NOUVEAU MONDE GRAPHITE

Powering A New World

2021 ANNUAL REPORT

NOUVEAU MONDE GRAPHITE

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
ENTREPRENEURIAL SPIRIT

Corporate structure

The Company was established on December 31, 2012, under the Canada Business Corporations Act. NMG's registered office is located at 481 Brassard Street, Saint-Michel-des-Saints, Québec, Canada, J0K 3B0.

The Company's shares are listed under the symbol NMG on the New York Stock Exchange ("NYSE"), NOU on the TSX Venture Exchange, and NM9A on the Frankfurt Stock Exchange.

All monetary amounts included in this report are expressed in Canadian dollars ("CAD"), the Company's reporting and functional currency, unless otherwise noted.

NMG at a glance

Nouveau Monde Graphite Inc. ("we", "NMG" or "the Company") is an integrated company developing advanced manufacturing and mining projects for supplying the global economy with carbon-neutral anode material to power electric vehicles and energy storage systems.

Local, from Ore to Anode Material

Responsibly Extracted

Environmentally Transformed

Guaranteed Traceability

Based in Québec, Canada, the Company leverages its wholly owned Matawinie graphite deposit, approximately 120 km North of Montréal, with the intent to produce high-purity natural graphite concentrate and advanced materials for the lithium-ion batteries and fuel cells markets.

Alternative to Chinese supply

NMG is projected to be North America's largest and only fully vertically integrated natural graphite operation, favorably positioned to provide a localized and carbon-neutral alternative to Chinese supply for the Western World's battery and automobile manufacturers.

Powered by Hydro electricity

Carbon-Neutral Footprint

Striving for Circularity

Zero-Carbon Solutions

With a strong environmental, social and governance ("ESG") mindset, NMG seeks opportunities, partnerships, and technologies that create shared value in advancing its vision to drive the transition to a green future through sustainable zero-carbon solutions.

At the Market's Doorstep

YEAR IN REVIEW

2021 WAS A STRUCTURAL YEAR AS WE LINED THE BUILDING BLOCKS THAT WILL SUPPORT THE NEXT STAGE OF OUR DEVELOPMENT.

Conducting of safe operations with our zero-harm philosophy being top of mind to protect the environment, as well as the health and safety of our employees, contractors, and communities.

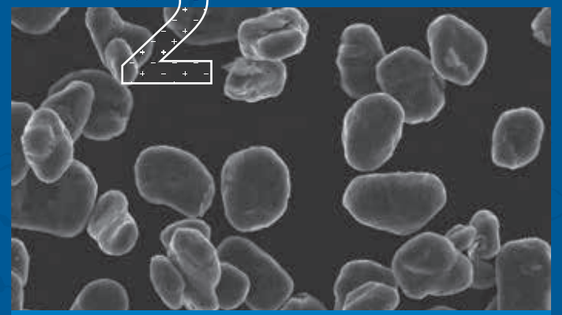
Continued engagement with our communities, First Nations, shareholders, and stakeholders to guide our growth and create shared value.

Delivering a new generation of battery materials

1

Construction, commissioning, and start of production at our phase-1 purification facility. Samples produced at 99.99% purity have confirmed the high-quality, battery-grade specifications of the material.

2



Planned addition to phase-1 operations of a second commercial-scale shaping module and commencement of construction of a coating line for a nameplate capacity of 2,000 tonnes per annum ("tpa") of coated spherical purified graphite ("CSPG").

3

Building and commissioning of an advanced laboratory and research and development ("R&D") facility with the in-house capacity for testing anode material and providing customized specifications to battery and electric vehicule ("EV") manufacturers.

4

Production of meaningful battery-grade samples, including B-samples for advancing the product qualification process with battery and EV manufacturers, to support our commercial discussions.

5

Strategic acquisition of the 200,000-m^2 land for the phase-2 expansion of advanced manufacturing in the Bécancour industrial park, across the street from our phase-1 operation, and carrying out of a Front-End Loading ("FEL-3") feasibility study to reflect our integrated business model for a comprehensive planning, cost projection, and development framework.

6

Signing of a collaboration agreement with Lithion Recycling to advance the recovery and value-added transformation of recycled graphite for reuse as anode material.

7

Patent application for our proprietary thermochemical purification eco-technology, free of hydrofluoric acid and harnessing clean hydropower.

"Today's investment in R&D is tomorrow's competitive advantage in the marketplace. We continue our confidential and proprietary development efforts with a view to supporting the world's leading lithium-ion battery makers and intend to continue investing in cutting-edge technology with the support of best-in-class scientists and engineers."

— Arne H Frandsen, Chair of the Board of Directors

Developing the mine of the future

"This is a day of celebration. We can be proud of the innovation and dedication that we have demonstrated throughout the engineering and environmental review phases; they now favorably position us in the marketplace."

— Eric Desaulniers, Founder, President and CEO

1

Authorization by the Québec Government of the Matawinie Graphite Mine following a rigorous environmental review and public consultation.

2

Continuous advancement of detailed engineering of the Matawinie concentrator and mining infrastructure – progress at year-end of overall engineering is estimated at 55%.

"The collaboration between Caterpillar and NMG marks an important milestone in the mining industry. Through integrated technology, machines and services, the entire Caterpillar team is proud to support NMG as they work towards constructing and establishing their first zero-emission mine."

— Denise Johnson, Caterpillar Group President

Earthworks at the Matawinie mining project: construction of a nearly 8-km access road completed and commencement of civil works for the industrial platform.

3

4

Signing of a historical agreement with Caterpillar Inc. ("Caterpillar") for the development, testing, and deployment of Cat® zero-emission machines for the Matawinie mining fleet – that is projected to be the world's first all-electric open-pit mine.

Driving the transition to a green future

"Battery minerals cannot power a sustainable energy revolution unless their extraction and value-added transformation are done on a Zero-Harm basis. NMG has anchored its business strategy on the essence of best-of-class ESG principles."

— Arne H Frandsen, Chair of the Board of Directors

1

Continued commercial engagement with potential tier-1 customers in the EV and battery sector supported by production at NMG's phase-1 operations and participation to key forums dedicated to advanced battery technology.

2

Issuing of an inaugural ESG Report providing shareholders and asset managers with an overview of our core commitments, anchor initiatives and performance indicators with a view to contributing to global sustainability goals.

Commitment to past, present, and future carbon neutrality thanks to the environmentally-focused design of our projects and processes, historical compensation of our emissions, and climate action strategy.

3

4

Admission to the Global Battery Alliance, a World Economic Forum's initiative regrouping leading players of the industry for helping establish a circular and sustainable battery value chain.

Striving to reach our full potential

Successful listing of the Company's common shares on the New York Stock Exchange, the world's largest stock market, under the symbol "NMG".

1

2

Over $130M raised through public and private offerings, the exercise of warrants, private placements, and financial levers from governments to support our current operations and the advancement of our key projects.

3

Strengthened governance with the addition of strategic expertise at the Board of Directors and enhanced structures, policies, and programs to guide the Company's development.

"I am pleased to see that our environmental stewardship, exceptional localization, and scaled growth strategy are positioning NMG at the forefront of our industry."

— Eric Desaulniers, Founder, President and CEO

Nomination as Entrepreneur of the Year by the Québec Mineral Exploration Association in recognition of the Company's momentum in developing its integrated and sustainable "ore-to-battery-material" value chain.

4

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FROM OUR LEADERSHIP

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CLIMATE. ACCOUNTABILITY. LOCAL MANUFACTURING CAPACITY. GROWTH. SOCIAL IMPACT. ELECTRIFICATION. SUPPLY CHAINS. LABOR. GOVERNANCE.

2021 drafted new engagement rules regarding business, geopolitics, and corporate citizenship in the aftermath of the consecutive waves of pandemic variants and economic recovery.

While the COVID repercussions on individuals, public health, and emerging countries are profound, the dynamics shift has provoked important debates and changes in the way we conduct ourselves as persons, corporations, and nations. The tragic unfolding of the Russian war against Ukraine is not just felt by our Ukrainian friends, but by all of us worldwide.

Interdependencies have never been so clear. Not just between industries and countries, but between profit, people, and the planet.

This evidence underlays our business model. We, at NMG, look beyond the simple bottom line. In today's world, more than ever before, doing business calls for environmental stewardship and climate action, social justice and community engagement, as well as audacity, innovation and strong governance.

Arne H Frandsen,
Chair of the Board of Directors

These factors are the main differentiators of tomorrow's leading organizations. They are the levers to attracting top talent, adapting to changing environments, creating shared value, supporting a cleaner future, and generating positive returns for stakeholders and shareholders.

With our holistic compass in hand, we continue advancing our business plan to develop our fully vertically integrated ore-to-battery-material natural graphite business.

Accelerated commitments to Net Zero targets, ever-increasing battery production capacity and global electrification efforts propelled market trends this year.

We delivered critical milestones on the back of this surge and continued tracing our path forward.

We also supported our communities in this transition to a new reality, engaged with our peers to foster synergies, and played on the international field to position NMG's Canadian-proud local alternative to existing China-based graphite reliance.

I am inspired by the opportunity before us. The energy sector is a significant contributor to the climate crisis, both as a high emitter and a decarbonization enabler. We are focusing on the latter to counter the former. We are reconciling energy and the environment.

I am confident that the ESG-minded team at NMG can capitalize on our exclusive ecotechnologies and industry-leading practices to position the Company as Western World's trailblazer for sustainable and ethical graphite production.

A decarbonized future is ours to build.

GREEN
JUST
AGILE
A NEW WORLD.
RESPONSIBLE
PROFITABLE
RESILIENT

We look forward to stimulating renewal and opportunities together.

Best regards,

Arne H Frandsen
Chair of the Board of Directors

Message from the President & CEO

As the climate crisis captures the attention and efforts of scientists, innovators, governments, and cleantech developers, a sense of urgency is growing. OEMs are doubling down on their electrification commitments, and battery manufacturers are building plants across the globe.

The list of climate technologies appears to be growing by the hour. And there is a constant variable: minerals and advanced materials required to build, power, and support these solutions.

Indeed, the perspectives are unprecedented.
And so are the responsibilities.

INDEED, THE PERSPECTIVES ARE UNPRECEDENTED. AND SO ARE THE RESPONSIBILITIES.

Pressure is mounting on supply chains.

At NMG, we set our minds on reliability and sustainability from the onset. For we acknowledged the responsibility of developing a non-renewable resource. For we knew that the commercial outlook of our mining and advanced manufacturing projects was tightly linked to global electrification. For we recognized the immense opportunity of having access to abundant, affordable, and clean hydropower. For we understood the growing demand from manufacturers and consumers for responsibly sourced products.

In building a company on this bedrock, we set clear parameters for our operations and made a promise to our employees, communities, business partners, customers, and shareholders. We will not compromise our values. We will develop the next generation of battery materials guided by our zero-harm philosophy, accountability, social engagement, carbon neutrality, and full traceability while striving for circularity.

Eric Desaulniers,
Founder, President & CEO

Our ambition was pioneering five years ago. Now, our vision to drive the transition to a green future through sustainable zero-carbon solutions seems within reach.

This year, we executed our business plan with discipline and principles. We achieved critical milestones in developing our vertical strategy through the advancement of our phase-1 facilities, the permitting and engineering of our phase-2 operations, the commencement of early construction work at our Matawinie Mine, our commercial discussions with tier-1 battery and EV manufacturers, our listing on the world's largest stock exchange, and strategic financing rounds.

Strong of our integrated value chain, our technical marketing team, the production of hundreds of tonnes of samples – in a variety of specs – and the desirable environmental footprint of our product portfolio, we are positioning NMG at the forefront of the Western World's natural graphite anode material production.

In developing our business, we remain committed to maintaining a collaborative and mutually beneficial relationship with our communities and First Nations.

If sustainability has always guided our decision-making and growth, this year, we elevated our management, disclosure, and practices with the establishment of ESG functions at the Board of Directors and executive levels. We also formalized our contribution to achieving the Paris Agreement through the offsetting of our historical emissions and our Net Zero target as part of our Climate Action Plan.

With graphite playing such a central role in climate technologies, we are eager to make a positive impact as we bring our projects to phase-2 full commercial-scale production. Our competitive, environmentally friendly, and attractive integrated production model is located at the market's doorstep and timed to help meet the soaring demand.

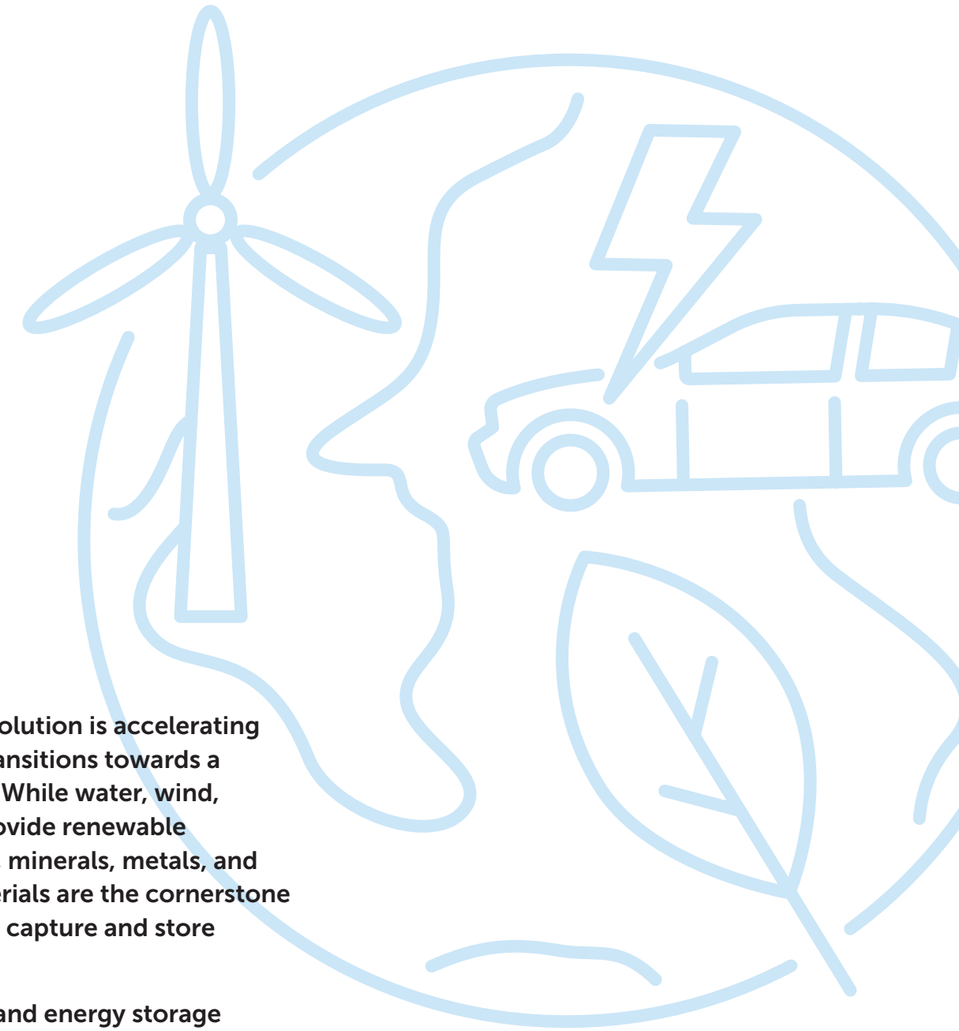
On the field, at the plants, in meetings, Team Nouveau Monde is working in sync to reinvent resource extraction and advanced materials manufacturing for a greener future.

I am pleased to present our 2021 Annual Report highlighting this year's successes and our roadmap ahead.

Onwards,
En route,
Wapita Nikanik,

Eric Desaulniers
Founder, President & Chief Executive Officer

A NEW WORLD



The energy revolution is accelerating as the world transitions towards a cleaner future. While water, wind, and the sun provide renewable power sources, minerals, metals, and advanced materials are the cornerstone of cleantech to capture and store these energies.

Electrification and energy storage systems are gaining momentum across industries, driving demand for raw materials to unprecedented levels.

But minerals cannot power a sustainable future unless their extraction and value-added transformation are carried out with people and the planet in mind; a just and clean transition.

NATURAL GRAPHITE DONE RIGHT FOR THE ENVIRONMENT, THE COMMUNITIES, AND THE MARKETPLACE WITH A CARBON-NEUTRAL FOOTPRINT.

Powering Decarbonization

A crisis is unfolding before us as the world experiences the growing impacts of climate change. 2021 marked a turning point as the Intergovernmental Panel on Climate Change ("IPCC") called a code red for humanity and urged for accelerated efforts to fight global heating. The IPCC report was issued amidst a year of unprecedented natural disasters, affecting every region of the world.

At the same time, public awareness and climate action continued to progress across civil society and the private sector. Sustainable funds saw their combined assets climb to $3.9 trillion at the end of Q3-2021[1] – an all-time record – and produced strong gains, confirming the performance and appetite for ESG-focused companies[2].

The solutions to limit global warming are multiplying faster than governments, industries and consumers can absorb. While the avenues for climate action are numerous, energy, transportation and industry are unquestionably recognized as the main contributors to greenhouse gas ("GHG") emissions[3]. Of these, fossil fuels top the list due to their damaging effects on our climate and ecosystems.

Electrification constitutes a key enabler to achieving the goals of the Paris Agreement. Hence, the 26th UN Climate Change Conference of the Parties ("COP26") in held in Glasgow in 2021 succeeded in framing a multilateral agreement adopted by governments, manufacturers, investors, financial institutions, and other private sector leaders to accelerate the transition to zero-emission vehicles. **The goal is clear: 100% electrification.** All sales of new cars and vans ought to be electric by 2040, and by 2035 in leading markets. A complementary declaration targeting zero-emission trucks and buses was adopted by 15 countries.

From cars and boats to planes, snowmobiles, bicycles and trucks, electrification is taking over every segment of the transport industry. The two main technologies driving electric vehicles are lithium-ion batteries and hydrogen fuel cells, both of which require significant quantities of graphite to be manufactured.

Another path to eliminating fossil fuels dependence is energy production and storage. There again, batteries play a strategic role by supporting the transition to renewable energies, improving autonomy in regions lacking infrastructure and even supplementing the grid.

1 Morningstar, October 2021.
2 Morningstar, January 2022.
3 Climate Watch Data, January 2022.

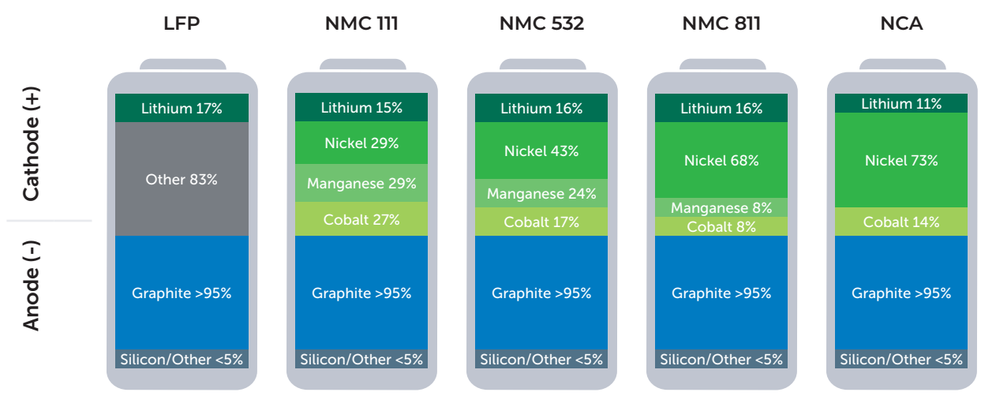
Energy Materials

The International Energy Agency (IEA) forecasts that by 2050 batteries will account for over 60% of the market for clean energy[4]. With the global push for electrification, batteries will be central to the new energy economy and the largest source of demand for critical minerals.

Graphite is fundamental to lithium-ion batteries and certain fuel cell technologies alike, thus enabling a decarbonized future.

In lithium-ion batteries – the dominant technology for EVs and portable electronics – graphite makes up +95% of the anode, the negative electrode, across all chemistries.

1.2 kg of graphite is required for every Kwh



In hydrogen fuel cells, graphite is leveraged in bipolar plates due to its excellent conductivity.

Graphite underpins multiple cleantech solutions to help tackle rising global temperatures and make a contribution to the United Nations' sustainable development goals. At NMG, we look forward to a dynamic, pluralistic energy landscape for a sustainable future.

4 World Energy Outlook 2021, International Energy Agency, October 2021.

Our Business Model

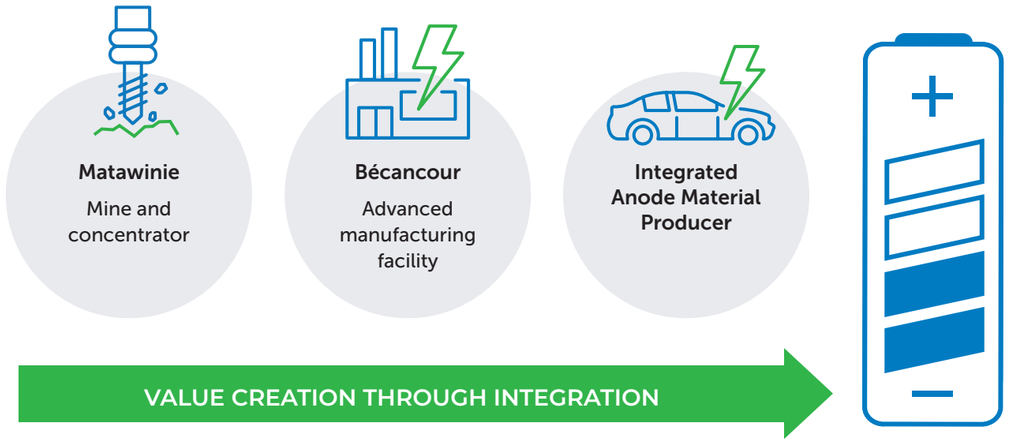
Recognizing the immense opportunity in electrification to accelerate global decarbonization, NMG is leveraging its flagship Matawinie graphite property to produce green advanced materials for lithium-ion battery and fuel cell applications. We are working towards developing a fully integrated source, from ore to battery materials, with a focus on high performance, traceability, costs, and carbon neutrality at the western market's doorstep.

Matawinie Graphite Mine

Bécancour Battery Material Plan

NMG ASPIRES TO BECOME NORTH AMERICA'S LARGEST AND FIRST FULLY INTEGRATED LITHIUM-ION BATTERY ANODE MATERIAL PRODUCER WITH ONE OF THE LOWEST ENVIRONMENTAL FOOTPRINTS WITHIN THE MINING AND ADVANCED MATERIAL MANUFACTURING SECTORS.

The Company activities are focused on the Matawinie Graphite Mine and the Bécancour Battery Material Plant, both of which are progressing concurrently toward full-scale commercial operations. Underpinning these projects are our world-class Matawinie graphite deposit, our proprietary technologies, and clean hydroelectricity powering our operations.



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

Bécancour Battery Material Plant

For graphite to be used as anode material, three beneficiation steps are required to reach the optimal properties and performance: shaping, purification, and coating. NMG plans to leverage its access to the large, high-purity Matawinie graphite deposit as feedstock for its value-added transformation activities, hence capitalizing on operational efficiency, product traceability, and greater margins from its vertically integrated business model.

Our proposed advanced manufacturing operations will be located in Bécancour, Québec, approximately 150 km northeast of Montréal, by the Saint Lawrence River. The robust local infrastructure provides us with direct supply of required chemicals in addition to affordable hydroelectricity, skilled workforce, and a multi-modal logistical base that includes a major international port in proximity to U.S. and European markets.

Our phase-1 capacity is targeted at 2,000 tpa of anode material with scope for significant expansion in phase 2 to help meet the demand from battery manufacturers seeking locally sourced and environmentally friendly materials.

Phase 1: Derisking new technologies

In the last year, the Company has made considerable progress with respect to its Battery Material Plant project. Our shaping unit continued to produce spherical graphite to support qualification with potential customers and further testing to optimize our processes. Successful results in this regard have led us to purchase another commercial-scale module, hence tripling our production capability. The new state-of-the-art unit should further elevate our products' quality and provide customers with a greater variety of specs. Construction is underway at our demonstration plant; the equipment commissioning is expected to be carried out in H1-2022 for a production start and ramp up during 2022

In 2020, we announced a five-year agreement with Olin Corporation ("Olin") which covers the manufacturing space for our phase-1 purification operations, site services and the supply of certain raw materials to support the commercialization of our advanced graphite materials. NMG's first two commercial-scale purification modules were successfully constructed and commissioned this year within existing space at Olin's Bécancour, Québec facility.

MANUFACTURING GREENER SOLUTIONS

For NMG to supply speciality industries, access international markets and optimize our sales portfolio, a state-of-the-art manufacturing platform is critical to cover the entire value chain of graphite products while offering customization to clients' specs.

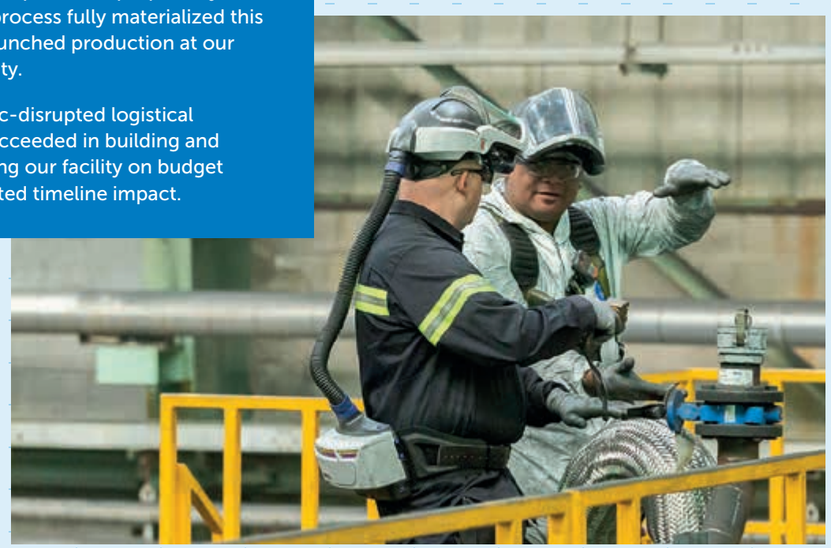
After four years of technological development, modeling and lab tests with universities, engineering firms and international experts, our proprietary purification process fully materialized this year as we launched production at our phase-1 facility.

In a pandemic-disrupted logistical reality, we succeeded in building and commissioning our facility on budget and with limited timeline impact.

+99.99% pure CSPG

We produced spherical purified graphite ("SPG") demonstrating the performance of our proprietary purification ecotechnology and the high battery-grade quality of our materials. Samples were tested at NMG's new state-of-the-art laboratory and a third-party mineral R&D center, confirming purity of +99.99%, well above the level required for energy applications.

Through incremental production, we are testing the furnaces' optimal capacity, derisking our commercial operation through informed parallel engineering, and generating battery-grade SPG volumes of up to 2,000 000 tpa.



NMG is also advancing with the deployment of its coating capacity, the last process step needed to complete the Company's graphite-based product range for the EV and renewable energy sectors. After having successfully completed the detailed engineering study for our coating production line, we launched procurement and construction with a view to commission the module in H1-2022.

Phase 2: Scale and performance

Regrouping onsite all beneficiation units, our planned secondary transformation plant is being engineered to produce a wide range of value-added graphite-based materials. The Bécancour Battery Material Plant is designed to receive approximately 60 tpa of flake graphite from our Matawinie Mine, or from alternative third-party sources of supply deemed suitable, to be transformed into approximately 42,000 tpa of anode material, 3,000 tpa of purified flakes and 14,000 tpa of micronized graphite, which represents a valuable process by-product. This modular facility is designed with a capacity to expand as demand increases in battery and specialty markets.

In 2021, NMG purchased a 200,000-m² land in the Bécancour industrial park, adjacent to Olin's facility, to build our integrated manufacturing facility of anode material for lithium-ion batteries. The property presents no environmental limitations for construction. It offers all necessary infrastructure to have a safe and direct pipeline of chemical supply from Olin as well as quick access to rail, port, and road for both importing raw materials and exporting final products throughout North America and Europe.

A Front-End Loading engineering analysis (FEL-1) for this large-scale Battery Material Plant was completed in 2021. The FEL-1 included 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, NMG commenced another Front-End Loading feasibility engineering analysis (FEL-2) and a FEL-3, both lead by engineering firm BBA with the goal to be completed in H1-2022.

42,000 tpa of carbon-neutral anode material

Matawinie Graphite Mine

The Matawinie Graphite Mine is projected to be North America's largest natural graphite operation with a targeted production of 100,000 tpa of high-purity graphite concentrate. The project demonstrates exceptional potential due to its significant high-purity mineral reserve and low-cost operational model. Skilled workforce, high-quality infrastructure, including paved roads and hydroelectricity, as well as the dynamic regional business ecosystem provide us with a robust foundation.

We have launched many initiatives since the deposit discovery to align our project with the realities, concerns, and values of the local community. Through this partnered development, we have adapted the mine operating parameters to the environment, the milieu, and industry-leading best practices.

Phase 1: Mastering our unique metallurgy

In parallel to the techno-economic studies, environmental assessment, engineering, and public consultation associated with the development of the mining project, NMG has been operating a demonstration plant since 2018. The facility – a reduced-scale of our future commercial concentrator – is leveraged to qualify the Company's graphite products and establish a sales record; validate and improve processes for commercial operations; set-up criteria basis for new innovative technologies of tailings management and site restoration; as well as train employees and promote future employment opportunities to local labor.

Several hundred tonnes of graphite concentrate were produced in 2021 from the ore extracted from the Matawinie graphite property with high-purity levels through simple and chemical-light milling and flotation circuits. Production supports commercial discussions for traditional markets and serves as input for NMG's phase-1 battery material operations.

Phase 2: Developing the mine of the future

At NMG, we are dedicated to innovating and creating a modern and novel mining model reflective of our commitment towards sustainable development. In reinventing traditional practices to limit potential impacts and plan beyond the life of mine, we have developed the Matawinie Graphite Mine with environmental and social considerations at the forefront.

Since filing the bankable feasibility study, we have invested time and effort to meticulously plan mining and environmental engineering, mastering the ore metallurgical process to reach 97% purity after simple flotation, de-risking our operation through the demonstration plant, and actively engaging with the local community and the Atikamekw First Nation.

Following a rigorous environmental review and public consultation process, the Québec Government issued in 2021 a ministerial decree authorizing our Matawinie Graphite Mine project for a 100,000-tpa high-purity graphite concentrate production. The decree provides NMG with the final design and operational parameters for our phase 2.

Through an innovative coordination table set up by the Québec Government, we have worked collaboratively with various authorities to prepare the permitting process and facilitate the deployment of construction activities. We started early works in Q2-2021 to prepare the site for the mine industrial platform and build the access road connecting the project to the local highway.

Detailed engineering for the concentrator and mining infrastructure advanced in parallel to optimize facilities, prepare specifications and plans, carry out civil, process, electrifcal, and mechanical engineering, and select equipment. We retained tier-1 supplier Metso Outotec for procurement of the process equipment chain as well as services promoting design and integration efficiencies.

As part of our electrification strategy, we are committed to having both heavy equipment used for mining operations and our ore concentration and processing activities become fully electric within the first five years of production. This operating model, which is projected to be the world's first all-electric open-pit mine, represents a potential reduction of over 300,000 tonnes of CO_2 emissions over the mine's lifespan as well as a significant advantage over peers globally.

WALKING THE TALK ON ELECTRIFICATION

With our access to Québec's legendary clean hydropower and its commitment to serving the cleantech market, NMG has always envisioned developing the Matawinie Graphite Mine with a carbon-neutral footprint.

Since filing NMG's bankable feasibility study on the Matawinie deposit (2018), we have committed to the exclusive use of all-electrical equipment and vehicles as we develop and expand our mining operations. Over the years, we have engaged in active discussions with original equipment manufacturers ("OEMs") to explore technologies, best practices, and operational parameters to bring our all-electric vision to life.

In 2021, we signed a historic agreement with Caterpillar – the world's leading manufacturer of construction and mining equipment – for the development, testing, and deployment of Cat® zero-emission machines for our Matawinie fleet.

Looking to accelerate and tailor the equipment development, Caterpillar interacts with NMG's team to incorporate the voice of customer throughout the process and to test of the zero-emission fleet and infrastructure prior to commercial production.

Graphite extracted with the technologies developed and produced as part of this partnership are likely to ultimately power the equipment, going full circle on extractive operations.

While the mining industry has gradually adopted electric solutions, mainly in underground environments, we are now driving the electric revolution above ground. NMG and Caterpillar are committed to supporting the mining industry's move toward a more sustainable future.

Our electrification efforts promote and call for sustainability throughout our value chain, business ecosystem, and community. We are proud to be acting as a catalyst for zero-emission heavy-duty operations.

Through a collaborative endeavor bringing together research and industry leaders, NMG also participates in a pilot project for the development and testing of electric systems and rapid recharging infrastructure for heavy vehicles adapted to open-pit mining. The initiative leverages expertise and technologies from the Innovative Vehicle Institute, Propulsion Québec and the National Research Council of Canada, in collaboration with Adria Power Systems, Dana TM4, as well as L. Fournier & Fils.

World-Class Deposit Yielding High-Purity Flakes

Following extensive exploration work, NMG 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 these deposits. We retained the Matawinie deposit as a viable project, following dialogue and consultation with local stakeholders, technical and economic studies, and market assessment.

The Matawinie graphite deposit is a world-class deposit with exceptional metallurgy and homogeneity. The property includes 392 mining claims covering 21,750 hectares, in which the Company owns a 100% interest. The Tony Claim Block is located approximately 120 km north of Montréal, Québec, Canada, in Saint-Michel-des-Saints. This block is easily accessible via a new 8-km access road built in 2021 and is close to high-quality infrastructure, including paved roads and high-voltage power lines.

In 2020, NMG updated the pit-constrained mineral resource estimate for its West Zone deposit, located in the Tony Claim Block of its Matawinie Graphite Mine.

PIT-CONSTRAINED MINERAL RESOURCE ESTIMATE FOR THE WEST ZONE[1]

RESOURCE CATEGORY[2]	CURRENT RESOURCE[6] (March 19, 2020)[8]		
	Tonnage (Mt)[5, 7]	Grade (% Cg)[3]	Cg (Mt)
Measured	24.5	4.27	1.05
Indicated	95.8	4.26	4.08
Measured + Indicated[9]	**120.3**	**4.26**	**5.13**
Inferred[4]	4.5	4.43	0.20

1. 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.
2. 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.
3. All analyses used for the Resource Estimates were performed by ALS Minerals Laboratories and delivered as graphitic carbon ("% Cg"), internal analytical code C-IR18.
4. 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.
5. 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.
6. 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.
7. The Current and Previous Mineral Resources are stated at a cut-off grade of 1.78% Cg.
8. 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.
9. 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[1]

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

1. The mineral reserves 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.
2. 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.
3. The cut-off grade for the open pit Mineral Reserves is 2.20 % Cg.
4. Graphite tonnage is based on an average graphite recovery of 94% and concentrate product purity of 97%.
5. 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).
6. 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.

Proprietary Technologies

Graphite sourced from our Matawinie property constitutes a high-purity material to supply energy solutions manufacturers, niche industries and traditional markets. We are developing natural flake graphite concentrate as well as a line of specialty products, ranging from expandable graphite to CSPG, for lithium-ion batteries, energy storage solutions and consumer technology applications such as 5G technologies. As applications diversify, technology is a critical driver in advanced material engineering and manufacturing.

Thanks to our proprietary transformation processes and a license to commercialize Hydro-Québec's battery material technologies, NMG produced 99.99%-pure advanced graphite materials samples. From simple milling and flotation circuits at our phase-1 Matawinie concentrator yielding 97%-pure flakes in a variety of sizes to our proprietary thermochemical purification technology that avoids using hydrofluoric acid in favor of high temperatures and the addition of chlor-based reagent, we have placed clean processes and our products' environmental footprint at the center of our development.

Each step of our value chain has been engineered to enhance the materials' properties and increase potential margins. With planned operations in close proximity, NMG is scheduled to become a low-cost producer with a transparent supply chain for battery producers.

VALUE CHAIN FROM ORE TO ANODE MATERIALS

Matawinie
High-Purity Flakes

CONCENTRATION

Flake Graphite

Bécancour
Value-Added Conversion:
Battery Anode Material
and Speciality Products

SHAPING

Spherical Graphite

PURIFICATION

Spherical Purified Graphite

COATING

Coated Spherical Purified Graphite

Battery

Each step has been engineered to add value and increase potential margins. With planned opreations in close proximity, Nouveau Monde is scheduled to become a low-cost producer with a transparent supply chain for battery producers.

REDUCING THE ENVIRONMENTAL IMPACT OF GRAPHITE PURIFICATION

Graphite is the battery raw material that is currently the most dependent on China. Existing purification processes are energy intensive and require a large quantity of chemicals, particularly hydrofluoric acid, that can have a negative impact on the natural and human environment.

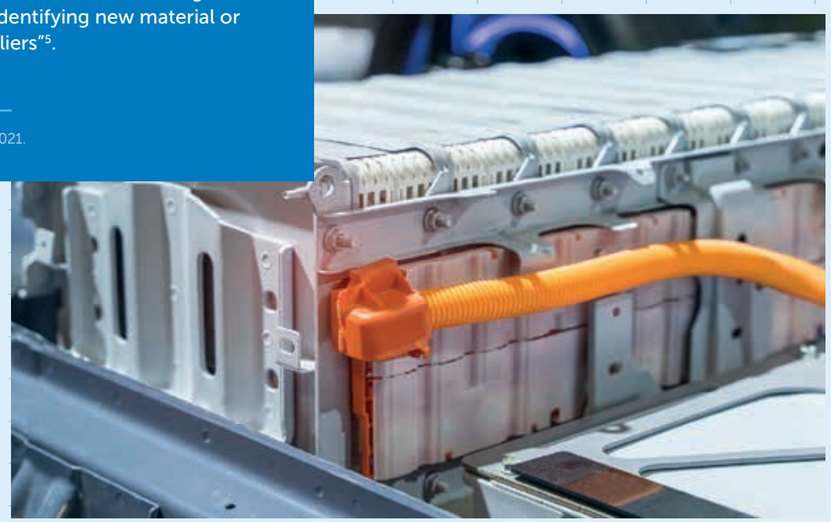
As demonstrated in a recent life-cycle analysis of graphite production led by an independent mining and metal sustainability consultancy, emerging technologies are critical to reducing the footprint and global warming potential ("GWP") of graphite value-added transformation. According to the report, "[t]here are significant opportunities to reduce the environmental impact of anode production by utilizing low-carbon or renewable energy sources, exploring new production routes, minimizing waste products or identifying new material or reagent suppliers"[5].

5 Minviro, July 2021.

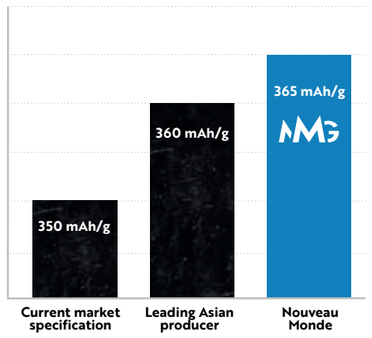
Hence, NMG's proprietary thermochemical purification technology provides an advantageous solution in clean energy regions to decarbonizing the graphite supply chain and helping improve battery life cycle footprint.

This year, we have submitted a patent application for our proprietary thermo-chemical purification technology to the U.S. Patent and Trademark Office as part of our intellectual property strategy.

We are committed to maximizing the reach of this technology to serve the energy transition should the application process be successful.



A technical program on our proprietary coating process with our R&D consortium, internal experts and raw material suppliers demonstrated our superior technologies. Our CSPG was benchmarked against the leading Asian commercial anode material that currently dominates the lithium-ion supply chain. 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 obtained with NMG'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 NMG.



In 2021, we inaugurated our state-of-the-art laboratory, an addition to the NMG's existing quality testing facilities. This expansion was triggered by our commitment to catering to the market's requirements for high-performing and environmentally responsible battery materials that can be tailored to a variety of specifications.

Our dedicated new laboratory facilities provide in-house capacity, flexibility, and speediness in testing advanced materials and specifications for potential customers. They comprise ultramodern equipment covering a range of technical measurements, namely particle size, tapped density, coin cell cycling with full coin cell preparation equipment, ICP trace element analysis, BET specific surface area as well as particle morphology, coating quality and impurity analysis by SEM-EDX.

DEDICATED TO POWERING A CLEANER FUTURE, WE CONTINUALLY SEEK TO ELEVATE THE ENVIRONMENTAL AND ETHICAL DNA OF OUR PRODUCTS.

We maintain a portfolio of R&D projects to advance our line of specialty products based on future market demands and environmental innovations.

We have partnered with Hydro-Québec to research and develop graphite anode material used in lithium-ion batteries. A world-renowned innovation hub, Hydro-Québec's Centre 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 – comprised of over 2,000 patents – and leading-edge facilities provide us with a springboard for technological developments and commercialization activities.

We also signed an important collaboration agreement for the use of Forge Nano's proprietary Atomic Layer Deposition-coating technologies 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.

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

CLOSING THE LOOP

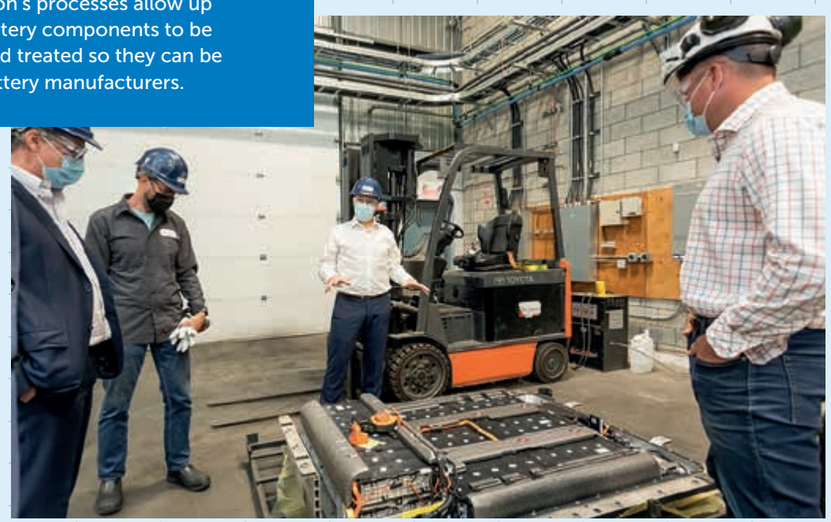
Our commitment to the environment extends to the full lifecycle of our materials and products. We are developing a holistic approach to graphite sourcing and transformation through key partnerships for a green and circular economy.

In June 2021, we signed a collaboration agreement with Lithion Recycling to recover and recycle graphite for reuse as a battery anode material. The partnership leverages NMG's and Lithion's proprietary processes and expertise to promote graphite circularity and better position both companies in the evolving global market. Lithion's processes allow up to 95% of battery components to be recovered and treated so they can be reused by battery manufacturers.

"Recycling battery materials is an essential component in the development of tomorrow's sustainable economy. Ultimately, the goal is to insert an increasing percentage of recycled material into our transformation process and potentially increase our overall production capacity to offer more sustainable solutions" – explains Eric Desaulniers, Founder, President, and CEO of NMG.

Battery materials recycling is a critical lever for global decarbonization. Recycling could provide a secure secondary supply of materials to help meet the projected demand growth while improving the environmental footprint of anode material production.

Through our partnerships, we are creating synergy with other industries in line with the circular economy approach.



Clean Hydropower

Québec's clean, affordable, and abundant hydroelectricity provides a attractive framework for our sustainable development. By leveraging this renewable energy, we are set to become the world's first all-electric open-pit mine to extract and transform carbon-neutral graphite materials.

We are committed to adopting clean energy sources and technologies at every level of the Company as they become available, from our mining fleet to our manufacturing equipment.

NMG mandated Hydro-Québec – the state-owned corporation that produces, transports, and delivers power in the province – to develop, install, and operate a dedicated 120-kV electrical line to supply the Matawinie Graphite Mine enabling the full electrification of our operations and helping meet our carbon-neutrality target.

Our Bécancour operations are also supported by Hydro-Québec's network via existing infrastructure.

HYDRO-QUÉBEC GENERATES MORE THAN 99% OF ITS ELECTRICITY FROM WATER, A SOURCE OF CLEAN, RENEWABLE ENERGY.

Market Dynamics

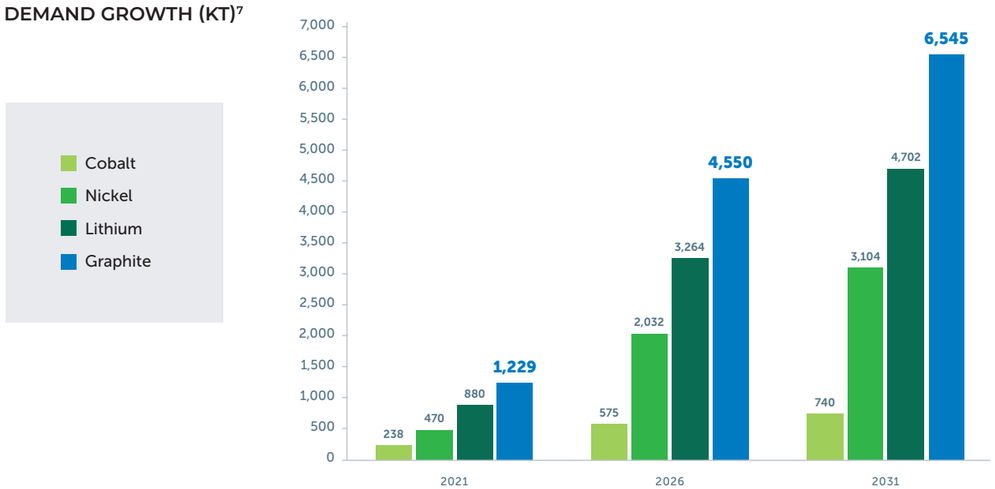
Demand for batteries is increasing as governments invest in stimulus packages, civil society strives to reduce carbon emissions, consumers embrace cleaner technologies and electric vehicle costs tumble. With a 10-year CAGR of 29% for electric vehicles and 41% for stationary energy storage solutions[6], the development of the battery supply chain is progressing at an accelerated pace to meet demand.

At the end of 2021, 261 battery gigafactories were in the pipeline for a combined capacity of ~4,920 Gwh by 2030. The impressive figures, representing a 63% year-over-year increase, continue to add pressure on the raw materials supply chain.

Graphite demand is projected to reach over 500% growth through 2031, outpacing all other battery metals[7]. In fact, Benchmark Mineral Intelligence forecasts that demand for natural graphite will exceed supply, creating a deficit market starting in 2023.

Battery manufacturers have to date sought to blend synthetic and natural materials in their technologies. Synthetic graphite, produced from oil-derived feedstock, had been the dominant anode material because natural flake graphite was not able to match its performance characteristics. However, advanced engineered active anode materials developed by technological breakthroughs have improved cycle life, energy density and product consistency of the graphite composite.

BATTERY RAW MATERIAL DEMAND GROWTH (KT)[7]



6 Benchmark Mineral Intelligence, 2021.
7 Benchmark Mineral Intelligence, February 2022.

Indeed, latest market trends point to a clear increase of natural graphite content due to its environmental footprint, cost, capacity, and supply chain changing dynamics[8]. This technological transition represents an opportunity for NMG as it has the potential to provide the battery-grade quality, scaled production, and carbon-neutrality promise to the market.

As demand continues to rise, analysts evaluate that the supply of battery materials is likely to remain constrained and prices to stay high. In fact, the end of 2021 saw an increase in graphite prices as a result of energy shortages in some Chinese provinces and major logistics disruptions[9].

Production and Trade

Western economies have been dependent on imports to source the materials critical to the electrification and energy transition.

Graphite is currently mined in China (73%), Brazil (11%), Africa (6%), India (3%), and Canada (2%)[10], but purchasing of this supply and advanced manufacturing for battery materials is currently concentrated in Asia. In fact, graphite is the most controlled battery material with China controlling more than 95% of the spherical graphite production to supply the EV and battery markets.

As the Western World aspires to cut its reliance on China and develop its own value chains, both the European Union and the U.S. have declared graphite a critical mineral.

Canada is in a unique position as the only country on the American continent to have all the minerals needed to manufacture EV batteries. A tier-1 mining powerhouse, the country is recognized as a stable jurisdiction with a strong business environment, a vibrant R&D ecosystem, talented workforce, and ESG-focused policies. Complementary to its own Minerals and Metals Plan, Canada inked strategic partnerships with the European Union and the U.S. to secure supply chains for critical minerals.

In line with their electrification strategy, both the Québec and Canadian governments are also investing in cleantech to develop a local and electric industrial hub focusing on batteries, heavy vehicles and specialty applications. NMG is contributing to the development of this supply chain through its integrated mine-to-battery-material production.

While some governments have hinted at local procurement requirements as part of the development of their electric economy, NMG considers the risk implications to be moderate in its market segment as potential new regulation will likely have to recognize

8 Fastmarkets, January 2022.
9 Roskill, October 2021.
10 US Geological Survey, January 2021.

the limited sources of graphite-based materials. Industry-leading manufacturers have already voiced their challenges in securing ex-China supplies[11].

From sourcing materials to securing long-term contracts and moving the different components across continents and oceans, supply chains proved to be a limiting factor this year. Logistics disruptions and surging costs have manufacturers rethinking their production strategy. Location, location, location has never been so critical. The pandemic has exacerbated the need for local sources and easy logistics or else, production altogether could be halted as demonstrated by the global semiconductor shortage.

At the intersection of North America and Europe, NMG is ideally positioned to offer a local alternative to China-controlled graphite supply, with a carbon-neutral footprint, full traceability, and a premier logistical base.

Products DNA

Concurrently to exponential demand, there is increased emphasis in the market on products' carbon footprint and full lifecycle to cater to consumers' green expectations and governments' more stringent environmental regulations. Traceability, carbon neutrality and integration of recycled materials are among the new market expectations.

NMG recognizes the opportunity associated with these changing dynamics and is developing its product portfolio, technologies, and partnerships accordingly.

In 2021, we committed to past, present, and future carbon neutrality thanks to the environmentally focused design of our projects and processes, historical compensation of our emissions, and a climate action strategy. We have also advanced R&D and joined key collaboration platforms to elevate our products' DNA.

While much progress has been made on recycling processes for cathode metals (lithium, cobalt, nickel, and manganese), anode recovery remains to be developed to a similar level. Hence, NMG has embarked on research and industrial partnerships to advance the recovery and value-added transformation of recycled graphite for reuse as anode material for lithium-ion batteries. We promote graphite circularity with the objective of increasing the amount of recycled graphite to integrate into our anode material manufacturing and further improve the environmental footprint of batteries.

11 CNBC, December 2, 2021.

SHAPING A SUSTAINABLE, RESPONSIBLE, AND CIRCULAR BATTERY VALUE CHAIN

A World Economic Forum's initiative, the Global Battery Alliance ("GBA") is striving to establish a circular and sustainable battery value chain through public-private leadership and partnerships.

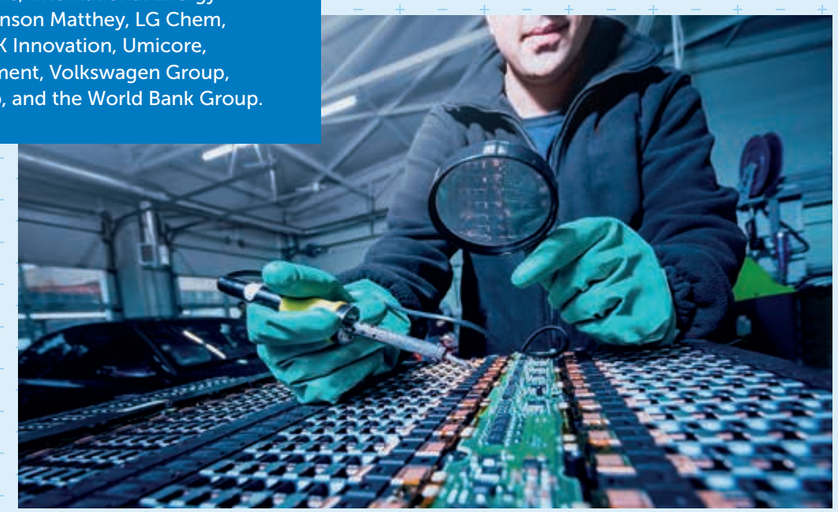
In 2021, NMG was admitted as an active member of the GBA, being one of the first battery materials producers. We joined battery manufacturers, automakers, technology companies, governments, and international organizations to advance the GBA's flagship initiatives and taskforces targeting the sustainable development of the battery ecosystem.

Members of the GBA include the Alliance for Responsible Mining, BMW Group, Google, Groupe Renault, Honda Motors, International Energy Agency, Johnson Matthey, LG Chem, Microsoft, SK Innovation, Umicore, UN Environment, Volkswagen Group, Volvo Group, and the World Bank Group.

Even before our admission to the GBA, NMG had joined a pioneering project to implement traceability of the mining and battery materials industries in Québec. In collaboration with Propulsion Québec, OPTEL Group, and the International Reference Center for Life Cycle of Products, Services, and Systems (CIRAIG), we are establishing traceability by mapping and documenting NMG's graphite supply chain with detailed data on chemistry, ESG factors, GHG footprint, logistics, etc.

Recipient of a grant from the Government of Québec, the project is affiliated with the GBA to inform global standards on battery identity and reporting criteria for sustainable and transparent battery production.

The Battery Passport is set to become the dominant norm attesting to the environmental and social compliance of a battery throughout its value chain. NMG is ideally positioned to drive the implementation of the GBA's Battery Passport principles, guaranteeing the traceability and sustainability of our strategic minerals.



Our Commercial Strategy

NMG's materials provide solutions for a wide range of applications and industries thanks to the high purity of Matawinie's natural graphite, the optimal distribution of flake sizes and the Company's proprietary technologies for advanced manufacturing. Hence, our materials are customizable to meet the specifications of every client for optimal performance, catering to three main market segments:

ENERGY STORAGE

» lithium-ion batteries, fuel cell technologies

REFRACTORY AND TRADITIONAL INDUSTRIES

» crucibles, high-temperature lubricants, carbon additives, alloys, etc.

NICHE PRODUCTS

» engineered materials, intumescent applications, thermal diffusers, nuclear reactors, insulation, etc.

As part of our marketing and commercialization program, NMG is actively engaged with tier-1 EV and battery manufacturers in our efforts to negotiate a long-term cornerstone supply agreement. Thus far, these manufacturers, with whom the Company is engaged in commercial discussions and/or have signed memorandums of understanding and confidentiality agreements, represent a total projected yearly production capacity of approximately 1 TWh by 2030.

Europe constitutes a prime market for the battery segment due to its EV booming industry, strict environmental regulations, and infrastructure development programs supporting electrification. With commercial discussions intensifying with European automakers for NMG's battery anode material, the Company opened a London-based sales office in 2020 to readily respond to the growing enquiries from local customers and stakeholders.

NMG's phase-1 operations support technical marketing and product qualification efforts in the lithium-ion battery, traditional and niche sectors. Samples have been and continue to be provided to potential customers as part of sales discussions.

In addition, the Company has already entered into a binding offtake and joint marketing agreement with Traxys for flake graphite concentrate from the Matawinie Graphite Mine. Traxys markets flake graphite concentrate from our phase-1 operation for customer product prequalification purposes, and for each of the first five years of the phase-2 commercial production, 25,000 tonnes of flake graphite product will be sold through Traxys. Traxys will have the exclusive right to market, distribute and resell the flake graphite products to its customer base.

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.

OUR DNA

Members of the Board of Directors tour the phase-1 Matawinie mining infrastructure during a two-day site visit in fall of 2021.

We are Nouveau Monde Graphite; an ESG-minded company working to re-imagine the traditional practices of the mining sector and the technologies underpinning battery material manufacturing to supply international markets in the push toward decarbonization.

We are committed to a holistic approach to managing our business strategy, operations, and relationships. Through robust governance, a mobilized and diverse team as well as our resolute sustainability compass, we are advancing our projects' development and corporate growth.

Governance

An international collective of business executives with a wealth of expertise and experiences in the fields of business management, health and safety, finance, intellectual property, mining and technology development, among others, constitutes our Board of Directors.

The Board oversees the business conduct of NMG and management's responsibilities for the day-to-day operations and corporate development. NMG maintains high standards of integrity and accountability and seeks to mitigate risks while remaining mindful of our stakeholders' interests when executing its business strategy.

A total of four Board meetings were held in 2021, plus 22 committee sessions, including four Audit Committee meetings. In addition, directors took part in a special two-day site visit to see the Company's facilities, interact with employees and better grasp the environmental, social and technological realities of each project.

Board Composition and Structure

The Board of Directors is currently comprised of nine directors, six of whom are independent. Directors are elected on a yearly basis at the Company's Annual General Meeting of Shareholders.

1 **Arne H Frandsen**
Chair

2 **Daniel Buron**
Lead Independent Director

3 **Eric Desaulniers**
Director

4 **Nathalie Jodoin**
Director

5 **Jürgen Köhler**
Director

6 **Yannick Beaulieu**
Director

7 **Nathalie Pilon**
Director

8 **James Scarlett**
Director

9 **Andrew Willis**
Director

NMG recognizes that a diverse and inclusive environment that values the diversity of thought, background, skills, and experience facilitates a broader exchange of perspectives and improves oversight, decision-making and governance in the best interests of the Company. Diversity enriches discussions and better reflects the Company's relationship with its employees, shareholders, business partners and other stakeholders.

The Human Resources, Nominating and Compensation Committee, which is responsible for recommending director nominees to the Board, seeks to attract high-quality directors. In assessing potential candidates, the Committee considers their merit based on a balance of skills, abilities, personal qualities, educational qualifications, and professional experience.

CORPORATE GOVERNANCE LAYS A STRONG FRAMEWORK OF ETHICS, OVERSIGHT, STRUCTURE, AND ACCOUNTABILITY THAT IS REFLECTED ON ALL ASPECTS OF OUR BUSINESS.

In an effort to strengthen our governance practices to reflect the Company's growing operations, the Board of Directors revised its structure this year and adopted new charters to define clear mandates for each committee.

- **The Audit Committee** assists the Board in its oversight of the integrity of the financial statements and financial reporting process, the appointment and performance of the external auditor, compliance with applicable legal and regulatory requirements, disclosure and internal controls as well as risk management processes. The Audit Committee also provides an avenue for communication between the external auditor, management, and other employees of the Company, as well as the Board, concerning accounting and auditing matters.
- **The Human Resources, Nominating and Compensation Committee** supports the Board in relation to the compensation and retention of key senior management employees having the skills and expertise needed to enable the Company to achieve its goals and strategies at a fair and competitive compensation.
- **The Governance, Compliance and Legal Committee** is responsible for the review, development and implementation of effective corporate governance policies and the compliance with legal and regulatory obligations.
- **The Safety, Health and Well-Being Committee** provides corporate direction to, monitors and reviews health and safety, well-being, security and other management systems, policies and programs, and targets to assist the Board of Directors in overseeing the Company's performance in these areas.
- **The Projects and Development Committee** works closely with management and oversees the development and construction plans related to its mining and industrial projects. It serves as an "advisory counsel" regarding technical matters and economic considerations related to the Company's projects.
- **The ESG, Community, Sustainability and Diversity Committee** oversees the Company's initiatives and approach to matters related to diversity, equality and inclusion, environment, human rights, community, stakeholder and indigenous people relations, sustainable development, including local employment and procurement, socioeconomic development and social impact mitigation, transparency and communication related to sustainability matters and government relations. It reviews the Company's material reports pertaining to ESG performance.

Leadership in Action

We recognize the value of good corporate governance and the need to adopt best practices in terms of social, economic, and environmental responsibility. Directors are committed to our principles of sustainability and ethics, and act in respect with our corporate values, our Zero-Harm Philosophy, and our Code of Conduct to guide the disciplined development of our business.

As NMG grows, we are implementing policies and practices to strengthen our commitment towards transparency, fairness, and equality. Recent governance principles, policies, and programs adopted include:

- Health and Safety Policy
- Commitment to the Paris Agreement and the UN 2030 SDGs
- Whistleblowing Policy
- Anti-Bribery and Anti-Corruption Policy
- Carbon neutrality commitment for past, present and future emissions[12]
- Diversity policies at the Board and Company levels
- Disclosure Policy
- ESG Report as per GRI and SABS internationally recognized disclosure standards

12 For GHG emissions of scope 1 and 2, with a portion of scope 3.

Management

To steer our development, we have recruited talented leaders with distinctive skillsets, management qualities and a shared sense of enthusiasm toward our vision. They work on a daily basis to empower our team in advancing our projects, improving our practices and exploring new opportunities.

1 **Eric Desaulniers**
Founder, President & Chief Executive Officer

2 **Bernard Perron**
Chief Operating Officer

3 **Charles-Olivier Tarte**
Chief Financial Officer

4 **David Torralbo**
Chief Legal Officer & Corporate Secretary

5 **Julie Paquet**
Vice President, Communications & ESG Strategy

6 **Martine Paradis**
Vice President, Engineering, Environment & Matawinie Project

7 **Patrice Boulanger**
Vice President, Sales, Marketing & Business Development

8 **Alain Breton**
Senior Vice President, Projects & PMO

9 **Alain Dorval**
Vice President, Process & Metallurgy

10 **Philippe Legault**
Vice President, Human Resources

Team Nouveau Monde

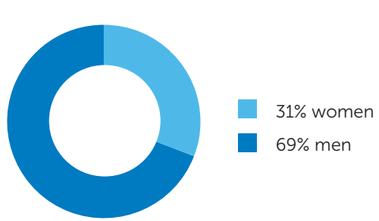
From plant operations and R&D to administration, environmental monitoring, and engineering, our team weaves diverse knowledge, capabilities, and profiles to drive our operations forward. We consider our employees to be our greatest asset because they help advance our projects, bolster innovation, and elevate our vision.

Year over year, we continue to grow by supporting training and internships, expanding employees' responsibilities and opportunities, promoting from within, and recruiting new talents. At the end of 2021, 88 employees were part of Team Nouveau Monde.

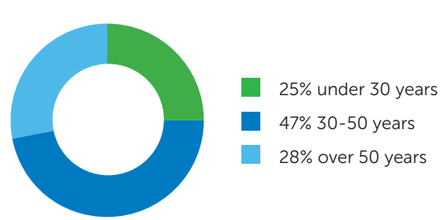
Workforce Profile

We regard diversity as an important driver of strategy, creative thinking, and business performance. We promote local and First Nations recruitment opportunities to maximize benefits within our communities and strive to ensure representation of our milieu. We also look for alignment of personal qualities and professional ethics with our company values and culture as a lever of engagement and growth.

Percentage of Employees by Gender



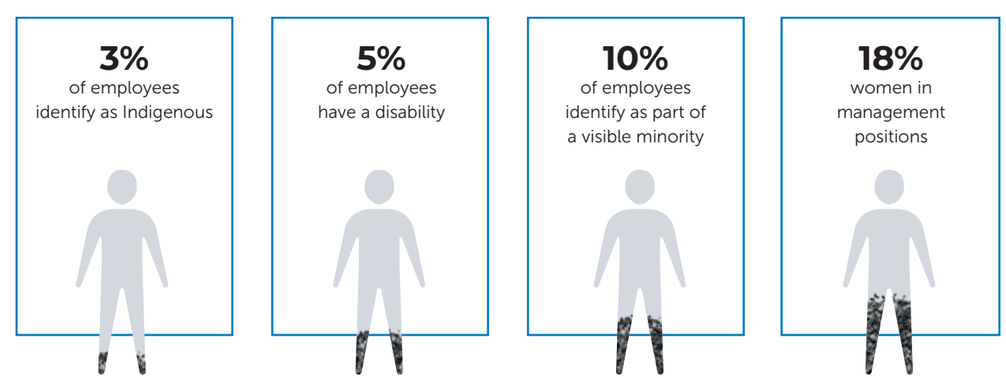
Percentage of Employees by Age Group



While NMG performs above the Canadian industry average[13] in regard to gender representation (15% of female workers in the mining sector), we recognize that additional efforts are required to facilitate the attraction, inclusion and retention of women. Our administrative positions are better balanced (31% men / 69% women) than operational positions (80% men / 20% women) at our production facilities and management levels (82% men / 18% women). These sectors will be prioritized in the deployment of our diversity and inclusion initiatives.

Following the adoption of our Diversity Policy and our initial data collection via employees' self-declaration, we look to identify new courses of action to enhance attraction factors, social infrastructure in our communities, employee training on key inclusion concepts, career pathways, and strategic partnerships with educational, industrial, and socioeconomic associations. We also intend to pursue our awareness and engagement initiatives, and closely monitor key indicators.

Some key indicators of our team's diversity



13 Canadian Mining Association, 2020 Report with data from the Mining Industry Human Resources Council.

GATHERED AROUND A COMMON VISION

In the spirit of teambuilding, we hold annual Company-wide training events. These activities focus on specific themes to provide training on strategic topics, from health and safety to teamwork, and align efforts across the Company. They also offer a unique opportunity for our employees, normally evolving in a multi-site context, to come together, learn about other fields of activities and celebrate key milestones.

In 2021, Team Nouveau Monde gathered for a special two-day event dedicated to ESG. Under the theme of sustainable development, we talked about our business strategy, self-achievement, ESG concepts, and the history of First Nations.

Through conferences, presentations and workshops, employees engaged with leadership, guest speakers and each other to advance their understanding of this key concept. Employees also pitched their ideas for advancing our sustainable practices, from non-disposable personal protection equipment to employer-employee savings plan that matches individual social and environmental actions.

Team Nouveau Monde was also treated to a night of entertainment and cultural immersion with a live musical performance from Reginald Echaquan. We all enjoyed learning more about the Atikamekw culture through his songs and stories.

Activities such as this contribute to fostering a culture of inclusion, innovation, and unity.

Attracting and Nurturing Talents

In building a performing team, NMG is committed to promoting equal opportunity and employment through local training opportunities and recruitment efforts, as well as adapted career management efforts like internships, coaching, continuous learning, and internal promotions.

We have launched initiatives to train and hire local workers to facilitate employment and bolster our communities' socioeconomic fabric. NMG has led the implementation of a professional vocational studies program in production equipment operation in collaboration with the school board and a wood product company. The program supports reskilling of the local workforce ahead of our commercial operations at the Matawinie Graphite Mine. Since its launch in 2020, this on-the-job training program has welcomed five cohorts, leading graduates to a diploma and an operator position at our phase-1 ore concentrator plant. A sixth cohort is scheduled to be launched in March 2022; interest in the region could support multiple cohorts.

A sociovocational integration program for members of the Atikamekw communities – initially scheduled to start in the spring of 2020 – is planned to reinforce the employability of Indigenous workers. Program enrollments have resumed now that the pandemic situation has stabilized, with the objective to start in 2022.

As we advance the Matawinie Graphite Mine and the Bécancour Battery Material Plant, recruitment of key personnel continues both at the operational and corporate levels; 25 new jobs were created in 2021.

We are invested in the well-being and professional development of our workforce. Tele-medicine services, training, performance reviews, flexible working hours for corporate positions, and accommodations for work-study alternation are embedded in our practices.

NMG recognizes that attraction, engagement, and retention of human capital pose challenges in today's tight labor market and may constitute an obstacle to companies' success and growth. Hence, we have and continue to position NMG as an employer of choice and a purpose-driven company in our communities, industries, and academic circles. Thus far, our distinctive mission, culture and leadership, along with our training programs, have helped us attract quality candidates. We strive to maintain open communications, a positive work environment and opportunities for personal and professional well-being at the center of our employee experience.

Health and Safety

Safety – that of our employees, contractors, families, communities, and the environment – is paramount. Our Zero-Harm Philosophy underpins our activities and decision-making enabling a shared responsibility framework for optimum awareness, prevention, and action. It guides our decisions, behaviors, policies, and operations to safeguard our people, our communities, and our environment's well-being.

We seek to prevent, minimize, and manage occupational health and safety risks at every level of our operations. As such, we have implemented dedicated measures at each site and facility, which are regularly reviewed and adapted to reflect the changing nature of operations and seasons. Measures include onsite workshops and training for operators, as well as third-party risk assessment with public health authorities.

2021 performance indicators

- **2.61 Occupational Safety and Health Administration ("OSHA") recordable incident rate**
- **1 minor incident at our contractors' operations supporting the construction of our facilities**
- **2,210 hours of training on health and safety**

In relation to the COVID-19 pandemic, NMG has implemented preventive measures and strict work protocols to provide a safe environment for our employees, contractors, and communities. We continuously track public health directives and adapt work procedures accordingly.

We intend to continue focusing on health and safety as we transition from development to construction, commissioning, and commercial production.

Sustainability

We understand the responsibility and unique privilege of developing a large-scale mineral resource. In partnership with our communities and key stakeholders, 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.

SUSTAINABILITY KNOWS NO COMPETITION NOR BOUNDARIES. WE ARE BOLSTERING COLLABORATION ACROSS OUR SECTOR AND BEYOND.

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.

In recognizing the finite nature of graphite, we plan to responsibly develop and operate our projects while limiting our environmental footprint, maximizing our products' contribution to decarbonization efforts, and seeking opportunities to foster a circular economy.

ESG principles are embedded in our business model. Feedback from stakeholders and our materiality assessment[14] inform our decisions, initiatives, and priorities to guide the Company's future performance and growth.

Partnered Development

We strive to develop business activities that are supported by our communities and contribute to the overall development and advancement of the areas where we operate. From the early exploration days, we engaged extensively with local communities, recognizing that the interests and concerns of stakeholders are essential to the success of our projects and the creation of shared value.

As we build and advance the Matawinie Graphite Mine, we remain committed to our stakeholder engagement via our community office, public communication platforms, our Monitoring Committee, environmental protocols, and social responsibility program to ensure local communities are consulted early and often throughout the development process. The exchange of local knowledge and feedback allows us to enhance our plans for the region's economic, social, and environmental benefits.

14 See 2020 Annual Report for materiality matrix; an updated assessment has been conducted and will be released in our 2021 ESG Report.

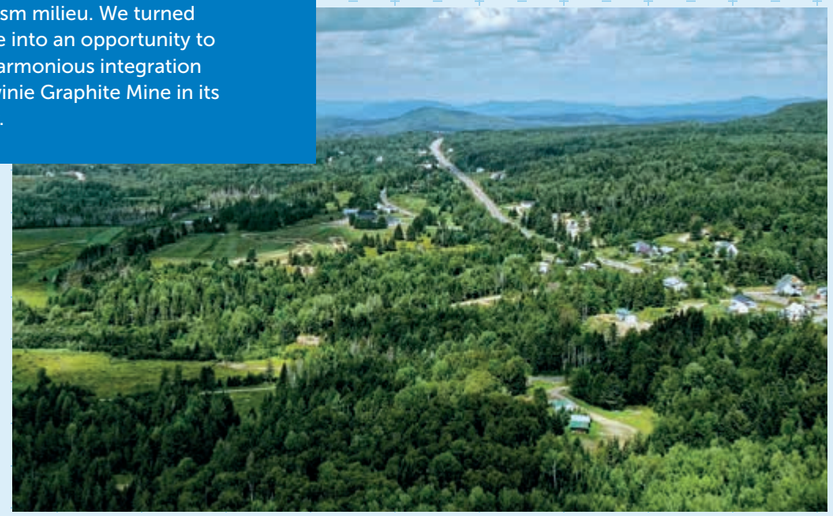
NEW PATHS TO ENRICH A LIVELY RECREATIONAL REGION

When discussing our early plans with the community, a valid concern emerged regarding the potential impacts of the mining project on the nearing sector and the tourism milieu. We turned the challenge into an opportunity to ensure the harmonious integration of the Matawinie Graphite Mine in its environment.

We imagined a territory integration plan aiming at enhancing the area around the Matawinie Graphite Mine site and improving the region's tourism and educational offer. The plans include 35 km of multi-use trails, a graphite interpretation center with industrial tours, a lookout point to observe the mining site, a cultural café, and the improvement of spaces near the project.

We created a non-profit organization, Espace nature Haute-Matawinie, to ensure the deployment of recreational and outdoor spaces.

Together with our community, we aspire to build a unique mining project in tune with our stakeholders and benefiting its milieu.



NMG signed a collaboration and benefit-sharing agreement with the municipality of Saint-Michel-des-Saints, which will cover the entire duration of the Matawinie Graphite Mine's commercial operation. This agreement includes concrete actions for training, employment, and business opportunities tailored to address local stakeholders' requests. NMG will also contribute to the Community of the Future Fund, which will serve as a catalyst for structuring projects with a social, economic, and environmental impact in the region to promote economic sustainability and community vitality beyond the mine's operating period.

Our promise of open and proactive engagement also extends to our Bécancour Battery Material Plant where we are making progress in terms of project development and preparing community outreach activities. The proud industrial heritage of this region, robust infrastructure, and established partnerships should facilitate NMG's arrival and integration within the community.

NMG is committed to continuing its tradition of listening and responding to community concerns and needs, creating well-paying jobs for the local communities, being a leader in environmental stewardship, and investing in the region and province through tax generation and the purchase of goods and services.

Indigenous Engagement

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

The Matawinie Graphite Mine is located on the municipal territory of Saint-Michel-des-Saints, situated in the large traditional Atikamekw Indigenous region, the Nitaskinan. The mining site is located 85 km from the Manawan First Nation community.

We have consulted and continue to engage with the Atikamekw First Nation in the Manawan community and with the Band Council through the Conseil de la Nation Atikamekw in the development of our mining project.

NMG signed a framework agreement (2018) and a pre-development agreement (2019) with the Atikamekw First Nation. We are actively progressing towards the elaboration of the impact and benefit agreement for the commercial phase of our mining project to maximize opportunities.

Beyond these commitments, a spirit of partnership is reflected in our many current and future initiatives to optimize local opportunities. For instance, our practices favor local training, employment, and procurement, as we want to help bolster the region's socioeconomic fabric.

The Bécancour Battery Material Plan is located on Ndakinna, the traditional Abenaki Indigenous territory, 5 km from the Wôlinak First Nation reserve. As we advance to phase-2 development of the plant (phase-1 being located on a third-party facility), we are committed to engaging with the Wôlinak First Nation to learn about its heritage, interests, and culture, and to foster a mutually beneficial relationship that could inform our business operations.

We are committed to improving First Nations participation in our projects and promoting a shared perspective within the Company and our communities.

Environmental Stewardship

In line with our Zero-Harm Philosophy, we are developing our projects to extract and transform natural graphite with the environment in mind. NMG conducts its business while striving to preserve our ecosystems, reduce our environmental impact, and maximize our products' contribution to the clean energy transition.

Our commitment to high environmental standards extends beyond our compliance with regulations; through design, processes, operations, and partnerships, we look for innovative solutions to advance stewardship and best practices in our sector.

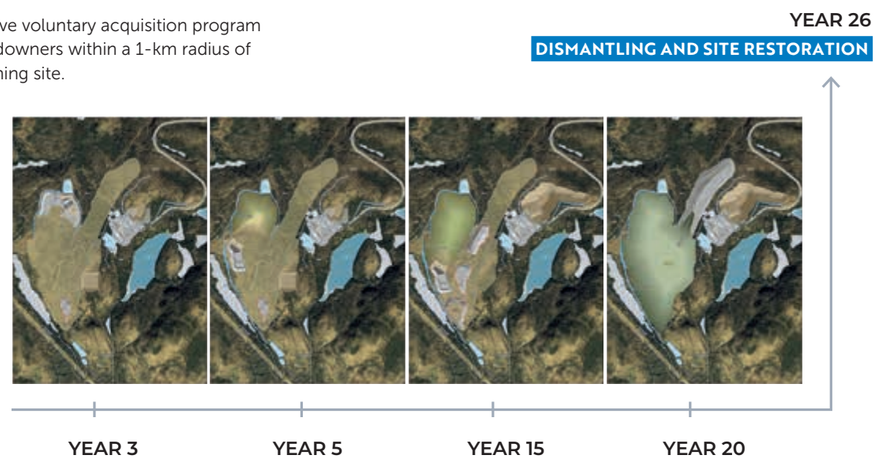
WE ARE PROUD OF OUR ENVIRONMENTAL TRACK RECORD AND CONTINUALLY STRIVE TO PREVENT INCIDENTS.

This year again, we had no major environmental incidents as per GRI's definition. Through our work protocols, continuous monitoring and environmental program, we responsibly conducted our operations and worked to diligently address and mitigate any minor incident at our sites.

Responsible mining

Dedicated to stringent sustainable development standards, we integrated forward-looking and innovative environmental initiatives to limit the Matawinie Graphite Mine's potential impact on the natural and human milieu:

- integrated onsite water management system ensuring constant monitoring and treatment that meet high-quality standards;
- desulphurization, dry-stacking, and 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 – what is projected to be a world's first for open-pit mining – powered by Québec's clean, abundant, and affordable hydroelectricity;
- territory integration plan to enhance the area around the mining site and improve the region's tourism and educational offer;
- proactive voluntary acquisition program for landowners within a 1-km radius of the mining site.



Climate action

Our commitment to the environment extends to the full lifecycle of our materials and products. By leveraging Québec's renewable hydropower and our proprietary processes, we plan to produce carbon-neutral graphite-based solutions.

In 2021, we initiated our climate strategy to help keep global warming to 1.5°C by 2050 as outlined in the Paris Agreement. Our aim is to maintain carbon neutrality for our scope 1, scope 2, and a portion of our scope 3 GHG emissions, with a view to Net Zero by 2030.

As part of this plan, we have compensated for our entire historical emissions since our inception (in 2012), utilizing carbon credits in compliance with the Canadian Standards Association Clean Projects Registry.

We are implementing transparent and proactive emission monitoring and disclosure to ensure accountability. We are also promoting continuous improvement at both the operational and corporate levels to reduce our footprint at every step of our value chain. And at last, we are advancing our R&D program to optimize our products' DNA.

OUR CLIMATE ACTION PLAN MAPS OUR TRANSITION FROM A CARBON-NEUTRAL PRODUCTION TO A NET-ZERO BUSINESS MODEL, FROM ORE TO BATTERY MATERIALS.

ON OUR WAY TO NET ZERO

For the energy transition to be clean and sustainable, the minerals that power it must be mined and processed responsibly.

At NMG, we recognize that the emissions associated with our activities add to global anthropogenic emissions and increase the pressure on our climate.

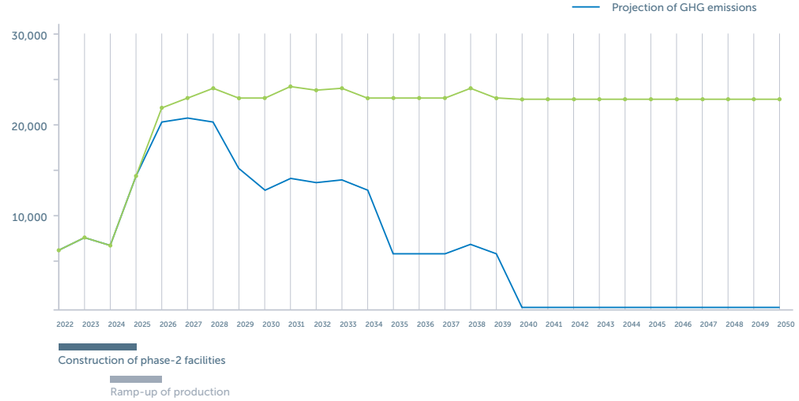
As such, we are acting now, with swiftness, intention, and precision, to provide the market with high-quality battery materials with a carbon-neutral footprint.

Our Climate Action Plan guides our transition to our Net Zero target by tracking, reducing, and offsetting our carbon impact at every level: from operations and corporate activities to product design, manufacturing, and lifecycle.

Our plan helps decrease the need and financial risks associated with carbon credits through our use of renewable energies, strategies of reduction at the source and the development of offset projects with a focus on nature-based solutions.

A cleaner future for people, the planet, and prosperity is ours to build, by committing and acting toward its creation.

Projected emissions curve as our operations are deployed



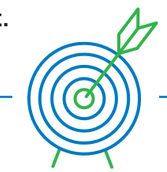
Following the issuance of our ESG Report, we sought independent assessment of our sustainability efforts. NMG received the second-highest grade on the Sustainability Rating scale – A2 "Robust" – from Moody's ESG Solutions. In its opinion, Moody's highlighted the integration of ESG factors in our strategy, operations, and risk management, and our robust performance on issues related to reputation and legal security. Moody's also noted NMG's "outstanding efforts to promote health and safety of direct and indirect workforce, advanced management of impacts on biodiversity, as well as advanced promotion of the involvement of local communities and local economy."[15]

Accountability

We have mapped an incremental plan to create shared value and generate positive returns in line with our commitments, our Sustainability Policy, and the United Nations' SDGs. Accordingly, we made significant progress in 2021 to establish a first-class approach to ESG and transparent disclosure.

We published our inaugural ESG Report documenting our managerial approach to addressing material topics and highlighting significant sustainability milestones and indicators. On a foundation of accountability, the Company is committed to engaging in this transparency exercise yearly to provide stakeholders with a comprehensive set of data on its ESG performance.

Expanded disclosure on NMG's progress on its Sustainability Action Plan, its managerial approach to addressing material topics, as well as its environmental, social, and economic performance as per GRI and SABS standards will be available in the Company's 2021 ESG Report.



15 Moody's, Opinion on sustainability – Nouveau Monde Graphite, December 2021.

PERFORMANCE

Corporate Development

Capital Structure

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

- Pallinghurst
- Investissement Québec, acting as mandatary for the Government of Québec

In 2021, NMG was admitted to the NYSE as part of its strategy to list the Company's common shares on a major U.S. stock exchange. As the world's largest and most important capital market, the NYSE provides a platform for NMG to enhance its global visibility and align its investor base with that of its targeted customers.

In connection with the listing process, NMG consolidated the Company's common shares (10:1) following approval at a special meeting of shareholders.

We maintain active engagement with investors and analysts through one-on-one meetings, conferences, site tours, investment events, and briefings to ensure that our business strategy and ESG approach are well communicated.

Financial Levers

Throughout the year, NMG secured grants and financing transactions to fund our development despite the continued economic turbulences associated with the pandemic, a testament to our continued shareholders' support, forward-looking business model, robust economics, and project developments.

Highlights include:

CLOSING OF AN OVERSUBSCRIBED BOUGHT DEAL PUBLIC OFFERING OF
$17.25 million.

SUCCESSFUL CLOSING OF A
$5.8 million
PRIVATE PLACEMENT OFFERING WITH NMG'S MAIN SHAREHOLDERS, INVESTISSEMENT QUÉBEC AND PALLINGHURST, SHOWING STRONG ONGOING SUPPORT.

CLOSING OF AN
$18.3 million
PRIVATE PLACEMENT WITH INVESTISSEMENT QUÉBEC, ACTING AS MANDATARY FOR THE GOVERNMENT OF QUÉBEC.

STRENGTHENING OF NMG'S BALANCE SHEET WITH A
$16.5 million
CASH INVESTMENT BY PALLINGHURST SHAREHOLDERS FOLLOWING THE EXERCISE OF WARRANTS.

CLOSING OF
US$59.4 million
PUBLIC OFFERING OF COMMON SHARES IN THE UNITED STATES AND CANADA.

RENEWED SUPPORT FROM PALLINGHURST THROUGH THE CONVERSION OF A SECURED CONVERTIBLE BOND IN THE PRINCIPAL AMOUNT OF
$15 million
TO COMMON SHARES OF THE COMPANY.

Capital allocation emphasized on the advancement of our projects through engineering, procurement of key equipment and construction; R&D for the development of new processes and products; as well as corporate expenses to support our growth.

Financial Results

Letter from the Independent Auditor

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Nouveau Monde Graphite Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Nouveau Monde Graphite Inc. and its subsidiaries (together, the Company) as of December 31, 2021 and 2020, and the related consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the Company believes that without additional funding, it does not have sufficient liquidity to pursue its planned expenditures over the next twelve months. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP[16]

Montréal, Canada
March 23, 2022

We have served as the Company's auditor since 2017.

16 CPA auditor, CA, public accountancy permit No. A123642

Financial Statements

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020
(Expressed in thousands of Canadian dollars, except where otherwise indicated)

Consolidated Statements of Financial Position

	Notes	December 31, 2021	December 31, 2020
		$	$
ASSETS			
CURRENT			
Cash		62,355	4,520
Grants receivable and other current assets	10	3,096	829
Restricted cash		–	158
Sales taxes receivable		2,002	736
Tax credits receivable		3,958	3,958
Prepaid expenses		2,768	215
Total current assets		**74,179**	**10,416**
NON-CURRENT			
Tax credits receivable		5,509	3,802
Property, plant and equipment assets	6	42,103	4,207
Intangible assets	7	481	920
Right-of-use assets	8	2,254	1,067
Restricted cash and deposits		1,823	744
Total non-current assets		**52,170**	**10,740**
Total assets		**126,349**	**21,156**
LIABILITIES			
CURRENT			
Accounts payables and accrued liabilities	9	15,193	6,988
Deferred grants	10	–	1,511
Current portion of lease liabilities	11	329	295
Borrowings	12	208	1,793
Total current liabilities		**15,730**	**10,587**
NON-CURRENT			
Asset retirement obligation	14	1,009	621
Borrowings	12	1,921	–
Lease liabilities	11	1,994	781
Convertible bond	13	–	14,505
Total non-current liabilities		**4,924**	**15,907**
Total liabilities		**20,654**	**26,494**
EQUITY (DEFICIENCY)			
Share capital	15.1	206,483	60,537
Contributed surplus		16,102	10,761
Equity component of convertible bond	13	–	364
Deficit		(116,890)	(77,000)
Total equity (deficiency)		**105,695**	**(5,338)**
Total liabilities and equity (deficiency)		**126,349**	**21,156**
Going Concern	1		
Commitments	26		
Subsequent Events	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.

Consolidated Statements of Loss and Comprehensive Loss

		For the years ended	
	Notes	December 31, 2021	December 31, 2020
		$	$
EXPENSES			
Exploration and evaluation expenses	16	8,362	10,340
Battery Material Plant project expenses	17	5,976	2,911
General and administrative expenses	18	24,203	7,770
Other revenues		(57)	–
Net smelter royalty	12	–	(4,306)
Operating loss		**38,484**	**16,715**
Net financial costs	19	1,006	1,263
Loss before tax		**39,490**	**17,978**
Income tax	20	400	–
Net loss and comprehensive loss		**39,890**	**17,978**
Basic and diluted loss per share	15.2	**(0.93)**	**(0.68)**
Weighted average number of shares outstanding		**42,971,152**	**26,287,106**

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

Consolidated Statements of Changes in Equity

	Notes	Number	Share capital	Contributed surplus and warrants	Equity component of convertible bond	Deficit	Total equity (deficiency)
			$	$	$	$	$
Balance as at January 1, 2021		**27,299,332**	**60,537**	**10,761**	**364**	**(77,000)**	**(5,338)**
Shares issued from placements	15.1	11,479,977	114,242	–	–	–	114,242
Warrants exercised	15.3	7,821,700	17,825	(198)	–	–	17,627
Options exercised	15.4	720,201	3,339	(1,137)	–	–	2,202
Shares issued for interest payment	13 – 15.1	297,106	2,697	–	–	–	2,697
Share-based compensation	15.4	–	–	6,676	–	–	6,676
Share issue costs		–	(7,170)	–	–	–	(7,170)
Conversion of convertible bond	13 – 15.1	7,500,000	15,013	–	(364)	–	14,649
Net loss and comprehensive loss		–	–	–	–	(39,890)	(39,890)
Balance as at December 31, 2021		**55,118,316**	**206,483**	**16,102**	**–**	**(116,890)**	**105,695**

	Notes	Number	Share capital	Contributed surplus and warrants	Equity component of convertible bond	Deficit	Total equity (deficiency)
		$	$	$	$	$	$
Balance as at January 1, 2020		**26,178,281**	**56,184**	**9,592**	**–**	**(59,022)**	**6,754**
Warrants expired	15.3	872,292	3,574	(521)	–	–	3,053
Options exercised	15.4	145,000	572	(132)	–	–	440
Share-based compensation	15.4	103,759	208	1,822	–	–	2,030
Share issue costs		–	(1)	–	–	–	(1)
Convertible bond	13 – 15.1	–	–	–	364	–	364
Net loss and comprehensive loss		–	–	–	–	(17,978)	(17,978)
Balance as at December 31, 2020		**27,299,332**	**60,537**	**10,761**	**364**	**(77,000)**	**(5,338)**

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

Consolidated Statements of Cash Flows

	Notes	For the years ended December 31, 2021	December 31, 2020
		$	$
OPERATING ACTIVITIES			
Net loss		**(39,890)**	**(17,978)**
Depreciation and amortization	6-8	1,095	1,202
Unrealized foreign exchange gain		(1,022)	–
Loss on disposal of investment		–	22
Loss on asset disposal	18	5	2
Share-based compensation	15.4	6,676	2,030
Financial costs		2,053	1,114
Net smelter royalty	12	–	(4,306)
Accretion of the rehabilitation obligation	14	5	–
Net change in working capital	21	(3,247)	(135)
Cash flows used in operating activities		**(34,325)**	**(18,049)**
INVESTING ACTIVITIES			
Additions to property, plant, and equipment assets	6	(36,984)	(1,269)
Restricted cash and deposits		(921)	(123)
Tax credits and grants received	6	3,327	731
Cash flows used in investing activities		**(34,578)**	**(661)**
FINANCING ACTIVITIES			
Proceeds from placements	15.1	114,242	–
Proceeds from convertible bond, net of issue costs	13	–	14,786
Proceeds from borrowings, net of issue costs	12	1,189	3,781
Repayment of borrowings and lease liabilities	11, 12	(2,408)	(2,906)
Proceeds from the exercise of warrants	15.3	17,627	3,053
Proceeds from the exercise of stock options	15.4	2,202	440
Share issue costs		(7,121)	(1)
Cash flows from financing activities		**125,731**	**19,153**
Effect of exchange rate changes on cash		1,007	–
Net change in cash		**57,835**	**443**
Cash at the beginning of the year		4,520	4,077
Cash at the end of the year		**62,355**	**4,520**
Additional information	21		

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

Notes to Consolidated Financial Statements

1. Nature Of Operations And Going Concern

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 NMG on the New York Stock Exchange, NOU on the TSX Venture Exchange ("TSXV"), and NM9A on the Frankfurt Stock Exchange. The Company's registered office is located at 481 Brassard Street, Saint-Michel-des-Saints, Québec, Canada, J0K 3B0.

The Company's consolidated financial statements have been prepared using accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come 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, the next twelve months.

Management believes that without additional funding, the Company does not have sufficient liquidity to pursue its planned expenditures over the next twelve months. These circumstances indicate the existence of material uncertainties that cast substantial doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern.

The Company's ability to continue future operations and fund its development and acquisition activities is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, the issuance of debt or equity instruments, expenditure reductions, or a combination of strategic partnerships, joint venture arrangements, project debt finance, offtake financing, royalty financing and other capital markets alternatives. 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.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be significant.

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 3 were consistently applied to all years presented in these consolidated financial statements.

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 consolidated financial statements for the year ended December 31, 2021 were approved and authorized for publication by the Board of Directors on March 22, 2022.

3. Significant Accounting Policies

3.1 Basis Of Consolidation

The Company's consolidated financial statements consolidate those of the parent company and its subsidiaries. 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.

Subsidiaries

Information on the Company's subsidiaries as at December 31, 2021, 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

3.2 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 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.

3.3 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.

3.4 Grants Receivable

The Company periodically receives 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.

3.5 Research and Development Costs

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 Battery Material Plant are considered as research and development costs.

3.6 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.

3.7 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 loss and 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

3.8 Matawinie Mine Project

Management has established that effective from the beginning of the second quarter of 2021, the Matawinie mine project is in the development phase. Accordingly, all expenditures related to the development of the mine are capitalized under *Mine under construction* within Property, plant and equipment (see note 6). Capitalized expenditures will be carried at cost until the Matawinie project is placed into commercial production, sold, abandoned, or determined by management to be impaired in value. The equipment, building and the mine site are not yet in use as at December 31, 2021, therefore, the depreciation will begin when the assets are ready for their intended use.

The costs related to the operation of the Matawinie Demonstration Plant will continue to be expensed as incurred under *exploration and evaluation expenses*, unless the expenditures meet the recognition criterias set in IAS 16 *Property*, plant and equipment or IAS 38 *Intangible asset*.

3.9 Battery Material Plant Project

Costs incurred in the construction and development of the Company's Battery Material Plant project are capitalized under *Battery Material Demonstration Plant* within Property, plant and equipment (See note 6). Capitalized expenditures will be carried at cost until the Battery Material Plant project is placed into commercial production, sold, abandoned, or determined by management to be impaired in value. The equipment and building are not yet in use as at December 31, 2021, therefore, the depreciation will begin when the assets are ready for their intended use.

The costs related to the operation of the Battery Material Demonstration Plant will continue to be expensed as incurred under *Battery Material Plant project expenses*, unless the expenditures meet the recognition criterias set in IAS 16 *Property, plant and equipment* or IAS 38 *Intangible asset*.

3.10 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.

3.11 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.

3.12 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.

Contributed surplus and warrants

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

3.13 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 bond.

3.14 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.

3.15 Provision For Asset Retirement Obligation

Provision for environmental rehabilitation, restructuring costs and legal claims, where applicable, is recognized when:

i) The Company has a present legal or constructive obligation as a result of past events;

ii) It is probable that an outflow of resources will be required to settle the obligation;

iii) The amount can be reliably estimated.

The provision is measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and is discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance costs. Changes in assumptions or estimates are reflected in the period in which they occur. Provision for environmental rehabilitation represents the legal and constructive obligations associated with the eventual closure of the Company's property, plant and equipment. These obligations consist of costs associated with reclamation and monitoring of activities and the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation, excluding the risks for which future cash flow estimates have already been adjusted.

3.16 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.

3.17 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 24).

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 statement 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 was a compound financial instrument which the principal amount, together with all accrued and unpaid or uncapitalized interest could 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. This assumption is used principally for cash and related balances.

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
Borrowings	Amortized cost
Convertible bond (liability component)	Amortized cost

3.18 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.

Rental payments under short-term leases or leases with low-value underlying assets are recorded in operating expenses on a straight-line basis over the duration of the lease.

3.19 Segment Disclosure

The Company currently operates in two segments: the Matawinie Mine Project and the Battery Material Plant project. The business segments presented reflect the management structure of the Company and the way in which the Company's chief operating decision maker reviews business performance. The Matawinie Mine Project and Batterie Material Plant project were identified as separate segments due to their specific nature. Indeed, the nature of the products and services, the production processes, regulatory environment and the targeted customer are very different for each operating segment.

The measure of profit or loss for each segment corresponds to the amounts reported for Exploration and evaluation expenses and Battery Material Plant project expenses, respectively, in the consolidated statement of loss and comprehensive loss. All the Company's activities are conducted in Quebec, Canada.

4. 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 later than December 31, 2021. 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 loss and comprehensive income. These amendments will have an impact on the Company's consolidated financial statements. While these amendments will not have retrospective effects upon adoption, any future sales of products and related costs of sales occuring before commercial production is achieved will be recorded in the statement of loss and comprehensive loss.

5. 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.

Following the events of the quarter ended March 31, 2021, including the receipt of the Governmental authorisation ("Decree") for the Matawinie Project, management determined that the technical feasibility and commercial viability for the Matawinie Project was established as at March 31, 2021 and as a result, the project entered the development phase during the second quarter of 2021.

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 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 uncertainty. As at December 31, 2020, and 2021 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 Battery Material Demonstration Plant in Bécancour continues to make significant progress.

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.

Share-based payments

The Company uses the Black-Scholes option pricing model in determining share-based payments, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility

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.

6. Property, Plant And Equipment

	Land	Buildings	Equipment	Computers	Furniture	Rolling stock	Mine under construction	Battery Material Demonstration Plant under construction	Total
	$	$	$	$	$	$	$	$	$
COST									
Balance as at January 1, 2021	507	2,642	–	56	70	24	–	1,206	4,505
Acquisition	1,905	149	163	132	–	29	18,032	17,680	38,090
Write-Off/Disposals	–	–	–	(47)	(45)	–	–	–	(92)
Balance as at December 31, 2021	2,412	2,791	163	141	25	53	18,032	18,886	42,503
ACCUMULATED DEPRECIATION									
Balance as at January 1, 2021	–	219	–	39	32	8	–	–	298
Depreciation	–	111	19	30	22	7	–	–	189
Write-Off/Disposals	–	–	–	(44)	(43)	–	–	–	(87)
Balance as at December 31, 2021	–	330	19	25	11	15	–	–	400
Net book value as at December 31, 2021	**2,412**	**2,461**	**144**	**116**	**14**	**38**	**18,032**	**18,886**	**42,103**

	Land	Buildings	Equipment	Computers	Furniture	Rolling stock	Mine under construction	Battery Material Demonstration Plant under construction	Total
	$	$	$	$	$	$	$	$	$
COST									
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
ACCUMULATED DEPRECIATION									
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
Net book value as at December 31, 2020	**507**	**2,423**	**–**	**17**	**38**	**16**	**–**	**1,206**	**4,207**

The Battery Material Plant under construction is presented net of grants of $5,483 for the year ended December 31, 2021 (December 31, 2020: $731).

During the year ended December 31, 2021, the Company bought back a 1.8% NSR on the Matawinie property for $1.8M that is included in Mine under construction.

7. Intangible Assets

In 2019, the Company and Hydro-Quebec ("HQ") signed a licence agreement by which the Company is allowed to use HQ's patented technologies for the micronization, spheronization, purification and natural graphite coating to serve the lithium-ion battery market. The Company paid US $2 million ($2,562) 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
	$	$	$
COST			
Balance as at January 1, 2021	16	2,562	2,578
Write-off of assets	(16)	(958)	(974)
Balance as at December 31, 2021	–	1,604	1,604
ACCUMULATED DEPRECIATION			
Balance as at January 1, 2021	16	1,643	1,659
Amortization	–	438	438
Write-off of assets	(16)	(958)	(974)
Balance as at December 31, 2021	–	1,123	1,123
Net book value as at December 31, 2021	**–**	**481**	**481**

	Software	Licenses	Total
	$	$	$
COST			
Balance as at January 1, 2020	16	2,562	2,578
Balance as at December 31, 2020	16	2,562	2,578
ACCUMULATED DEPRECIATION			
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
Net book value as at December 31, 2020	**–**	**920**	**920**

8. 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 years.

	Buildings	Equipment	Rolling stocks	Total
	$	$	$	$
COST				
As at January 1, 2021	1,297	339	273	1,909
New leases	1,612	–	–	1,612
End of leases	(252)	(339)	(109)	(700)
Remeasurement of lease	58	–	–	58
As at December 31, 2021	2,715	–	164	2,879
ACCUMULATED DEPRECIATION				
As at January 1, 2021	386	321	135	842
Depreciation	419	3	46	468
End of leases	(252)	(324)	(109)	(685)
As at December 31, 2021	553	–	72	625
Net book value as at December 31, 2021	**2,162**	**–**	**92**	**2,254**

	Buildings	Equipment	Rolling stocks	Total
	$	$	$	$
COST				
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
ACCUMULATED DEPRECIATION				
As at January 1, 2020	157	167	67	391
Depreciation	229	154	68	451
As at December 31, 2020	386	321	135	842
Net book value as at December 31, 2020	**911**	**18**	**138**	**1,067**

Included in the depreciation of Right-of-use assets for the period is $213 ($321 in 2020) that have been included under the Evaluation and exploration expenses and $166 ($27 in 2020) under the Battery Material Plant project expenses line in the consolidated statements of loss and comprehensive loss.

9. Accounts Payables and Accrued Liabilities

	December 31, 2021	December 31, 2020
	$	$
Trade payables and accrued liabilities	13,284	4,285
Wages and benefits liabilities	1,772	1,767
Other payables	137	139
Interest payable on convertible bond	–	797
Accounts payables and accrued liabilities	**15,193**	**6,988**

10. Grants Receivable And Other Current Assets

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. The SDTC decided in March 2021 to increase the grant by an additional $223. This grant will help the Company build the Purification Demonstration Plant 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. During the year 2021, the Company received a payment of $1,191. As at December 31, 2021, $1,111 of grant receivable was recorded for eligible expenditures.

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 the Purification Demonstration Plant in Bécancour. The additional grant of $3 million was secured via TEQ's Technoclimat program. As at December 31, 2021 $1,463 of grant receivable was recorded for eligible expenditures.

As at December 31, 2020, the Company had $1.5 million recorded as deferred grants for both of the above-mentioned programs. The full amount was applied against related eligible expenditures during 2021.

The remaining $380 grants receivable as at December 31, 2021 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.

11. Lease Liabilities

	December 31, 2021	December 31, 2020
	$	$
Opening balance	1,076	609
New liabilities and modifications of leases	1,670	955
Lease write off	(15)	–
Principal repayment	(408)	(488)
Ending balance	**2,323**	**1,076**
Current portion	329	295
Non-current portion	1,994	781

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 $339 for the year ended December 31, 2021 (December 31, 2020: $572).

12. Borrowings

	December 31, 2021	December 31, 2020
	$	$
Opening balance	1,793	4,502
New borrowings	2,281	3,803
Repayments	(2,000)	(2,419)
Issue costs	–	(21)
Accretion of issue costs	9	25
Interest capitalized	46	209
Debts settled in exchange of Royalty	–	(4,306)
Ending balance	**2,129**	**1,793**
Current portion	208	1,793
Non-current portion	1,921	–

On March 16, 2020, the Company concluded a new financing agreement with Pallinghurst, a related party, 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 bore interest at 9% annually.

On April 29, 2020, the Company closed a financing agreement with Investissement Québec for an aggregate amount received of $1,803 through two loan offers. The conditions also included a 1% issue cost fee calculated on the total aggregate amount. The interest on the loan offer totalling $611 was the current prime rate of 2.45% plus 0.07%, while the interest rate on the loan offer totalling $1,192 was the current prime rate of 2.45%. The capital had to be repaid by no later than June 30, 2021. To secure its obligations set out in the loan offers, the Company had 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 June 30, 2021, the Company fully reimbursed its loan of $1,802 with Investissement Québec, a related party.

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 was nil, an amount corresponding to the purchase price has been reported as net smelter royalty in the consolidated statement of loss and comprehensive loss.

On January 29, 2021, the Company financed the purchase of a land located in Bécancour, Québec, through a financing agreement with the vendor, for a total of $1,137. The financed portion bears interest at 8% per annum and shall be repaid by December 2025. The Company may pay the balance of principal, in whole or in part, at any time without penalty.

During March 2021, the Company received $1,350 as part of a repayable contribution agreement with the Canada Economic Development for Quebec Regions. This contribution agreement bears no interest and will be repayable in 60 equal monthly installments starting September 2023. The loan was measured at the present value of all future payments discounted using a 5.50% interest rate, thus resulting in a loan valued at $1,025. The difference between the carrying value of the contribution and the discounted loan value was recognized as a grant of $325. Also, during December 2021, the Company received the remaining $150, which was measured at the present value using the same interest rate, thus resulting in a loan valued at $119. The difference between the carrying value of the contribution and the discounted loan value was recognized as a grant of $31.

During the year ended December 31, 2021, the Company paid out a total of $101 ($123 for the year ended December 31, 2020) of interest to its lenders.

13. Convertible Bond

	December 31, 2021	December 31, 2020
	$	$
Opening balance	14,505	–
Proceeds	–	15,000
Equity component of convertible bond	–	(364)
Issue costs	–	(214)
Conversion	(14,649)	–
Accretion expense	144	83
Ending balance	**–**	**14,505**
Current portion	–	–
Non-current portion	–	14,505

In October 2021, the Company issued 7,500,000 common shares following the conversion of all outstanding convertible bond held by Pallinghurst group, a related party.

14. Asset Retirement Obligation

	December 31, 2021	December 31, 2020
	$	$
Opening balance	621	621
New obligations	383	–
Accretion expense	5	–
Ending balance	**1,009**	**621**

The asset retirement obligation that arose during year ended December 31, 2021, represents the present value of the estimated amount of undiscounted cash flows required to satisfy the asset retirement obligation in respect of the Matawinie Mine. The estimation was made using a percentage of completion of the total budgeted cost of rehabilitation. The Company has determined the fair value of its rehabilitation obligation by using a discount rate of 3.62%, assuming reclamation work would be completed in 28 years. The liabilities accrete to their future value until the obligations are due. The estimated rehabilitation obligation will increase as the construction of the Matawinie Mine progresses.

15. Equity

15.1 Share Capital

Authorized share capital

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

	For the years ended	
	December 31, 2021	December 31, 2020
	$	$
Shares issued at the start of the period	27,299,332	26,178,281
Shares issued from placements	11,479,977	–
Exercise of warrants	7,821,700	872,291
Exercise of options	720,201	145,000
Shares issued for conversion debt (convertible bond)	7,500,000	–
Shares issued for interest payment	297,106	–
Share based compensation	–	103,760
Shares issued at the end of period	**55,118,316**	**27,299,332**

On September 1, 2020, the Company issued an aggregate of 103,759 common shares of its share capital at a price of $2 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.

On January 20, 2021, the Company concluded an underwritten public offering agreement for 1,034,500 common shares, at a price of $14.50 per share for gross proceeds of $15M. The buyers exercised their option to purchase an additional 155,175 common shares. The total gross proceeds obtained from this public offering agreement sum up to $17.25M.

On February 12, 2021, the Company closed a private placement equity financing totaling $5.8M and the Company issued a total of 396,552 common shares at a price of $14.50 per share. Of this amount, Investissement Québec, acting as mandatory for the government of Québec, subscribed for 317,241 common shares, and Pallinghurst, subscribed for the remainder of the common shares.

On June 23, 2021, the Company concluded an underwritten public offering agreement for 7,000,000 common shares, at a price of $9.22 (US$7.50) per share for gross proceeds of $64.5M (US$52.5M). The buyers exercised their option to purchase an additional 915,000 common shares. The total gross proceeds obtained from this public offering agreement sum up to $72.9M (US$59.4M). Of this amount, Pallinghurst purchased 66,666 common shares.

On July 23, 2021, the Company closed a private placement equity financing with Investissement Québec, acting as mandatory for the government of Québec, and issued a total of 1,978,750 common shares at a price of $9.25 per share for total proceeds of $18.3M. This financing was complemented in the context of the underwritten public offering agreement closed on June 23, 2021.

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.

Since the Company reports a loss, the diluted net loss per common share is equal to the basic net loss share as there are no instruments that have a dilutive effect on earnings.

15.3 Warrants

	December 31, 2021		December 31, 2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	$	$	$	$
Opening balance	7,853,439	2.26	2,676,614	3.80
Issued	–	–	7,500,000	2.20
Exercised	(7,821,700)	2.25	(872,291)	3.50
Expired	(31,739)	3.50	(1,450,884)	4.00
Ending balance	**–**	**–**	**7,853,439**	**2.26**

15.4 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, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	$	$	$	$
Opening balance	2,400,000	3.20	1,582,500	2.80
Granted	735,000	15.95	1,192,500	3.64
Exercised	(720,201)	3.06	(145,000)	3.05
Expired	(51,300)	7.00	(230,000)	2.66
Forfeited	(1,250)	16.84	–	–
Cancelled	(10,000)	16.84	–	–
Ending balance	**2,352,249**	**7.07**	**2,400,000**	**3.20**
Options that can be exercised	2,058,500	7.30	2,000,000	3.37

The weighted average share price at the time of exercise for 2021 is $13.45 ($6.24 in 2020).

For the year ended December 31, 2021, the Company granted 245,000 options to officers, 375,000 to directors, 105,000 to employees, and 10,000 to consultants. The vesting period on option granted varies from vesting immediately to in four semi-annual tranche. Each option entitles the holder to subscribe to one common share of the Company, at an average price of $15.95 per common share, for a period of 5 years.

For the year ended December 31, 2020, the Company granted 505,000 options to officers, 207,500 to directors, 285,000 to employees, and 195,000 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 $3.64 per common share, for an average period of 4.8 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:

	2021	2020
Share price at date of grant	$15.95	$3.64
Expected life	5 years	4.75 years
Risk-free interest rate	0.82%	0.39%
Expected volatility	67.86%	54.68%
Expected dividend	Nil	Nil

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.

	December 31, 2021		
Expiration date	Total number	Total exercisable	Weighted average exercise price
	$	$	$
Year 2022	115,000	115,000	3.23
Year 2023	375,000	325,000	3.42
Year 2024	312,500	312,500	2.33
Year 2025	826,000	676,000	3.30
Year 2026	723,750	630,000	15.93
Ending balance	**2,352,250**	**2,058,500**	**7.07**

16. Exploration and Evaluation Expenses

	December 31, 2021	December 31, 2020
	$	$
Wages and benefits	3,637	2,294
Share-based compensation	452	594
Engineering	1,856	3,964
Professional fees	190	506
Materials, consumables, and supplies	1,330	1,447
Subcontracting	1,454	1,706
Geology and drilling	143	389
Utilities	349	388
Amortization	217	320
Other	213	265
Grants	(36)	(164)
Tax credits	(1443)	(1,369)
Exploration and evaluation expenses	**8,362**	**10,340**

The exploration and evaluation expenses relate to the Matawinie Mine in Quebec. The wages and benefits are net of the grant received as part of the Canada Emergency Wage Subsidy program of $473 in 2021 ($892 in 2020).

17. Battery Material Plant Project Expenses

	December 31, 2021	December 31, 2020
	$	$
Wages and benefits	754	768
Share-based compensation	–	112
Engineering	4,136	2,399
Professional fees	898	866
Materials, consumables, and supplies	686	130
Subcontracting	268	475
Amortization	177	27
Other	39	43
Grants	(718)	(1,678)
Tax credits	(264)	(231)
Battery Material Plant project expenses	**5,976**	**2,911**

The battery material plant project expenses relate to the costs incurred in anticipation of the development of 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 $81 in 2021 ($189 in 2020).

18. General and Administrative Expenses

	December 31, 2021	December 31, 2020
	$	$
Wages and benefits	4,883	2,920
Share-based compensation	6,224	1,323
Professional fees	2,635	1,168
Consulting fees	1,476	220
Travelling, representation and convention	627	397
Office and administration	6,747	727
Stock exchange, authorities, and communication	872	111
Depreciation and amortization	699	854
Loss on asset disposal	5	2
Other financial fees	35	48
General and administrative expenses	**24,203**	**7,770**

Included in the office and administration expenses are $1.2M in connection with the settlement of a litigation in September 2021.

19. Net Financial Costs

	December 31, 2021	December 31, 2020
	$	$
Foreign exchange loss (gain)	(985)	15
Interest income	(327)	(40)
Interest expense on lease liabilities	113	28
Accretion and interest on borrowings and bond	2,196	1,213
Accretion of issue costs	9	25
Loss of fair value on investment	–	22
Net financial costs	**1,006**	**1,263**

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% (26.5% in 2020) to loss before income taxes as a result of the following:

	December 31, 2021	December 31, 2020
	$	$
Loss before income taxes	(39,490)	(17,978)
Tax recovery computed at applicable statutory tax rate	26.50%	26.50%
Tax expense at combined statutory rate	(10,465)	(4,617)
Increase (decrease) in income taxes resulting from:		
Temporary difference not recorded	8,937	4,268
Share-based payments	1,769	538
Non-deductible expenses	406	–
Non-taxable mining duties	(219)	(217)
Other	(28)	28
Income tax	**400**	**–**
Composition of deferred income taxes in the income statement:		
Taxes payable	400	–
Income tax	**400**	**–**

As at December 31, 2021 and 2020, temporary differences and unused tax losses for which the Company has not recognized deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
	$	$
FEDERAL		
Exploration and evaluation expenses	37,787	24,034
Property and equipment	2,253	3,898
Equity investment	646	646
Asset retirement obligation	1,009	621
Share issue expenses	5,990	629
Research and development expenses	16,700	12,946
Non-capital losses	46,371	16
Other	74	30,747
	110,830	**73,537**
PROVINCIAL		
Exploration and evaluation expenses	35,058	22,296
Property and equipment	2,253	3,881
Equity investment	646	646
Asset retirement obligation	1,009	621
Share issue expenses	293	629
Research and development expenses	19,447	14,427
Non-capital losses	45,943	16
Other	74	30,791
	104,723	**73,307**

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, 2021, 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
2021	2040	18,535	18,515
2020	2040	10,836	10,546
2019	2039	5,381	5,457
2018	2038	4,137	4,044
2017	2037	2,526	2,578
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 $2,693 ($1,915 in 2020) that expire between 2036 and 2040, which are available to reduce income taxes payables in future years.

21. Additional Cash Flow Information

		December 31, 2021	December 31, 2020
		$	$
Grants receivable and other current assets	10	(111)	(596)
Deferred grants	10	(1,511)	1,511
Mining tax credits		(1,707)	(1,406)
Sales taxes receivable		(1,266)	(68)
Prepaid expenses		(2,553)	85
Accounts payable and accrued liabilities	9	3,901	339
Total net change in working capital		**(3,247)**	**(135)**
Items not affecting cash			
Property and equipment included in accounts payable and accrued liabilities.		5,068	944
Share issue costs included in accounts payables and accrued liabilities		49	–
Shares issued for interest payment		2,697	–

22. Related Party Transactions

	December 31, 2021	December 31, 2020
	$	$
Key management personnel of the Company		
Employee benefit expenses	1,158	1,238
Share-based payments	3,435	398
Directors of the Company		
Board fees	643	91
Share-based payments	2,333	305

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.

As at December 31, 2021, Pallinghurst owns 20,94% of the Company's issued and outstanding common shares and has significant influence over the Company (2020 – 19.18%).

In 2021, the Company issued 297,106 shares in repayment of accrued interests of $2,697 on the convertible bond due to Pallinghurst.

Pallinghurst purchased 237,932 common shares as part of the financing closed on January 20,2021, 79,311 common shares as part of the financing closed on February 12,2021 and 66,666 common shares as part of the financing closed on June 23, 2021 (see note 15.1).

In October 2021, the Company issued 7,500,000 common shares following the conversion of all outstanding convertible bond held by Pallinghurst group, a related party. In addition, and pursuant to the terms of the convertible bond, the Company has elected to settle the accrued and unpaid interest of $1,900 by issuing an additional 220,471 common shares at $8.62 per share.

Investissement Québec, acting as mandatory for the Government of Quebec, purchased 317,241 common shares as part of the financing closed on February 12, 2021 and purchased all of the 1,978,750 common shares issued as part of the financing closed on July 23, 2021.

Severance

The Company has commitments under certain management contracts with key executives. Minimum commitments under these contracts are approximately $1,554. These contracts require additional minimum payments of approximately $3,139 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, borrowings, leases and convertible bond which totals $110,147 as at December 31, 2021 ($12,036 as at December 31, 2020).

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 and the value-added product plant. 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 11 and 12.

The properties in which the Company currently has an interest are in the development stage; as such, the Company is dependent on external financing to fund its activities. To carry out the planned 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, 2021 and 2020 consist of the following:

		As at December 31, 2021		
		At fair value through profit or loss	Amortized cost	Total
		$	$	$
FINANCIAL ASSETS				
Cash		–	62,355	62,355
Grants receivable and other current assets	10	–	3,096	3,096
Total financial assets		**–**	**65,451**	**65,451**
FINANCIAL LIABILITIES				
Account payables and accrued liabilities	9	–	15,193	15,193
Borrowings	12	–	2,129	2,129
Total financial liabilities		**–**	**17,322**	**17,322**

		As at December 31, 2020		
		At fair value through profit or loss	Amortized cost	Total
		$	$	$
FINANCIAL ASSETS				
Cash		–	4,520	4,520
Grants receivable and other current assets	10	–	829	829
Total financial assets		**–**	**5,349**	**5,349**
FINANCIAL LIABILITIES				
Account payables and accrued liabilities	9	–	6,988	6,988
Borrowings	12	–	1,793	1,793
Convertible bond	13	–	14,505	14,505
Total financial liabilities		**–**	**23,286**	**23,286**

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.

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.

Management believes that without additional funding, the Company does not have sufficient liquidity to pursue its planned expenditures over the next twelve months. These circumstances indicate the existence of material uncertainties that cast substantial doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern (see note 1).

As at December 31, 2021, all of the Company's short-term liabilities totalled $15,730 ($10,587 as at December 31, 2020), 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.

				As at December 31, 2021	
	Carrying amount	Contractual cash flow	0 to 12 months	12 to 24 months	more than 24 months
Account payables and accrued liabilities	15,193	15,193	15,193	–	–
Lease liabilities	2,323	2,795	428	413	1,954
Borrowings	2,129	2,607	276	1,777	554

The Company has one variable lease agreement that is indexed to the consumer price index, on March 31 of each year.

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

Foreign currency risk is the risk that the Company's financial performance could be affected by fluctuations in the exchange rates between currencies. Some of the Company's expenditures are denominated in U.S dollars and since August 2021, the Company holds balances in cash denominated in U.S dollars. As such, the Company is exposed to gains or losses on foreign exchange.

Currently, the Company has no hedging contracts in place and therefore has exposure to the foreign exchange rate fluctuations. The strengthening of the U.S. dollar would positively impact the Company's net income and cash flows while the strengthening of the Canadian dollar would reduce its net income and cash flows.

As at December 31, 2021 and 2020, the balances in U.S. dollars held by the Company were as follows:

	As at December 31, 2021	As at December 31, 2020
	$	$
Cash in US dollar	11,435	–
Canadian dollar equivalents	14,497	–
Accounts payables in US dollar	**1,044**	**–**
Canadian dollar equivalents	1,322	–

Based on the balances as at December 31, 2021, a 5% fluctuation in the exchange rates on that date (with all other variables being constant) would have resulted in a variation of net loss of approximately $659 in 2021.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Company's interest rate risk on financial assets is primarily related to cash, which bear interest at variable rates. However, as these investments come to maturity within a short period of time, the impact would likely be not significant.

Financial liabilities are not exposed to interest rate risk since they are non-interest-bearing liabilities or bear interest at a fixed rate.

25. Additional Segment Information

	December 31, 2021			
	Matawinie Mine Project	Battery Material Plant project	Corporate	Total
	$		$	$
Total property, plant and equipment	**18,032**	**18,886**	**5,185**	**42,103**
Total liabilities	**7,570**	**6,320**	**6,764**	**20,654**

	December 31, 2020			
	Matawinie Mine Project	Battery Material Plant project	Corporate	Total
	$		$	$
Total property, plant and equipment	**–**	**1,206**	**3,001**	**4,207**
Total liabilities	**2,397**	**2,689**	**21,408**	**26,494**

26. Commitments

In the normal course of business, the Company enters into contracts that give rise to commitments. As at December 31, 2021, the Company had issued $3,024 of purchase orders for the acquisition of assets and $2,936 in relation to the operations.

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 0.10% NSR, which can be purchased by the Company for $200.

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 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, subject to a minimum payment of $400, annually.

27. Subsequent Events

On January 21, 2022 the Company filed a prospectus supplement establishing a new at-the-market equity offering ("ATM Offering"). The ATM Offering will allow the Company to offer for sale and issue up to US$75 million (or the equivalent in Canadian dollars) of common shares of the Company from time to time, at the Company's discretion. The Common Shares will be distributed at the market prices prevailing at the time of the sale.

From January 1, 2022 to the issuance of the financial statement, the Company granted 225,000 options to officers, 40,000 to employees, and 175,000 to consultants.

APPENDICES

References and acronyms

CAD	Canadian dollars
COP26	26th UN Climate Change Conference of the Parties
CSPG	Coated spherical purified graphite
GHG	Greenhouse gas
IPCC	Intergovernmental Panel on Climate Change
NMG	Nouveau Monde Graphite Inc.
NYSE	New York Stock Exchange
OEMs	Origina equipment manufacturers
Olin	Olin Corporation
Pallinghurst	Pallinghurst Graphite Limited
R&D	Research and development
tpa	Tonnes per annum
The Company	Nouveau Monde Graphite Inc.
We	Nouveau Monde Graphite Inc.

Legal Disclaimer

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 "NMG at a Glance" paragraph, (ii) trends in electrification and for the various energy storage markets, (iii) the Company's business and investor prospects, (iv) the Company's aspirations and goals including, without limitation, those relating to sustainability, (v) the Company's updated pit-constrained mineral resource estimate, (vi) the Company's electrification strategy and its intended results, (vii) the Company's planned environmental initiatives, (viii) the Company's intended carbon-neutrality and transition towards a Net-Zero business model, as well as the intended results, (ix) climate change and contributors to GHG emissions (x) the development plans and timeline of the Matawinie Graphite Mine and the Bécancour Battery Material Plant, (xi) graphite demand growth and trends, (xii) the direct and indirect economic impact of the Matawinie Graphite Mine and the Bécancour Battery Material Plant, (xiii) the results and operational highlights of the feasibility study covering the Matawinie Graphite Mine, (xiv) the capacity and output of the Bécancour Battery Material Plant, the Matawinie Graphite Mine and the Company's potential business partners, as the case may be, (xv) the expected unfolding of construction and commissioning as well as the anticipated start of production at the Company's Matawinie and Bécancour projects (xvi) the nature of relationships with stakeholders such as local communities, governments and regulatory authorities, (xvii) the Company's ability to meet the needs of its customers, and (xviii) any information as to the future plans and outlook for the Company, constitute ''forward-looking information'' or ''forward-looking statements'' (collectively, «forward-looking statements») within the meaning of applicable Canadian and United States 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 current technological trends, the business relationship between the Company and its stakeholders, the ability to operate in a safe and effective manner, 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 ''plans'', ''expect'', «intend», ''scheduled'', ''estimates'', ''forecasts», «guide», «initiative», «outlook», «continue», «strive», «seek», «aspire», «committed», «potential», «projected», «pursue», «strategy», «study», or «target», or variations of or similar such words and phrases or statements that certain actions, events or results ''may'', ''could'', ''would'', or ''should'', ''might'', or «making progress», ''working towards'', ''will occur'' or ''will be achieved'' and similar expressions identify forward-looking statements.

Forward-looking 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 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 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. Readers are further cautioned to review the full description of risks, uncertainties and management's assumptions in NMG'S most recent Annual Information Form available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

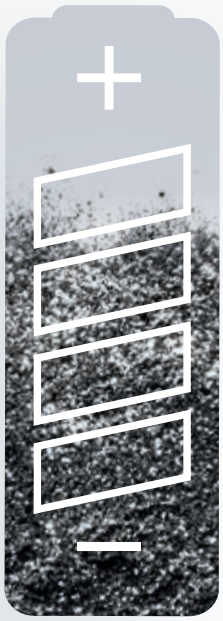
The Company disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

Technical Information and Cautionary Note to U.s. Investors

Scientific and technical information in this report has been reviewed and approved by Eric Desaulniers, MSc, Géo., President & CEO for NMG and Antoine Cloutier, Géo, Chief Geologist for NMG, 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. These standards differ from the requirement of the U.S. Securities and Exchange Commission («SEC») and resource and reserve information contained in this report may not be comparable to similar information disclosed by domestic United States companies subject to the SEC's reporting and disclosure requirements.

Market and Industry Data

Market and industry data presented throughout this report was obtained from third-party sources and industry reports, publications, websites and other publicly available information. The Company believes that the market and industry data presented throughout this report is accurate, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and industry data presented throughout this report are not guaranteed and the Company does not make any representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although the Company believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this report, analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and industry data are subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey.



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