

# AUDIT COMMITTEE CHARTER



**NOUVEAU MONDE** GRAPHITE



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## 1. PURPOSE AND ROLE

The Audit Committee is a committee of the board of directors (the “Board”) of Nouveau Monde Graphite Inc. (the “Corporation”). The Audit Committee reports to the Board. The purpose of the Audit Committee is to assist the Board in its oversight of:

- A. the integrity of the financial statements, the financial reporting process and related information;
- B. the independence, qualifications, appointment and performance of the external auditor;
- C. compliance with applicable legal and regulatory requirements;
- D. disclosure, internal controls and internal audit procedures; and
- E. risk management processes;

In addition, the Audit Committee provides an avenue for communication between the external auditor, management, and other employees of the Corporation, as well as the Board, concerning accounting and auditing matters.

## 2. COMPOSITION OF THE COMMITTEE

The Audit Committee shall consist of such number of directors, in no event to be less than three, as the Board may from time to time by resolution determine. All members of the Audit Committee shall meet the independence test and other membership requirements within the meaning of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, and under other applicable laws, rules and regulations and listing requirements as determined by the Board. Each member of the Audit Committee shall continue to be a member until next annual meeting of the shareholders of the Corporation or a successor is appointed, unless the member resigns, is removed or ceases to be a director of the Corporation. The Board may fill a vacancy that occurs in the Audit Committee at any time.

Each member shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. For these purposes, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements. At least one member of the Committee will have accounting or related financial management experience or expertise and such person shall be designated the “audit committee financial expert” for the purposes of applicable laws, rules and regulations and listing requirements.

The Chair of the Audit Committee shall be designated by the Board. The Audit Committee Chair leads the Audit Committee in all aspects of its work and is responsible to effectively manage the affairs of the

Audit Committee and ensure that it is properly organized and functions efficiently. The Audit Committee Chair shall:

- A. Provide leadership to enable the Audit Committee to act effectively in carrying out its duties and responsibilities as described elsewhere in this Charter and as otherwise may be appropriate;
- B. Chair meetings of the Audit Committee;
- C. In consultation with the other members of the Audit Committee and the Chief Financial Officer (the "CFO"), determine the frequency, dates and locations of meetings of the Audit Committee;
- D. In consultation with the CFO, review the annual work plan and the meeting agendas to ensure all required business is brought before the Audit Committee to enable it to efficiently carry out its duties and responsibilities;
- E. Report to the Board on the matters reviewed by, and on any decisions or recommendations of, the Audit Committee at the next meeting of the Board following any meeting of the Audit Committee;
- F. Review expenses of the CEO; and
- G. Carry out any special assignments or any functions as requested by the Board.

If the Chair is not present at a meeting of the Audit Committee, the members of the Audit Committee may designate an interim Chair for the meeting by majority vote of the members present.

Unless otherwise determined by resolution of the Board, the Secretary of the Corporation shall be the Secretary of the Audit Committee, provided that if the Secretary is not present, the Chair of the meeting may appoint a secretary for the meeting with the consent of the Audit Committee members who are present.

### 3. OPERATIONS OF THE COMMITTEE

The Audit Committee will meet at least four times in each fiscal year and at least once in every fiscal quarter. The Audit Committee shall have the authority to convene additional meetings as circumstances require.

Meetings shall be convened whenever requested by the external auditor or any member of the Audit Committee in accordance with applicable law. The Audit Committee shall meet separately and periodically with management and the external auditor and may meet with legal counsel or other advisors if necessary. The Audit Committee shall meet periodically with the external auditor without management being present. The Audit Committee shall meet periodically in the absence of management when the Audit Committee deems necessary.

All members of the Audit Committee are expected to attend all meetings and review, in advance, the meeting materials.

Unless otherwise determined from time to time by resolution of the Board, the quorum at any meeting of the Audit Committee is a majority of members in office. At a meeting, any question shall be decided by a majority of the votes cast by members of the Audit Committee, except where only two members are present, in which case any question shall be decided unanimously.

Agendas for meetings of the Audit Committee shall be developed by the Chair of the Audit Committee in consultation with the CFO and shall be circulated to Audit Committee members as far in advance of each Audit Committee meeting as is reasonable.

The Audit Committee shall keep such records as it may deem necessary of its proceedings and shall report regularly its activities and recommendations to the Board as appropriate.

## 4. RESOURCES AND AUTHORITY

The Audit Committee shall have the resources and the authority to discharge its responsibilities, including the authority, in its sole discretion, to engage, at the expense of the Corporation, outside consultants, independent legal counsel and other advisors and experts as it determines necessary to carry out its duties, without seeking approval of the Board or management.

The Audit Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities and has direct access to and the authority to communicate directly with the external auditor, the counsel of the Corporation and other officers and employees of the Corporation.

The members of the Audit Committee shall have the right for the purpose of performing their duties to inspect all the books and records of the Corporation and to discuss such accounts and records and any matters relating to the financial position, risk management and internal controls of the Corporation with the officers and external auditor of the Corporation. Any member of the Audit Committee may require the external auditor or any officers or employees of the Corporation to attend any or every meeting of the Audit Committee.

## 5. DUTIES AND RESPONSIBILITIES

The Corporation's management is responsible for preparing the Corporation's financial statements and the external auditor are responsible for auditing those financial statements. The Audit Committee is responsible for overseeing the conduct of those activities by the Corporation's management and external auditor.

The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned by the Board. The specific responsibilities of the Audit Committee shall include those listed below. The enumerated responsibilities are not meant to restrict the Audit Committee from examining any matters related to its purpose.

## **A. FINANCIAL REPORTING PROCESS AND FINANCIAL STATEMENTS**

The Audit Committee shall:

1. In consultation with the external auditor, review the integrity of the Corporation's financial external reporting process and any major issues as to the adequacy of the internal controls.
2. Review, discuss all material related party transactions, insider transactions, and off-balance sheet structures.
3. Review and discuss with management and the external auditor, as required:
  - a. the preparation of the Corporation's annual audited consolidated financial statements and its interim unaudited consolidated financial statements, and whether the financial statements are presented in accordance with the appropriate accounting policies.
  - b. the auditor's report prepared by the external auditor.
  - c. any corporate governance issues which could significantly affect the financial statements.
4. Following completion of the annual audit or any interim review, discuss with each of: (i) management; and (ii) the external auditor; any significant issues, concerns or difficulties encountered during the course of the work.
5. Resolve disagreements between management and the external auditor regarding financial reporting.
6. Review and recommend to the Board for approval, the interim quarterly and annual financial statements, Management's Discussion and Analysis and profit or loss press releases before the issuer publicly discloses this information, as the case may be.
7. To the extent not previously reviewed by the Audit Committee, review and recommend to the Board for approval, all financial statements included in any prospectus or offering memoranda, proxy statement and all other significant financial reports required by government or regulatory authorities and/or requiring approval by the Board (including any use of pro-forma or non-IFRS information).

## **B. OVERSIGHT OF THE EXTERNAL AUDITOR**

The Audit Committee shall:

1. Require the external auditor to report directly to the Audit Committee.

2. Be directly responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the Corporation's external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, and in such regard recommend to the Board the external auditor to be nominated for approval by the shareholders.
3. Approve all audit engagements and pre-approve the provision by the external auditor of all non-audit services, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Audit Committee may establish the types of non-audit services the external auditor shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Audit Committee will retain the external auditor. The Audit Committee may delegate to one or more of its independent members the authority to pre-approve non-audit services, provided that any such delegated pre-approval shall be exercised in accordance with the types of particular non-audit services authorized by the Audit Committee to be provided by the external auditor and the exercise of such delegated pre-approvals shall be presented to the full Audit Committee at its next scheduled meeting following such pre-approval.
4. Review and approve the Corporation's policies for the hiring of partners and employees and former partners and employees of the present and former external auditors.
5. At least annually, obtain the audit plan of the external auditor, and discuss with the management and external auditor the scope, planning and staffing of the annual audit, and review and approve the audit plan.
6. Obtain and review a formal report by the external auditor to be submitted at least annually regarding: (i) the external auditing firm's internal quality-control procedures; and (ii) any material issues raised by the external auditor's own most recent internal quality-control review or peer review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditor, and any steps taken to deal with any such issues.
7. At least annually, consider, assess, and report to the Board on:
  - a. the independence of the external auditor, including that the external auditor's performance of permitted non-audit services does not impair the external auditor's independence, including the external auditor's formal written statement: (i) delineating all relationships between the external auditor and the Corporation; (ii) assuring that lead audit partner rotation is carried out, as required by law; and (iii) delineating any other relationships that may adversely affect the independence of the external auditor; and
  - b. the evaluation of the external auditor, taking into account the opinions of

management.

### **C. OVERSIGHT OF THE CORPORATION'S INTERNAL CONTROL SYSTEM**

The Audit Committee shall:

1. Oversee management's reporting on internal controls, including the reliability and effective operation of the Corporation's accounting system and internal controls.
2. Understand the scope of the design and effectiveness of the Corporation's internal control over financial reporting.
3. Review and discuss with management and the external auditor, monitor, report and, where appropriate, provide recommendations to the Board on the following:
  - a. the Corporation's systems of internal controls over financial reporting;
  - b. compliance with the policies and practices of the Corporation relating to business ethics;
  - c. compliance by directors, officers and other management personnel with the Disclosure Policy; and
  - d. the relationship of the Audit Committee with other committees of the Board and with management.
4. Review and discuss with the CEO and CFO of the Corporation the process for the certifications to be provided in the Corporation's public disclosure documents, as required by National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings* and any other applicable law or stock exchange rule.
5. Establish procedures for the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matter and procedures for the confidential, anonymous submissions by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
6. The Chief Legal Officer will report to the Audit Committee, and the Audit Committee will review such reports, on any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls. Where the CEO or the CFO is named in a complaint, the Board Chair will speak directly with the Audit Committee Chair.



## **D. OVERSIGHT OF THE CORPORATION'S RISK MANAGEMENT**

1. Review, monitor, report and, where appropriate, provide recommendations to the Board on the Corporation's major business, operational, and financial risk exposures and the guidelines, policies and practices regarding risk assessment and risk management.
2. Review, monitor, report and, where appropriate, provide recommendations to the Board on the Corporation's compliance with internal policies and practices regarding risk assessment and risk management and the Corporation's progress in remedying any material deficiencies thereto.

## **E. ADDITIONAL RESPONSIBILITIES**

The Audit Committee shall:

1. Review any employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies.
2. Review the adequacy of the resources of the finance and accounting group.
3. Report regularly to the Board, including with regard to matters such as the quality or integrity of the Corporation's financial statements, compliance with legal or regulatory requirements and the performance and independence of the external auditor.
4. Prepare and review with the Board an annual performance evaluation of the Audit Committee.
5. Review and reassess the adequacy of the Audit Committee's Charter on an annual basis.
6. Review the Corporation's compliance with respect to the legal and regulatory matters which may have a material effect on its financial statements, including with respect to pending or threatened material litigation.
7. To the extent permitted by law, consider waivers of the Code of Conduct of the Corporation applicable to members of the Governance, Compliance and Legal Committee, and if appropriate, grant any such waivers.
8. Hold executive sessions that allows the audit committee to meet privately with key members of executive management, the independent auditor, the internal auditors, and/or the Chief Legal Officer to discuss any sensitive issues.

## 6. LIMITATION ON DUTIES OF THE COMMITTEE

The Committee shall discharge its responsibilities and shall assess the information provided by the Corporation's management and any external advisors, including the external auditor, in accordance with its business judgment. Committee members are not full-time employees of the Corporation and are not, and do not represent themselves to be, professional accountants or auditors. The authority and responsibilities set forth in this Charter do not create any duty or obligation of the Committee to (i) plan or conduct any audits, (ii) determine or certify that the Corporation's financial statements are complete, accurate, fairly presented or in accordance with IFRS or GAAP, as applicable, and applicable laws, regulation, rules or listing standards, (iii) guarantee the external auditor's reports, or (iv) provide any expert or special assurance as to internal controls or management of risk. Committee members are entitled to rely, absent knowledge to the contrary, on the integrity of the persons from whom they receive information, the accuracy and completeness of the information provided and management's representations as to any audit or non-audit services provided by the external auditor.

Nothing in this Charter is intended or may be construed as to impose on any Committee member or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject under applicable law. This Charter is not intended to change or interpret the Corporation's amended articles of incorporation or by-laws or any law, regulation, rule or listing standard to which the Corporation is subject, and this Charter should be interpreted in a manner consistent with all such applicable laws, regulations, rules and listing standards. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to the securityholders of the Corporation or other liability whatsoever.

**This Charter was approved by the Board of Directors on May 19, 2021**