is the case under the meters deep of snow and vegetation. The subsoil is as rich and diverse as the ice crystals.

The Matawinie graphite property is a world-class deposit with unique attributes. At the top of the list are the deposit's metallurgy and homogeneity.

**Once the exploration phase is over, comes the process development to master the properties of the mineral, yield the highest purity and preserve the greatest distribution of flake sizes to cater to different markets.**

This is no small task. Nouveau Monde recruited graphite operators, carbon experts, and process engineers to design our concentrator process adapted to the Matawinie mineral. A demonstration plant – a reduced-scale of Nouveau Monde's future commercial concentrator – has been in operation since 2018 to test and optimize the distinctive circuits of grinding and flotation.

Jean-Nicolas Tremblay, Process Supervisor, evokes the challenge:

**"We have acquired valuable knowledge from our humble production. Factors influencing flotation, mineral oxidation control or specific attritor parameters were documented and further refined until we reached the high levels of quality, efficacy, and efficiency we were aspiring to. The objective isn't massive production, but rather extensive testing of various variables and continuous improvement in order to plan the best concentrator for our commercial operations."**

Contributing to the United Nations' SDGs \_\_\_\_\_





Jean-Nicolas Tremblay,  
Process Supervisor

Investing in the demonstration plant has enabled us to have a better understanding of the ore behavior. Moreover, it kick-started restoration plans years before the mine's commissioning. Indeed, the innovative tailings management system developed for the project calls upon preventive desulphurization of tailings to limit the risk of acid generation.

**"Splitting sulfur from mining tailings is key to accomplishing the environmental design of our commercial plan. While early production confirmed our design, it took hard work, intensive analysis, trials, and errors to reach the targeted levels.**

**Now that we've surmounted the technical challenge, it's embedded in our operations and we keep improving our results."**

Tailings treated at the plant informed the eco-engineering of the commercial project, just like production learnings helped refine the concentrator design. Along the way, plans were improved, employees were trained, and customers were supplied with hundreds of tonnes of high-purity graphite concentrate. A winning formula!

# ELECTRIFYING OPEN-PIT MINING

Canada is at the forefront of industrial electrification with shining examples in battery research, electric trucks, buses, and heavy-duty vehicles, and a booming hydrogen sector to name just a few.

While breakthroughs have been seen in underground mining, open-pit environments like Nouveau Monde's future Matawinie graphite mine remain dependent on fossil fuel solutions due to harsh weather conditions, massive ore loads, and sometimes limited infrastructure capacity in remote locations.

Yet, Nouveau Monde challenges the industry practices with a bold proposition: **to become the world's first all-electric open-pit mine powered by green hydroelectricity to source and transform carbon-neutral graphite materials.**

The statement might appear aspirational to some, but it constitutes a cornerstone of our business model.

David Lyon, Director Electrification and Automation at Nouveau Monde, has dedicated his career to bridging electric applications to mining settings.

Since filing Nouveau Monde's bankable feasibility study on the Matawinie deposit, we have engaged in active discussions with OEMs to explore technologies, best practices, and operational parameters.

**"Being an early adopter of battery technology made it difficult at first to develop the right working relationships with equipment manufacturers. We were asking them to develop new solutions five years before the start of our operations back in 2018.**

**Convincing them, at the time, that all-electric was not only feasible at our site but at others as well was the biggest challenge for assembling the fleet. There needed to be a business case for them to make the commitment."**

In November 2020, we issued a call for pre-qualification to bring our vision to life with an initial fleet of 60 vehicles. Going electric could mean significant upfront costs, but also considerable operational expenditure savings, as well as environmental and social benefits down the road.



Contributing to the United Nations' SDGs





The selection process focused on efficiency, durability, performance, and the ability to strategically phase out diesel equipment as the new commercial technology became available.

Nouveau Monde released the full scope and specs of our future fleet from main production to auxiliary, maintenance, and infrastructure. This complete transparency approach was aimed at sharing knowledge gathered over the past four years and encouraging peers to adopt sustainable mining standards.

Our approach embodies sustainable development by stimulating responsible solutions and bringing together actors from various horizons, even competitors, to reinvent existing paradigms.

**“We are all working towards the same goal of carbon-neutrality and to accelerate this we need to ensure that the solutions are both practical and economical. We want to be partners in the process and test and validate the early solutions before full-scale operations.”**

In addition to our procurement efforts, we have teamed up with Propulsion Québec and the NRC, in collaboration with Adria Power Systems, Dana TM4, and Fournier et fils with the objective of developing a new electric propulsion system with a rapid recharging infrastructure adapted to heavy vehicles in the open-pit mining industry.

Nouveau Monde is proud to be acting as an enabler in the area of the zero-emission heavy-duty operations.

**“In the past year, many major mining companies have announced sustainability and carbon-neutrality targets and have even gone as far as announcing their preference for all-electric solutions. These decisions did not happen overnight, and I like to think that our little but loud voice has helped to focus the OEMs on solutions that will work for the industry and for Matawinie.”**

Whether powered by lithium-ion batteries, plug-in systems or hydrogen fuel cells, Nouveau Monde’s Matawinie mine is on-track to welcome zero-carbon equipment on site as early as 2021.



# DEVELOPING LOCAL TALENTS

**A visionary leader in the automotive sector once said: “Coming together is a beginning. Keeping together is progress. Working together is success.”**

– Henry Ford

When establishing Nouveau Monde’s headquarters and project in Saint-Michel-des-Saints, we reached out to community leaders and business owners to learn, collaborate, and contribute to the region’s rebuilding effort.

An early finding was how the local workforce profile had weakened as a result of the economic downfall. The population had aged, some families had relocated, and skillsets had not been maintained up to date. Moreover, there was no mining expertise as this industry was new to the region.

The challenge was massive from a human resources perspective as close to 200 workers would ultimately need to be hired for Nouveau Monde’s demonstration and commercial operations. Plus, wood product businesses were resuming operations, placing a greater pressure on the labor pool.

**“Rather than competing with one another, we opted for collaboration. We all needed to invest in the development and reskilling of local talent if the community was to strive to its full potential. Might as well do it together!”**

Daniel Guénette, Human Resources Director, conceived an ambitious plan to mobilize resources, educational services, and employers around a common goal: launching a multi-company sponsored professional training program. At Nouveau Monde’s initiative, the chambre of commerce, the school board and two forest products manufacturers were rallied.

Fast-forward to June 2020 when the partners gathered to inaugurate the first cohort of the Diploma of Vocational Studies in Production Equipment Operation. **Through this paid on-the-job education program, participants complete technical classes and an extensive work-immersed training in one of the three companies. At graduation they have more than a diploma to show, they have a job and teammates.**

**“The format is quite innovative in Québec and even around the world!”<sup>9</sup>**



Contributing to the United Nations’ SDGs \_\_\_\_\_



<sup>9</sup>Source: Observatoire compétences-emploi of the Université du Québec à Montréal.



Daniel Guénette,  
Director, Human Resources

Two cohorts were launched in 2020, a third is currently underway, and rising interest in the region will support multiple cohorts in the years to come in anticipation of the commercial mining operations.

**“We expect to select more and more candidates in the next cohorts to reach a total of about 40 candidates by 2022. The effectiveness of our candidate selection tools, the working conditions we offer, the quality of the reception of trainees among our staff, and the opportunities for advancement are highly sought after. This is something to be very proud of!”**

By investing in our team and community, we are strengthening our foundation for growth, and delivering on our promise of local benefits. Together truly is success.



The training facilities, located within our demonstration plant, also provide opportunities to present our company, technical aspects of our project from life of mine to geology and process, as well as operator testimonials, thus bringing the staff and learners together.”

# RESEARCHING BATTERY INNOVATIONS

**“The first lithium-ion batteries were marketed more than 30 years ago by Sony. Even after 30 years, researchers continue to improve the performance of batteries with better manufacturing materials and ever-smarter battery management systems.”**

Martin Brassard, R&D Director, carefully tracks technology breakthroughs and manufacturing development, and there is cause for it.

Graphite is characterized by its high electrical conductivity, good structural stability, and outstanding thermal resistance thanks to a melting point at 3,825°C. **No wonder it remains researchers’, product developers’ and manufacturers’ premier material for lithium-ion battery anodes.**

While the mineral’s dominant place in the market is widely established for all commercial battery technologies, with anode composition ranging from 95 and 100%<sup>10</sup>, Nouveau Monde remains committed to being at the forefront of technology alongside potential clients.

<sup>10</sup>Study into the growth of lithium-ion batteries through the evolution of battery chemistry, from now till 2040, December 2020, Pallinghurst-Traxys.

Contributing to the United Nations’ SDGs



Martin Brassard,  
Director, R&D

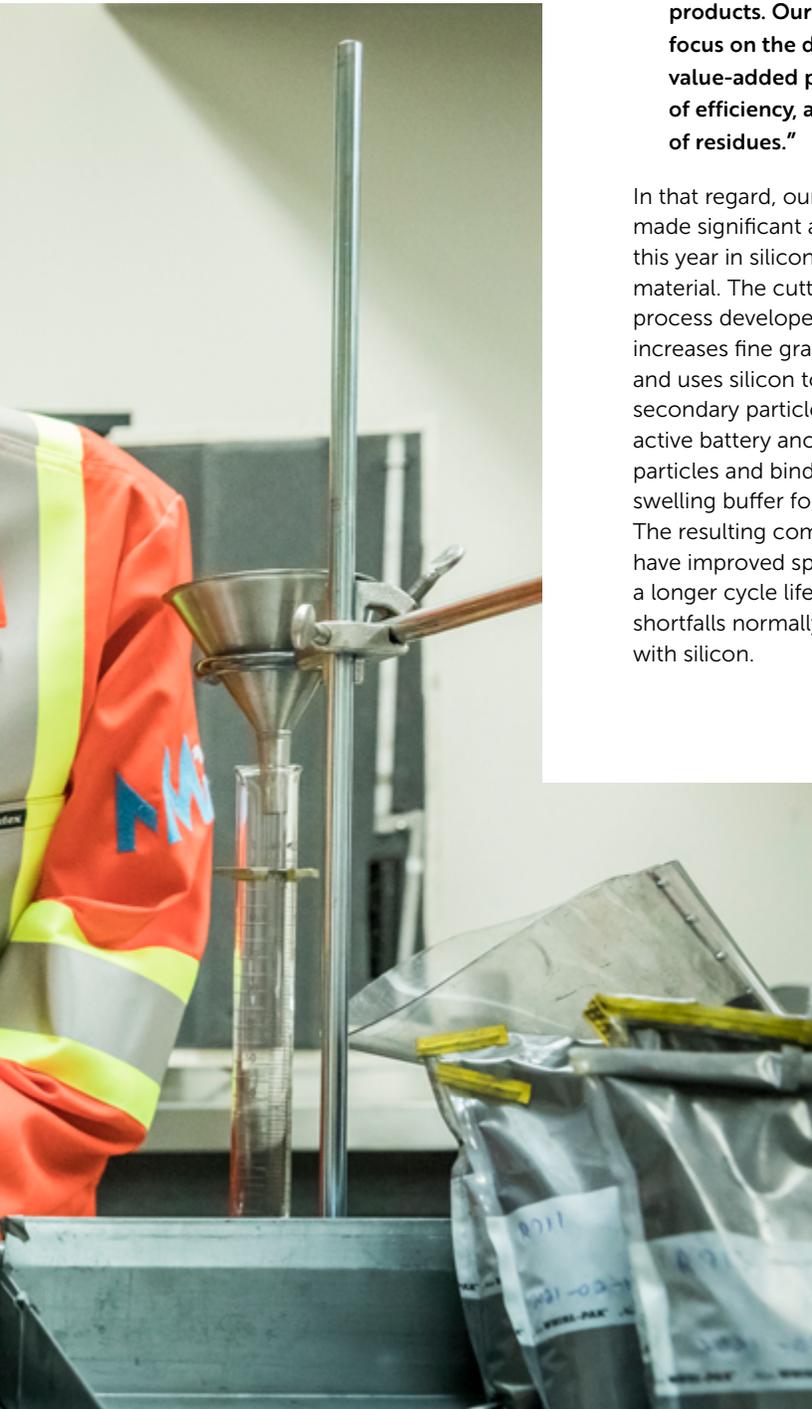
**"The battery market is not about industrial excellence, but rather about technology, performance, and sustainability. We are pushing ourselves to constantly innovate by exploring interaction with other materials and designing more sustainable processes and products. Our research priorities focus on the development of new value-added products, increase of efficiency, and valorization of residues."**

In that regard, our R&D consortium made significant advancements this year in silicon-enhanced anode material. The cutting-edge proprietary process developed considerably increases fine graphite recoveries and uses silicon to form a high-value secondary particle, useable as an active battery anode material. Graphite particles and binder are used as a swelling buffer for silicon nanospheres. The resulting composite has shown to have improved specific capacity and a longer cycle life, which addresses shortfalls normally associated with silicon.

**"In addition to optimising the interaction between graphite and silicon, we succeeded in recycling a traditional by-product into a high-value anode material; that's a feat of its own that taps into battery makers' priorities for a lean environmental footprint!"**

Nouveau Monde's proprietary sustainable transformation processes limit usage of chemical additives and leverages Québec's clean hydropower with a view to ensuring green and responsible production. The team continues research, development, and commercialization of our advanced battery anode solutions for the rapidly growing electric vehicle and energy storage markets.

Nouveau Monde's advanced solutions can power a cleaner and responsible transition to a decarbonized future.



# BUILDING A VALUE-ADDED PLATFORM

In a world increasingly driven by technology and performance, single-capability materials no longer suffice today's requirements. Manufacturers now seek advanced solutions that provide the ideal combination of quality, performance, cost, weight, carbon footprint, material interaction, and countless other factors.

For Nouveau Monde to supply speciality industries, access international markets and optimize our sales portfolio, **a state-of-the-art transformation platform is required to cover the entire value chain for graphite products while offering customization to clients' specs.**

After four years of technological development, modeling and lab tests with acclaimed universities, engineering firms and international experts, our proprietary purification process found fertile ground for its implementation in Bécancour, Québec.

On the shore of the St. Lawrence seaway, with access to multimodal transportation to North American, European, and Asian markets, the industrial park offers abundant space, low-cost clean energy, availability of skilled labor, robust infrastructure and, most importantly, proximity to a strategic partner.

**“We have found in Olin a supplier sharing our values of safety, innovation and environmental stewardship to help launch our spherical purified graphite (“SPG”) production”**

**recalls René Boisvert, Eng., Value-Added Products Project Manager.**

An environmentally-friendly process leveraging Québec's legendary hydropower and that yields >99.95%-pure products sets Nouveau Monde apart from existing SPG producers that mostly rely on hydrofluoric acid, a toxic and harmful substance, to eliminate impurities. **The production system developed includes recycling and a zero-waste target, in line with our vision for a circular, sustainable, and carbon-neutral economy.**

Contributing to the United Nations' SDGs





René Boisvert,  
Project Manager, Value-Added Products

Thanks to move-in ready space at Olin, a world-renowned chemical producer, the Company plans to start commercialising our green SPG alternative in 2021.

**“Building within an established plant and adapting the equipment to our process may represent a challenge, but the benefits of fast-tracking our schedule thanks to existing infrastructure and key technical knowledge from Olin’s team far exceed any hurdles. This year, we have succeeded to advance engineering notwithstanding the pandemic, secure technical approval despite the non-standard use of chlorine, keep within budget parameters, and complete more than 95% of equipment purchases.”**

Through incremental production, we will test the furnaces’ optimal capacity, derisk our commercial operation through informed parallel engineering, and generate battery-grade SPG volumes of up to 2,000 tonnes per year.

Across the street, Nouveau Monde has secured a 200,000 m<sup>2</sup> parcel of industrial land for the future site of the Company’s commercial-scale lithium-ion battery material transformation plant. We target an initial 42,000-tpa production of anode material with the option to reach 100,000 tpa of conversion capacity as expected demand increases in the battery and niche markets.

**“Our journey in Bécancour is just getting started!”**



**BÉCANCOUR IS  
STRATEGICALLY  
SITUATED FOR LARGE-  
SCALE HIGH-QUALITY  
ANODE MATERIAL  
PRODUCTION**



# SUPPLYING BOOMING MARKETS

Consumers are buying. Governments are regulating. Manufacturers are accelerating development and production. Uncertainties seem to have cleared out; it is blue skies ahead for the electric revolution.

Yet, there is a key component to the transition that is often overlooked. Strategic mineral supplies, from local and reliable sources, may just be the biggest bottleneck limiting OEMs' capacity to produce batteries, cars, and energy storage systems.

Technological trends and new GHG policies have pushed the graphite market, mainly with regard to lithium-ion batteries and fuel-cell technologies, into an accelerated growth curve. Benchmark Mineral Intelligence, a leading market intelligence agency reporting on the sector, forecasts that **demand for natural graphite will exceed supply, creating a deficit market starting in 2023<sup>11</sup>**.

Concurrently to exponential demand, there is an increased focus on carbon-neutrality in the market to cater to consumers' green expectations and governments' more stringent environmental regulations. A pioneer in the field, the European Union is setting the pace for the Western World:

<sup>11</sup>Benchmark Mineral Intelligence, Graphite Price Assessment, December 2020.

Contributing to the United Nations' SDGs



“The European market of graphite dramatically evolved in the last three years, now focusing on e-mobility. Governments and automobile makers have grasped the urgency to build European-based battery technologies and manufacturing capacities. Customers have also come to realize that supply security is equally critical as high quality. Consequently, customers are looking ahead to strategically secure performing advanced materials with long-thinking suppliers and partners” explains Jean-Luc Cialdini, Director of Business Development, Europe.



Jean-Luc Cialdini, Director, Europe Business Development joins a virtual meeting with Patrice Boulanger, Vice President, Sales, Marketing & Business Development

**Europe's electric vehicle sales in 2020 have well exceeded those for the entire year in 2019<sup>12</sup> and are rapidly approaching those of the largest market, China, making it an exceptional marketplace to penetrate and expand in.**

Building on this, Nouveau Monde has proudly joined the European Battery Alliance to help advance efforts for cleaner vehicles and more sustainable technological solutions.

With China currently being the main producer of SPG, the pandemic has reinforced the need for local and resilient supply chains. As commercial discussions intensify with European automakers for Nouveau Monde's battery anode material, we opened our first sales office outside of North America in 2020.

**"Nouveau Monde positions itself as a reliable and ESG-minded partner to help our customers secure the volumes and quality they need. We can provide this reliability by offering carbon-neutral graphite solutions that support our customers' efforts to achieve their CO<sub>2</sub> emissions requirements. Moreover, our vertical integration, comprising of shaping, purification, and coating, enables us to propose multi-year agreements with a transparent pricing and volume schemes."**

<sup>12</sup> The Guardian on the data from Schmidt Automotive Research, December 2020.

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# FINANCIAL PERFORMANCE



# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nouveau Monde Graphite Inc.

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## Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Nouveau Monde Graphite Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019 and January 1, 2019, and its financial performance and its cash flows for the years ended December 31, 2020 and 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Company's consolidated financial statements comprise:

- » the consolidated statements of financial position as at December 31, 2020 and 2019 and January 1, 2019;
- » the consolidated statements of loss and comprehensive loss for the years ended December 31, 2020 and 2019;
- » the consolidated statements of changes in equity for the years ended December 31, 2020 and 2019;
- » the consolidated statements of cash flows for the years ended December 31, 2020 and 2019; and
- » the notes to consolidated financial statements, which include significant accounting policies and other explanatory information.

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## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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## Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- » Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- » Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- » Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marc-Stéphane Pennee.

**/s/PricewaterhouseCoopers LLP<sup>1</sup>**

Montréal, Quebec

April 6, 2021

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<sup>1</sup>CPA auditor, CA, public accountancy permit No. A123642

# FINANCIAL STATEMENTS

## Consolidated Statements of Financial Position

	Notes	December 31, 2020	December 31, 2019 (Adjusted note 27)	January 1, 2019 (Adjusted note 27)
		\$	\$	\$
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash		4,520	4,077	3,794
Grants and other receivables	11	829	233	236
Restricted cash		158	158	–
Investment		–	22	20
Sales taxes receivable		736	668	979
Tax credits receivable		3,958	4,151	1,339
Prepaid expenses		215	300	53
<b>Total current assets</b>		<b>10,416</b>	<b>9,609</b>	<b>6,421</b>
<b>NON-CURRENT</b>				
Tax credits receivable		3,802	2,203	2,812
Property and equipment assets	7	4,207	2,872	1,289
Intangible assets	8	920	1,526	2,127
Right-of-use assets	9	1,067	563	–
Restricted cash and deposits		744	621	779
<b>Total non-current assets</b>		<b>10,740</b>	<b>7,785</b>	<b>7,007</b>
<b>Total assets</b>		<b>21,156</b>	<b>17,394</b>	<b>13,428</b>
<b>LIABILITIES</b>				
<b>CURRENT</b>				
Accounts payables and accrued liabilities	10	6,988	4,908	5,786
Deferred grants	11	1,511	–	–
Current portion of lease liabilities	12	295	459	–
Borrowings	13	1,793	4,502	931
<b>Total current liabilities</b>		<b>10,587</b>	<b>9,869</b>	<b>6,717</b>
<b>NON-CURRENT</b>				
Asset retirement obligation		621	621	621
Borrowings		–	–	2,377
Lease liabilities	12	781	150	–

	Notes	December 31, 2020	December 31, 2019 (Adjusted note 27)	January 1, 2019 (Adjusted note 27)
		\$	\$	\$
Convertible bond	14	14,505	–	–
Other Liabilities		–	–	448
<b>Total non-current liabilities</b>		<b>15,907</b>	<b>771</b>	<b>3,446</b>
<b>Total liabilities</b>		<b>26,494</b>	<b>10,640</b>	<b>10,163</b>
<b>EQUITY (DEFICIENCY)</b>				
Share capital	15.1	60,537	56,184	36,243
Warrants	15.3	867	2,224	4,780
Contributed surplus		9,894	7,368	4,219
Equity component of convertible bond	14	364	–	–
Deficit		(77,000)	(59,022)	(41,977)
<b>Total equity (deficiency)</b>		<b>(5,338)</b>	<b>6,754</b>	<b>3,265</b>
<b>Total liabilities and equity (deficiency)</b>		<b>21,156</b>	<b>17,394</b>	<b>13,428</b>
<b>Commitments</b>	25			
<b>Subsequent Events</b>	26-27			

APPROVED BY THE BOARD OF DIRECTORS

(s) Eric Desaulniers – “Director”

(s) Daniel Buron – “Director”

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

Amount expressed in thousands of Canadian dollars.

## Consolidated Statements of Loss and Comprehensive Loss

	Notes	December 31, 2020	December 31, 2019 (Adjusted, note 27)
		\$	\$
<b>EXPENSES</b>			
Exploration and evaluation expenses	16	10,340	9,832
Value added products expenses	17	2,911	1,605
General and administrative expenses	18	7,770	5,804
Net smelter royalty	13	(4,306)	–
<b>Operating loss (income)</b>		<b>16,715</b>	<b>17,241</b>
Net financial costs	19	1,263	252
<b>Loss before tax</b>		<b>17,978</b>	<b>17,493</b>
Deferred tax recovery	20	–	(448)
<b>Net loss and comprehensive loss</b>		<b>17,978</b>	<b>17,045</b>
<b>Basic and diluted loss per share</b>	15.2-26	<b>(0.684)</b>	<b>(0.750)</b>
<b>Weighted average number of shares outstanding</b>	26	<b>26,287,106</b>	<b>22,723,974</b>

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

Amount expressed in thousands of Canadian dollars, except per share amount.

## Consolidated Statements of Changes in Equity

	Notes	Number	Share capital
			\$
<b>Balance as at January 1, 2020 – as previously reported</b>		<b>261,782,814</b>	<b>56,184</b>
Cumulative effect - change in accounting policy	27	–	–
<b>Balance adjusted as at January 1, 2020</b>		<b>261,782,814</b>	<b>56,184</b>
Warrants expired	15.3	–	–
Warrants exercised	15.3	8,722,914	3,574
Options exercised	15.6	1,450,000	572
Share-based payment	15.6	1,037,587	208
Share issue costs		–	(1)
Convertible bond	14	–	–
Net loss and comprehensive loss		–	–
<b>Balance as at December 31, 2020</b>		<b>272,993,315</b>	<b>60,537</b>

	Notes	Number	Share capital
			\$
<b>Balance as at January 1, 2019 – as previously reported</b>		<b>175,311,126</b>	<b>36,243</b>
Cumulative effect - change in accounting policy	27	–	–
<b>Balance adjusted as at January 1, 2019</b>		<b>175,311,126</b>	<b>36,243</b>
Shares issued from private placement	15.1	86,170,213	20,250
Warrants expired	15.3	–	–
Options exercised	15.6	250,000	79
Shares issued for consulting fees	15.1	51,475	14
Share-based payment	15.6	–	–
Share issue costs	15.1	–	(401)
Net loss and comprehensive loss		–	–
<b>Balance as at December 31, 2019</b>		<b>261,782,814</b>	<b>56,184</b>

The accompanying notes are an integral part of the consolidated financial statements.  
Amount expressed in thousands of Canadian dollars, except per share amount.

Warrants	Contributed surplus	Equity component of convertible bond	Deficit	Total equity (deficiency)
\$	\$	\$	\$	\$
2,224	7,368	–	(28,417)	37,359
–	–	–	(30,605)	(30,605)
2,224	7,368	–	(59,022)	6,754
(836)	836	–	–	–
(521)	–	–	–	3,053
–	(132)	–	–	440
–	1,822	–	–	2,030
–	–	–	–	(1)
–	–	364	–	364
–	–	–	(17,978)	(17,978)
867	9,894	364	(77,000)	(5,338)

Warrants	Contributed surplus	Deficit (Adjusted, note 27)	Total equity
\$	\$	\$	\$
4,780	4,219	(21,586)	3,264
–	–	(20,391)	(20,391)
4,780	4,219	(41,977)	3,264
–	–	–	20,250
(2,573)	2,573	–	–
–	(29)	–	50
–	–	–	14
17	605	–	622
–	–	–	(401)
–	–	(17,045)	(17,045)
2,224	7,368	(59,022)	6,754

## Consolidated Statements of Cash Flows

	Notes	For the years ended	
		December 31, 2020	December 31, 2019 (Adjusted note 27)
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(17,978)	(17,045)
Depreciation and amortization	7-9	1,202	1,082
Loss (gain) on disposal of investment		22	(3)
Loss on asset disposal	7	2	-
Deferred income tax expenses		-	(448)
Share-based compensation	15.6	2,030	637
Financial costs		1,114	137
Net smelter royalty	13	(4,306)	-
Net change in working capital	21	(135)	(3,014)
<b>Cash flows used in operating activities</b>		<b>(18,049)</b>	<b>(18,654)</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant, and equipment assets	7	(1,269)	(1,673)
Restricted cash and deposits		(123)	-
Tax credits and grants received	7	731	-
<b>Cash flows used in investing activities</b>		<b>(661)</b>	<b>(1,673)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of private placement	15.1	-	20,250
Proceeds from convertible bond, net of issue costs	13	14,786	-
Proceeds from debt, net of issue costs	13	3,781	2,000
Repayment of borrowings and lease liabilities	12, 13	(2,906)	(1,289)
Proceeds from the exercise of warrants	15.3	3,053	-
Proceeds from the exercise of stock options	15.6	440	50
Share issue costs		(1)	(401)
<b>Cash flows from financing activities</b>		<b>19,153</b>	<b>20,610</b>
<b>Net change in cash</b>		<b>443</b>	<b>283</b>
Cash at the beginning of the year		4,077	3,794
<b>Cash at the end of the year</b>		<b>4,520</b>	<b>4,077</b>
Additional information	21		

The accompanying notes are an integral part of the consolidated financial statements.  
Amount expressed in thousands of Canadian dollars.

# Notes to Consolidated Financial Statements

## 1. Nature of Operations and Liquidity Risk

Nouveau Monde Graphite Inc. (the "Company") was established on December 31, 2012, under the Canada Business Corporations Act. The Company specializes in exploration, evaluation and development of mineral properties located in Québec and is developing a natural graphite-based anode material that would qualify as battery-grade material to supply the lithium-ion industry.

The Company's shares are listed under the symbol NOU on the TSX Venture Exchange, NMGRF on the OTCQX Market and NM9 on the Frankfurt Stock Exchange. The Company's registered office is located at 331 Brassard Street, Saint-Michel-des-Saints, Québec, Canada, J0K 3B0.

As at December 31, 2020, the Company had a negative working capital of \$171, had an accumulated deficit of \$77,000, and had incurred a loss of \$17,978 for the year then ended. Working capital included current tax credits receivable of \$3,958 and cash of \$4,520.

With the financing completed in January 2021 (described in note 26) 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 considers 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, evaluation and development activities is dependent on management's ability to secure additional financing in the future, which may be completed in several 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 and Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB").

The accounting policies set out in note 4 were consistently applied to all years presented in these consolidated financial statements. Refer to note 27 for the voluntary change in accounting policy that occurred during 2020.

The consolidated financial statements for the year ended December 31, 2020 (including comparative statements) were approved and authorized for publication by the Board of Directors on April 6, 2021.

## 3. New Accounting Standards

### *Amendments to IAS 1 Presentation of Financial Statements*

The IASB has made amendments to IAS 1 Presentation of Financial Statements which use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. The Company adopted IAS 1 on January 1, 2020, which did not have a significant impact on the consolidated financial statements disclosures.

## 4. Significant Accounting Policies

### 4.1 Basis of Consolidation

The Company's consolidated financial statements consolidate those of the parent company and its subsidiary. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary, and could affect those returns through its power over the subsidiary.

All transactions and balances between group companies are eliminated upon consolidation, including unrealized gains and losses on transactions between group companies. Amounts reported in the financial statements of the subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit and loss and other comprehensive income of subsidiaries acquired or sold during the period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

#### Subsidiary

Information on the Company's subsidiaries as at December 31, 2020, all of which are wholly-owned, is as follows:

Name of Subsidiary	Principal Activity	Country of Incorporation	Year of Incorporation
Quartier Nouveau Monde Inc.	Real estate company	Canada	2017
Nouveau Monde Europe LTD	Trading company	England and Wales	2020

### 4.2 Functional and Reporting Currency

The Group's consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company and its subsidiaries and the presentation currency.

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of loss and comprehensive loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 4.3 Tax Credits Receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred, refundable credit on duties for losses under the Mining Tax Act (Quebec) and research and development tax credits. The tax credits are recognized as a reduction of the costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance that the credits will be received and that the Company will continue to comply with the conditions associated to them.

### 4.4 Grants Receivable

The Company receives periodically grants from different incentive programs. These grants are recognized initially when there is a reasonable assurance that they will be received and when the Company has intentions to comply with the conditions associated with the grant. The financial aid received for expenditures incurred is recognized against these expenditures on a systematic basis and in the same accounting period in which the expenditures are incurred.

#### 4.5 Research and Development Cost

Research costs are expensed during the year in which the expenses are incurred. Development costs are capitalized when they meet the criteria for capitalization in accordance with IAS 38 Intangible Assets. The costs incurred for activities associated with the development of the processes associated with the value-added products are considered as research and development costs.

#### 4.6 Property and Equipment

Property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. The assets are capitalized and amortized on a straight-line basis in the consolidated statement of loss and comprehensive loss. Generally, the depreciation rates are as follows:

Buildings	25 years
Equipment	5-15 years
Furnitures	3-7 years
Computers	3 years
Rolling Stock	5 years

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of loss and comprehensive loss.

#### 4.7 Intangible Assets

The intangible assets include software and licenses with a definite useful life. The assets are capitalized and amortized on a straight-line basis in the consolidated statement of comprehensive loss. The intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Generally, the depreciation rates are as follows:

Software	2 years
Licences	2-10 years

#### 4.8 Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are costs incurred during the initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

All expenditures relating to exploration and evaluation are expensed as incurred until the property reaches the development stage. Costs related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling, research and development costs specific to a mining project and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are expensed on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation expenses related to the mining property will be recorded to property and equipment in Mining assets under construction and or to intangible assets depending on the nature of the expenditures.

## 4.9 Impairment of Non-Financial Assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

An impairment loss is recognized in profit or loss for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the assets or cash-generating unit's recoverable amount exceeds its carrying amount.

## 4.10 Income Taxes

Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

### Current taxes

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to income tax payable regarding previous years.

### Deferred taxes

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period in which the deferred tax is realized or recovered. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Assets and liabilities are offset where the entity has a legally enforceable right to offset current tax assets and liabilities or deferred tax assets and liabilities, and the respective assets and liabilities relate to income taxes levied by the same taxation authority.

## 4.11 Equity

### Share capital

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying tax benefit from these issuance costs. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

### Unit offerings

Proceeds from unit offerings are allocated between shares and warrants using their relative fair value. Black-Scholes model is used to determine the fair value of the warrants and the market price at the time of issuance is used for shares.

### Contributed surplus and warrants

Contributed surplus includes charges related to share options not exercised and amounts attributable to expired warrants.

Warrants include amounts attributable to outstanding warrants.

#### 4.12 Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include convertible debt, options, broker's options, and warrants. Dilutive potential common shares arising from option type instruments shall be deemed to have been exercised at the beginning of the period or, if later, at the date of issue of the potential common shares and the proceeds from their exercise used to repurchase common shares at the average market price. The if-converted method is used for convertible debentures.

#### 4.13 Provision and Contingent Liabilities

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. An asset retirement provision is recognized when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### 4.14 Share-Based Payments

The Company operates an equity-settled share-based payment plan for its eligible directors, officers, employees and consultants. The Company's plan does not feature any option for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services rendered by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except broker's options) are ultimately recognized as an expense in profit or loss with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance costs of the equity instruments with a corresponding credit to Contributed surplus, in equity.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in a prior period if some vested share options are not ultimately exercised.

#### 4.15 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss ("FVTPL"), which are measured initially at fair value. The subsequent measurement of financial assets and financial liabilities is described below (and Note 18).

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are offset, and the net amount is reported in the statements of financial position when there is an unconditional and legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

##### Financial assets

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at FVTPL, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Company classifies its financial assets in the following measurement categories:

- » measured subsequently at amortized cost; or
- » measured subsequently at fair value (either through other comprehensive loss, or through net loss).

##### i) Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment loss, if:

- » the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- » the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### ii) Financial assets measured at fair value

A financial asset shall be measured at fair value through net loss unless it is measured at amortized cost or at fair value through other comprehensive loss.

A financial asset shall be measured at fair value through other comprehensive loss if both of the following conditions are met:

- » the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- » the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For investments in debt instruments, this will thus depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive loss, in which case, gains and losses will never be reclassified to net loss, and no impairment may be recognized in net loss. Dividends earned from such investments are recognized in net loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

## Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

### iii) Financial instruments – Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Fair values of financial instruments traded in active markets are determined based on quoted market prices, where available. For financial instruments not traded in an active market, fair values are determined based on appropriate valuation techniques. Such techniques may include discounted cash flow analysis, using recent arm's-length market transactions, reference to the current fair value of another instrument that is substantially the same, and other valuation models. The Company applies a hierarchy to classify valuation methods used to measure financial instruments carried at fair value. Levels 1 to 3 are defined based on the degree to which fair value inputs are observable and have a significant effect on the recorded fair value, as follows:

- » Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- » Level 2: Valuation techniques use significant observable inputs, directly or indirectly, or valuations are based on quoted prices for similar instruments; and
- » Level 3: Valuation techniques use significant inputs that are not based on observable market data (unobservable inputs).

## Compound instruments

The convertible bond issued by the Company is a compound financial instrument which the principal amount, together with all accrued and unpaid or uncapitalized interest can be converted into a fixed number of common shares of the Company at the option of the holder.

The liability component of the compound instrument was established by discounting the contractual cash flow, the remaining balance, net of the issuance cost, was allocated to the equity component of the financial instrument.

## Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. An external rating of investment grade is considered to indicate that a financial instrument that may be considered as having low credit risk.

The Company applies the simplified approach permitted by IFRS 9 for trade receivables and contract assets, which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

The Company's financial instruments consist of the following:

Financial Assets	Classification
Cash	Amortized cost
Amounts receivable	Amortized cost
Grant and other receivables	Amortized cost
Investment	Fair value through profit or loss

Financial Liabilities	Classification
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Convertible bond (liability component)	Amortized cost

#### 4.16 Leases

Leases are recognized as a right-of-use asset and a corresponding liability in lease liabilities at the date at which the leased asset is available for use by the Company.

The lease liability is initially measured at the present value of the future lease payment, including variable lease payment that depends on an index or a rate. The lease liability is discounted using the interest rate implicit in the contract if this rate can be easily determined, otherwise, the lessee must use his marginal borrowing rate.

The monthly lease payments are segregated between the principal repayment and the finance cost. The present value of the lease liability is increased to reflect the accretion of interest and decreased by the principal repayment. The accretion of interest is charged to the profit and loss over the lease period.

If a change to the lease were to happen, the lease liability would be remeasured to reflect those changes (e.g. changes in the lease term or changes in the lease payment).

The right-of-use assets are initially measured at cost, which includes the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use assets are amortized on a straight-line basis over the duration of the lease.

#### 4.17 Segment Disclosure

The Company currently operates in two segments: the acquisition, exploration, and evaluation of mining properties and the transformation of value-added graphite products. The measure of profit or loss for each segment corresponds to the amounts reported for Exploration and evaluation expenses and Value-added products expenses, respectively, in the consolidated statement of loss and comprehensive loss. All the Company's activities are conducted in Quebec, Canada.

### 5. Accounting Standards Issued But Not Yet Effective

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than December 31, 2020. Many of these updates are not expected to have any significant impact on the Company and are therefore not discussed herein.

#### *Amendments to IAS 16 Property, plant and equipment*

The IASB has made amendments to IAS 16 Property, plant and equipment, which will be effective for financial years beginning on or after January 1, 2022. Proceeds from selling items before the related item of Property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items. The Company will therefore need to distinguish between the costs associated with producing and selling items before the item of Property, plant and equipment (pre-production revenue) is available for use and the costs associated with

making the item of Property, plant and equipment available for its intended use. For the sale of items that are not part of a company's ordinary activities, the amendments will require the Company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income (loss). These amendments will have an impact on the Company's consolidated financial statements.

## 6. Estimates, Judgements and Assumptions

In preparing its consolidated financial statements, management makes several judgements, 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.

### Technical Feasibility and Commercial Viability

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors. By its nature, this assessment requires significant judgment.

As at December 31, 2020, management determined that the technical feasibility and commercial viability had not yet been established for the Matawinie Project and as such the project is still considered to be at the exploration and evaluation stage.

### Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### COVID-19 impact

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, companies, and others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. As at December 31, 2020, the demonstration plant in Saint-Michel-des-Saints was producing graphite flakes similarly to pre-COVID-19 levels, activities related to the detail engineering of the mine and concentrator continues to advance, and the construction of the demonstration plant for value added products in Bécancour continues to make significant progress. However, in the current environment, the assumptions and judgements made by the Company are subject to greater variability than normal, which could, in the future, significantly affect judgments, estimates and assumptions made by management as they relate to potential impact of the COVID-19.

### Provision for asset retirement obligation

The Company's exploration activities are subject to several 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.

## Tax credits

Tax credits for the current and prior periods are measured at the amount that the Company expects to recover, based on its best estimate and judgment at the reporting date. However, uncertainties as to the interpretation of the tax regulations, 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.

To determine whether the expenses it incurs are eligible for exploration tax credits, the Company must use judgment and resort to complex techniques. 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 because of the tax administrations' review of matters that were subject to interpretation. In the event of such a difference, an adjustment will 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 more than one year 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 be recovered and the timing of such recovery may differ materially from accounting estimates and would affect the financial position and cash flow of the Company.

## 7. Property and Equipment

	Land	Buildings	Equipment	Computers	Furniture	Rolling stock	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>COST</b>								
Balance as at January 1, 2020	467	2,430	63	47	70	9	–	3,086
Acquisition	40	212	–	9	–	15	1,206	1,482
Write-Off/Disposals	–	–	(63)	–	–	–	–	(63)
Balance as at December 31, 2020	507	2,642	–	56	70	24	1,206	4,505
<b>ACCUMULATED DEPRECIATION</b>								
Balance as at January 1, 2020	–	118	59	14	19	4	–	214
Depreciation	–	101	2	25	13	4	–	145
Write-Off/Disposals	–	–	(61)	–	–	–	–	(61)
Balance as at December 31, 2020	–	219	–	39	32	8	–	298
<b>Net book value as at December 31, 2020</b>	<b>507</b>	<b>2,423</b>	<b>–</b>	<b>17</b>	<b>38</b>	<b>16</b>	<b>1,206</b>	<b>4,207</b>

	Land	Buildings	Equipment	Computers	Furniture	Rolling stock	Total
	\$	\$	\$	\$	\$	\$	\$
<b>COST</b>							
Balance as at January 1, 2019	227	1,037	63	32	49	9	1,417
Acquisition	240	1,393	–	15	21	–	1,669
Balance as at December 31, 2019	467	2,430	63	47	70	9	3,086
<b>ACCUMULATED DEPRECIATION</b>							
Balance as at January 1, 2019	–	47	58	6	15	2	128
Depreciation	–	71	1	8	4	2	86
Balance as at December 31, 2019	–	118	59	14	19	4	214
<b>Net book value as at December 31, 2019</b>	<b>467</b>	<b>2,312</b>	<b>4</b>	<b>33</b>	<b>51</b>	<b>5</b>	<b>2,872</b>

The construction in progress is comprised of deposits on equipment and is presented net of grants (\$731 in 2020).

## 8. Intangible Assets

In prior years, the Company and Hydro-Quebec (“HQ”) signed a licence agreement by which the Company is allowing us 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 (\$2,562) 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.

	Software	Licenses	Total
	\$	\$	\$
<b>COST</b>			
Balance as at January 1, 2020	16	2,562	2,578
Balance as at December 31, 2020	16	2,562	2,578
<b>ACCUMULATED DEPRECIATION</b>			
Balance as at January 1, 2020	7	1,045	1,052
Amortization	9	597	606
Balance as at December 31, 2020	16	1,642	1,658
<b>Net book value as at December 31, 2020</b>	<b>–</b>	<b>920</b>	<b>920</b>

	Software	Licenses	Total
	\$	\$	\$
<b>COST</b>			
Balance as at January 1, 2019	16	2,562	2,578
Balance as at December 31, 2019	16	2,562	2,578
<b>ACCUMULATED DEPRECIATION</b>			
Balance as at January 1, 2019	3	448	451
Amortization	4	597	601
Balance as at December 31, 2019	7	1,045	1,052
<b>Net book value as at December 31, 2019</b>	<b>9</b>	<b>1,517</b>	<b>1,526</b>

## 9. Right-Of-Use Assets

The Company has lease contracts for various items of mining equipment, motor vehicles and buildings used in its operations. Leases of mining equipment and rolling stock generally have lease terms between two and three years, while buildings generally have lease terms between two and five years.

Set below are the carrying amount of Right-of-use assets and the movement during the period.

	Buildings	Equipment	Rolling stocks	Total
	\$	\$	\$	\$
<b>COST</b>				
As at January 1, 2020	457	339	158	954
New leases	840	–	–	840
Remeasurement of lease	–	–	115	115
As at December 31, 2020	1,297	339	273	1,909
<b>ACCUMULATED DEPRECIATION</b>				
As at January 1, 2020	157	167	67	391
Depreciation	229	154	68	451
As at December 31, 2020	386	321	135	842
<b>Net book value as at December 31, 2020</b>	<b>911</b>	<b>18</b>	<b>138</b>	<b>1,067</b>

	Buildings	Equipment	Rolling stocks	Total
	\$	\$	\$	\$
<b>COST</b>				
As at January 1, 2019	252	321	109	682
New leases	205	18	49	272
As at December 31, 2019	457	339	158	954
<b>ACCUMULATED DEPRECIATION</b>				
As at January 1, 2019	–	–	–	–
Depreciation	157	167	67	391
As at December 31, 2019	157	167	67	391
<b>Net book value as at December 31, 2019</b>	<b>300</b>	<b>172</b>	<b>91</b>	<b>563</b>

Included in the depreciation of Right-of-use assets for the period is \$321 (\$355 in 2019) that have been included under the Evaluation and exploration expenses and \$27 (nil in 2019) under the Value-added products expenses line in the consolidated statements of loss and comprehensive loss.

## 10. Accounts Payables and Accrued Liabilities

	December 31, 2020	December 31, 2019
	\$	\$
Trade payables and accrued liabilities	4,285	4,335
Wages and benefits liabilities	1,767	573
Other payables	139	–
Interest payable on convertible bond	797	–
<b>Accounts payables and accrued liabilities</b>	<b>6,988</b>	<b>4,908</b>

## 11. Grants

The Company benefits from various government grants. The deferred grant is composed of the two following grants:

In August 2019, the Company completed the closing of a federally funded grant with Sustainable Development Technology Canada ("SDTC") for a total of \$4.25 million. This grant will help the Company build a value-added graphite purification processing facility in Bécancour, Quebec. In February 2020, the Company received the first milestone payment of \$2 million. SDTC also increased its initial commitment of \$4.25 million to the Company by 5%, representing an additional \$213 in grant, because of the COVID-19 impact on Canadian companies. The additional \$213 amount was received at the end of March 2020.

In addition to the SDTC program, the Company finalized another grant agreement in April 2020 with Transition énergétique Québec ("TEQ"), a Quebec government funded program, in relation to the same project of building a value-added graphite purification processing facility. The additional grant of \$3 million was secured via TEQ's Technoclimat program. During the year 2020, the Company received the payments totaling \$1.5 million.

As at December 31, 2020, \$1.5 million of the grant proceeds received during the year remains to be applied against related expenditures and therefore was recorded as a deferred grant at year-end.

The grant receivables as at December 31, 2020 of \$785 is composed of various smaller grants as there is reasonable assurance that they will be received and when the Company has reasonable assurance that it will continue to comply with the conditions associated with the grants.

## 12. Lease Liabilities

	December 31, 2020	December 31, 2019
	\$	\$
Opening balance	609	682
New liabilities and modifications of leases	955	272
Principal repayment	(488)	(345)
<b>Ending balance</b>	<b>1,076</b>	<b>609</b>
Current portion	295	459
Non-current portion	781	150

The Company also has certain leases of assets with lease terms of 12 months or less. The Company applies the short-term lease assets recognition exemptions for these leases. The expenses related to short term leases were \$572 for the year ended December 31, 2020 (December 31, 2019: \$144).

## 13. Borrowings

	December 31, 2020	December 31, 2019
	\$	\$
Opening balance	4,502	3,308
Proceeds	3,803	2,000
Repayment	(2,419)	(943)
Issue costs	(21)	–
Accretion of issue costs	25	40
Interest capitalized	209	97
Debts settled in exchange of Royalty	(4,306)	–
<b>Ending balance</b>	<b>1,793</b>	<b>4,502</b>
Current portion	1,793	4,502
Non-current portion	–	–

On December 21, 2018, the Company closed a financing with Investissement Quebec for an aggregate amount of \$4,665 through four loan offers of which only \$3,362 had been received as at December 31, 2019. The loans had an annual interest rate charge between 6.25% and 6.38% depending on the offer.

During the year ended December 31, 2019, the Company repaid \$943 of its debt. The remaining \$2,419 has been repaid during the year ended December 31, 2020.

During the second quarter ended June 30, 2019, the Company concluded a financing agreement with a significant shareholder, Pallinghurst Graphite Limited (“Pallinghurst”), for a total of \$2,000 and required a full reimbursement of the capital plus interest accrued at the latest on December 31, 2020. The unsecured borrowing bore interest at 9% annually and all accrued interests had to be paid at the end of the maturity date of the agreement.

On March 16, 2020, the Company concluded a new financing agreement with Pallinghurst, for a total of \$2,000. This agreement required the reimbursement of the capital plus all accrued interests at the latest on December 31, 2020. The agreement bears interest at 9% annually.

On April 29, 2020, the Company closed a financing agreement with Investissement Québec for an aggregate amount received of \$1,802 through two loan offers. The conditions also included a 1% issue cost fee calculated on the total aggregate amount. The interest rate on the loan offer totalling \$611 is the current prime rate of 2.45% plus 0.07%, while the interest rate on the loan offer totalling \$1,192 is the current prime rate of 2.45%. The capital shall be repaid by no later than June 30, 2021. To secure its obligations set out in the loan offers, the Company granted two first-ranking mortgages for a total of the loan amount received covering the universality of its present and future receivables, including the universality of its tax credits.

On August 28, 2020, the Company closed a financing transaction with Pallinghurst where the Company issued a 3.0% royalty over the Matawinie graphite property to Pallinghurst for an aggregate purchase price of \$4,306. The purchase price for the royalty was satisfied by setting-off all principal and accrued interest owed by the Company to Pallinghurst under the promissory note dated June 27, 2019 in the principal amount of \$2 million, the promissory note dated March 16, 2020 in the principal amount of \$2 million, and the accrued interests totaling \$306. As the carrying amount of the underlying properties is nil, an amount corresponding to the purchase price has been reported as net smelter royalty in the consolidated statement of loss and comprehensive loss.

During the year ended December 31, 2020, the Company paid out a total of \$123 (\$191 for the year ended December 31, 2019) of interest to its lenders.

## 14. Convertible Bond

	December 31, 2020	December 31, 2019
	\$	\$
Opening balance	–	–
Proceeds	15,000	–
Equity component of convertible bond	(364)	–
Issue costs	(214)	–
Accretion expense	83	–
<b>Ending balance</b>	<b>14,505</b>	–
Current portion	–	–
Non-current portion	14,505	–

During the third quarter ended September 30, 2020, the Company closed a secured three-year convertible bond with Pallinghurst with a principal of \$15 million. The bond bears interest at 15% annually. Pallinghurst has the right to convert all or a portion of any accrued and unpaid or uncapitalized interest under the bond into common shares of the Company at the market price of the common shares at the future time of conversion subject to TSXV approval. The principal amount, together with all accrued and unpaid or uncapitalized interest under the bond, will become payable on the date that is 36 months following the issuance of the bond. At any time, Pallinghurst has the right to convert all or a portion of the bond into such number of common shares of the Company equal to the principal amount being converted, divided by the conversion price of \$0.20 per common share. Concurrently with the issuance of the bond, the Company issued to Pallinghurst common share purchase warrants entitling Pallinghurst to purchase up to 75,000,000 common shares of the Company, at a price of \$0.22 per common share for a period of 36 months from the issuance date of the warrants.

When initially recorded, the proceeds received amounted to \$15 million for the convertible bond. Of this amount, the debt, the issue costs, and the equity component represent respectively \$14,422, \$214, and \$364. The debt component was evaluated first using an effective rate of 17% corresponding to a rate that the Company would have obtained for a similar financing without the conversion option. The residual value was attributed to the equity component and is presented in the shareholders' equity. The net proceeds allocated to the warrants have been evaluated at nil.

## 15. Equity

### 15.1 Share Capital

#### Authorized share capital

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

On April 25, 2019, the Company completed a non-brokered private placement with Pallinghurst of 43,825,000 common shares in the capital of the Company at a price of \$0.235 per share for aggregate gross proceeds of \$10,299 pursuant to a subscription agreement dated April 2, 2019.

On June 28, 2019, the Company also completed a private placement of 42,345,213 common shares in the capital of the Company at a price of \$0.235 per Share for aggregate gross proceeds of \$9,951. Pallinghurst also took part in this second private placement.

On September 1, 2020, the Company issued an aggregate of 1,037,587 common shares of its share capital at a price of \$0.20 per common share, for an aggregate amount of \$208 to 31 of its employees in settlement of an unpaid portion of wages resulting from a temporary measure in response to the COVID-19 pandemic.

### 15.2 Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

The numbers for the average basic and diluted shares outstanding for all the periods presented in the consolidated statements of loss and comprehensive loss have been adjusted to reflect the effect of the 1:10 share consolidation that took place on March 24, 2021.

The basic and diluted loss per share is the same as there are no instruments that have a dilutive effect on earnings.

### 15.3 Warrants

	December 31, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	\$	\$	\$	\$
Opening balance	26,766,142	0.38	52,049,727	0.39
Issued	75,000,000	0.22	–	–
Exercised	(8,722,914)	0.35	–	–
Expired	(14,508,837)	0.40	(25,273,585)	0.40
<b>Ending balance</b>	<b>78,534,391</b>	<b>0.23</b>	<b>26,766,142</b>	<b>0.38</b>

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

Expiration date	December 31, 2020	
	Number	Exercise price
	\$	\$
February 7, 2021	3,534,391	0.35
August 28, 2023	75,000,000	0.22
<b>Ending balance</b>	<b>78,534,391</b>	<b>0.23</b>

At the issuance date of the financial statement, all the outstanding warrants have either been exercised or have expired.

#### 15.4 Broker's Warrants

	December 31, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Opening balance	331,994	0.34	1,474,525	0.31
Expired	(331,994)	0.34	(1,142,531)	0.30
<b>Ending balance</b>	<b>–</b>	<b>–</b>	<b>331,994</b>	<b>0.34</b>

#### 15.5 Advisory Warrants

	December 31, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Opening balance	621,665	0.30	1,771,665	0.36
Expired	(621,665)	0.30	(1,150,000)	0.39
<b>Ending balance</b>	<b>–</b>	<b>–</b>	<b>621,665</b>	<b>0.30</b>

#### 15.6 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 the TSXV. The plan has a policy that caps the maximum of total options that can be granted to 10% of the total outstanding shares of the Company.

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 year ended December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Opening balance	15,825,000	0.28	11,450,000	0.29
Granted	11,925,000	0.36	5,775,000	0.23
Exercised	(1,450,000)	0.30	(250,000)	0.20
Expired	(2,300,000)	0.27	(1,018,750)	0.30
Forfeited	–	–	(131,250)	0.31
<b>Ending balance</b>	<b>24,000,000</b>	<b>0.32</b>	<b>15,825,000</b>	<b>0.28</b>
Options that can be exercised	20,000,000	0.34	13,800,000	0.28

The weighted average price at the time of exercise for 2020 is \$0.62 (\$0.24 in 2019).

For the year ended December 31, 2020, the Company granted 5,050,000 options to officers, 2,075,000 to directors, 2,850,000 to employees, and 1,950,000 to consultants. Options granted have different vesting periods. Each option entitles the holder to subscribe to one common share of the Company, at an average price of \$0.36 per common share, for an average period of 4.8 years.

For the year ended December 31, 2019, the Company granted 1,375,000 options to officers, 1,250,000 to directors, 2,150,000 to employees, and 1,000,000 to consultants. Options granted have different vesting periods. Each option entitles the holder to subscribe to one common share of the Company, at an average price of \$0.23 per common share, for an average period of 4.2 years.

The weighted average fair value of the share options granted were estimated using the Black-Scholes option pricing model based on the following average assumptions:

	2020	2019
Share price at date of grant	\$0.36	\$0.24
Expected life	4.75 years	4.2 years
Risk-free interest rate	0.39%	1.46%
Expected volatility	54.68%	63.53%
Expected dividend	Nil	Nil
Exercise price at date of grant	\$0.36	\$0.23

The expected annualized volatility was based on historical data for the Company. The fair value of the share options is amortized over the vesting period, considering expected forfeitures. Share options issued are exercisable at the closing market price of the common shares on the day prior to their grant.

Expiration date	December 31, 2020		
	Total number	Total exercisable	Weighted average exercise price
	\$	\$	\$
Year 2021	1,475,000	1,475,000	0,23
Year 2022	3,775,000	3,775,000	0,31
Year 2023	3,900,000	2,900,000	0,34
Year 2024	4,425,000	4,425,000	0,23
Year 2025	10,425,000	7,425,000	0,36
<b>Ending balance</b>	<b>24,000,000</b>	<b>20,000,000</b>	<b>0,32</b>

## 16. Exploration and Evaluation Expenses

	December 31, 2020	December 31, 2019 (Adjusted note 27)
	\$	\$
Wages and benefits	2,294	2,040
Share-based compensation	594	192
Engineering	3,964	721
Professional fees	506	1,349
Materials, consumables, and supplies	1,767	2,279
Subcontracting	1,706	2,594
Geology and drilling	389	2,298
Utilities	388	218
Other	265	673
Grants	(164)	(329)
Tax credits	(1,369)	(2,203)
<b>Exploration and evaluation expenses</b>	<b>10,340</b>	<b>9,832</b>

The exploration and evaluation expenses related to the Matawinie Property in Quebec. The wages and benefits are net of the grant received as part of the Canada Emergency Wage Subsidy program of \$892 in 2020 (nil in 2019).

## 17. Value-Added Products Expenses

	December 31, 2020	December 31, 2019 (Adjusted note 27)
	\$	\$
Wages and benefits	768	467
Share-based compensation	112	–
Engineering	2,399	710
Professional fees	866	772
Materials, consumables, and supplies	157	37
Subcontracting	475	20
Other	43	40
Grants	(1,678)	(441)
Tax credits	(231)	–
<b>Value added products expenses</b>	<b>2,911</b>	<b>1,605</b>

The value-added products expenses relate to the costs incurred to develop an advanced materials plant in Bécancour, Québec. The wages and benefits are net of the grant received as part of the Canada Emergency Wage Subsidy program of \$189 in 2020 (nil in 2019).

## 18. General and Administrative Expenses

	December 31, 2020	December 31, 2019 (Adjusted, note 27)
	\$	\$
Wages and benefits	2,920	2,080
Share-based compensation	1,323	505
Professional fees	1,168	949
Consulting fees	220	415
Travelling, representation and convention	397	493
Office and administration	727	501
Stock exchange, authorities, and communication	111	127
Depreciation and amortization	854	723
Loss/(gain) on asset disposal	2	–
Other financial fees	48	11
<b>General and administrative expenses</b>	<b>7,770</b>	<b>5,804</b>

## 19. Net Financial Costs

	December 31, 2020	December 31, 2019
	\$	\$
Foreign exchange loss	15	15
Interest income	(40)	(126)
Interest expense on lease liabilities	28	39
Accretion and interest on borrowings and bond	1,213	327
Accretion of issue costs	25	–
Loss /(gain) of fair value on investment	22	(3)
<b>Net financial costs</b>	<b>1,263</b>	<b>252</b>

## 20. Income Taxes

The income tax expense attributable to earnings differs from the amounts computed by applying the combined federal and provincial statutory income tax rate of 26.5% (26.6% in 2019) to loss before income taxes as a result of the following:

	December 31, 2020	December 31, 2019
	\$	\$
Loss before income taxes	(17,978)	(17,492)
Tax recovery computed at applicable statutory tax rate	26.50%	26.60%
Tax expense at combined statutory rate	(4,617)	(4,653)
Increase (decrease) in income taxes resulting from:		
Temporary difference not recorded	4,268	4,209
Share-based payments	538	165
Tax effect of renounced flow-through expenditures	–	578

	December 31, 2020	December 31, 2019
	\$	\$
Recovery of flow-through share liabilities	–	(448)
Effect of change in provincial tax rate	–	–
Rate change	–	5
Non-taxable mining duties	(217)	(319)
Other	28	14
	–	<b>(448)</b>
Composition of deferred income taxes in the income statement:		
Recovery of a flow-through share liabilities	–	(448)
<b>Deferred tax expense</b>	–	<b>(448)</b>

As at December 31, 2020 and 2019, temporary differences and unused tax losses for which the Company has not recognized deferred tax assets are as follows:

	December 31, 2020	December 31, 2019
	\$	\$
<b>FEDERAL</b>		
Exploration and evaluation expenses	24,034	26,200
Property and equipment	3,898	1,234
Equity investment	646	624
Asset retirement obligation	621	621
Share issue expenses	629	1,034
Research and development expenses	12,946	8,971
Non-capital losses	30,747	53
Other	16	16,772
	<b>73,537</b>	<b>55,509</b>
<b>PROVINCIAL</b>		
Exploration and evaluation expenses	22,296	25,237
Property and equipment	3,881	1,233
Equity investment	646	624
Asset retirement obligation	621	621
Share issue expenses	629	1,020
Research and development expenses	14,427	9,823
Non-capital losses	30,791	53
Other	16	16,707
	<b>73,308</b>	<b>55,320</b>

The ability to realize the tax benefits is dependent upon several factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered.

As at December 31, 2020, the Company's accumulated non-capital losses for tax purposes which can be used to reduce taxable income in future years as follows:

Year incurred	Expiration date	Federal	Provincial
2020	2040	14,148	14,122
2019	2039	5,381	5,457
2018	2038	4,138	4,044
2017	2037	2,526	2,764
2016	2036	1,447	1,361
2015	2035	873	844
2014	2034	662	644
2013	2033	747	738
2012	2032	765	757
2011	2031	61	59

The Company has investment tax credit carryovers of \$1,264 (\$1,264 in 2019) that expire between 2036 and 2039, which are available to reduce income taxes payables in future years.

## 21. Additional Cash Flow Information

		December 31, 2020	December 31, 2019 (Adjusted, note 27)
		\$	\$
Grants receivable	9	(596)	3
Deferred grants	9	1,511	–
Mining tax credits		(1,406)	(2,203)
Sales taxes receivable		(68)	311
Prepaid expenses		85	(247)
Accounts payable and accrued liabilities	10	339	(878)
<b>Total net change in working capital</b>		<b>(135)</b>	<b>(3,014)</b>
<b>Items not affecting cash</b>			
Accounts payable and accrued liabilities included in property and equipment assets		944	–

## 22. Related Party Transactions

	December 31, 2020	December 31, 2019
	\$	\$
<b>Key management personnel of the Company</b>		
Employee benefit expenses	1,238	990
Share-based payments	398	184
<b>Directors of the Company</b>		
Board fees	91	95
Share-based payments	305	159

In addition to transactions with Pallinghurst disclosed elsewhere in the financial statements and in accordance with IAS 24 Related Party Disclosures, key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

For the year ended December 31, 2020, the Company's interest expense totalled \$1,006 (December 31, 2019 - \$97) in regards of its debt and convertible bond agreements signed with Pallinghurst. As at December 31, 2020, Pallinghurst owns 19.18% of the Company's issued and outstanding common shares and has significant influence over the Company (2019 – 19.99%).

### Severance

The Company has commitments under certain management contracts with key executives. Minimum commitments under these contracts are approximately \$881. These contracts require additional minimum payments of approximately \$2,003 to be made upon the occurrence of certain events, such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

## 23. Information Disclosure About Capital Management

The Company monitors capital based on the carrying amount of equity and loans and totals \$12,036 as at December 31, 2020 (\$11,864 as at December 31, 2019).

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

The Company is not subject to externally imposed capital requirements. Changes in capital are described in the consolidated statements of changes in equity and notes 13 and 14.

The properties in which the Company currently has an interest are in the exploration, evaluation, and development stage; as such, the Company is dependent on external financing to fund its activities. To carry out the planned exploration, evaluation and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

## 24. Financial Instruments and Risk Management

### Classification and Carrying Amount of Financial Instruments

The Company's financial instruments as at December 31, 2020 and 2019 consist of the following:

		As at December 31, 2020		
		At fair value through profit or loss	Amortized cost	Total
		\$	\$	\$
<b>FINANCIAL ASSETS</b>				
Cash		–	4,520	4,520
Grants and other receivables	11	–	829	829
<b>Total financial assets</b>		–	<b>5,349</b>	<b>5,349</b>
<b>FINANCIAL LIABILITIES</b>				
Account payables and accrued liabilities	10	–	6,988	6,988
Borrowings	13	–	1,793	1,793
Convertible bond	14	–	14,505	14,505
<b>Total financial liabilities</b>		–	<b>23,286</b>	<b>23,286</b>

		As at December 31, 2019		
		At fair value through profit or loss	Amortized cost	Total
		\$	\$	\$
<b>FINANCIAL ASSETS</b>				
Cash		–	4,077	4,077
Grants and other receivables	11	–	233	233
Investment		22	–	22
<b>Total financial assets</b>		<b>22</b>	<b>4,310</b>	<b>4,333</b>
<b>FINANCIAL LIABILITIES</b>				
Account payables and accrued liabilities	10	–	4,908	4,908
Borrowings	13	–	4,502	4,502
<b>Total financial liabilities</b>		–	<b>9,410</b>	<b>9,410</b>

#### Fair value

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

Investments in shares measured at fair value in the statement of financial position as at December 31, 2019, were 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.

## Financial Risks

The Company is exposed to various financial risks resulting from its operations. The Company does not enter into 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 encounters 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, evaluation, and development expenditure programs. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets or other alternative forms of financing is hindered, whether because 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 activities.

As at December 31, 2020, all of the Company's short-term liabilities totalled \$10,587 (\$9,869 as at December 31, 2019), have contractual maturities of less than one year 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 the first quarter of 2021 (described in note 26), management believes that the Company has sufficient funds to meet its obligation and planned expenditures for the ensuing twelve months as they fall due (see note 1).

	Carrying amount	Contractual cash flow	0 to 12 months	As at December 31, 2020	
				12 to 24 months	more than 24 months
Account payables and accrued liabilities	6,988	6,988	6,988	–	–
Lease liabilities	1,076	1,140	321	440	379
Borrowings	1,793	1,824	1,824	–	–
Convertible bond	14,505	21,408	2,427	2,427	16,554

### 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. 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. The Company mitigates credit risk by maintaining cash with Canadian chartered banks.

### Currency risk

Given that most of the Company's expenditures are in Canadian dollars, the currency risk exposure is limited by maintaining its cash in Canadian dollars. The Company periodically carries a portion of its accounts payable and accrued liabilities in US dollars and Euros and is subject to currency risk on these balances. However, the Company considers this risk to be minimal.

## 25. Commitments

### Royalty

The Company issued a 3% net smelter royalty over the Matawinie graphite property to Pallinghurst for an aggregate purchase price of \$4,306. For a period of three years following issuance thereof, the royalty is subject to a 1% buy back right in favour of the Company for a buy-back price of \$1,306 plus an amount equal to interest accrual at a rate of 9% per annum from and after the closing of the royalty transaction up to the buyback date.

### Matawinie Property

A large part of the property is subject to a 2% NSR. Each tranche of 1% can be purchased by the Company for \$1,000.

### Demonstration plant in Bécancour

As at December 31, 2020, the Company has commitments of \$4,956 related to the construction of the graphite purification demonstration plant in Bécancour.

### Collaboration and sharing of benefits.

On January 23, 2020, the Company signed a benefit-sharing agreement with the municipality of Saint-Michel-des-Saints as part of the Matawinie mining project. Through this new agreement and throughout the mine's commercial operating life, the Company will contribute up to 2% of its net future positive cash flow after taxes to the municipality.

## 26. Subsequent Events

Subsequently to year end and up to April 6, 2021, the total cash proceeds from issuance of shares sums to \$41,5M:

- » On January 20, 2021, the Company closed an equity financing in the amount of \$17,3M where the Company issued a total of 11,896,750 common shares at a price of \$1.45 per common share. Of this amount, Pallinghurst, purchased 2,379,316 common shares.
- » On February 1, 2021, the Company secured \$17,6M from the exercise of previously issued warrants.
- » On February 12, 2021, the Company closed an equity financing in the amount of \$5,8M where the Company issued a total of 3,965,516 common shares at a price of \$1.45 per common share. Of this amount, Investissement Québec, acting as mandatory for the government of Québec, subscribed for 3,172,413 common shares, and Pallinghurst subscribed for the remainder of the common shares.
- » 2,720,000 options have been exercised for proceeds totaling \$759.

During March 2021, the Company received \$1.35M as part of a repayable contribution agreement with Canada Economic Development for Quebec Regions. This contribution agreement bears no interest and will be repayable in 60 equal monthly installments starting September 2023.

On March 24, 2021, the Company performed a ten-to-one share consolidation of the Company's issued equity instruments including common shares, warrants and options. Any quantity relating to these instruments for 2020 and up to March 24, 2021 or any per unit price such as exercise prices disclosed throughout the consolidated financial statements have not been retrospectively adjusted for the share consolidation except for the weighted average number of shares outstanding used in the calculation of basic and diluted EPS which have been retroactively adjusted to give effect to the share consolidation as required by IAS 33.

## 27. Change in Accounting Policy

The Company has historically capitalized all expenses related to Exploration and Evaluation (E&E) activities under IFRS 6 Exploration for and Evaluation of Mineral Resources.

During the year ended December 31, 2020, the Company voluntarily changed its accounting policy regarding E&E expenses. The new accounting policy indicates that all E&E expenses will be recorded on the statement of loss (income) and comprehensive loss (income).

This change has been implemented for all E&E activities on the Matawinie property. The Company has determined that this voluntary change in accounting policy will provide more relevant financial information and meaningful disclosure while bringing the Company in line with its peers with a similar accounting approach.

Under IAS 8 Accounting Policies, changes in Accounting Estimates and Errors, the change in accounting policy was made retroactively and the comparative information was adjusted for all the periods presented, as if the policy had always been in place. See the table below for impacts on the consolidated financial statements:

### A) Adjustment of Consolidated Statements of Financial Position

	As previously reported	Impact	Adjusted
	\$	\$	\$
<b>As at January 1, 2019</b>			
<b>ASSETS</b>			
Exploration and evaluation assets	24,252	(24,252)	–
<b>Total assets</b>	<b>37,679</b>	<b>(24,252)</b>	<b>13,427</b>
<b>LIABILITIES</b>			
Deferred tax liability	3,861	(3,861)	–
<b>Total liabilities</b>	<b>14,024</b>	<b>(3,861)</b>	<b>10,163</b>
<b>EQUITY</b>			
Deficit	(21,586)	(20,391)	(41,977)
<b>Total equity (deficiency)</b>	<b>23,655</b>	<b>(20,391)</b>	<b>3,264</b>
<b>Total liabilities and equity (deficiency)</b>	<b>37,679</b>	<b>(24,252)</b>	<b>13,427</b>
<b>As at December 31, 2019</b>			
<b>ASSETS</b>			
Exploration and evaluation assets	35,689	(35,689)	–
<b>Total assets</b>	<b>53,083</b>	<b>(35,689)</b>	<b>17,394</b>
<b>LIABILITIES</b>			
Deferred tax liability	5,084	(5,084)	–
<b>Total liabilities</b>	<b>15,724</b>	<b>(5,084)</b>	<b>10,640</b>
<b>EQUITY</b>			
Deficit	(28,417)	(30,605)	(59,022)
<b>Total equity (deficiency)</b>	<b>37,359</b>	<b>(30,605)</b>	<b>6,754</b>
<b>Total liabilities and equity (deficiency)</b>	<b>53,083</b>	<b>(35,689)</b>	<b>17,394</b>

## B) Adjustment of Consolidated Statements of Loss and Comprehensive Loss

	As previously reported	Impact	Adjusted
	\$	\$	\$
<b>For the year ended December 31, 2019</b>			
<b>EXPENSES</b>			
Exploration and evaluation expenses	–	9,832	9,832
Value added products expenditures	–	1,605	1,605
Deferred tax expense	775	(1,223)	(448)
<b>Net loss and comprehensive loss</b>	<b>6,831</b>	<b>10,214</b>	<b>17,045</b>
<b>Basic and diluted loss per share (note 15.2)</b>	<b>0.30</b>	<b>0.45</b>	<b>0.75</b>

## C) Adjustment of Consolidated Statements of Cash Flows

	As previously reported	Impact	Adjusted
<b>For the year ended December 31, 2019</b>			
Cash flows used in operating activities	(5,140)	(13,513)	(18,653)
Cash flows used in investing activities	(15,186)	13,513	(1,673)

## 28. Change in Accounting Policies - Quarterly Adjustments (Unaudited- Supplementary Information)

### A) Adjustment of Consolidated Statements of Financial Position

	As previously reported	Impact	Adjusted
	\$	\$	\$
<b>As at March 31, 2020</b>			
<b>ASSETS</b>			
Exploration and evaluation assets	39,467	(39,467)	–
Property and equipment assets	2,859	130	2,989
<b>Total assets</b>	<b>55,591</b>	<b>(39,337)</b>	<b>16,254</b>
<b>LIABILITIES</b>			
Deferred tax liability	5,518	(5,518)	–
<b>Total liabilities</b>	<b>20,196</b>	<b>(5,518)</b>	<b>14,678</b>
<b>EQUITY</b>			
Deficit	(30,442)	(33,819)	(64,261)
<b>Total equity (deficiency)</b>	<b>35,395</b>	<b>(33,819)</b>	<b>1,576</b>
<b>Total liabilities and equity (deficiency)</b>	<b>55,591</b>	<b>(39,337)</b>	<b>16,254</b>
<b>As at June 30, 2020</b>			

	As previously reported	Impact	Adjusted
	\$	\$	\$
<b>ASSETS</b>			
Exploration and evaluation assets	42,312	(42,312)	–
Property and equipment assets	3,084	249	3,333
<b>Total assets</b>	<b>57,006</b>	<b>(42,063)</b>	<b>14,933</b>
<b>LIABILITIES</b>			
Deferred tax liability	6,258	(6,258)	–
<b>Total liabilities</b>	<b>23,540</b>	<b>(6,258)</b>	<b>17,282</b>
<b>EQUITY</b>			
Deficit	(32,463)	(35,805)	(68,268)
<b>Total equity (deficiency)</b>	<b>33,466</b>	<b>(35,805)</b>	<b>(2,339)</b>
<b>Total liabilities and equity (deficiency)</b>	<b>57,006</b>	<b>(42,063)</b>	<b>14,943</b>

As at September 30, 2020

<b>ASSETS</b>			
Exploration and evaluation assets	40,841	(40,841)	–
Property and equipment assets	3,051	407	3,458
<b>Total assets</b>	<b>62,218</b>	<b>(40,434)</b>	<b>21,784</b>
<b>LIABILITIES</b>			
Deferred tax liability	6,808	(6,808)	–
<b>Total liabilities</b>	<b>30,560</b>	<b>(6,808)</b>	<b>23,752</b>
<b>EQUITY</b>			
Deficit	(35,145)	(33,626)	(68,771)
<b>Total equity (deficiency)</b>	<b>31,658</b>	<b>(33,626)</b>	<b>(1,968)</b>
<b>Total liabilities and equity (deficiency)</b>	<b>62,218</b>	<b>(40,434)</b>	<b>21,784</b>

## B) Adjustment of Consolidated Statements of Loss and Comprehensive Loss

	As previously reported	Impact	Adjusted
	\$	\$	\$
<b>For the three-month period ended March 31, 2020</b>			
<b>EXPENSES</b>			
Exploration and evaluation expenses	–	3,097	3,097
Value added products expenditures	–	552	552
Deferred tax expense	433	(433)	–
<b>Net loss and comprehensive loss</b>	<b>2,025</b>	<b>3,216</b>	<b>5,240</b>
<b>Basic and diluted loss per share (note 15.2)</b>	<b>0.077</b>	<b>0.123</b>	<b>0.200</b>

	As previously reported	Impact	Adjusted
	\$	\$	\$
<b>For the six-month period ended June 30, 2020</b>			
<b>EXPENSES</b>			
Exploration and evaluation expenses	–	5,130	5,130
Value added products expenditures	–	1,244	1,244
Deferred tax expense	1,173	(1,173)	–
<b>Net loss and comprehensive loss</b>	<b>4,047</b>	<b>5,201</b>	<b>9,248</b>
<b>Basic and diluted loss per share (note 15.2)</b>	<b>0.155</b>	<b>0.199</b>	<b>0.354</b>
<b>For the nine-month period ended September 30, 2020</b>			
<b>EXPENSES</b>			
Exploration and evaluation expenses	–	2,689	2,689
Value added products expenditures	–	2,056	2,056
Deferred tax expense	1,723	(1,723)	–
<b>Net loss and comprehensive loss</b>	<b>6,728</b>	<b>3,021</b>	<b>9,749</b>
<b>Basic and diluted loss per share (note 15.2)</b>	<b>0.257</b>	<b>0.115</b>	<b>0.372</b>

### C) Adjustment of Consolidated Statements of Cash Flows

	As previously reported	Impact	Adjusted
	\$	\$	\$
<b>For the three-month period ended March 31, 2020</b>			
Cash flows used in operating activities	(1,629)	(1,265)	(2,894)
Cash flows used in investing activities	(1,556)	1,265	(291)
<b>For the six-month period ended June 30, 2020</b>			
Cash flows used in operating activities	(2,135)	(3,610)	(5,745)
Cash flows used in investing activities	(4,227)	3,610	(617)
<b>For the nine-month period ended September 30, 2020</b>			
Cash flows used in operating activities	(4,065)	(7,979)	(12,044)
Cash flows used in investing activities	(8,759)	7,979	(780)

# MANAGEMENT DISCUSSION & ANALYSIS

## Preamble

This Management Discussion and Analysis (“MD&A”) dated April 6, 2021 has been prepared according to Regulation 51-102 of the continuous disclosure requirements and approved by the Board of Directors of Nouveau Monde Graphite Inc. (“the Company” or “Nouveau Monde”).

This MD&A should be read in conjunction with the Company’s audited financial statements for the years ended December 31, 2020 and 2019 and related notes included therein. The Company’s consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (“IFRS”). All monetary amounts included in this MD&A are expressed in thousands of Canadian dollars (“CAD”), the Company’s reporting and functional currency, unless otherwise noted.

## Period Covered

This MD&A report is for the year ended December 31, 2020, with additional information up to April 6, 2021.

## Cautionary Statement Regarding Forward Looking Information

All statements, other than statements of historical fact, contained in this MD&A including, but not limited to, those relating to (i) management’s belief that the Company has sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months as they fall due, (ii) the Company’s ability to secure additional financing in the future to complete the construction and commissioning of its projects and meet its financial needs, (iii) the “Value Proposition” paragraph which essentially describes the Company’s outlook and objectives, (iv) the development plans and timeline for the projects and specialty products, (v) the results and operational highlights of the feasibility study covering the West Zone deposit of the Tony Claim Block, (vi) the updated pit constrained Mineral Resource Estimate, (vii) the project timeline, (viii) the electrification strategy and its intended results, (ix) the benefits of the ALD technologies, (x) the capacity and output of the projected manufacturing plant of anode material and the Bécancour VAP project, (xi) the completion of the FEL-2, (xii) graphite demand growth and trends, (xiii) the expected unfolding of construction and commissioning as well as the anticipated start of production at the Company’s Matawinie and Bécancour projects and (xiv) any information as to the future plans and outlook for the Company, constitute “forward-looking information” or “forward-looking statements” within the meaning of certain securities laws, and are based on expectations, estimates and projections as of the time of this MD&A. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the time of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates and assumptions may prove to be incorrect. Moreover, these forward-looking statements were based upon various underlying factors and assumptions, including the timely delivery and installation of the equipment supporting the production, the Company’s business prospects and opportunities and estimates of the operational performance of the equipment, and are not guarantees of future performance.

The words “anticipates”, “plans”, “expects”, “indicate”, “intend”, “scheduled”, “estimates”, “forecasts”, “guidance”, “initiative”, “outlook”, “potential”, “projected”, “pursue”, “strategy”, “study”, “targets”, or “believes”, or variations of or similar such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, or “should”, “might”, or “way forward”, “will be taken”, “will occur” or “will be achieved” and similar expressions identify forward-looking statements.

Forward-looking information and statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking information and statements. Risk factors that could cause actual results or events to differ materially from current expectations include, among others, delays in the scheduled delivery times of the equipment, the ability of the Company to successfully implement its strategic initiatives and

whether such strategic initiatives will yield the expected benefits, the availability of financing or financing on favourable terms for the Company, the dependence on commodity prices, the impact of inflation on costs, the risks of obtaining the necessary permits, the operating performance of the Company's assets and businesses, competitive factors in the graphite mining and production industry, changes in laws and regulations affecting the Company's businesses, political and social acceptability risk, environmental regulation risk, currency and exchange rate risk, technological developments, the impacts of the global COVID-19 pandemic and the governments' responses thereto, and general economic conditions, as well as earnings, capital expenditure, cash flow and capital structure risks and general business risks. Unpredictable or unknown factors not discussed in this Cautionary Statement could also have material adverse effects on forward-looking statements.

Many of these uncertainties and contingencies can directly or indirectly affect, and could cause, actual results to differ materially from those expressed or implied in any forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. Readers are cautioned not to place undue reliance on these forward-looking statements as a number of important risk factors and future events could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. Such risk factors are more particularly set out hereinafter, under the section titled "Risks" of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

## The Company

### Corporate Structure

The Company was established on December 31, 2012, under the Canada Business Corporations Act. Nouveau Monde's registered office is located at 331 Brassard Street, Saint-Michel-des-Saints, Québec, Canada, J0K 3B0.

The Company's shares are listed under the symbol NOU on the TSX Venture Exchange, NMGRF on the OTCQX Market and NM9 on the Frankfurt Stock Exchange.

As at December 31, 2020, the Company had a negative working capital of \$171, had an accumulated deficit of \$77,000, and had incurred a loss of \$17,978 for the year then ended. Working capital included current tax credits receivable of \$3,958 and cash of \$4,520.

With the financing completed in January 2021, 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 considers 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, evaluation and development activities is dependent on management's ability to secure additional financing in the future, which may be completed in several 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.

Although management has taken steps to verify the ownership rights in mining properties in which the Company holds an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the title property for the Company. The title may be subject to unregistered prior agreements and may not comply with regulatory requirements.

## Value Proposition

Nouveau Monde is striving to become a key contributor to the sustainable energy revolution. The Company is working towards developing a fully integrated source of green battery anode material in Québec, Canada. Targeting commercial operations by 2023, the Company is developing advanced carbon-neutral graphite-based material solutions for the growing lithium-ion and fuel cell markets. With low-cost operations and enviable ESG standards, Nouveau Monde aspires to become a strategic supplier to the world's leading battery and automobile manufacturers, providing high performing and reliable advanced materials while promoting sustainability and supply chain traceability.

- » **Vision** Drive the transition to a green future through sustainable Zero-Carbon Solutions™.
- » **Mission** Provide the greenest advanced graphite materials with a carbon-neutral footprint for a sustainable world.
- » **Values** Safety, responsibility, openness, integrity and entrepreneurial spirit.

## Responsibilities

### Human Capital

The Company is committed to providing a safe work environment to its staff and business partners. For the year ended December 31, 2020, Nouveau Monde had an Occupational Safety and Health Administration ("OSHA") Recordable Incident Rate of 0.

In response to the COVID-19 pandemic, Nouveau Monde has implemented preventive measures and strict work protocols to provide a safe environment to its employees, contractors, and communities.

Focused on sustainable development, the Company has launched initiatives to train and hire local workers, particularly through the "Comité de formation de la main-d'œuvre de la Haute-Matawinie", which includes industrial, institutional and business partners who come together to share services.

- » **Diploma of Vocational Studies in Production Equipment Operation:** Two cohorts of this on-the-job training program leading graduates to a position as an operator at the ore concentrator plant were launched in 2020, with a third in March 2021. There is significant interest in the region to support multiple cohorts and develop a skilled workforce in anticipation of the commercial mining operations.
- » **Mining and Logging Essentials:** This sociovocational integration program is for members of the Atikamekw communities and aims to reinforce the employability of Indigenous workers. Program enrollments were completed in the first quarter; the launch is paused until the COVID-19 situation enables easier movements between the Manawan and Saint-Michel-des-Saints communities.

### Environment

The Company plans to develop its projects to extract and transform natural graphite while limiting its environmental footprint. Dedicated to stringent sustainable development standards, Nouveau Monde is committed to adopting a fully electric operating model. By leveraging Québec's renewable hydropower, the Company plans to produce carbon-neutral graphite-based solutions for the booming battery markets supporting the energy transition.

On April 15, 2019, the Company officially filed its Environmental and Social Impact Assessment ("ESIA") for the Matawinie project with the Government of Québec, an important step in the mining project's analysis and authorisation. The Government of Québec issued a notice of admissibility for the ESIA of the Matawinie project, following its analysis by 25 provincial agencies and ministries. Subsequently, the Ministère de l'Environnement et de la Lutte contre les changements climatiques ("MELCC") gave the Bureau d'audiences publiques sur l'environnement ("BAPE") the mandate to launch a public consultation. Public hearings held in January and February 2020 informed the commission's report, which was tabled in June 2020 (see press release dated June 26, 2020).

- » The Commission recognised the economic justification, environmental innovations, integration measures and social benefits associated with the mining project and identified avenues for enhancement.

Mine tailings represent a significant environmental responsibility. Nouveau Monde has put forward innovative design criteria by prioritising the desulphurisation of tailings, the gradual backfilling of the pit, and the co-disposal of waste rock and tailings. An experimental cell was built during the third quarter of 2020 to demonstrate in real conditions the performance of this innovative environmental method.

Following a rigorous environmental review, the Québec Government issued a ministerial decree on February 10, 2021, authorising Nouveau Monde's Matawinie mining project for a 100,000-tpa high-purity graphite concentrate production.

## Societal

The main industries in the Upper Matawinie region are recreation and forestry. In keeping with its environmental and ethical development goals, the Company has launched many initiatives since the Matawinie graphite deposit was discovered in 2015 to align the project with the realities, concerns and values of the local community:

- » over 70 information events, including public sessions and open-house events, to establish open and constructive dialogue with local organisations, residents, cottage owners, and members of First Nations;
- » creation of a stakeholder committee (2017) to build trust with stakeholders throughout the mining development process and integrate concerns and expectations in the project design.
- » consultations as part of the ESIA to analyse resident perspectives and identify mitigation or enhancement measure;
- » a pre-development agreement with the Atikamekw First Nation (2019), i.e. the Conseil des Atikamekw de Manawan and the Conseil de la Nation Atikamekw, to provide a guideline for negotiating an Impact and Benefit Agreement for the Matawinie project;
- » a collaboration and benefit-sharing agreement with the municipality of Saint-Michel-des-Saints (2020) to set out a concrete social, economic and environmental development partnership through financial and participatory mechanisms; and
- » surveys to measure social license conducted in 2018 and 2019 among residents of Saint-Michel-des-Saints and Saint-Zénon, which showed a high and stable rate of support for the project: 83% (2018) and 82% (2019).

## Business Lines

### Matawinie Project

The Matawinie property includes 319 mining claims covering 17,585 hectares, in which the Company owns a 100% interest. The Tony Claim Block is located approximately 150 km north of Montreal, Québec, Canada, in Saint-Michel-des-Saints. This block is easily accessible via existing forest roads and is close to high-quality infrastructure, including paved roads and high-voltage power lines. The regional community has an abundance of skilled labourers who are available following the permanent cessation of many forestry activities. The project is located close to the Montreal metropolitan area, which also has a considerable pool of nearby labour and suppliers of goods and services.

On October 25, 2018, the Company announced the results of a feasibility study ("FS") covering the West Zone deposit of the Tony Claim Block, which is part of its Matawinie graphite property. The FS performed by Met-Chem/DRA, in compliance with *National Instrument 43-101 Standards of Disclosure for Mineral Projects* (NI 43-101), demonstrated the project's economic potential:

- » pre-tax net present value ("NPV") of \$1.287 billion at an 8% discount rate;
- » after-tax NPV of \$751 million at an 8% discount rate;
- » pre-tax internal rate of return ("IRR") of 40.6%;
- » after-tax IRR of 32.2%;
- » life of mine ("LOM") of 25.5 years;
- » mine pay back estimated at 2.2 years (pre tax);
- » mine pay back estimated at 2.6 years (after tax);

- » initial capital costs ("Capex") of \$276 million (including contingency of \$31.5 million);
- » operating expenditures ("Opex") of \$499 per tonne of concentrate;
- » average sales price of graphite concentrate at \$1,730 US per tonne; and
- » USD/CAD conversion rate of 1.307.

Operational highlights of the FS include:

- » average annual full production of 100,000 tonnes of graphite concentrate;
- » a Probable reserve of 59.8 million tonnes at a 4.35% Cg average grade contained in the mineralisation;
- » graphite milling recovery above 94%;
- » finished product / concentrate purity above 97% Cg; and
- » stripping ratio (LOM) of 1.06:1

## Resource

In March 2020, the Company published an updated pit-constrained Mineral Resource Estimate (the "Current Resource") for its West Zone deposit, located in the Tony Claim Block part of its Matawinie graphite property (see press release dated March 19, 2020). The Mineral Resource Estimate includes a 25.6% increase in the combined Measured and Indicated Mineral Resource categories with a minimal change to the new resource pit footprint and mineralisation that remains open at depth and both to the north and south. This update follows a drilling campaign completed in the fall of 2019 (see press release dated December 3, 2019).

The Current Resource is summarised below and compared to the previous pit-constrained Mineral Resource Estimate (the "Previous Resource") published in a press release dated June 27, 2018.

RESOURCE CATEGORY	CURRENT RESOURCE (March 19, 2020)			PREVIOUS RESOURCE (June 27, 2018)		
	Tonnage (Mt)	Grade (% Cg)	Cg (Mt)	Tonnage (Mt)	Grade (% Cg)	Cg (Mt)
Measured	24.5	4.27	1.05	0	0	0
Indicated	95.8	4.26	4.08	95.8	4.28	4.10
<b>Measured + Indicated</b>	<b>120.3</b>	<b>4.26</b>	<b>5.13</b>	<b>95.8</b>	<b>4.28</b>	<b>4.10</b>
Inferred	4.5	4.43	0.20	14.0	4.19	0.59

The block model, used to generate the Current Resource of the West Zone deposit, is based on a total of 149 core drill holes which produced 8,274 samples as well as 207 samples collected from channeling work in three (3) trenches. In all, 23 mineralised horizons encased in paragneiss units were interpreted and modelled from this data.

## Demonstration plant

Since the third quarter of 2018, the Company has been operating a demonstration plant in Saint-Michel-des-Saints to support its business strategy and notably to:

- » qualify the Company's graphite products and establish a sales record;
- » test and improve processes for commercial operations;
- » test new innovative technologies of tailings management and site restoration; and
- » train employees and promote future employment opportunities to local labour.

Several hundred tons of graphite concentrate have been produced so far with the materials extracted from the West Zone Deposit of the Matawinie graphite property with grades between 94-98% Cg (as per technical requirements).

## Mine and concentrator

The detailed engineering and procurement services for the construction of the graphite mine and concentrator continue to progress with SNC-Lavalin's technical team, in partnership with Seneca and Boucher-Lachance Architects (see press release dated November 5, 2019 on the awarding of the contract).

The environmental decree authorising the project (see press release dated February 10, 2021) now provides Nouveau Monde with the operational criteria, final design parameters and subject to additional financing, the launch of construction activities. Through an innovative coordination table set up by the Québec Government, Nouveau Monde has worked collaboratively with various authorities to prepare the permitting process. Nouveau Monde started early works at the mining site in March 2021 and plans to launch construction in Q3-2021 once permits and authorisations are finalised. The project timeline places commissioning activities and start-up of commercial production in 2023, in time to meet the growing demand of battery manufacturers.

As part of its electrification strategy, the Company is committed to having both its heavy equipment used for mining operations and its ore concentration and processing activities become fully electric within the first five years of production. This operating model, a first for an open-pit mine, represents a reduction of over 300,000 tonnes of CO<sub>2</sub> emissions over the mine's lifespan as well as a significant advantage over peers globally.

- » Nouveau Monde has been selected as the first mining partner of the Canadian and Quebec governments as they roll out their electrification strategy (see press release dated November 2, 2020). Through a collaborative endeavor bringing together research and industry leaders, the Company will support the development and testing of electric systems and rapid recharging infrastructure for heavy vehicles adapted to open-pit mining.
- » Nouveau Monde advanced its procurement process for its all-electric fleet and charging infrastructure through an international call for pre-qualification from November 30, 2020 to January 30, 2021. A substantial fleet of an initial 60 vehicles will be commissioned. The selection process will focus on efficiency, durability, performance, and ability to recycle the equipment.

Furthermore, the Company has mandated Hydro-Québec, the state-owned corporation that produces, transports and delivers power, to develop, install and operate a 120-kV electrical line that will supply the mine site and help meet its carbon-neutrality target. A dedicated line will connect the Matawinie project mine and concentrator to Hydro-Québec's hydropower network that will enable the full electrification of its operations (see press release dated April 15, 2020).

## Value-Added Products

Nouveau Monde is developing a line of specialty products ranging from expandable graphite (for industrial applications, such as an additive to roofing membranes and construction materials providing increased end-use safety) to spherical graphite, which is an essential component in all lithium-ion batteries used in electric vehicles, energy storage solutions and consumer technology applications such as 5G technologies.

In recent months, the Company has made considerable progress with respect to its value-added product ("VAP") development. The micronization and spheronization equipment at the demonstration plant operating in Saint-Michel-des-Saints have been commissioned and have produced the first samples of spherical graphite, which attests to the performance of the secondary transformation process developed by Nouveau Monde (see press release dated February 26, 2020).

The Company has also developed a thermochemical purification process to complete its market offering of products with purity greater than 99.95%. On October 27, 2020, Nouveau Monde announced a five-year agreement with Olin Corporation ("Olin") which covers the manufacturing space for operations, site services and the supply of certain raw materials to support the commercialisation of Nouveau Monde's advanced graphite materials.

- » The Company's first two commercial-scale pilot plant purification modules are being constructed within existing space at Olin's Bécancour, Québec facility. Slated for H2-2021, the scalable furnaces shall have a nameplate capacity of 1,500 tonnes purified battery-grade graphite per year and should generate near-term cash flow.

Determined to develop the entire value chain from mine to anode materials to provide a traceable and carbon-neutral source to battery manufacturers, Nouveau Monde is advancing with the deployment of its environmentally friendly coated spherical graphite anode material. The coating of spherical graphite is the last process step needed to complete the Company's graphite-based product range for the EV and renewable energy sectors.

- » Nouveau Monde has successfully completed the detailed engineering study for its Phase-1 2,000 tonnes per year coating production line. The procurement of equipment has commenced; first production is currently planned for Q1-2022 (see press release dated January 26, 2021).
- » In addition, the Company has signed an important collaboration agreement for the use of Forge Nano's proprietary Atomic Layer Deposition-coating technologies ("ALD") (see press release dated October 6, 2020). ALD technologies will enhance the performance of Nouveau Monde's graphite as part of the lithium-ion battery system.

Nouveau Monde's anode material has outperformed leading Asian commercial producers (see press release dated November 23, 2020). In a series of electrochemical tests performed by the National Research Council of Canada revealed that under the same conditions in half-button cell batteries, the reversible capacity (a measure of the energy density for performance) obtained with the Company's anode material is 365 mAh/g compared with 360 mAh/g for the leading Asian standards. Further, the broader market minimum specification for reversible capacity is well below at only 350 mAh/g, highlighting the market opportunity for the Company.

Nouveau Monde has purchased a 2 million-square-foot land in the Bécancour industrial park (see press release dated January 21, 2021), adjacent to Olin's facility, to build an integrated manufacturing plant of anode material for lithium-ion batteries with a projected annual production volume of 45,000 tonnes. The property presents no environmental limitations for construction and offers all necessary infrastructure to have a safe and direct pipeline chemical supply from Olin as well as rail, port, and road for both importing raw materials and exporting final products throughout North America and Europe.

During the first quarter of 2021, the Company obtained the results of its Front-End Loading engineering analysis ("FEL-1") for its large-scale lithium-ion active anode material facility ("Bécancour VAP project"). The Bécancour VAP project is designed to receive approximately 60 kilotonnes per annum ("ktpa") of flake graphite from Nouveau Monde's Matawinie project, or from alternative third-party sources of supply deemed suitable, to be transformed into approximately 42 ktpa of anode material, 3 ktpa of purified flakes and 14 ktpa of micronized graphite representing a valuable process by-product.

- » The FEL-1 includes a review of all environmental regulations and permits, the project schedule, product specifications definition, stakeholders' analysis, the capital expenditure budget, and projected operating costs.
- » Given the favorable economics revealed in the FEL-1, Nouveau Monde has commenced a Front-End Loading feasibility engineering analysis ("FEL-2 & 3") with the goal to be completed in H1-2022. The study is expected to cost approximately \$10 million.
- » The current plan provides for the Phase 2 plant to commence commissioning of its first capacity in Q1-2025.

## Commercial Strategy

### Sales

Following intensified marketing and technical sales activities, Nouveau Monde secured sales agreements on North American, European and Asian markets for hundreds of tonnes of high-quality graphite, produced from the Company's demonstration plant (see press release dated September 24, 2020).

- » The basket price received per tonne of flake graphite has been in excess of US\$1,500 per tonne, without downstream value-added processing.
- » The Company is currently under several NDAs with major electric vehicle OEMs qualifying its carbon-neutral advanced materials for lithium-ion batteries.

As commercial discussions intensify with European automakers for Nouveau Monde's battery anode material, the Company announced the opening of a London-based sales office to readily respond to the growing enquiries from local customers and other stakeholders (see press release dated November 5, 2020).

On February 14, 2019, the Company entered into a Binding Offtake and Joint Marketing Agreement with Traxys for flake graphite concentrate to be produced at the Company's Saint-Michel-des-Saints operation.

- » For each of the first two years, Traxys will market 200 tonnes of flake graphite concentrate (400 tonnes in total) from the Company's currently operating graphite demonstration plant for customer product prequalification purposes.
- » For each of the first five years of the Company's commercial production, 25,000 tonnes of flake graphite product will be sold through Traxys by Nouveau Monde.
- » Traxys will have the exclusive right to market, distribute and resell the flake graphite products to its customer base.

## Partnerships, Research and Development

The Company has partnered with Hydro-Québec to research and develop graphite anode materials used to make lithium-ion batteries (see press release dated May 17, 2018). A world-renowned innovation hub, Hydro-Québec's Center of Excellence in Transportation Electrification and Energy Storage is developing some of the world's most advanced battery material technologies for electric vehicles and other energy storage applications. Through the partnership, Hydro-Québec's impressive intellectual property portfolio (over 2,000 patents) and leading-edge facilities provide a springboard for Nouveau Monde's technological developments and commercialisation activities.

- » Nouveau Monde also holds an operating license to commercialise Hydro-Québec's battery material technologies and position Québec in the lithium-ion battery value chain.

The Company also maintains a portfolio of research and development projects to refine its line of specialty products based on market demands and innovations.

- » Nouveau Monde is working with materials engineering expert Philippe Ouzilleau, a professor at McGill University, and his research team to develop new types of precursors and coating technologies to reduce the environmental footprint of its graphite advanced products, optimise production costs, and improve the properties for existing performance (see press release dated January 26, 2021).

## Market Update

Despite the current economic conditions caused by COVID-19, global market parameters and trends remain very attractive. With China being the only producer of purified spherical graphite, the current situation has reinforced the need for local and resilient supply chains. Nouveau Monde is set to become the only fully integrated source of green battery anode material in the Western World, benefiting in this respect.

- » Currently, lithium-ion battery plants under construction in North America and Europe account for approximately 865 GWh of capacity (Benchmark Mineral Intelligence, February 2021). As the number of battery megafactories increases, graphite demand is forecasted to grow over 380% by 2030

Technological trends and new GHG policies have pushed the graphite market, mainly with regard to lithium-ion batteries and fuel-cell technologies, into an accelerated growth curve. Benchmark Mineral Intelligence forecasts that demand for natural graphite will exceed supply, creating a deficit market starting in 2023.

- » On the heels of the European Union, China and Canada's own declarations, the U.S. recently identified graphite as a strategic mineral for economic growth and national security as per the Presidency Executive Order on "Addressing the Threat to the Domestic Supply Chain from Reliance on Critical Minerals from Foreign Adversaries" dated September 30, 2020.

Concurrently to exponential demand, there is increased focus on carbon neutrality in the market to cater to consumers' green expectations and governments' more stringent environmental regulations. Nouveau Monde is ideally positioned to respond to this growing trend thanks to its green, zero-carbon and traceable materials.

## Administration and Governance

The Company raised approximately \$22 million through a bought deal with BMO Capital Markets (see press release dated January 20, 2021) and a non-brokered private placement with institutional investors (see press release dated February 12, 2021).

During March 2021, the Company received \$1.35M as part of a repayable contribution agreement with Canada Economic Development for Quebec Regions. This contribution agreement bears no interest and will be repayable in 60 equal monthly installments starting September 2023.

On February 1, 2021, the Company secured \$17.6M from the exercise of previously issued warrants.

On January 25, 2021, Nouveau Monde issued an aggregate of 766,351 common shares of its share capital at a price of \$1.04 per common Share, in settlement of interests owed on a secured convertible bond in the principal amount of \$15 million issued by the Company to Pallinghurst Graphite Limited ("Pallinghurst").

On August 28, 2020, the Company successfully closed with Pallinghurst, a significant shareholder, the following financing transactions that will fund the next phase of its development, focused on lithium-ion battery material. The financing includes:

- » A convertible bond subscription agreement pursuant to which the Company has agreed to issue to Pallinghurst a secured convertible bond in the principal amount of \$15 million. The transaction also includes 75 million warrants at a price of \$0.22 per common share for a period of 36 months from the issuance date of the warrants.
- » A royalty purchase agreement pursuant to which Pallinghurst has agreed to exchange the principal amount and accrued interest under its existing loan offers of \$4.3 million into a net smelter return royalty of 3% on the Matawinie graphite mining project, with a partial buy-back option representing 1% in favor of the Company.

On June 30, 2020, the Government of Canada, through its Canada Economic Development for Quebec Regions branch, granted Nouveau Monde \$1.5 million in funding to support the acquisition, adaptation, and installation of state-of-the-art equipment to micronize and spheronize natural flake graphite.

On April 29, 2020, the Company announced that it had obtained non-dilutive financial leverage totalling \$5,207:

- » non-refundable financial assistance of a maximum of \$3,000 through the Technoclimat Program of Transition Énergétique Québec ("TEQ");
- » funding of \$1,994 closed with Investissement Québec through two loan offers that are ready to be disbursed as per Nouveau Monde's cash flow needs, subject to the loan offer conditions; and
- » following the closing of a \$4,250 grant from Sustainable Development Technology Canada (see press release dated August 20, 2019) in 2019, an increase of 5% over the initial commitment has been obtained as a result of the impact of COVID-19 on Canadian companies, representing an additional amount of \$213.

On June 17, 2020, TEQ increased their contribution by advancing \$150 to Nouveau Monde, representing an increase of 5%, as a result of the impact of COVID-19 on Canadian companies. In addition, they also granted Nouveau Monde an additional amount of \$150 which sums up the total contribution of TEQ to \$3,300.

## Leadership

The Company's management team and Board of Directors recognise the value of good corporate governance and the need to adopt best practices in terms of social, economic and environmental responsibility. The Company's declaration of ethical values and sustainable development policy can be found on Nouveau Monde's website.

The Board of Directors has three committees: the Audit Committee, the Human Resources and Compensation Committee, and the Governance and Sustainable Development Committee. The Company's directors have expertise in intellectual property, law relating to the environment, business administration, mining development and exploration, investment, as well as finance.

## Risks

The Company operates in an industry that contains various risks and uncertainties. For a more comprehensive discussion of these inherent risks, see "Risk Factors" in the Company's recent Annual Information Form on file with the Canadian provincial securities regulatory authorities.

## Annual Financial Information

### Selected Annual Information

Annual information for the years ended December 31, 2020, 2019, and 2018.

Description	2020	2019 Adjusted	2018
Income	–	–	–
Net loss	17,978	17,045	20,491
Basic and diluted loss per share	(0.684)	(0.750)	(1.361)
Total assets	21,156	17,394	13,427
Non-current liabilities	15,907	771	3,447

### Exploration and Evaluation Expenses

Description	December 31, 2020	December 31, 2019 Adjusted	Variation
	\$	\$	\$
Wages and benefits (a)	2,294	2,040	254
Share-based compensation (b)	594	192	402
Engineering (c)	3,964	721	3,243
Professional fees (d)	506	1,349	(843)
Materials, consumables and supplies	1,767	2,279	(512)
Subcontracting	1,706	2,594	(888)
Geology and Drilling expenses (e)	389	2,298	(1,909)
Utilities	388	218	170
Other	265	673	(408)
Grants	(164)	(329)	165
Tax credits (e)	(1,369)	(2,203)	834
<b>Exploration and evaluation expenses</b>	<b>10,340</b>	<b>9,832</b>	<b>508</b>

- a) The increase of \$254 is due to a greater employee headcount in 2020 vs 2019. However, the variation amount was reduced by the Canadian Emergency Wage subsidy program that the Company received totalling \$892 during the year ended December 31, 2020.
- b) The increase of \$402 is due to new options granted to key management personnel.
- c) The increase of \$3,243 is due to the detailed engineering contracts related to the planning of the construction of the commercial mine and concentrator project.
- d) The decrease in professional fees of \$843 is mostly due to nonrecurring fees related to the preparation of the launch of a public consultation by the BAPE that occurred in 2019.

- e) The decrease of \$1,909 in geology and drilling expenses and the decrease of \$834 in tax credits is due to a reduced activity level in the exploration sector as the Company is progressing and ramping up on the detailed engineering of the construction of the mine and concentrator. Exploration expenses are subject to a higher tax rate which explain the decrease in the tax credit of 2020.

## Value-Added Products Expenses

Description	December 31, 2020	December 31, 2019 Adjusted	Variation
	\$	\$	\$
Wages and benefits (a)	768	467	301
Share-based compensation	112	–	112
Engineering (b)	2,399	710	1,689
Professional fees	866	772	94
Materials, consumables and supplies	157	37	120
Subcontracting (c)	475	20	455
Other	43	40	3
Grants (d)	(1,678)	(441)	(1,237)
Tax credits	(231)	–	(231)
<b>Value added products expenses</b>	<b>2,911</b>	<b>1,605</b>	<b>1,306</b>

- a) The increase of \$301 is due to a greater employee headcount in 2020 vs 2019. However, the variation amount was reduced by the Canadian Emergency Wage subsidy program that the Company received totalling \$189 during the year ended December 31, 2020.
- b) The increase of \$1,689 is due to a greater activity level deployed in engineering studies for the value-added product demonstration and commercial plants.
- c) The increase of \$455 is due to maintenance subcontracting costs engaged for the micronization and spherization equipment. These costs did not occur in 2019 as the equipment related to this value-added process was not received.
- d) The increase of \$1,237 is due to the closing of new grant agreements in 2020 related to the value-added product segment (see note 11 of the consolidated financial statements).

## Operating Results

Description	FOR THE YEAR ENDED		
	December 31, 2020	December 31 2019	Variation
	\$	\$	\$
General and administrative expenses (a)	7,770	5,804	1,966
Net smelter royalty (b)	(4,306)	–	(4,306)
Net financial costs (c)	1,263	252	1,011

- a) The office and administration expenses increased by \$1,966 mainly because of an increase in wages and benefits due to a higher headcount level and an increase in share-based compensation due to new options being granted in 2020 to key management personnel.
- b) The net smelter royalty totalling 4,306 in 2020 is composed of the net smelter royalty transaction concluded with Pallinghurst (see note 13 of the consolidated financial statements).

c) The financial fees increased by \$1,011 mostly due to the interest expense incurred with the convertible bond.

## Quarterly Results

During the three-month period ended December 31, 2020, the Company recorded a net loss of \$8,229 (\$5,956 in 2019) and a net loss per share of \$0.313 (\$0.262 in 2019).

Description	Q4-2020	Q3-2020 (note a)	Q2-2020	Q1-2020
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss	(8,229)	(501)	(4,007)	(5,240)
Loss per share	(0.313)	(0.019)	(0.153)	(0.200)

Description	Q4-2019 Adjusted	Q3-2019 Adjusted	Q2-2019 Adjusted	Q1-2019 Adjusted
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss	(5,956)	(4,331)	(4,412)	(2,346)
Loss per share	(0.262)	(0.165)	(0.211)	(0.134)

Results of 2019 have been adjusted to reflect the change in accounting policy detailed in the notes 27 and 28 of the financial statements.

On March 24, 2021, the Company performed a ten-to-one share consolidation of the Company's issued equity instruments including common shares, warrants and options. All loss per share values above have been retroactively adjusted to give effect to the share consolidation as required by IAS 33.

a) The net loss observed in the third quarter of 2020 is much lower than the net loss of the third quarter of 2019 due to the net smelter royalty transaction that has been concluded with Pallinghurst group (see related party section below).

## Fourth Quarter Results

The major variances that occurred in the fourth quarter to 2020 is due to the difference hereunder.

	Q4-2020	Q4-2019	VARIATION
	\$	\$	\$
General and administrative expenses (a)	3,411	2,026	1,385

a) The General and administrative expenses increased by \$1,4M mainly because of an increase in wages and benefits due to a higher headcount level and an increase in share-based compensation due to new options being granted in 2020 to key management personnel

## Liquidity and Funding

As at December 31, 2020, the Company had a negative working capital of \$171, including \$4,520 in cash.

Liquidity risk is the risk that the Company encounters 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, evaluation, and development expenditure programs. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets 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 activities.

As at December 31, 2020, all of the Company's short-term financial liabilities in the amount of \$10,587 (\$9,869 as at December 31, 2019) have contractual maturities of less than one year 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 January 2021 (described in note 26 of the audited consolidated financial statements), management believes that the Company has sufficient funds to meet its obligation and planned expenditures for the ensuing twelve months as they fall due.

	Carrying amount	Contractual cash flow	0 to 12 months	As at December 31, 2020	
				12 to 24 months	more than 24 months
Account payables and accrued liabilities	6,988	6,988	6,988	–	–
Lease liabilities	1,076	1,140	321	440	379
Borrowings	1,793	1,824	1,824	–	–
Convertible bond	14,505	21,408	2,427	2,427	16,554

Cash flows provided by (used in)	FOR THE YEARS ENDED	
	December 31, 2020	December 31, 2019
	\$	\$
Operating activities before the net change in working capital items	(17,914)	(15,640)
Net change in working capital items	(135)	(3,014)
Operating activities	(18,049)	(18,654)
Investing activities	(661)	(1,673)
Financing activities	19,153	20,610
Increase in cash	443	283

For the year ended December 31, 2020, the Company had an average monthly cash expenditure rate of approximately \$1.6 million per month, including addition to property, plant and equipment, intangible assets, deposit to suppliers and all operating expenses. The Company anticipates it will continue to have, at a minimum, a similar cash outflow from operating and investing activities to maintain the Company's capacity and planned growth. The Company anticipates it will continue to have negative cash flow from operating activities in future periods at least until commercial production is achieved and additional financing will be needed to bring the Matawinie Graphite Property and the Bécancour Commercial Plant to commercial production.

## Operating Activities

For the year ended December 31, 2020, cash outflows from operating activities totalled \$18 million, while there were \$18.7 million of cash outflows for the same period in 2019. The cash outflows were slightly lower mostly due to the decrease in the working capital driven by deferred grants.

## Investing Activities

For the year ended December 31, 2020, cash used in investing activities totalled \$0.6 million whereas in 2019 investing activities were of \$1.7 million. The major variance is explained by the progress in the construction of the value-added project demo plant in Bécancour and an increase in grants received.

## Financing Activities

For the year ended December 31, 2020, the Company had net cash receipts related to financing activities of \$19.2 million, mainly due to the receipt of a convertible bond of \$15 million from Pallinghurst, whereas the Company had \$20.6 million of net cash receipt in 2019 mainly due to the closing of a private placement of \$20.3 million during that period.

## Additional Information

### Related Party Transactions

The related parties of the Company include key management personnel, directors, and significant shareholders.

Description	FOR THE YEARS ENDED	
	December 31, 2020	December 31, 2019
	\$	\$
Key management personnel of the Company		
Wages and benefits expenses	1,238	990
Share-based compensation	398	184
Directors of the Company		
Board fees	91	95
Share-based compensation	305	159

On August 28, 2020, the Company closed the following financing transactions with Pallinghurst, a significant shareholder of the Company:

- » a secured convertible bond being a three-year instrument with a principal of \$15 million. The principal amount, together with all accrued and unpaid or uncanceled interest under the bond, will become payable on the date that is 36 months following the issuance of the bond. At any time, Pallinghurst has the right to convert all or a portion of the bond into such number of common shares of the Company equal to the principal amount being converted, divided by the conversion price of \$0.20 per common share. Pallinghurst also has the right to convert all or a portion of any accrued and unpaid or uncanceled interest under the bond into common shares of the Company at the market price of the common shares at the future time of conversion subject to TSXV approval. Concurrently with the issuance of the bond, the Company issued to Pallinghurst common share purchase warrants entitling Pallinghurst to purchase up to 75,000,000 common shares of the Company, at a price of \$0.22 per common share for a period of 36 months from the issuance date of the warrants; and
- » the Company issued a 3% net smelter royalty (the "Royalty") over the Matawinie graphite property to Pallinghurst for an aggregate purchase price of \$4,306. For a period of three years following issuance thereof, the Royalty is subject to a 1% buy back right in favour of the Company for a buy-back price of \$1,306 plus an amount equal to interest accrual at a rate of 9% per annum from and after the closing of the Royalty Transaction up to the buyback date. The purchase price for the Royalty was satisfied by setting-off all principal and accrued interest amounts owing by the Company to Pallinghurst under the promissory note dated June 27, 2019 in the principal amount of \$2 million and the promissory note dated March 16, 2020 in the principal amount of \$2 million, each of which was cancelled.

During the year ended December 31, 2020, the Company contracted a new financing agreement with Investissement Québec, a significant shareholder, for an aggregate amount received of \$1,802 through two loan offers. The interest rate on the loan offer totalling \$610 is the current prime rate of 2.45% plus 0.07%, while the interest rate on the loan offer totalling \$1,192 is the current prime rate of 2.45%. The capital shall be repaid by no later than the term's expiry on June 30, 2021. To secure its obligations set out in the loan offers, the Company granted two first-ranking mortgages for a total of the loan amount received covering the universality of its present and future receivables, including the universality of its tax credits.

## Off-Balance Sheet Transactions

There are no off-balance sheet transactions.

## Critical Accounting Estimates, New Accounting Policies, Judgements and Assumptions

The preparation of annual financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is full disclosure of the Company's critical accounting policies and accounting estimates in notes 3 and 4 of the audited consolidated financial statements for the year ended December 31, 2020.

## Change in Accounting Policy

During the year ended December 31, 2020, the Company voluntarily changed its accounting policy regarding E&E expenses. The new accounting policy indicates that all E&E expenses will be recorded on the statement of loss and comprehensive loss. For further information refer to note 27 of the audited consolidated financial statements.

## Financial Instruments and Risk Management

Refer to note 24 in the audited consolidated financial statements.

## Contractual Obligations and Commitments

Refer to note 25 in the audited consolidated financial statements.

## Capital Structure

	April 6, 2021
Common shares	37,055,895
Convertible bond	7,500,000
Options	2,228,000
Total common shares fully diluted	46,783,895

Subsequent events to December 31, 2020

Refer to note 26 in the audited consolidated financial statements.

## Continuous Disclosure

This MD&A was prepared as of April 6, 2021. More information about the Company can also be found on SEDAR ([www.sedar.com](http://www.sedar.com)).

April 6, 2021



Eric Desaulniers, MSc, Geo  
President and Chief Executive Officer



Charles-Olivier Tarte, CPA CMA  
Chief Financial Officer

06

# **SUSTAINABILITY DISCLOSURE AS PER GRI**

# GENERAL STANDARD DISCLOSURES

Unless otherwise described, the disclosures in this section pertain to Nouveau Monde Graphite Inc. and its wholly-owned subsidiaries Nouveau Monde District Inc. and Nouveau Monde Europe Limited (collectively “Nouveau Monde” or the “Company”).

## Organizational Profile

### 102-1 Name of the Organization

Nouveau Monde Graphite Inc.

### 102-2 Activities, Brands, Products, and Services

Nouveau Monde is a development-stage company focused on advancing the Matawinie graphite mine project and Bécancour value-added plant to production.

Nouveau Monde is striving to become a key contributor to the sustainable energy revolution. The Company is working towards developing a fully-integrated source of green battery anode material in Québec, Canada. Targeting commercial operations by 2023, the Company is developing advanced carbon-neutral graphite-based material solutions for the growing lithium-ion and fuel cell markets. With low-cost operations and enviable ESG standards, Nouveau Monde aspires to become a strategic supplier to the world’s leading battery and automobile manufacturers, providing high performing and reliable advanced materials while promoting sustainability and supply chain traceability.

### 102-3 Location of Headquarters

331 Brassard Street, Saint-Michel-des-Saints, Québec, Canada J0K 3B0

### 102-4 Location of Operations

Canada and United Kingdom.

### 102-5 Ownership and Legal Form

Nouveau Monde is a publicly traded company whose common shares are listed for trading on the TSX Venture Exchange under the ticker symbol “NOU”, and quoted for trading on the OTCQX under the ticker symbol “NMGRF”, and on the Frankfurt Stock Exchange under the ticker symbol “NM9”.

### 102-6 Markets Served

Nouveau Monde serves American, European, and Asian markets in the energy storage, refractory, and niche (e.g., electronics, fire-retardant products, engineered materials) industrial sectors.

Customer profiles include major electric vehicle OEMs, battery manufacturers, carbon-based material manufacturers, high-temperature seals and gaskets producers, bi-polar plates manufacturers, and speciality industrial materials producers among others.

## 102-7 Scale of the Organization

Total number of employees	<ul style="list-style-type: none"> <li>63 employees</li> </ul>
Total number of operations	<ul style="list-style-type: none"> <li>Two: Matawinie demonstration project and Bécancour phase-1 purification operation</li> </ul>
Net sales	<ul style="list-style-type: none"> <li>Considering the developmental stage of our projects, Nouveau Monde has no revenues for 2020.</li> </ul>
Total capitalization	<ul style="list-style-type: none"> <li>As at December 31, 2020, Nouveau Monde's market capitalization was \$304,517,257.</li> </ul>
Quantity of products or services provided	<ul style="list-style-type: none"> <li>Nouveau Monde is advancing development-stage projects and currently provides a portfolio of graphite based materials in a variety of specs based on customers' needs.</li> </ul>

## 102-8 Information on Employees and Other Workers

Total number of employees by employment contract, by gender	<ul style="list-style-type: none"> <li>58 permanent employees, 14 are female and 44 are male</li> <li>5 seasonal or on-call employees, 2 are female and 3 are male</li> </ul>
Total number of employees by employment contract, by region	<ul style="list-style-type: none"> <li>Matawinie graphite mine project: 33 permanent and 5 temporary</li> <li>Bécancour value-added plant: 2 permanent</li> <li>Corporate office and remote working, Québec: 24 permanent</li> <li>European sales office, Europe: 2 permanent</li> </ul>
Total number of employees by employment type, by gender	<ul style="list-style-type: none"> <li>57 employees are full-time, 14 are female and 43 are male</li> <li>6 employees are part-time, 2 are female and 4 are male</li> </ul>
Description of the nature and scale of significant work performed by workers who are not employees	<ul style="list-style-type: none"> <li>Corporate office employs 6 consultants performing duties pertaining to project management and technical support</li> </ul>

There are no significant variations in the numbers reported in Disclosures 102-8-a, 102-8-b, and 102-8-c.

Data is based on the Company's human resources information system.

## 102-9 Supply Chain

Nouveau Monde directly extracts graphite, the raw material underpinning our value chain, from our Matawinie mineral deposit. At this stage of the Company's development, suppliers support project planning and construction, engineering and technical analysis, R&D and technology testing, as well as operational, maintenance and administrative activities.

<b>Total number of suppliers engaged</b>	<ul style="list-style-type: none"> <li>• 265 suppliers</li> </ul>
<b>Geographic location of suppliers</b>	<ul style="list-style-type: none"> <li>• Suppliers are located in Nouveau Monde's projects vicinity, more broadly in Québec, Canada, the United States, Switzerland, Germany, Japan, and China</li> </ul>
<b>Estimated monetary value of payments made to suppliers</b>	<ul style="list-style-type: none"> <li>• \$5,343,870 to local suppliers, including \$190,834 to Indigenous businesses</li> <li>• \$11,304,663 to Québec and Canadian suppliers</li> <li>• \$1,165,430 to international suppliers</li> </ul>

## 102-10 Significant Changes to the Organization and its Supply Chain

Nouveau Monde has experienced significant growth since the discovery of the Matawinie graphite deposit in 2015, advancing both the Matawinie graphite mine project and Bécancour value-added plant to development, recruiting the team for advancement of both projects and qualifying products to secure sales agreements.

<b>Changes in the location of, or changes in, operations, including facility openings, closings, and expansion</b>	<ul style="list-style-type: none"> <li>• A European sales office, based in London, United Kingdom, was added in 2020.</li> </ul>
<b>Changes in the share capital structure and other capital formation, maintenance, and alteration operations</b>	<ul style="list-style-type: none"> <li>• Nouveau Monde listed on the TSX Venture Exchange in 2012, qualified to trade on the OTCQX in the United States in 2018, and qualified to trade on the Frankfurt Stock Exchange in Germany in 2016.</li> <li>• In 2020, the Company issued a \$15-million secured convertible bond to Pallinghurst. The bond is a three-year instrument that can be converted at any time, in part or in total, into common shares as per the transaction modalities.</li> </ul>
<b>Changes in the location of suppliers, the structure of the supply chain, or relationships with suppliers, including selection and termination</b>	<ul style="list-style-type: none"> <li>• Nouveau Monde and Traxys Group entered into a 25,000-tonne flake graphite concentrate offtake and joint marketing agreement in 2019.</li> <li>• In 2020, pandemic-related economic disturbances intensified customers' search for local and reliable supply chains, as reflected in the Company's commercial discussions.</li> </ul>

## 102-11 Precautionary Principle or Approach

Nouveau Monde's Governance and Sustainable Development Board of Directors' Committee is responsible for overseeing governance, economic, environmental, and social policies and activities of the Company, including our approach to risk management as it relates to corporate governance and the environment. The committee will look to further develop formal policies concerning each area of its mandate as the Company moves from the development and construction phases to the commercial production phase of operations.

## 102-12 External Initiatives

Nouveau Monde voluntarily subscribes to:

- » The *Paris Agreement* treaty on climate change.
- » The *Mining Association of Canada's Towards Sustainable Mining* initiative, an environmental and social performance system for exploration and mining.
- » The *United Nations' 2030 Agenda for Sustainable Development* and its corresponding SDGs.
- » The *Global Battery Alliance's* principles and *Battery Passport* initiative.

More on Nouveau Monde's endorsed external frameworks and aligned initiatives is covered in our 2020 Annual Report.

## 102-13 Membership of Associations

Nouveau Monde is a member of the Québec Mineral Exploration Association and Québec Mining Association which support the development of a responsible mining industry in Québec, where the Company's projects are located.

Nouveau Monde is a member of business alliances promoting economic, social, and environmental efforts for responsible industrial development, including the Chambre de commerce de la Haute-Matawinie, Fédération des chambres de commerce du Québec, Conseil des entreprises en technologies environnementales du Québec, and European Battery Alliance.

More on specific initiatives, including the GBA-associated pilot project battery materials traceability, is available in our 2020 Annual Report.

## Strategy

### 102-14 Statement from Senior Decision-Maker

See statements from our Chairman, Arne H Frandsen, and our President and Chief Executive Officer, Eric Desaulniers, in our 2020 Annual Report (p. 10-15).

## Ethics & Integrity

### 102-16 Values, Principles, Standards, and Norms of Behavior

Nouveau Monde is committed to the principles of sustainability, transparency, and ethics as detailed in our Code of Conduct. The management team and Board of Directors recognize the value of good corporate governance and the need to adopt best practices in terms of social, economic, and environmental responsibility.

The Board of Directors has three committees: the Audit Committee, the Human Resources and Compensation Committee, and the Governance and Sustainable Development Committee. The cornerstones of our corporate governance is centered on compliance with applicable laws, including environmental, health and safety, and human rights laws, adherence to anti-corruption and anti-bribery laws, as well as a commitment to fair dealings with our employees, communities, customers, suppliers, partners, and competitors.

### 102-17 Mechanism for Advice and Concerns About Ethics

Nouveau Monde has implemented a Complaint Policy, in line with principle 31 of the Guiding Principles on Business and Human Rights of the United Nations' Human Rights Council, which provides stakeholders with the opportunity and mechanism to report complaints of potential violations, including breach of anti-bribery and anti-corruption laws, misconduct and other concerns.

Nouveau Monde has also adopted and rolled out Company-wide training and implementation of a Harassment Prevention Policy for employees, which comprises a mechanism for reporting, investigating, and addressing discriminatory behaviors, including sexual, physical, and mental harassment.

### 102-18 Governance Structure

The Board of Directors has the responsibility for overseeing all governance related matters of Nouveau Monde, with input from certain Committees of the Board, as follows:

- » **Audit Committee** – responsible for overseeing the Company's financial reporting, external auditing, compliance, disclosure, internal controls, and risk management.
- » **Human Resources and Compensation Committee** – responsible for overseeing the Company's policies, strategies, and risks related to health and safety, human resources management, and compensation.
- » **Governance and Sustainable Development Committee** – responsible for overseeing environmental, social, and corporate governance strategies, policies, programs, and performance for the development and observance of responsible and sustainable business practices.

As the Company advances its development, we will continue to enhance practices and policies, including committees' structure, mandate and participation, to reflect the evolving nature of our operations and align with best-of-class standards.

## 102-22 Composition of the Highest Governance Body and its Committees

Nouveau Monde's Board of Directors consists of eight members, including the Company's President and Chief Executive Officer, the Vice-President of Corporate Development, and Chairman of the Board.

Legend	
1	Audit Committee
2	Human Resources and Compensation Committee
3	Governance and Sustainable Development Committee
*	Joined the Company's Board of Directors in December 2020, appointments to committees to come in 2021
**	Joined the Company's Board of Directors in April 2021, appointment to committees to come in 2021

Member	Executive position	Tenure	Independence	Gender	Expertise	Committee participation
Arne H Frandsen	Chairman	1 year	No	Male	Legal, investment banking, executive management, natural resources, financing	2
Daniel Buron	Lead Independent Director	1 year	Yes	Male	Finance, investor relations, information technology, business administration, corporate governance	1, 2
Yannick Beaulieu	N/A	3 years	Yes	Male	Finance, business administration, information technology, health & safety	1, 3
Eric Desautniers	CEO	8 years	No	Male	Exploration, mining development	N/A
Nathalie Jodoin	N/A	4 years	Yes	Female	Intellectual property, legal	2, 3
Jürgen Köhler	N/A	< 1 year	Yes	Male	Business management, technology development & innovation, manufacturing & construction, sales & marketing, corporate governance, health, environment & safety	**
Nathalie Pilon	N/A	< 1 year	Yes	Female	Heavy industry and manufacturing, business administration, project management, sustainability, diversity & inclusion	*

Member	Executive position	Tenure	Independence	Gender	Expertise	Committee participation
James Scarlett	N/A	< 1 year	Yes	Male	Legal, investment, corporate governance, finance, indigenous relations	*
Chris Shepherd	N/A	1 year	No	Male	Investment, corporate finance	1

The functions of the three Committees of the Board are described in disclosure 102-18 above.

### 102-25 Conflicts of Interest

The Audit Committee, together with management and an appointed auditor, is responsible for the treatment and disclosure of significant related-party transactions and potential conflicts of interest. The Nouveau Monde Code of Conduct defines what is considered a conflict of interest and outlines expected behaviors as they relate to conflict of interest including reporting and resolving such matters.

### 102-32 Highest Governance Body’s Role in Sustainability Reporting

Nouveau Monde’s Board of Directors has reviewed and approved this sustainability report and ensured that all material topics have been covered.

## Stakeholder Engagement

### 102-40 List of Stakeholder Groups

We regularly engage with a variety of stakeholders to inform our approach to sustainability and business development. Our key stakeholders include:

- » Local communities
- » First Nations
- » Current and prospective employees
- » Customers and end-users
- » Governments, both elected and public officials
- » Industry and sectoral associations
- » Shareholders and investors
- » Suppliers and business partners
- » Non-governmental organizations (“NGO”)

### 102-41 Collective Bargaining Agreements

Nouveau Monde currently functions as a non-unionized company.

### 102-42 Identifying and Selecting Stakeholders

We consider stakeholder engagement an essential aspect of corporate governance. At our Matawinie graphite mine project, Bécancour value-added plant, and through our offices, we strive to effectively engage our stakeholders, whom we identify as those entities that can affect or be affected by our operations, objectives, proposed projects, and policies. Regular dialogue with our stakeholders is essential to conducting our business, as well as developing and implementing our sustainability strategy.

## 102-43 Approach to Stakeholder Engagement

Nouveau Monde has developed a community engagement plan, recognising that the interests and concerns of stakeholders are essential to the success of our projects and business.

At the Matawinie graphite mine project, stakeholder consultation was initiated prior to the start of exploration and has remained, even augmented, throughout the years in line with the project development. Individual and group meetings, public sessions and open houses, third-party local polls, site visits, a community office opened to the public, and an accompanying committee are among the main platforms used to engage with stakeholders, address their questions, collect their feedback as well as report on activities, progress, and adjustments to the project parameters. The ESIA also included interviews with stakeholders to document the project's impacts.

Following the submission of our ESIA in 2019 for the government environmental assessment procedure, the Company requested the use of the new provisions of the Québec *Environment Quality Act* to present our project directly at public hearings and, therefore, have open and transparent consultations with stakeholders in the process of obtaining a ministerial decree authorising the project. As a result, the independent BAPE commission investigated in 2020 Nouveau Monde's Matawinie graphite mine project to complement and inform the Government of Québec's evaluation of the project. The BAPE commission oversaw a robust stakeholder engagement process including preparation sessions for stakeholders, 10 public hearings and the analysis of 499 technical documents, including 116 briefs from stakeholders exercising their right to speak on any matter relating to the project, to inform its report. Following technical analysis, public engagement and extensive questioning of the Company and public regulators, the commission released its report in June 2020 recognising the economic justification, environmental innovations, integration measures and social benefits associated with the mining project. The commission also submitted avenues for improvement, in regard to Nouveau Monde's design and to various public organizations' programs and policies, to enhance the project and its integration. Nouveau Monde has advanced on the recommendations pertaining to its scope of responsibility and reported accordingly to the Québec MELCC.

As we develop the Matawinie project, Nouveau Monde is committed to maintain active engagement with stakeholders, via our community office, public communication platforms, accompanying committee which will morph into a monitoring committee<sup>13</sup>, and social responsibility program to ensure local communities are consulted early and often in the development process.

A similar management approach, tailored to the context and stakeholders profile, is targeted for the development of the Bécancour value-added plant.

## 102-44 Key topics and Concerns Raised

The following provides an overview of a selection of the thematic topics raised during our multiple formal and informal stakeholder engagement interactions leading to this inaugural report:

- » Job opportunities and training
- » Business opportunities and local economic impacts
- » Indigenous relations
- » Water use, quality, and protection
- » Tailings and waste management
- » Traffic
- » Air emissions and public health
- » Safety
- » Biodiversity impacts
- » Uses of the territory
- » Noise and vibrations
- » Energy and climate action
- » Workforce health and safety
- » Community participation
- » Environmental compliance

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<sup>13</sup> As per the Québec *Mining Act*, Nouveau Monde will form a monitoring committee following the Matawinie graphite mine project authorization by the Government.

## Reporting Practice

### 102-45 Entities Included in the Consolidated Financial Statements

Nouveau Monde Graphite Inc., its wholly owned subsidiaries Nouveau Monde District Inc. and Nouveau Monde Europe Limited, and its 49% equity interest in Shinzoom Nouveau United Corp., an inactive subsidiary.

### 102-46 Defining Report Content and Topic Boundaries

See Materiality Assessment in our 2020 Annual Report (p. 26-27); boundaries are addressed in topic-specific disclosures.

### 102-47 List of Material Topics

See Materiality Assessment in our 2020 Annual Report (p. 26-27).

### 102-48 Restatements of Information

As this is our first report there are no restatements of information.

### 102-49 Changes in Reporting

As this is our first report there are no changes in reporting.

### 102-50 Reporting Period

The report covers the period of January 1, 2020 to December 31, 2020 with references when necessary to previous initiatives and activities.

### 102-51 Date of Most Recent Report

This is our first report.

### 102-52 Reporting Cycle

We intend to report annually.

### 102-53 Contact Point for Questions Regarding the Report

Julie Paquet, Communications Director, can be contacted for further information on this report: [jpaquet@nouveaumonde.ca](mailto:jpaquet@nouveaumonde.ca).

### 102-54 Claims of Reporting in Accordance with the GRI Standards

This report is completed with reference to the GRI Standards Core option.

### 102-55 GRI Content Index

This section serves as our GRI Content Index.

### 102-56 External Assurance

Considering the current scale of our operations, we currently do not seek assurance for our report. We are confident our internal processes provide sufficient oversight regarding the accuracy of the information we report. We will continue to explore assurance options as the Company advances our projects and development.

# MANAGEMENT APPROACH WITH TOPIC-SPECIFIC DISCLOSURES

Based on our definition of boundary (i.e., significant operations), topic-specific disclosures pertain to Nouveau Monde and our activities in Saint-Michel-des-Saints, Québec, developing the Matawinie graphite mine project, and in Bécancour, Québec, developing the Bécancour value-added plant. In comparison the footprint and associated impacts of the Company's corporate and remote offices, as well as European sales office are minimal.

## 103-1 Explanation of the Material Topic and its Boundary

## 103-2 The Management Approach and its Components

## 103-3 Evaluation of the Management Approach

As per Nouveau Monde's materiality assessment, see 2020 Annual Report (p. 26-27), we hereby explore our management approach in line with criteria 103-1, 103-2, and 103-3, and supplement with additional disclosure on the following key topics:

Importance	Material topic	GRI references
Very high	Climate action	305, 305-1, 305-2,
	Governance and compliance	205, 307, 308, 419
	Energy	302, 302-1
	Community participation	411, 413
	Water management	303-1, 303-2, 303-3, 303-4, 307, 308
High	Waste and hazardous material management	306, 306-3, 307, 308
	Biodiversity	304, 037, 308
	Indigenous outreach	404, 405, 411, 413
	Economic performance	201,
	Public health	307, 308
	Workforce health and safety	403
	Learning and training	404
	Diversity and inclusion	401, 405, 406
	Responsible mining	301, 301-1, 307, 308
	Socioeconomic contribution	203, 204, 401, 414
	Air quality	305, 305-1, 305-2, 307, 308
	Moderate	Noise and vibrations
Labor relations		402, 407
Prevention of child and forced labor		408, 409

## Economic Impact

### 201 Economic Performance

Development of the Matawinie graphite mine project and Bécancour value-added plant is expected to provide significant economic benefits to local, provincial, and federal economies through the employment of its workforce, procurement of goods and services, as well as tax contributions.

In 2020, the Company signed a collaboration and benefit sharing agreement with the municipality of Saint-Michel-des-Saints for the Matawinie graphite mining project. The agreement is based on requests expressed by local stakeholders, on sustainable development principles, and on the agreement in principle reached in 2018, between the municipality of Saint-Michel-des-Saints and the Company, defining the environmental and social impacts of the project, and taking into account the concerns and needs of the local community in its development.

Under the agreement, Nouveau Monde has committed to contribute up to 2% of its net cash flow after taxes to the municipality to boost community spinoffs and reinvestment for the commercial operating life of the mine. An annual advance payment of \$400,000 will help the municipality prepare and upgrade, if necessary, its infrastructure prior to the start of the mine's operating period. Through a liaison committee, the municipality will also have the opportunity to actively participate in shaping, implementing and monitoring the project. Nouveau Monde will also contribute 1% of its net cash flow after taxes to the Community Fund for the Future, a regional reinvestment platform dedicated to stimulating social, economic, and environmental development initiatives in Upper Matawinie, which includes the Manawan Atikamekw community. The fund will be administered by a trust organization and will promote initiatives including economic sustainability and community vitality beyond the mine's operating period.

Throughout the year, the Company advanced discussions for a similar agreement with the Manawan First Nation community. Two agreements are already in place with the First Nation – framework agreement (2018) and pre-development agreement (2019) – to guide pre-commercial activities and development of the impact and benefit agreement.

Nouveau Monde is committed to employing community members, Quebecers and Canadians and working with local, Québec and Canadian service providers to the greatest extent possible. The Company's operations are expected to pay wages approximately twice the province average wage to attract and retain the most talented employees and provide high standards of living. The Company strives to source goods and services in local and regional communities, where our workforce resides, so those communities can benefit from the associated sales taxes.

Accounting systems are in place to ensure compliance with all local, provincial, and federal taxes regulations and laws.

### 203 Indirect Economic Impacts

Development of the Matawinie graphite mine project and Bécancour value-added plant provides indirect economic benefits through spending on goods and services. Indirect and induced economic contributions add value to local communities beyond employment income, and support the prosperity of local businesses and services.

Noting that the Matawinie graphite mine project and Bécancour value-added plant are at the design and construction stage, Nouveau Monde is committed to purchasing goods in Québec to the greatest extent possible over the development of the mine and plant.

### 204 Procurement Practices

Procurement includes everything from buying raw material inputs and equipment to procuring energy systems as well as consultancy services. These activities combined, not only due to its large share of Nouveau Monde's annual expenditures, are an extremely important part of our work especially in relation to our efforts to support local and regional communities and adopt sustainable practices.

Capital and operational expenditures for the Matawinie graphite mine project and Bécancour value-added plant are detailed in disclosure 203 above.

Procurement is managed through a centralized process that strives to maximize local and regional benefits as established in our pre-development agreement with the Atikamekw First Nation and the collaboration and benefit sharing agreement with the municipality of Saint-Michel-des-Saints community, and ensure compliance with Nouveau Monde’s environmental, quality, as well as health and safety programs.

## 205 Anti-Corruption

Nouveau Monde’s reputation for integrity and honesty is important for the success of our business. Our Board of Directors, management and employees are committed to operating ethically in all business dealings. Nouveau Monde’s Board has adopted the Code of Conduct, which sets out the Company’s objectives, expectations, and business practices in this regard. This includes conducting our operations in accordance with all applicable anti-bribery and anti-corruption laws, which include the *Corruption of Foreign Public Officials Act* in Canada. As a company with business in Canada, we report under the *Extractive Sector Transparency Measures Act*; this reporting is intended to increase transparency around payments made to governments and deter corruption.

Employees at all levels of the Company are encouraged to seek guidance if they have questions about how to comply with the letter and spirit of our values and policies. In addition to being posted on our website, the Code of Conduct is made available internally to our employees, and provided to new employees as part of our on-boarding process.

In addition to our Complaint Policy (see 102-17), Nouveau Monde intends to adopt and implement a Whistleblower Policy in 2021 in line with our development and growth.

## Environmental Impact

### 301 Materials

The Province of Québec counts a prosperous and significant mining industry structured by stringent environmental practices, mining regulation, and social engagement parameters. Minerals and metals represent a collective resource whose exploration and extraction are controlled by the Government.

Graphite is a strategic mineral to support the adopt of clean technologies. The Government has adopted the *Québec Plan for the Development of Critical and Strategic Minerals 2020-2025* to promote its local development and help the province achieve the objectives of its key policies, such as the *Plan for a Green Economy* and the *Politique de mobilité durable – 2030*.

Nouveau Monde recognizes the opportunity and responsibility associated with developing a graphite project, for this mineral constitutes a finite resource. Following extensive exploration work, covering close to 20,000 km<sup>2</sup> by helicopter in the province of Québec, the Company discovered numerous geological anomalies, including the Matawinie deposit in 2015. Mineral and geological characteristics along with economic, environmental, and social factors were assessed to validate the justification and sustainability of developing found deposits. Nouveau Monde retained the Matawinie deposit as a viable project, the proposed Matawinie graphite mine, following dialogue and consultation with local stakeholders, technical and economical studies, and market assessment (see historical milestones in 2020 Annual Report, page 24-25).

#### 301-1 Materials Used by Weight or Volume

Through the authorization for demonstration operations at our Saint-Michel-des-Saints site, the Company extracts ore from our Matawinie deposit. Boundary for this disclosure is therefore limited to the Matawinie graphite mine project.

<b>Total volume of non-renewable materials used</b>	<ul style="list-style-type: none"> <li>• 5,780 tonnes of ore processed at the demonstration plant</li> <li>• 2.4 tonnes of reagent products for the mineral concentration process</li> <li>• 16.5 tonnes of reagent products for water treatment</li> </ul>
<b>Total volume of renewable materials used</b>	N/A

## 302 Energy

Using energy more efficiently and opting for renewable energy sources is vital to combat climate change and lower the Company's overall environmental footprint. Nouveau Monde taps into Québec's clean and renewable hydropower to develop our operations, advance our carbon-neutrality objectives and market graphite-based products with a lower GHG footprint than most industry peers.

- » Nouveau Monde is committed to having both its heavy equipment used for mining operations and its ore concentration and processing activities become fully electric within the first five years of commercial production at its Matawinie mining project.
- » Nouveau Monde is also leveraging hydroelectricity through our proprietary purification process for our value-added production.

Energy consumption and conservation can also occur throughout the upstream and downstream activities connected with Nouveau Monde's proposed operations. This can include the downstream use of products produced by the Company. Nouveau Monde has implemented broad boundary conditions for assessing energy uses that include the upstream shipping of materials to the Company, the operations conducted at the Matawinie graphite mine project and Bécancour value-added plant, and the downstream product uses from our high-performance coated spherical purified graphite, the final and most advanced step in the value chain of battery anode material.

Nouveau Monde's management plan for energy strategy consists of:

- » identifying and implementing low-emissions sources of energy to be used in the construction and long-term operation of the Matawinie graphite mine project and Bécancour value-added plant;
- » mandating Hydro-Québec, a supplier of renewable hydroelectricity, for the development, installation and operation of a 120-kV electrical line that will supply the Matawinie graphite mine site. Hydro-Québec generates more than 99% of its electricity from water, a source of clean, renewable energy;
- » producing graphite-based products such as CSPG (an essential component in lithium-ion batteries used in electrical vehicles and energy storage systems) and purified graphite (a key input in fuel cell technologies), that advance the goal of reducing global carbon emissions; and
- » regularly tracking, updating, and improving upon the Company's GHG profile from shipping intakes through end-product usage in the marketplace.

Nouveau Monde's goal is to become a carbon-neutral Company through the use of renewable electricity from the Hydro-Québec grid and to continually improve its GHG profile by reducing as practicable the use of fossil fuels. To date, we have implemented our energy strategy by:

- » completing a feasibility study demonstrating positive economics for the construction and operation of an all-electric open pit mining operation;
- » granting a mandate to Hydro-Québec to supply low-emissions, renewable hydropower to the Matawinie graphite mine project,
- » advancing our R&D program to optimize processes at every step of the value-added transformation chain, leveraging clean hydropower as a driver for energy-intensive manufacturing; and
- » developing a GHG emissions and potential downstream reduction report, to establish a baseline accounting of expected GHG associated with our proposed operations.

The Company will establish and track metrics for annual assessment and continual improvement from construction through the life of its projects, with the goal of becoming a fully-integrated carbon-neutral operation for the supply of high-value, advanced materials for lithium-ion batteries and fuel cell technologies.

### 302-1 Energy Consumption Within the Organization

Total fuel consumption from non-renewable sources	4,296 GJ
Total fuel consumption from renewable sources	N/A
Total electricity consumption	11,370 GJ from hydropower for electricity, heating, cooling
Total electricity sold	N/A
<b>Total energy consumption</b>	<b>15,666 GJ</b>

Data includes Saint-Michel-des-Saints’ demonstration operations consumption, characterization works to advance the commercial project and offices. Diesel consumption specific to concentration process is included in disclosure 301. The conversion of diesel, oil fuel, and propane consumption from liters/m<sup>3</sup> to GJ use energy conversion tables from Canada Energy regulator<sup>14</sup>.

The electricity consumption includes the entire building where the Company rents space for the demonstration plant (including areas not under our responsibility nor usage) as well as offices. The conversion of the electricity consumption from Kwh to GJ use energy conversion tables from Canada Energy regulator.

### 303-1 Interactions with Water as a Shared Resource

Nouveau Monde recognizes water as a collective wealth. Safeguarding water quality to avoid any material impacts to wildlife, ecological resources, and the human environmental is important to our local communities and stakeholders, and to maintaining the Company’s good standing among regulators, shareholders, business partners, customers, and community members.

- » The boundary includes all surface and underground water bodies that have the potential to be directly affected by Nouveau Monde’s operations, with an emphasis on waters having potential human or wildlife exposure. The Company will be actively involved in the management, protection, and any mitigation of water-resource impacts over the course of its operations at the Matawinie graphite mine project and Bécancour value-added plant.

Nouveau Monde has designed and extensively documented our water management strategy for the Matawinie graphite mine project to meet environmental regulations and address stakeholders’ concerns. The stakeholder consultation process put in place made it possible to integrate important concerns into the design of the project. Among these, we addressed the risk linked to potential dam failure and impact on water quality through the development of an alternative tailings management approach, without dams, and an integrated water management system at all stages of the operation.

Studies, models and technical documentation have been made publicly available in line with the Province of Québec’s environmental assessment procedure. As demonstrated in the ESIA, Nouveau Monde’s approach to water management ensures a low impact on water quality within the immediate proximity of the mining site and negligible impact for the Matawinie River watershed. As part of the environmental assessment procedure, several models of the project’s long-term impact on underground and surface water were carried out to identify additional mitigation measures to be implemented, if necessary, according to actual results during operations with a view to closure.

<sup>14</sup>Canada Energy Regulator’s energy conversion tables as at March 16, 2021.

Nouveau Monde's management plan for water resources consists of:

- » integrated onsite water management system ensuring constant monitoring and treatment that meet the regulatory quality standards;
- » collecting extensive baseline data to characterize surface and subsurface water resources;
- » conducting predictive models through geochemistry testing of tailings and waste rock materials and that might come into contact with water;
- » involving stakeholders at all stages of the project from design to closure, including the accompanying/monitoring committee, where the watershed representation organization, Bassin Versant Saint-Maurice, participates, along with the local community and the Atikamekw First Nation;
- » modeling the possibility of potential impacts to surface and underground water resources from site-based exposures;
- » developing a mitigation plan to avoid or limit offsite impacts to water resources;
- » evaluating the impact of the project and propose mitigation measures when avoidance is not possible;
- » developing compliance management and reporting systems to support compliant operations;
- » developing monitoring and surveillance programs to ensure compliance with environmental criteria, mitigation measures, follow-up of complaints and corrective measures if necessary; and
- » embedding the closure plan in the design of the water management approach to ensure long-term water quality after site closure.

Environmental baseline studies, geochemistry characterization, laboratory and field tests, water modeling and technical reports were prepared and integrated in the ESIA. Following the questions and comments received as part of the environmental assessment procedure, we have added an additional mitigation plan to ensure the lowest possible impact. The MELCC calculated and set stringent environmental discharge objectives specific to the project according to the expected impacts and characteristics of the receiving water body.

For the commercial Matawinie mine project, the water management plan covers the management of process water, which includes recirculation, underground water from pit dewatering, water collection basins and ditches to collect runoff water that comes into contact with mining infrastructure and sanitary wastewater.

The water management philosophy advocates the reuse of water in the ore concentration process in order to minimize its supply of fresh water as well as the quantities returned to the receiving environment. To reduce the usage of fresh water, precipitation water at the mining site and that from the dewatering of the pit will be prioritized for the needs of the concentrator. Surplus water will be returned to the environment once treated and meeting quality standards. The water management system has been optimized for all periods of the project (construction, operation, and closure). The gradual restoration of the co-disposal pile during mining has also been taken into consideration in the water management plan.

The water treatment plant and associated infrastructure are designed to accommodate seasonal fluctuations and exceptional floods according to Québec's *Directive 019 on the Mining Industry*. Climate changes are also considered in the design of the mining project.

The final footprint of the project after commercial operations will be approximately 3 km<sup>2</sup>, positioned at the top of sub-watershed of unnamed streams which are all less than 5 km<sup>2</sup>. The receiving water body of the final effluent is located in the À l'Eau Morte creek (watershed of 85 km<sup>2</sup>), a tributary of the Matawin River (watershed of 5,500 km<sup>2</sup>) which feeds the Taureau Reservoir an important water body for stakeholders. The Matawin River is an important tributary of the St. Maurice River (watershed of 42,600 km<sup>2</sup>), which is a tributary of the St. Lawrence River.

In 2020, through its demonstration operations, Nouveau Monde built an experimental co-disposal cell as part of research carried out in partnership with UQAT. This cell, built with tailings from our demonstration plant and subject to the mining site actual weather conditions, will allow optimising of tailings and waste management during the exploitation. Tailings management has a direct impact on the quality of water and management approach for discharging to the environment.

Compliance management and reporting systems is developed for the construction and commercial production to support compliant operations. Nouveau Monde has developed monitoring and surveillance programs that will facilitate the tracking and reporting of compliance objectives. Metrics that are established as part of finalising commitments, goals, and responsibilities will be captured by the Company's monitoring to evaluate internal performance. Metrics and commitment will be evaluated annually to assess the effectiveness of the management approach.

In 2020, while operations at the Bécancour site were limited during the year and took place within a third-party organization, namely Olin Corporation, Nouveau Monde has not implemented any water-specific infrastructure nor protocol. However, the Company is committed to carrying through the same vision for safe and responsible water management as we expand our operations in Bécancour.

### 303-2 Management of Water Discharge-Related Impacts

Description of standards, guidelines and practices is detailed above in disclosure 303-1.

### 303-3 Water Withdrawal

Total surface water withdrew	0.75 ML
Total groundwater water withdrew	N/A
Total sea water withdrew	N/A
Total produced water	N/A
Total third-party water withdrew	N/A
<b>Total</b>	<b>0.75 ML</b>

Water used for the ore concentration process is recirculated at the demonstration plant. Water loss is due to evaporation during the drying of the graphite concentrate and to the humidity output included in tailings. Any additional necessary water for the process comes from fresh water supplied from basins of the rented space, which is connected to the Durand Lake less than 1 km north of the demonstration plant. Water input from the ore moisture is 125 m<sup>3</sup>. This adds up to 875 m<sup>3</sup> of water input in the process in 2020.

Nouveau Monde does not record water withdrawal for sanitary use its current operations.

### 303-4 Water Discharge

Total surface water discharged at the final effluent of demonstration project	8.746 ML
Total groundwater water discharged	N/A
Total sea water discharged	N/A
Total produced water	N/A
Total third-party water discharged	N/A
<b>Total</b>	<b>8.746 ML</b>

Discharged water comes from run-off water, dewatering of the bulk sample pit and water contained in the tailings. Nouveau Monde operates a physico-chemical treatment plant; 100% of discharged water was in conformity with the quality criteria of Québec's *Directive 019 on the Mining Industry*. The final effluent's receiving water body of the demonstration project is an unnamed intermittent stream, an affluent of the À l'Eau Morte creek.

In 2020, Nouveau Monde built a third collection basin at the demonstration mining site to facilitate water treatment and increase the capacity of the tailings basin for demonstration operations.

Nouveau Monde does not record water discharge related to sanitary use at its current operations.

### 304 Biodiversity

Safeguarding biodiversity in the form of wildlife, habitats, flora, and fauna is important to our development approach and values, for our local communities and to maintaining the Company's good standing among regulators, shareholders, business partners, customers, and community members.

- » Considering the limited operations at the Bécancour site that took place in 2020 within a third-party organization, namely Olin Corporation, boundary for biodiversity disclosure excludes the Bécancour value-added plant.

Within the boundary of areas of possible direct or indirect impacts of operations, as characterized by the Matawinie graphite mine project's ESIA, Nouveau Monde's management plan for sustainable biodiversity consists of:

- » collecting comprehensive baseline data to characterize the presence and habitat of wildlife, flora, and fauna in baseline study areas;
- » evaluating the possibility of potential direct and indirect impacts to biodiversity resources from site-based disturbance;
- » assessing the possibility and feasibility of avoidance, when not achievable, developing mitigation plans to limit impacts to ecological resources;
- » for impacts that cannot be avoided or mitigated, offsetting the lost of wetland, forest possibility and fish habitats;
- » developing progressive land reclamation through backfilling of the Matawinie mine pit and a comprehensive restoration plan of the natural ecosystem. Nouveau Monde has contracted a landscape restoration expert with the preparation of an ecological and climato-edaphic study to be conducted in labs, greenhouses and in-situ, to refine reclamation parameters, and the assessment of the optimal mix for seeding from the valuation of deforestation by-products;
- » selecting species that promote the rapid return of a resilient and sustainable native ecosystem, limit wind and water erosion, enhance biodiversity, protect the co-disposal progressive cover and reduce environmental liabilities; and
- » developing compliance management and reporting systems to support compliant operations.

As part of the environmental baseline study and project design, the Company conducted exhaustive inventory and characterization of forest, wetlands, ichthyofauna and benthic fauna, avian fauna, small mammals and bats, as well as herpetofauna within a 43-km<sup>2</sup> area with a focus on the final project footprint (approximately 3 km<sup>2</sup>).

- » Emphasis was given to threatened, vulnerable and at-risk species as per Québec's legislation and Canada's *Species at Risk Act*.
- » Among such species the presence of the bald eagle, bobolink, southern bog lemming, hoary bat, silver-haired bat, little brown bat, eastern red bat, and common snapping turtle was confirmed, while 21 other species were identified as potentially present (full inventory available in the ESIA).
- » Three threatened vulnerable or likely to be designated plant species are listed near the restricted study area according to the Centre de données sur le patrimoine naturel du Québec ("CDPNQ"), namely the wild leek, northern adder's-tongue fern, and Vasey's pondweed. Occurrences reported are of a historical nature (between 1950 and 1975) and their precision varies from 1.5 to 8 km. During the field inventories, none of these species were identified.
- » The Company avoids sensitive forest habitats, high ecological value wetlands as well as high- and middle- quality fish habitats.
- » Many mitigation measures have been identified to minimize impacts on biodiversity such as avoiding trees cutting during nesting season for birds and bats, and relocation protocols for turtles or snakes.

The Company is committed to carrying through the same vision for ecological stewardship as we advance the Bécancour value-added plant. Hence, Nouveau Monde conducted in 2020 an environmental baseline study of the 200,000 m<sup>2</sup> land located within an industrial park for the future Bécancour value-added plant, which included initial characterization of wetlands and vegetal species, and opportunistic fauna observation.

- » No plant species threatened, vulnerable or likely to be designated were identified. Fifteen plant species with a precarious status have been recorded in the past within an 8-km radius of the land.
- » Field inventories have detected the presence of the monarch (considered endangered). None of the other observed species have a protection status.

The Company will continue to be actively involved in the management, protection and mitigation of habitat and ecosystems in the projects area.

### 305 Emissions

Controlling and limiting emissions is essential to the health and safety of Nouveau Monde's workforce and our local communities, the protection of local air quality, as well as the Company's value proposition of sustainable and carbon-neutral at the corporate and operational levels. As discussed under the 302 Energy disclosure, Nouveau Monde is committed to leverage low-emissions, renewable hydroelectricity to power both our Matawinie graphite mine project and Bécancour value-added plant.

As detailed in the NI 43-101 Technical Feasibility Study Report for the Matawinie graphite project, Nouveau Monde's electrification plan is expected to reduce the Company's mining-related GHG emissions by over 82 % per year when the operation will be fully electric. A detailed GHG estimation for five different scenarios, including the construction phase, was included in the ESIA. Nouveau Monde also carried out atmospheric dispersion studies to provide information necessary for the evaluation of impacts on air quality and ensure compliance with Québec's *Clean Air Regulation* atmospheric quality standards.

To carry out its electrification plan, Nouveau Monde granted a mandate to Hydro-Québec – a supplier of renewable, low-emissions hydroelectricity – in 2020 to develop, install and operate a 120-kV power line to supply the Matawinie graphite mine project. The planned electrical line is expected to supply hydropower to support the mining site's fleet, concentrator and infrastructure, thus enabling a reduction of CO<sub>2</sub> emissions by more than 300,000 tonnes over the life-of-mine.

After having identified and entered into discussions with manufacturers of all-electrical equipment and vehicles in development and/or available, the Company issued an international call for pre-qualification in 2020 for the all-electric fleet and charging infrastructure at the Matawinie graphite mine project.

In addition, Nouveau Monde was selected as a mining partner of the Canadian and Québec governments' electrification strategy in an initiative that brings together research and industry leaders, including the IVI, Propulsion Québec, Adria Power Systems, Dana TM4, Fournier et fils, InnovÉÉ, and the NRC, to engineer and manufacture all-electric heavy-duty mining vehicles. Nouveau Monde is collaborating to develop electric systems and infrastructure for heavy vehicles to be used in open-pit mining. The proposed new electric propulsion system and rapid recharging infrastructure is expected to help advance the Company's plans to deploy all-electric heavy-duty mining vehicles at the Matawinie graphite mine project.

In its report on the Matawinie graphite mine project, the BAPE commission concluded that the Company's plans to reduce GHG emissions are positive in terms of mitigation of environmental impact.

For the Bécancour value-added plant, Nouveau Monde has developed a proprietary purification process leveraging hydroelectricity rather than important quantities of harsh chemicals to ensure value-added transformation at a lower emission level than current industry practices. We are committed to identify important emission sources and work to reduce the GHG footprint of our operations in line with our carbon-neutrality goal.

- » For the phase-1 purification operation under construction within Olin's facility, Nouveau Monde carried out an atmospheric dispersion study which demonstration compliance with the Québec's *Clean Air Regulation* criteria.

Compliance management and reporting systems are developed for the construction and commercial production to support compliant operations. Nouveau Monde has developed monitoring and surveillance programs that will facilitate the tracking and reporting of compliance objectives. Metrics established as part of commitments, goals, and responsibilities will be captured by the Company monitoring to evaluate internal performance. Metrics and commitment will be evaluated annually to assess the effectiveness of the management approach.

### 305-1 Direct (Scope 1) GHG Emissions

<b>Gross direct (Scope 1) GHG emissions</b>	54.6 metric tonnes of CO <sub>2</sub> equivalent
<b>Gases included in the calculation</b>	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , or all
<b>Biogenic CO<sub>2</sub> emissions</b>	0 metric tonnes of CO <sub>2</sub> equivalent
<b>Base year</b>	2020

Data is based on the Company's activities realized in 2020. Most of the scope 1 GHG direct emissions are related to the concentration of graphite at the demonstration plant in Saint-Michel-des-Saints and the use of company vehicles. The Company's headquarters in Saint-Michel-des-Saints are heated by fuel oil, an important part of our 2020 direct emission; Nouveau Monde has purchased a new location, powered by hydroelectricity, to move our offices.

The emission factors come from the Québec's regulation, respecting mandatory reporting of certain emissions of contaminants into the atmosphere. The 100-year global warming potential ("GWP") values for GHG are those stated in The Intergovernmental Panel on Climate Change's ("IPCC") Fifth Assessment Report (AR5). The attribution and consolidation of GHG emissions are performed following a control approach and using the operational criterion. This operational control approach is constantly applied to properly identified the operations and GHG sources that fall within the Company's boundaries.

## 305-2 Energy Indirect (Scope 2) GHG Emissions

Gross energy indirect (Scope 2) GHG emissions	3.8 metric tonnes of CO <sub>2</sub> equivalent
Gases included in the calculation	CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> , NF <sub>3</sub> , or all
Base year	2020

Nouveau Monde's scope 2 GHG emissions relate to hydroelectricity consumption at the Saint-Michel-des-Saints demonstration plant and corporate offices. The electricity comes from Hydro-Québec's renewable sources.

The emission factor applied for the electricity usage is 1.7 g CO<sub>2</sub> eq / kWh and is obtained from the most recent Canada's National Inventory Report ("NIR") submission to the United Nations Framework Convention on Climate Change ("UNFCCC"). The factor represents the average level of emissions for the entire province of Québec and is not specific to the grid where the operations take place. It is a conservative approach, as this factor incorporates some GHG emissions that could fall under scope 3 emissions, namely emissions due to transportation losses and fugitive emissions of SF<sub>6</sub>.

No GWP is used in the calculation. The use of a consolidated emission factor that incorporate all GHG is preferred. This emission factor come from the NIR and therefore is calculated using the 100-year GWP stated in the Fourth Assessment Report of the IPCC.

The attribution and consolidation of GHG emissions are performed following a control approach and using the operational criterion. This operational control approach is constantly applied to properly identified the operations and GHG sources that fall within the Company's boundaries.

## 306 Waste

Properly managing waste material, with special attention to tailings in a mining context, is important to protecting water, visual, and vegetative resources at the Company's operational sites, and therefore to maintaining Nouveau Monde's good standing among regulators, shareholders, business partners, customers, and community members.

- » The disclosure boundary includes all surfaces and in-pit tailings storage facilities for Matawinie graphite project's waste rock, and tailings, including groundwater resources adjacent to the storage facilities. The Company will be actively involved in the management, protection and possible mitigation of water-resource impacts and reclamation over the course of its operations.

Nouveau Monde's management plan for designing and managing tailings storage facilities consist of:

- » filtration of tailings and thus avoiding the use of tailing ponds and dams, and the environmental risks associated with them;
- » desulphurization of tailings and management of tailings and waste rock by co-disposal to prevent acid mine drainage, provide greater environmental safety in the long-term and reduce tailings management footprint, in line with requirements and best practices of The Global Tailings Review, the International Network for Acid Prevention and the Canadian Mine Environment Neutral Drainage Program;
- » validation and construction of a co-disposal experimental cell at the demonstration site;
- » optimization studies of tailings disposal plans through simulations of additional site-specific pile design parameters such as compaction level;
- » collection and integration of extensive baseline data to run predictive model about surface and subsurface water resources from site-based exposures and different scenarios;
- » in-pit backfilling of tailings and waste rock to limit the project's footprint;
- » development of a mitigation plan to avoid or limit offsite impacts to water resources;

- » development of a progressive reclamation plan that accounts for visual values and restoring natural features as practicable and supports the restoration of the natural ecosystem; and
- » implementation of management and reporting systems to support compliant operations.

As part of the ESIA, environmental baseline studies included a geochemistry work plan, tailings and waste rock management modeling, technical reports, and a mitigation plan. In 2020, the Company conducted additional modeling analysis of the co-disposal tailings design proposed for the Matawinie graphite mine project to study critical design parameters on sulfide oxidation reaction rates and optimize configurations of the pit backfill and co-disposal pile to ensure long-term chemical and physical stability.

The BAPE report concluded that the Company's plans for waste management through co-disposal of tailings, backfilling of the pit and progressive reclamation at the Matawinie graphite mine project, would offer several advantages, including reducing the environmental risks associated with dams.

Compliance management and reporting systems are developed for the construction and commercial phases to support compliant operations. Nouveau Monde has developed a monitoring and surveillance program that will facilitate the tracking and reporting of compliance objectives. Metrics that are established as part of commitments, goals, and responsibilities will be captured by the Company's monitoring to evaluate internal performance. Metrics and commitment will be evaluated annually to assess the effectiveness of the management approach.

With respect to the Bécancour value-added plant, final commitments, goals, and responsibilities will be concluded in coordination with regulators. Management actions, processes and programs should be developed in 2021 to support operations in advance of construction.

### 306-3 Waste Generated

<b>Total non-acid generated tailings</b>	3,810 metric tonnes
<b>Total potentially-acid generated tailings</b>	1,700 metric tonnes
<b>Total waste rock mined</b>	0 metric tonnes
<b>Total waste generated</b>	<b>5,510 metric tonnes</b>

In 2020, Nouveau Monde optimized the tailings desulphurization process to advance detailed engineering of the commercial project and build the experimental co-disposal cell. The Company added a third collection basin to increase the tailings management capacity and provide more flexibility for water treatment.

The experimental co-disposal cell measuring 22 m x 22 m, at a height of 2 m, was built with tailings from the demonstration plant and is submitted to actual weather conditions to enable optimization of the tailings and waste management deposition plan.

Nouveau Monde does not record waste supported by the municipal services (including recycling) nor other waste disposed to authorized sites by the MELCC.

### 307 Environmental Compliance

Environmental compliance is important to protect natural resources on and around the proposed Matawinie graphite mine site and Bécancour value-added plant, as well as protecting the environment and local communities, the Company's relationships, reputation, revenues, and profits by limiting exposure to litigation and penalties.

Nouveau Monde's management approach for environmental compliance aligns with that of local, provincial, and federal regulators.

- » The Company completed its environmental permitting process for the Matawinie graphite mine with provincial<sup>15</sup> and local regulators to ensure environmental compliance before operations begin and adequate surveillance and restoration measures during and after mining operations.
- » Nouveau Monde has initiated environmental studies to document and prepare the permitting process for the Bécancour value-added plant.

Nouveau Monde plans to keep an open dialogue with regulators and stakeholders, renew permits as required, and make necessary changes to permits and upgrades to operations as regulations change if necessary. The Company plans to construct and operate the Matawinie graphite mine and Bécancour value-added plant, within the boundaries laid out in approved permits.

Compliance management and reporting systems is developed for the construction and commercial production to support compliant operations. Nouveau Monde has developed monitoring and surveillance programs that will facilitate the tracking and reporting of compliance objectives. Metrics that are established as part of commitments, goals, and responsibilities will be captured by the Company's monitoring to evaluate internal performance. Metrics and commitment will be evaluated annually to assess the effectiveness of the management approach.

### 308 Supplier Environmental Assessment

Nouveau Monde is expected to depend on numerous vendors to construct and operate the Matawinie graphite mine and Bécancour value-added plant. It is imperative that vendors and suppliers comply with all environmental regulation and requirements imposed on the Company by regional, provincial, and federal regulatory agencies, as well as Nouveau Monde's own best practices, policies and commitments.

A qualification for the awarding of any environmental service vendor or provider is the supplier's previous environmental track-record. Nouveau Monde reviews the work previously completed by all potential environmental service provider and ensures the supplier performs ethically and environmentally in accordance with all regulations, standards, and industry best practices.

## Social Impact

### 401 Employment

The Matawinie graphite mine project and Bécancour value-added plant are strategic assets critical to making the Province of Québec's economy an industry recognized centre for advanced battery materials production. Our talented, skilled, and motivated employees share the common goal of developing world-class assets using sustainable, reliable, and cost-effective technologies. Our reputation for sustainability and responsible, ethical business practices are important for the success of our business and form the cornerstone of everything we do. All Nouveau Monde employees are expected to abide by the Company's Code of Conduct.

The Company's activities are expected to create hundreds of well-paying job opportunities to our local communities. Leveraging the local pool of labor and proximity to urban centres, Nouveau Monde strives to hire locally and avoid fly-in-fly-out type practices as much as possible. Nouveau Monde's employment strategy includes:

- » Saint-Michel-des-Saints community office with presence of a dedicated resource for providing information on the project and related job opportunities;
- » registry of local applications and resumes;
- » information sessions on job opportunities held in Saint-Michel-des-Saints and at the Manawan Atikamekw First Nation;
- » participation to local, regional, and provincial job fairs;

<sup>15</sup>The Québec Government adopted decree 47-2021 on January 20, 2021 authorising the project. It was published on February 10, 2021 along with a press release from the Company.

- » direct coordination with the Manawan Atikamekw community to attract First Nation candidates, facilitate their application and hiring process, plus special onboarding efforts;
- » participation to promotional efforts on regional attractiveness and job opportunities;
- » efforts to reskilling local workforce pool (see disclosure 404).

In 2020, the BAPE commission on the Matawinie graphite mine project released its report which included a positive evaluation of the economic and social parameters proposed by Nouveau Monde. The report confirmed the Company's ESIA and Feasibility Study assessment for the creation of training and employment opportunities for the Upper Matawinie region.

Throughout the Company, including both operation sites and different offices, employees are offered family health insurance, flexible work schedules for administrative and professional positions, stock options for key management staff, family and employee assistance program, access to telemedicine services, as well as competitive work conditions.

As we grow, Nouveau Monde intends to explore further opportunities to enhance its employment strategy in regard to attraction, development, and retention to benchmark and track the Company's performance in human capital management.

## 402 Labor/Management Relations

Nouveau Monde values employees' well-being, contribution, and development, and strives to provide a safe, transparent, and collaborative work environment. The Company's employees have the right to engage in activities protected under the Québec's *Labor Code* and Canada's *Charter of Rights and Freedoms*. This includes the right to form or join unions; engage in protected, concerted activities to address or improve working conditions; or refrain from engaging in these activities.

Nouveau Monde's Employee Handbook has been developed to provide the Company's policies and procedures to all employees, and given as a guide to the benefits and obligations of employment.

As we grow, Nouveau Monde intends to explore further opportunities to enhance its employment strategy in regard to attraction, development and retention to benchmark and track the Company's performance in human capital management.

## 403 Occupational Health and Safety

Health and safety excellence is one of our core principles, and we seek to prevent, minimize, and manage occupational health and safety risks for our employees, contractors, and the communities in which we operate. Nouveau Monde's Human Resources and Compensation Committee, and the Governance and Sustainable Development Committee are responsible for overseeing the development and implementation of health and safety practices, ensuring that they are aligned with applicable national and local legislative requirements, and industry good practice. Nouveau Monde's Code of Conduct, Health and Safety Policy, and Sustainability Policy also state our commitment to providing a safe environment to our employees, contractors, and visitors.

The demonstration plant is subject to greater health and safety risks. Hence, the Company has implemented dedicated measures constantly reviewed and adapted to reflect changing nature of operations and seasons, onsite workshops and training for operators, as well as third-party risk assessment with public health authority.

We carefully consider our business partners and supply chain to ensure that health and safety is a core value within their company. A key example is our business agreement with Olin Corporation for commercial space in Bécancour, chemical supply and site services to support our phase-1 purification activities. Through this agreement and initial development stage, Nouveau Monde leverages Olin's know-how and robust safety procedures relating to chlor alkali products. Practices implemented in phase-1 will help inform the design and operation of the commercial plant (phase-2).

We will continue to focus on health and safety as we transition from development to construction, commissioning, and operations. This will include the roll-out of necessary training and updating procedures and risk assessments to support employees and contractors in maintaining health, safety, and well-being at our operations and in our communities.

## 404 Training and Education

The Matawinie graphite mine project and Bécancour value-added plant are expected to create hundreds of job opportunities within the local communities during the construction and operation phases. Nouveau Monde strives to hire locally and regionally as much as possible.

Knowing our operations will require a skilled labor force, Nouveau Monde formed strategic partnerships with the regional school board, chamber of commerce and forest companies to lead the implementation of a professional training program. This paid on-the-job education program, with guaranteed employment upon graduation, has been designed to develop a skilled, local workforce. Launched in June 2020, the program formed and trained two cohorts in 2020, with a total of 21 candidates, five of whom were enlisted by Nouveau Monde for our operations.

Partly funded by Nouveau Monde, a sociovocational integration program, Mining and Logging Essentials, for members of the Atikamekw communities, aims to reinforce the employability of Indigenous workers. Program enrollments were completed in 2020, but the launch has been paused until the COVID-19 situation enabled easier movements between the Manawan and Saint-Michel-des-Saints communities.

- » The Company welcomed three youths from Manawan who participated in the Discovery Minicourse, a seven-day fast-track introduction to key notions of the program as well as our operations.

Nouveau Monde took advantage of the pandemic economic lock-down in Québec to offer virtual training opportunities to staff. Training for professional development throughout the Company totaled 8,065 hours in 2020.

## 405 Diversity and Equal Opportunity

At Nouveau Monde we value diversity as an important driver of growth and business success. Inclusion and diversity impact all employees, contractors, stakeholders, and the communities in which we operate. In ethos of our values and governing charters, Nouveau Monde supports and encourages a culture of diversity, inclusion, and non-discrimination in all decisions related to people across the Company, as well as our suppliers. The Company's Sustainability Policy as well as our development and collaboration agreements with local communities state our commitment to equal opportunity and diversity.

Throughout the Company, including both operation sites and different offices, we provide equal employment opportunities aligned with Québec's *Act Respecting Labor Standards*, Québec's *Charter of Rights and Freedoms*, and Canada's *Charter of Rights and Freedoms*.

We plan to continue to strengthen our management of diversity and equal opportunity over time, with special attention to Indigenous inclusion, including advancement of this topic as the Company matures.

## 406 Non-Discrimination

Nouveau Monde is working to build a culture of non-discrimination in all people-related decisions and actions. Our Code of Conduct outlines the basic principles and policies of our business ethics with which everyone at the Company is expected to comply, to create a workplace that is free from discrimination.

Nouveau Monde has also adopted and rolled out Company-wide training and implementation of a Harassment Prevention Policy for employees, which comprises a mechanism for reporting, investigating, and addressing discriminatory behaviors, including sexual, physical, and mental harassment.

## 407 Freedom of Association and Collective Bargaining

We respect the rights of our employees to freedom of association and the right to collective bargaining, and do not interfere in an employee's decision whether to join an association. The Company's policies, procedures and practices are intended to ensure compliance with Québec's Labor Code and prevent anti-union discrimination. We aim to establish company policies, procedures and practices that do not discriminate against individuals because of their views on trade unions or, for their trade union activities.

## 408 Child Labor & 409 Forced or Compulsory Labor

Nouveau Monde is committed to protecting the rights and interests of workers and communities across our entire supply chain, operations, and business partners, including vulnerable populations such as children. The Company does not permit or condone any form of forced or child labor at our operations nor via our business partners.

Our recruitment processes are conducted in a transparent manner and in accordance with the principles of the International Labor Organization, Québec's *Labor Code*, Québec's *Charter of Rights and Freedoms* as well as Canada's *Charter of Rights and Freedoms*.

All persons hired are required to verify their eligibility to work in Canada and to complete the required employment eligibility verification documentation upon hire, which verifies the age of employees, flagging any persons under the legal working age.

As construction and operations of the Matawinie graphite mine project and Bécancour value-added plant ramp-up and become more labor intensive, we plan to make our commitment to human rights explicit through the development of a Human Rights Policy that will stipulate our Company's human rights expectations of personnel, business partners, and other parties directly linked to our project. This will enable us to further embed human rights principles into other internal policies, our culture and influence our business partners, customers, and end-users of our anode materials.

## 411 Rights of Indigenous Peoples

Respecting the rights, culture, aspirations, and interests of Indigenous Peoples affected by development and operations of the Matawinie graphite mine project and Bécancour value-added plant can help the advancement of collaborative and mutually beneficial relationships for all communities. Partnering with Indigenous Peoples is instrumental to implement sustainable practices, develop a stable operating environment, and mitigate impacts and reputational damage (see disclosure 102-43 for more on the Company's approach to stakeholder engagement).

The Matawinie graphite mine project is located on municipal territory of Saint-Michel-des-Saints, in the Nitaskinan, the large traditional Atikamekw Indigenous region, at 85 km from the Manawan First Nation community. Nouveau Monde has consulted and continues to consult with the Atikamekw First Nation, in the Manawan community and at the Band Council level through the Conseil de la Nation Atikamekw, to understand the importance of the culture, history, and traditions.

The Company engaged in open and transparent dialogue before and during the exploration phases, as well as throughout the project development to present the mining project, gather comments on proposed plans, address questions, enhance design to reflect concerns and input, and share information about training, employment, and business opportunities. Nouveau Monde documented certain cultural resources and areas of archeological potential through the ESIA.

Nouveau Monde has signed a framework agreement (2018) and a pre-development agreement (2019) with the Atikamekw First Nation to guide the project development. The Company is actively engaged in discussions with Band Council representatives to finalize an impact and benefit agreement for the commercial phase of the Matawinie project to foster a long-term collaborative relationship and maximize positive benefits for the First Nation.

The Atikamekw First Nation has also been consulted as part of the Québec Government environmental assessment procedure for the Matawinie mining project.

The Bécancour value-added plant is located on Ndakinna, the traditional Abenaki Indigenous territory, at 5 km from the Wôlinak First Nation reserve. As the Company advances the phase-2 development of the value-added plant – phase-1 being located in a third-party facility, Olin's – Nouveau Monde is committed to engage with the Wôlinak First Nation to learn of its heritage, interests, and culture, foster a mutually beneficial relationship, and inform the design and our business operations.

We assess our performance through feedback received from Indigenous Peoples; tracking of employment interest and enrollment in the Company's workforce development programs.

## 413 Local Communities

Respecting the rights, culture, aspirations, and interests of local communities affected by the development and operations of the Matawinie graphite mine project and Bécancour value-added plant, will help the advancement of collaborative and mutually beneficial relationships with communities. Partnering is instrumental to implement sustainable practices, develop a stable operating environment, and mitigate impacts and reputational damage (see disclosure 102-43 for more on the Company's approach to stakeholder engagement).

The Matawinie graphite mine project is located in the municipality of Saint-Michel-des-Saints, founded in 1863, in the Lanaudière region. The region has a rich heritage in relation to the forest industry and has gradually developed the recreational sector. Nouveau Monde has been transparent in involving and listening to our neighbours and stakeholders at an early stage and throughout the project development to address concerns, adapt design parameters, and maximize positive impacts in relation to training, employment, and business opportunities.

In addition to the agreement in principle reached in 2018, Nouveau Monde has signed a collaboration and benefit-sharing agreement with the municipality of Saint-Michel-des-Saints to set out a concrete social, economic, and environmental development partnership through financial and participatory mechanisms.

In 2020, the independent BAPE report included a positive evaluation of the economic, environmental and social parameters developed by Nouveau Monde. The BAPE report concluded that the Matawinie graphite mine project has the potential to create economic diversification to the Upper Matawinie region. Many engineering and design elements of the proposed mine including the Company's plans to reduce GHG emissions and tailings management through co-disposal, were deemed positive from a community relations perspective. The BAPE report acknowledged the Company's proposed compensation and accommodation measures for the human environment, including the land integration program, benefit-sharing agreements with host communities, the voluntary acquisition plan and the operations schedule adapted to tourism.

The Bécancour value-added plant is located in Bécancour, founded in 1965 from an amalgamation of eleven municipalities, in the Centre-du-Québec region. From its original agricultural tradition, the community's economy has shifted toward heavy industry and now counts one of the largest industrial park in Canada and a deep-water international port on the St. Lawrence River.

Nouveau Monde strives to develop business activities that are supported by our communities and contribute to the overall development and advancement of the areas where we operate. Nouveau Monde regularly provides project updates via our community office, communication and social media platforms, public and private meetings, site visits, presence at community events, engagement with local government representatives, and media activities, among others.

Nouveau Monde is committed to being an integral component of Québec's vision for a North American battery and electric hub. We are committed to continuing our tradition of listening and responding to community concerns and needs, create well-paying jobs for the local communities to maximize local employment, be a leader in environmental stewardship, and invest in the region and province, through tax generation and the purchase of goods and services.

We assess our performance through feedback received from community members and accompanying committee, third-party polls, tracking of employment interest, and tracking of enrollment in the Company's workforce development programs.

## 414 Supplier Social Assessment

Having a sustainable supply chain can limit potential environmental, reputational, and financial risks and eventually increases profits for all stakeholders including end-users and consumers. Suppliers are managed through a centralized process that strives to ensure their goods and services are from a local, regional or provincial provider with high regard for social responsibility, to the greatest extent possible.

## 419 Socioeconomic Compliance

Complying with standards governing accounting, taxation, anti-corruption, competition, environmental compliance, labor practices, and anti-discrimination is important to Nouveau Monde's business strategy and for maintaining trust within the communities where we operate. Boundaries of this topic are tied to the Company's adherence to internal corporate policies and procedures governing ethics, compliance, and internal investigations.

The management approach is based on adherence to the following key policies and standards developed by Nouveau Monde: Code of Conduct, Complaint Policy, Employee Handbook, and the Company's environmental compliance standards as described in disclosure 307. The Company's employees are committed to reporting complaints or allegations of internal misconduct; the Company is required to investigate, document, and respond as appropriate to any such complaints. The Company is obligated to allow employees to communicate their concerns freely through the established internal processes, without risk of retaliation.

Reports and investigations shall involve the Nouveau Monde Board Audit Committee as appropriate. Compliance shall be measured by regular reviews or audits assessing the Company's adherence to these standards.

# LIST OF REFERENCES AND ACRONYMS

## A

**ALD** Atomic Layer Deposition-coating technologies

## B

**BAPE** Bureau d'audiences publiques sur l'environnement

## C

**CDPNQ** Centre de données sur le patrimoine naturel du Québec

**CETEES** Centre of Excellence in Transportation Electrification and Energy Storage

**CIM** Canadian Institute of Mining, Metallurgy and Petroleum

**CNETE** Centre National en électrochimie et en Technologies Environnementales

**COVID-19** Coronavirus

**CSPG** Coated spherical purified graphite

**CTRI** Centre technologique des résidus industriels

**CTTÉI** Centre de transfert technologique en écologie industrielle

**Current Resource** March 2020 updated pit-constrained mineral resource estimate for the Tony Block

**Company** Nouveau Monde Graphite Inc.

## E

**ESG** Environmental, social, and governance

**ESIA** Environmental and Social Impact Assessment

## G

**GBA** Global Battery Alliance

**GHG** Greenhouse gas emissions

**GRI** Global Reporting Initiative

**GWP** Global warming potential

## I

**IFRS** International Financial Reporting Standards as issued by the International Accounting Standards Board

**IPCC** The Intergovernmental Panel on Climate Change

**IVI** Institut du véhicule innovant

## M

**MELCC** Ministère de l'Environnement et de la Lutte contre les changements climatiques

## N

**NGO** Non-governmental organization

**NIR** National Inventory Report

Nouveau Monde  
Nouveau Monde Graphite Inc.

**NRC** National Research Council of Canada

## O

**OEM** Original equipment manufacturers

**OSHA** Occupational Safety and Health Administration

## P

**Pallinghurst** The Pallinghurst Group

## R

**R&D** Research and development

## S

**SDG** United Nations' Sustainable Development Goals

**SPG** Spherical purified graphite

## U

**UNFCCC** United Nations Framework Convention on Climate Change

**UQAT** Université du Québec en Abitibi-Témiscamingue

## W

**We** Nouveau Monde Graphite Inc.



# SUSTAINABILITY AND GROWTH ARE FOSTERED BLOCK BY BLOCK



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