



NOUVEAU MONDE GRAPHITE

From Ore to Battery Materials

A NORTH AMERICAN INTEGRATED
SOURCE OF GRAPHITE-BASED
SOLUTIONS FOR THE
ENERGY TRANSITION

2022 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

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

Based in Québec, Canada, the Company is focused on the planned Matawinie graphite mine (the "Matawinie Mine") and the planned commercial value-added graphite products transformation plant (the "Bécancour Battery Material Plant"), both of which are progressing concurrently towards commercial operations. NMG is also exploring the potential of developing and operating the Uatnan mining project (the "Uatnan Mining Project") that leverages Mason Graphite Inc.'s Lac Guéret graphite deposit.

The Company is carrying out a phased-development plan to derisk its projects, advance toward commercialization, and prepare a roadmap for growth in line with the market demand.

Striving to establish a **fully integrated, local, carbon-neutral, and traceable turnkey supply of graphite-based advanced materials** for the Western World, NMG is developing a portfolio of products, from flake concentrate to active anode material. The Company's business strategy is underpinned by proprietary technologies, a mobilized and diverse team of nearly 100 employees, clean hydroelectricity powering its operations, and a resolute environmental, social and governance ("ESG") mindset.

Our plan

PHASE 1 2017-2022



De-Risking

Integrated demonstration facilities for optimization and product qualification

Our goal

PHASE 2 2023-2025



Execution

Matawinie Mine and Bécancour Battery Material Plant

Our vision

PHASE 3 2025+



Growth

Development of the Uatnan Mining Project and expansion of anode material production

Planned To Be North America's Largest Integrated Natural Graphite Producer

MATAWINIE

Mine & Concentrator

FLAKE GRAPHITE

- » Mine and concentrator to produce **103 ktpa of flake** concentrate
- » Advanced strategy to become the **world's first all-electric open-pit mine** for carbon-neutral operations – underpinned by renewable hydropower
- » **25-year life of mine**, with the scale to expand

UATNAN

Mine & Concentrator

LARGE VOLUME PRODUCTION OF FLAKE GRAPHITE CONCENTRATE

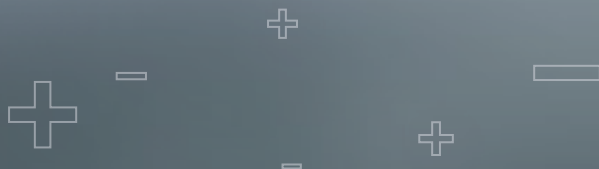
- » Mine and concentrator to produce **500 ktpa of flake** concentrate
- » Onsite extraction and concentration operations to optimize production efficiency, limit transportation and reduce environmental impact
- » Projected to become the **largest natural graphite production in the world** for a 24-year life of mine

BÉCANCOUR

Battery Material Plant

ACTIVE ANODE MATERIAL & MORE

- » Beneficiation of graphite concentrate from Matawinie to be transformed into approximately **46 ktpa of active anode material and specialty products**
- » **Short road transport** (150 km) from the Matawinie Mine to the Bécancour Battery Material Plant
- » **Modular design** to allow for scalable expansion as the market grows



Operations



MATAWINIE MINE

At the Matawinie Mine, located 120 km north of Montréal, NMG advances the development of its wholly-owned flagship Matawinie graphite property to produce an average of 103,328 tonnes per annum (“tpa”) of **graphite concentrate** over the 25-year life of mine. Large, quality mineral reserves coupled with a skilled workforce, existing infrastructure, and a dynamic regional business ecosystem provide a strong foundation for this operation.

In reinventing traditional practices to limit potential impacts and plan beyond the life of mine, NMG has developed the Matawinie Mine with environmental and social considerations at the forefront.

The project has been reviewed and approved by governmental authorities; preliminary work is underway. Detailed engineering, procurement activities, construction planning, and electrification development advance in parallel.

As part of its climate action strategy, the Company is committed to having both heavy equipment used for mining operations and its 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 CO₂ emissions over the mine’s lifespan.



BÉCANCOUR BATTERY MATERIAL PLANT

Graphite refining is indispensable for the material to reach the optimal properties and performance required for use in lithium-ion batteries or bipolar plates for fuel cell technologies. The Bécancour Battery Material Plant to be located in Bécancour, Québec, approximately 150 km northeast of Montréal, on the Saint Lawrence River, constitutes NMG’s **comprehensive advanced manufacturing platform**. This facility is set to provide the marketplace with about 43,000 tpa of anode material, 3,000 tpa of purified jumbo flakes and other specialty products as per customers’ specifications.

The majority of the Matawinie Mine’s production will be used as feedstock for value-added transformation at this plant, hence capitalizing on **operational efficiency, product traceability, and greater margins from NMG’s vertically integrated business model**.

NMG’s 200,000-m² site, in the heart of the Québec Government “battery valley”, benefits from robust industrial infrastructure, access to clean and affordable hydroelectricity, a direct supply of required chemicals, a regional pool of skilled workforce as well as a multi-modal logistical base (international port, railway and expressway) in proximity to U.S. and European markets.

The property presents no environmental limitations. Engineering, process optimization, permitting, procurement, and stakeholder engagement are underway in preparation for the construction of the Bécancour Battery Material Plant.



UATNAN MINING PROJECT

In line with the option and joint venture agreement signed with Mason Graphite Inc., NMG is developing the Uatnan Mining Project in Northern Québec, Canada. Updated operational parameters for this property now target the production of approximately 500,000 tpa of graphite concentrate over a 24-year life of mine.

Intended as NMG’s Phase-3 expansion, the Uatnan Mining Project is being planned to reflect the Company’s responsible mining practices, commercial discussions, a focus on battery material feedstock, and booming market conditions¹. The Uatnan Mining Project is currently **one of the largest projected natural graphite projects in development in the world**.

The Company has initiated a thorough and pragmatic studying and planning process starting with a preliminary economic assessment that confirmed the technical feasibility and economic viability of the contemplated project.

¹ Benchmark Mineral Intelligence, January 2023

Technologies

Thanks to proprietary transformation processes and a license to commercialize Hydro-Québec’s battery material technologies, NMG produces up to 99.99%-pure advanced graphite material samples. From simple milling and flotation circuits at its Phase-1 Matawinie concentrator yielding 97%-pure flakes in a variety of sizes to its **patent-pending thermochemical purification technology** that avoids using hydrofluoric acid in favor of high temperatures, the Company has placed clean processes and products’ environmental footprint at the center of its business model.

Each step of NMG’s integrated value chain is engineered to enhance the materials’ properties, provide the capacity to tailor products to a variety of specifications, and align with market’s requirements for high-performing graphite solutions. The Company’s dedicated battery laboratory facility provides in-house capacity, flexibility, and speediness in testing advanced materials and specifications for potential customers.

Recognizing the rapid pace of cleantech development and striving to elevate the environmental and ethical DNA of its products, NMG maintains a wide portfolio of R&D projects. Elite research and close collaboration with academia, governments, technology transfer centers, and industry partners complement the efforts of NMG’s own R&D and Engineering teams.





ESG Compass

NMG understands the responsibility and unique privilege of developing mineral resources. In partnership with First Nations, communities, and key stakeholders, the Company strives to be a model in the development of responsible mining operations and advanced material manufacturing to drive greater sustainability into its sector and the industries it serves.

Through its Zero-Harm Philosophy, NMG seeks to prevent, minimize, and manage environmental, occupational health and safety risks. This approach guides the Company’s decisions, behaviors, policies, and operations to safeguard people, communities, and the environment’s wellbeing.

Moreover, NMG aspires to **create social and environmental value while driving the transition to a green future**. It supports open dialogue with stakeholders from all horizons, promotes opportunities for Indigenous peoples and businesses, and fosters partnered development with local communities.

Responsible mining practices, such as dry-stacking and co-disposal of tailings, backfilling, progressive restoration and water stewardship, greener manufacturing technologies as well as innovation are embedded into the Company’s business model.

Québec’s clean, affordable, and abundant hydroelectricity provides a sustainable and attractive framework for NMG’s operational base. The Company is committed to adopting clean energy sources and technologies at every level as they become available, from its mining fleet to its manufacturing equipment.

The Company regards diversity and robust governance as important drivers of strategy, creative thinking, and business performance. Throughout its value chain, business ecosystem, and communities, NMG is committed to a holistic approach to managing its business, operations, and relationships.

FROM OUR LEADERSHIP

Message from the Chair



In our communities, our industries, our jurisdictions, we have experienced this year the insecurity of a unique transitional period.

As societies and economies reorganized in a pandemic-persistent new reality, the Russian invasion of Ukraine threatened lives, challenged geopolitical affairs, and tested global supply chains' resilience. The perspective of a just, sustainable future shivered.

Markets also felt the wavering outlooks of this war coupled with compounded consequences of the pandemic, the climate crisis and a feared recession.

Of all the key 2022 themes, energy best illustrated the depth of the situation. Europe, the U.S. and China alike faced intricate difficulties of their own relative to this precious commodity of the future.

Hence, western governments grasped the **urgency of building local capacity for energy solutions.**

National strategies, friend-shoring tactics

and trade collaborations multiplied. The U.S. Inflation Reduction Act of 2022 signalled a new era in cleantech and battery production on the continent. The legislation exemplified how the push towards localization of supply chains and ESG compliance places Canadian mining and advanced manufacturing operations such as NMG in a privileged position.

Reconciliation of sustainability standards across the value chain, from ore to battery materials to EVs, is increasingly being recognized and promoted, with the Global Battery Alliance's Battery Passport leading the way. True to its values, NMG participated in advancing traceability work for this effort as a member of the world's largest multi-stakeholder coalition dedicated to establishing a sustainable battery industry.

In the electrification sector and beyond, ESG continued its fulgurant rise. The standards faced intensified criticism regarding green-washing, methodology and even relevance on one hand, while on the other, corporate commitments, increased disclosure



regulations as well as public and private investments reached unprecedented levels.

Indeed, over US\$1.1 trillion of global investments into the energy transition were tracked in 2022². The energy crisis and record adoption rate of EVs certainly contributed to this new record.

2022 was plagued by inflationary pressures, historic heatwaves, droughts, and water

shortages, as well as armed conflicts. Yet global sustainable funds proved resilient relative to the broader market³.

It has become distressingly urgent for capital markets to recognize their responsibility in addressing climate change. People, planet, and profit are converging.

² BloombergNEF, January 2023

³ Morningstar, January 2023



Sound. ESG-grounded. Timely. Climate-focused. Financially robust. I am pleased to report that NMG's forward-looking integrated business model has demonstrated again and again over this past year its relevance, sturdiness, and commercial attractiveness.

With projected production levels of lithium-ion batteries surpassing 8 TWh by 2030 across the world⁴, NMG's North American operations provide a local, carbon-neutral, scalable, and ethical source of anode material to a booming market.

North America and Europe are indeed accelerating the development of their capacity. New markets meet new expectations from consumers and regulators. Today's electrification is powered by mining. Yet mining ought to integrate social and environmental considerations from the outset.

Potential customers and investors that visited NMG Phase-1 facilities experienced firsthand the standards that the Company is advancing.

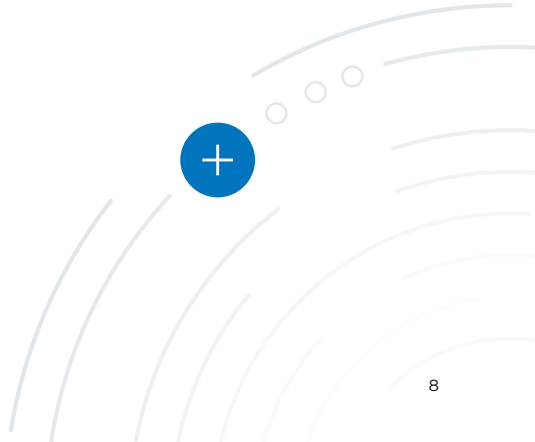
Through partnered development, innovative design choices and proprietary technologies, the Company is building a responsible turnkey production, **from ore to battery materials**, to drive global decarbonization.

On behalf of the Board of Directors, I wish to thank shareholders for rallying behind our vision, customers and industry partners for joining us on our journey, as well as management and employees for their leadership and relentlessness in advancing our strategy.

Sincerely,

Arne H Frandsen
Chair of the Board of Directors

⁴ Benchmark Mineral Intelligence, March 2023



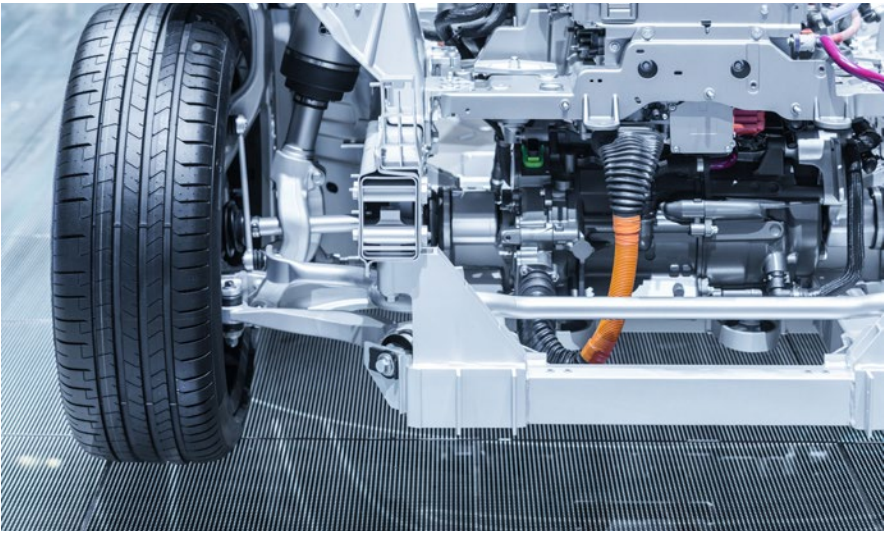
FROM OUR LEADERSHIP

Message from the President & CEO



The year 2022 marked 10 years since I founded the Company.

From the instinct to pursue the graphite emerging opportunity to the adoption of novel technologies, the promotion of proactive engagement with First Nations and communities, the design of bold environmental initiatives, the recruitment of audacious experts, and the enlisting of strategic investors and customers, much has changed, much has been accomplished.



In 10 years...

The production of natural graphite has only just fluctuated between 1.2 to 1.3 million tpa⁵ while demand projections increased to 3.4 million tpa for the anode market alone⁶.

The lithium-ion technology has been adopted and perfected by 195 active gigafactories worldwide with another 174 in construction or planning⁷.

Global EV sales have jumped from 120,000 units per year⁸ to more than 10.3 million units⁹.

The climate crisis has garnered attention and action with multiplying legislations, cleantech deployment, carbon footprint scrutiny and disclosure, investments as well as civic engagement to limit global warming.

Electrification has gained momentum across a number of transportation and heavy industry segments, helping carve emissions at the source and further driving demand for battery materials.

Graphite has been targeted as a critical and strategic mineral for economies and securities by world leaders such as the U.S., the European Commission, Canada, China, India, and Australia¹⁰.

Nouveau Monde Graphite has blossomed from an exploration junior to an active mining and advanced manufacturing company developing what is projected to be North America's largest, fully integrated graphite production, from ore to battery materials.

Indeed, much has happened. Yet, much more still needs to be put into motion if collectively, society is to reach Net Zero. There is much to be celebrated with the accelerated pace of decarbonization commitments and battery/EV manufacturing development. Still, it is bluntly evident that the graphite market imbalance along with key raw materials could jeopardize the energy transition.

There is an urgency to acknowledge minerals and advanced materials as the cornerstones of cleantech to capture and store renewable energies. The rEVolution is powered by mining.

Now, let us align responsible mining development and technology to sustain market growth.

From the Company's inception, I have laid a foundation of integrity, environmental stewardship, and innovation. Today, with some 100 employees rallied around our mission, we advance our activities, projects, products and business strategy forward to cater to this booming market.

5 U.S. Geological Survey, Mineral Commodity Summaries, February 2014.
6 Benchmark Mineral Intelligence, Flake Graphite Forecast | Q4 2022.
7 Benchmark Mineral Intelligence, February 2023.
8 International Energy Agency, February 2023.
9 Rho Motion, February 2023.
10 International Energy Agency and public governmental announcements, February 2023.

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. Our turnkey production model, high-quality graphite-based solutions, proprietary technologies and scalable development plan is being noticed and sought-after.

In fact, our marketing and commercialization program led to the signing this year of an offtake and strategic partnership with Panasonic Energy. And discussions advanced, and continue to, with other leading battery/EV manufacturers wanting to secure volumes.

Hence, we continued to strengthen our business model with the completion of our integrated value chain for a 2,000-tpa nameplate capacity of anode material production at our Phase-1 facilities, the publishing of an updated feasibility study covering our full-scale Phase-2 operations at the Matawinie Mine and Bécancour Battery Material Plant, and the integration of the Uatnan Mining Project into our Phase-3 plans to support potential customers’ demand.

We maintained our active dialogue with the Atikamekw First Nation of Manawan and expanded our engagement to the Abenakis First Nation via the Grand Conseil de la Nation Waban-Aki as well as the Innu First Nation of Pessamit. We are committed to improving First Nations participation in our projects and promoting a shared perspective within the Company and our communities.

In line with our Zero-Harm Philosophy, we advanced biodiversity, water, tailings and carbon neutrality initiatives at our operations as well as within the design of our Phase-2 facilities, to preserve our ecosystems, reduce our environmental impact, and maximize our products’ contribution to the clean energy transition.

As western economies faced labor shortages, we invested in recruiting, nurturing, and promoting talents from diverse professional and personal backgrounds to sustain our growth. Our purpose-driven Company and

inclusive hybrid work environment helped attract and retain top employees.

NMG doubled down on its ESG commitments this year with enhanced disclosure, a climate action plan, targets on material issues, an independent sustainability rating, proactive reporting to the Carbon Disclosure Project, and continued progress of its leading initiatives as mapped in its 2021-2023 Sustainability Action Plan. Our dedicated 2022 ESG Report will provide our shareholders and stakeholders visibility over the extent of our efforts and our performance in that regard.

It has been a productive and rewarding year; a transformative and inspiring decade.

The following is set to be just as remarkable.

Onwards,
En avant,
Wapita Nikanik,
nik8nosada,
Nikanitetau



Eric Desaulniers
Founder, President &
Chief Executive Officer



YEAR IN REVIEW

Fostering Values-Driven Operations & Governance



1 Continued focus on the **safe conduct of operational and construction activities** with the Company's Zero-Harm Philosophy being top of mind to protect the environment, as well as the health and safety of employees, contractors, and communities.



2 **Reinforced engagement with communities, First Nations, and stakeholders** to inform the development of NMG's projects, elevate R&D efforts and industrial collaboration, and create shared value.



3 **Establishment of key ESG targets to improve NMG's ownership and stewardship of material issues** such as diversity and inclusion, environmental management, Indigenous partnership, biodiversity and responsibility towards its supply chain.



4 **Appointment of experienced and talented executives** to steer the Company's development, including Stephanie Anderson to the Board of Directors as well as Bernard Perron (Chief Operating Officer), Josée Gagnon (Vice President, Legal Affairs & Corporate Secretary), Anoop Singh (Vice President, Mining Projects), and Jean Cayouette (Vice President, Metallurgy & Process) to the management team.



5 **Recognition of NMG's robust ESG credentials** through an A2 Robust Sustainability Rating from Moody's ESG Solutions, the second-highest grade of the rating scale, confirming the Company's responsible focus on environmental stewardship and equitable business practices.

Executing a Disciplined Business Plan



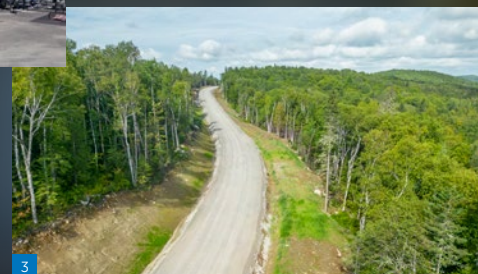
1

1 Addition of a commercial-scale coating unit and a second shaping module at the Company's Phase-1 plant to support product qualification with potential customers as well as process and engineering optimization for the Phase-2 facilities.



2

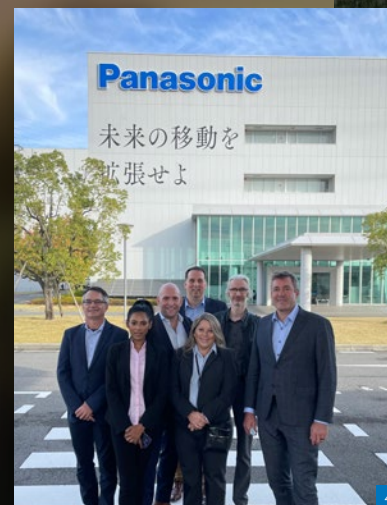
2 Completion of a feasibility study for the Phase-2 Bécancour Battery Material Plant and Matawinie Mine, indicating attractive economics with an after-tax net present value of \$1,581 million and internal rate of return of 21%.



3

3 Advancement of Phase-2 project financing with the nomination of Société Générale as the sole mandated lead arranger, confirmation of interest towards senior debt from export credit agencies Export Development Canada and Euler Hermes (Germany), as well as engineering, environmental, and social due diligence exercises conducted at NMG's sites.

5 Continued advancement of the Matawinie Mine through preliminary construction work at the site, detailed engineering, advancement of electrification plans, and environmental management initiatives supporting progressive site reclamation.

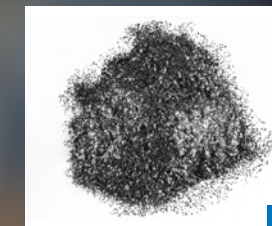


4

4 Memorandum of understanding with Panasonic Energy Co., Ltd. confirming intentions for a multi-year offtake agreement for a significant portion of NMG's active anode material from the Company's "ore-to-anode-material" Phase-2 production facilities.



5



6

6 Signing and closing of a strategic investment agreement with Mason Graphite Inc. leading to a preliminary economic assessment of the Uatnan Mining Project that demonstrates strong returns for a production of approximately 500,000 tpa of graphite concentrate over a 24-year life of mine, in line with NMG's Phase-3 plans.



7

7 US\$50 million private placement in NMG from Mitsui & Co., Ltd., Investissement Québec, and The Pallinghurst Group which complements over \$8.6 million raised through public and private offerings, the exercise of warrants, and financial levers from governments to support the Company's next operational milestones and strategic projects.

Driving the Transition to a Green Future



1

1 Issuing of a **life cycle assessment** for NMG's portfolio of **graphite-based materials**, confirming the minimal and industry-leading environmental footprint of the Company's products, up to 11 times smaller than benchmarked production.



4

4 **Active engagement towards** **offtake agreements** with a series of potential tier-1 customers in the EV and battery sector with the production of battery-grade samples, site visits, quality checks, commercial discussions and environmental diligence reviews.



2

2 **Advancement of electrification plans for the Matawinie Mine** through technical engagement and close collaboration with Caterpillar Inc. for the development, testing, and production of Cat® "zero-emission machines".



3

3 **Release of the Company's Climate Action Plan** detailing its transition from carbon neutrality to Net Zero by 2030 through emission reduction and an innovative offsetting strategy, complemented by inaugural participation to the Carbon Disclosure Project in line with its Task Force on Climate-related Financial Disclosures ("TCFD") implementation roadmap.



5

5 Strengthening of the Company's quality assurance and quality control with the **active development of an ISO 9001-compliant management system** to support certification objectives.



6

6 **Ever-expanding portfolio of R&D projects to deliver a new generation of green battery materials**, assisted by governmental financial aid such as Canada's \$5.75-million grant from Sustainable Development Technology Canada and Québec's \$3-million grant from Technoclimat.



7

7 **Increased presence on the U.S. scene** through commercialization efforts and investor relations on the heels of NMG's listing on the New York Stock Exchange and the adoption of the Inflation Reduction Act.

MANAGEMENT DISCUSSION & ANALYSIS

Preamble	15
The Company	17
2022 Highlights	17
Business Lines	19
Commercial Strategy	25
Responsibilities	28
Governance	31
Annual Financial Information	33
Liquidity and Funding	35
Additional Information	37



Preamble

This Management Discussion and Analysis (“MD&A”) dated March 23, 2023, has been prepared according to Regulation 51-102 of the continuous disclosure requirements and approved by the Board of Directors of Nouveau Monde Graphite Inc. (“the Company” or “NMG”).

This MD&A should be read in conjunction with the Company’s audited financial statements for the years ended December 31, 2022, and December 31, 2021, and related notes included therein. 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”). All monetary amounts included in this MD&A are expressed in thousands of Canadian dollars (“CAD”), the Company’s reporting and functional currency, unless otherwise noted.

Period Covered

This MD&A report is for the year that ended December 31, 2022, with additional information up to March 23, 2023.

Forward-Looking Statements

This MD&A contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities legislation (collectively, “**forward-looking statements**”), which relate to future events or future performance and reflect management’s expectations and assumptions regarding the Company’s growth, results, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to it. In some cases, forward-looking statements can be identified by words such as “may”, “would”, “could”, “will”, “should”, “expect”, “intend”, “aim”, “attempt”, “anticipate”, “believe”, “study”, “target”, “estimate”, “forecast”, “predict”, “outlook”, “mission”, “aspire”, “plan”, “schedule”, “potential”, “progress” or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company’s future results, the intended construction and commissioning timeline of the Matawinie Mine project, the Bécancour Battery Material Plant Project, the shaping demonstration plant and the coating demonstration plant, the intended operation and performance of the purification demonstration plant, shaping demonstration plant, coating demonstration plant and the concentrator demonstration plant, the intended development of the Matawinie Mine Property, the intended development of the Uatnan Mining Project, including the formation of a joint venture, the economic performance and product development efforts, as well as the Company’s expected achievement of milestones, including the ability to obtain sufficient financing for the development of the Matawinie Mine Project and the Bécancour Battery Material Plant Project, including the completion of the FID, (as defined herein), the ability to achieve the Company’s environmental, social and governance (“**ESG**”) initiatives, the Company’s electrification strategy and its intended results, market trends, the results of the integrated feasibility study, preliminary economic assessment for the Uatnan Mining Project and any other feasibility study and preliminary economic assessments and any information as to future plans and outlook for the Company are or involve forward looking statements.

Forward-looking statements are based on reasonable assumptions that have been made by the Company as at the date of such statements and are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to, the actual results of current development, engineering and planning activities, access to capital and future prices of graphite, new mining operation inherent risks, mineral exploration and development activities inherent risks, the uncertainty of processing the Company’s technology on a commercial basis and those factors discussed in the section entitled “Risk Factors” in Company’s most recent annual information form. Forward-looking statements in this MD&A contain, among other things, disclosure regarding: the Company’s development activities and production plans, including the operation of the shaping demonstration plant, the purification demonstration plant and the concentrator demonstration plant; the construction and commissioning, as applicable, of the Matawinie Mine Project, the Bécancour Battery Material Plant Project, the shaping demonstration plant and the coating development plant; the development of the Uatnan Mining Project, the impact of infectious diseases, global pandemics or any other public health crises, including COVID-19 pandemic (“**COVID-19**”), and the ongoing war between Russia and Ukraine on the Company’s operations; the future outlook, corporate development and strategy of the Company; the Company’s projected capital and operating expenditures; the estimates of mineral resources and mineral reserves; the Company’s green and sustainable lithium-ion active anode material initiatives; the government regulation of mining operations, environmental regulation and compliance; the realization of the expected economics of the construction and operation of the Matawinie Mine Project and the Bécancour Battery Material Plant Project; the ability to obtain sufficient financing and the permitting required for the development of the Matawinie Mine Project and the Bécancour Battery Material Plant Project; and business opportunities that become available to, or are pursued by the Company.

Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to: general business and economic conditions; there being no direct operational impacts resulting from infectious diseases or pandemics; the supply and demand for, deliveries of, and the level and volatility of prices for graphite products; the speculative nature of mineral exploration and development; changes in mineral production performance and increase in costs, exploitation, exploration and mine new mines’ start-up successes; the risk that exploration data may be incomplete and additional work may be required to complete further evaluation, including but not limited to drilling, engineering, and socioeconomic studies and investment; the impact of the inflation of the Company’s planned exploration and development activities, the timing of the receipt of necessary regulatory and governmental permits and approvals for the Matawinie Mine Project and Bécancour Battery Material Plant Project; the availability of financing for the Company’s development of its properties and construction of its facilities and installations on reasonable terms; the possibility that the Company may incur additional debt; the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; increased costs, delays, suspensions and technical challenges associated with the development, construction and commissioning of the Matawinie Mine Project and the Bécancour Battery Material Plant Project; the good standing of the Company’s title and claims on its properties; the ability to attract and retain skilled staff and maintain positive relationships with the staff; the risk of

relying on consultants; development and production timetables; competition and market risks; pricing pressures; the accuracy of the Company’s mineral resource and mineral reserve estimates (including, with respect to size, grade and recoverability) as well as the geological, operational and price assumptions on which they are based; the volatile nature of the share price of a resources company and public Company obligations, currency fluctuations, the fact that certain business improvement initiatives are still in the early stages of evaluation, and additional engineering and other analysis is required to fully assess their impact; the fact that certain of the initiatives described in this MD&A, are still in the early stages and may not materialize; business continuity and crisis management; and such other assumptions and factors as set out herein and in this MD&A.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that may cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update or revise any forward-looking statements that are included in this MD&A, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

Technical Information and Cautionary Note to U.S. Investors

Scientific and technical information in this MD&A 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 Mine Project and the Bécancour Battery Material Plant Project, including a description of key assumptions, parameters, methods and risks, is available in a technical report following NI 43-101 rules and guidelines, titled “NI 43-101 Technical Feasibility Study Report for the Matawinie Mine and Bécancour Battery Material Plant Integrated Graphite Projects”, effective July 6, 2022, and available on SEDAR and EDGAR (the “Feasibility Study”). Further information about the Uatnan Mining Project, including a description of key assumptions, parameters, methods and risks, is available in a technical report following NI 43-101 rules and guidelines, titled “NI 43-101 Technical Report – PEA Report for the Uatnan Mining Project”, effective January 10, 2023, and available on SEDAR and EDGAR (the “**PEA**”).

Disclosure regarding Mineral Reserve and Mineral Resource estimates included herein were prepared in accordance with *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) and applicable mining terms are as defined in accordance with the CIM Definition Standards on Mineral Resources and Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum Council (the “**CIM Definition Standards**”), as required by NI 43-101. Unless otherwise indicated, all reserve and resource estimates included in this MD&A have been prepared in accordance with the CIM Definition Standards, as required by NI 43-101.

NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. NI 43-101 differs from the disclosure requirements of the United States Securities and Exchange Commission (the “**SEC**”) applicable to U.S. companies. Accordingly, information contained herein may not be comparable to similar information made public by U.S. companies reporting pursuant to SEC reporting and disclosure requirements.

Market and Industry Data

Market and industry data presented throughout this MD&A was obtained from third-party sources and industry reports, publications, websites and other publicly available information, as well as industry and other data prepared by the Company or on the behalf of the Company on the basis of the Company’s knowledge of the markets in which the Company operates, including information provided by suppliers, partners, customers and other industry participants.

The Company believes that the market and economic data presented throughout this MD&A is accurate as of the date of publication and, with respect to data prepared by the Company or on behalf of the Company, that estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this MD&A 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 as of the date of publication, the Company has not independently verified any of the data from third-party sources referred to in this MD&A, 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 economic 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. In addition, certain of these publications, studies and reports were published before COVID-19 and therefore do not reflect any impact of COVID-19 on any specific market or globally.

The Company

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 (“TSXV”), and NM9A on the Frankfurt Stock Exchange.

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. On November 8, 2022, the Company completed a private placement of unsecured convertible notes with Mitsui & Co., Ltd. (“Mitsui”), Pallinghurst, and Investissement Québec, for aggregate gross proceeds of \$67.2 million (US\$50 million). For more details, refer to note 15 of the audited consolidated financial statements.

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

Value Proposition

NMG is a Québec-based company striving to become a key contributor to the sustainable energy revolution. The Company is working towards developing a fully integrated source of carbon-neutral battery anode material in Québec, Canada for the growing lithium-ion battery and fuel cell markets, and other value-added graphite products. With enviable ESG standards, the Company aspires to become a strategic supplier to the world’s leading battery and auto manufacturers, providing high-performing and reliable advanced materials while promoting sustainability and supply chain traceability.

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

The Company’s activities are focused on the planned Matawinie graphite mine (the “Matawinie Mine”) and the planned commercial value-added graphite products transformation plant (the “Bécancour Battery Material Plant”), both of which are progressing concurrently towards commercial operations. Underpinning these projects are NMG’s world-class Matawinie graphite deposit, its proprietary technologies, and clean hydroelectricity powering its operations. The Company is also exploring the potential of developing and operating the Uatnan mining project (the “Uatnan Mining Project”) that leverages Mason Graphite Inc.’s (“Mason Graphite”) Lac Guéret graphite deposit.

2022 Highlights

- » Continued focus on the safe conduct of operational and construction activities with the Company’s Zero-Harm Philosophy being top of mind to protect the environment, as well as the health and safety of employees, contractors, and communities.
- » Memorandum of understanding with Panasonic Energy Co., Ltd. confirming intentions for a multi-year offtake agreement for a significant portion of NMG’s active anode material from the Company’s “ore-to-anode-material” Phase-2 production facilities.
- » Completion of the feasibility study for the Phase-2 Bécancour Battery Material Plant and Matawinie Mine, indicating attractive economics with an after-tax net present value of \$1,581 million and internal rate of return of 21%.
- » Advancement of Phase-2 project financing with the nomination of Société Générale as the sole mandated lead arranger, confirmation of interest towards senior debt from export credit agencies Export Development Canada and Euler Hermes (Germany), as well as engineering, environmental, and social due diligence exercises conducted at NMG’s sites.

- » Continued advancement of the Matawinie Mine through preliminary construction work at the site, detailed engineering, advancement of electrification plans, and environmental management initiatives supporting progressive site reclamation.
- » Addition of a commercial-scale coating unit and a second shaping module at the Company’s Phase-1 plant to support product qualification with potential customers as well as process and engineering optimization for the Phase-2 facilities.
- » Signing and closing of a strategic investment agreement with Mason Graphite Inc. leading to a preliminary economic assessment of the Uatnan Mining Project that demonstrates strong returns for a production of approximately 500,000 tpa of graphite concentrate over a 24-year life of mine, in line with NMG’s Phase-3 plans.
- » US\$50 million private placement in NMG from Mitsui, Investissement Québec, and The Pallinghurst Group through convertible notes which complements over \$8.6 million raised through public and private offerings, the exercise of warrants, and financial levers from governments to support the Company’s next operational milestones and strategic projects.
- » Reinforced engagement with communities, First Nations, and stakeholders to inform the development of NMG’s projects, elevate R&D efforts and industrial collaboration, and create shared value.
- » Recognition of NMG’s robust ESG credentials through an A2 Robust Sustainability Rating from Moody’s ESG Solutions, the second-highest grade of the rating scale, confirming the Company’s responsible focus on environmental stewardship and equitable business practices.
- » Advancement of electrification plans for the Matawinie Mine through technical engagement and close collaboration with Caterpillar Inc. for the development, testing, and production of Cat® “zero-emission machines”.
- » Increased presence on the U.S. scene through commercialization efforts and investor relations on the heels of NMG’s listing on the New York Stock Exchange and the adoption of the Inflation Reduction Act.
- » Issuing of a life cycle assessment for NMG’s portfolio of graphite-based materials, confirming the minimal and industry-leading environmental footprint of the Company’s products, up to 11 times smaller than benchmarked production.
- » Appointment of experienced and talented executives to steer the Company’s development, including Stephanie Anderson to the Board of Directors as well as Bernard Perron (Chief Operating Officer), Josée Gagnon (Vice President, Legal Affairs & Corporate Secretary) and Anoop Singh (Vice President, Mining Projects) to the management team.
- » Release of the Company’s Climate Action Plan detailing its transition from carbon neutrality to Net Zero by 2030 through emission reduction and an innovative offsetting strategy, complemented by inaugural participation to the Carbon Disclosure Project in line with its Task Force on Climate-related Financial Disclosures (“TCFD”) implementation roadmap.
- » Active engagement towards offtake agreements with a series of potential tier-1 customers in the EV and battery sector with the production of battery-grade samples, site visits, quality checks, commercial discussions and environmental diligence reviews.

- » Ever-expanding portfolio of R&D projects to deliver a new generation of green battery materials, assisted by governmental financial aid such as Canada’s \$5.75-million grant from Sustainable Development Technology Canada and Québec’s \$3-million grant from Technoclimat.
- » Strengthening of the Company’s quality assurance and quality control with the active development of an ISO 9001-compliant management system to support certification objectives.
- » Establishment of key ESG targets to improve NMG’s ownership and stewardship of material issues such as diversity and inclusion, environmental management, Indigenous partnership, biodiversity and responsibility towards its supply chain.
- » Year-end cash position of \$59.9 million.

Business Lines

Striving to establish a local, carbon-neutral, and traceable turnkey supply of graphite-based advanced materials for the Western World, the Company is advancing an integrated business operation, from responsible mining to advanced manufacturing. NMG is developing natural flake graphite as well as coated spherical purified graphite (“CSPG”), which is an essential component in lithium-ion batteries used in electric vehicles, energy storage solutions, and consumer technology applications.

The Company is carrying out a phased-development plan for its Matawinie Mine and Bécancour Battery Material Plant (respectively, with the applicable demonstration plants, the “Matawinie Mine Project” and “Battery Material Plant Project”) to derisk its projects and advance toward commercial operations. To support growth and meet customers’ demand beyond its Phase 2, the Company is exploring the development of the Uatnan Mining Project targeted as NMG’s Phase-3 expansion.

Battery Material Plant Project	
Phase 1 – Battery Material Demonstration Plants	
Shaping Demonstration Plant	The Company has been operating a commercial-scale shaping unit since 2020. A second unit has been assembled in 2022 and is being commissioned.
Purification Demonstration Plant	The purification demonstration unit is currently in production with a 2,000 tpa nameplate capacity.
Coating Demonstration Plant	Commissioning of the coating module is progressing with improvements to the equipment.
Phase 2 – Bécancour Battery Material Plant	Engineering of Phase-2, optimization of the Feasibility Study based on Panasonic’s specifications as per the MoU offtake agreement, and piloting at Phase-1 facilities support finalization of projected operational parameters.
Matawinie Mine Project	
Phase 1 – Matawinie Mine Demonstration Plant	
Concentrator Demonstration Plant	Since September 2018, the Company has been operating a flake concentration demonstration plant.
Phase 2 – Matawinie Mine	Groundwork continued at the construction site in 2022 while engineering and procurement advance in parallel.
Uatnan Mining Project	
Phase 3 – Uatnan Mining Project	A PEA was carried out to leverage the Lac Guéret deposit resource and update operational parameters.

Battery Material Plant project

The Company continues to make significant progress with respect to its advanced manufacturing activities via samples production and process refinement at Phase-1 facilities as well as engineering advancement of its Phase-2 development plans. The Company’s latest Feasibility Study reflects the technological progress of value-added processes and the optimization of production flow within an integrated operational model.

Battery Material Demonstration Plants

The shaping equipment (Phase 1) continues to produce spherical graphite; samples have attested to the performance of the secondary transformation process developed by NMG. The successful results have led NMG to purchase another commercial-scale module, hence tripling its production capability. The new unit should further elevate the products’ quality and provide customers with a greater variety of specifications.

- » The equipment was successfully installed in 2022 at the Company’s facility.
- » Detailed tests are being conducted to supplement those already performed at the equipment manufacturer’s site, optimize the operating parameters, and enhance performance in terms of yield and throughput.
- » Processes are being developed leveraging this new manufacturing technology; focus is on achieving various potential client specifications and ramping up production in 2023.

The Company is also leveraging its proprietary thermochemical purification process to complete its market offering of products with purity greater than 99.95%. On October 27, 2020, NMG announced a five-year agreement with Olin Corporation (“Olin”), which covers the manufacturing space for operations, site services, and the supply of certain raw materials to support the commercialization of NMG’s advanced graphite materials.

- » The Company’s first two commercial-scale pilot plant purification modules (Phase 1) have been constructed within existing space at Olin’s facility in Bécancour, Québec. The scalable furnaces have a nameplate capacity of 2,000 tpa of purified battery-grade graphite.
- » Since the launch of production, NMG has produced spherical purified graphite (“SPG”), demonstrating the performance of its proprietary purification ecotechnology; samples confirmed the purity of +99.99%, above the level required for energy applications.
- » In line with specific client specifications, NMG continues to test and optimize its purification process for both battery-grade active graphite materials and purified jumbo flakes for niche applications.
- » Recent production samples have demonstrated excellent results both at the Company’s laboratory and at a leading third-party testing facility, indicating effective process and operational parameters.

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

- » Commissioning of the coating module is continuing.

Bécancour Battery Material Plant

NMG owns a 200,000-m² land in the Bécancour industrial park in Québec, Canada, adjacent to Olin’s facility, to build an integrated manufacturing plant with a projected annual production volume of roughly 46,000 tpa of advanced graphite materials (Phase 2). Approximately 150 km northeast of Montréal, close by the Saint Lawrence River, the site provides robust local infrastructure with a direct supply of required chemicals, affordable hydroelectricity, skilled workforce, and no environmental limitations for construction. Its multi-modal logistical base includes a major international port, plus rail and highway for both importing raw materials and exporting final products throughout North America and Europe.

- » A study of archaeological potential, comprised of surveys of historical documentation and on-site work, was completed in Q2-2022 for the land. The study was carried out by the Ndakina Office of the Conseil de la Nation Waban-Aki, the Indigenous organization overseeing territorial and environmental protection questions for the Abenaki Councils of Odanak and Wôlinak. No archaeological discoveries were made.

Bécancour is rapidly attracting important industrial players in the battery materials and cell manufacturing space, supported by the Québec Government’s battery hub strategy. Twenty industrial and commercial projects are planned or under study, including BASF, GM-Posco, Vale and Nemaska Lithium. The Company’s site, at the centre of this development zone, represents a strategic and operational asset.

The Company mandated engineering firm BBA, with the support of various technical consultants, to complete the Feasibility Study compliant with NI 43-101 for its integrated business operations comprised of the Phase-2 Matawinie Mine and Bécancour Battery Material Plant projects.

Results of the Study were published on July 6, 2022, demonstrating attractive economics. Regrouping on-site all beneficiation units, the Bécancour Battery Material Plant is designed to receive approximately 63,775 tpa of graphite concentrate from the Matawinie Mine to be transformed into 42,616 tpa of CSPG, 3,007 tpa of purified flakes and 18,384 tpa of by-product fines, a valuable graphite material.

- » The Feasibility Study is available on SEDAR, EDGAR, and the Company’s website.
- » Piloting at NMG’s Phase-1 facilities continues to inform final process design criteria; a mandate was awarded to BBA to advance some engineering components in parallel.

- » NMG has finalized the project’s execution and contracting strategy in preparation for construction once a final investment decision (“FID”) is reached. Permit demands as well as long-lead items tendering packages are being prepared.

Matawinie Mine project

The Matawinie graphite property includes 380 mining claims covering 21,280 hectares as of the date of this MD&A, in which the Company owns a 100% interest. The Tony Bloc, or Mining Property, part of the Matawinie graphite property, is composed of 159 claims totalling 8,266 hectares. The Tony Claim Block is located approximately 120 km as the crow flies north of Montréal, Québec, Canada, in Saint-Michel-des-Saints. This block is easily accessible via the dedicated access road connecting to the local highway and is close to high-quality infrastructure, including paved roads and high-voltage power lines, and the community, which counts skilled laborers and contractors. The project is located close to the Montréal metropolitan area, which also has a considerable pool of nearby labor and suppliers of goods and services.

As part of the Feasibility Study for its integrated business model, parameters of the 2018 feasibility study were updated, including mineral resources and reserves, operational, and financial metrics. Project highlights for the Matawinie Mine now include:

- » Annual processing rate: 2.55 million metric tonnes
- » Average annual graphite concentrate production: 103,328 metric tonnes
- » Average recovery: 93%
- » Finished product purity: 97% Cg
- » Stripping ratio (LOM): 1.16:1

Mineral Resources and Reserves

Since the deposit discovery, a comprehensive exploration program uncovered significant crystalline flake graphite mineralization, ultimately leading to the identification of Mineral Resources and Reserves.

As part of the Feasibility Study, Mineral Resources have been updated and estimated for the West Zone of the mining property. These Mineral Resources are based on 8,274 assay intervals collected from 27,888 m of core drilling and three surface trenches providing 207 channel samples. Proper quality control measures, including the insertion of duplicate, blank, and standard samples, were used throughout the exploration programs and returned within acceptable limits.

CURRENT PIT-CONSTRAINED MINERAL RESOURCE ESTIMATE FOR THE WEST ZONE¹

Mineral Resource Category ²	Current Resource (May 20, 2022) ⁷		
	Tonnage (Mt) ^{5, 6}	Grade (% Cg) ³	Contained Graphite (Mt)
Measured	28.5	4.28	1.22
Indicated	101.8	4.26	4.33
Measured + Indicated	130.3	4.26	5.55
Inferred ⁴	23.0	4.28	0.98

1.

The Mineral Resources provided in this table were estimated by Yann Camus, P.Eng. SGS of Canada Inc. - Geological Services ("SGS Geological Services") using current Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Standards on Mineral Resources and Reserves, Definitions and Guidelines.
2.

Mineral Resources that are not Mineral Reserves have not demonstrated economic viability. Additional trenching and/or drilling will be required to convert Inferred and Indicated Mineral Resources to Measured Mineral Resources. There is no certainty that any part of a Mineral Resource will ever be converted into Reserves.
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 trenching and/or drilling will be required to convert Inferred Mineral Resources to Indicated or Measured Mineral Resources. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher resource category.
5.

Current Resource effective May 20, 2022.
6.

Mineral Resources are stated at a cut-off grade of 1.78 % Cg.
7.

Standards used for this resource update are the same standards produced over the course of the 2018 Feasibility Study (effective as of July 10, 2018, and issued on December 10, 2018) and the Resource Update (results published March 19, 2020). The difference comes mainly from a newly accessible land package along the Hydro-Québec power line.

A combined Mineral Resource of the South-East and South-West zones is also present on the mining property. While these deposits are part of the mining property, they have not been studied to be integrated in the Mineral Reserves or the mine plan.

MATAWINIE MINERAL RESERVES FOR THE WEST ZONE

Category	Tonnage (Mt)	Grade (% Cg)	Contained Graphite (Mt)
Proven	17.3	4.16	0.7
Probable	44.3	4.26	1.9
Proven & Probable	61.7	4.23	2.6

The Qualified Person for the Mineral Reserve Estimate is Jeffrey Cassoff, P.Eng., of BBA Inc.
The effective date of the estimate is July 6, 2022.
Mineral Reserves were estimated using a graphite concentrate average selling price of C\$2,135/tonne, and considering a 2% royalty, and selling costs of C\$47.92/tonne. An average grade of 97% was considered for the graphite concentrate. A metallurgical recovery of 93% was used.
A cut-off grade of 2.20% Cg was used.
The strip ratio for the open pit is 1.16 to 1.
The Mineral Reserves are inclusive of mining dilution and ore loss.
The reference point for the Mineral Reserves is the primary crusher.
Totals may not add due to rounding.

Matawinie Mine Demonstration Plant (Phase 1)

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

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

Several hundred tonnes of graphite concentrate are being produced on an annual basis with the materials extracted from the West Zone Deposit of the Matawinie graphite property with grades between 94-98% Cg (as per technical requirements). Production serves as the feedstock for the Company's Phase-1 battery material demonstration plants and as samples for potential customers interested in high-purity flake graphite.

Matawinie Mine (Phase 2)

The ministerial decree authorizing the project supports the technical feasibility and commercial viability of the Matawinie Mine and provides NMG with the final parameters to launch the Phase-2 development activities, subject to additional financing. Through an innovative coordination table set up by the Québec Government, NMG has worked collaboratively with various authorities to prepare and ease the permitting process.

The detailed engineering and procurement activities for the construction of the mine and concentrator continue to progress with the technical team.

- » Tier-1 supplier Metso Outotec has been retained for procurement of the process equipment chain as well as services promoting design and integration efficiencies.
- » Continued detailed engineering and optimization, notably on overall site layout, steel and architecture drawings, support buildings, compressed air and mechanical components, are progressing, supported by the finalization of process design parameters and equipment selection.
- » Results from the experimental co-disposal test cells are positive, validating the co-disposal technology developed by NMG.

The project contracting and execution strategy has now been finalized for the upcoming construction of the mine once FID is reached. NMG is advancing its hiring plan accordingly and engaging with contractors to select a Construction Manager that will be responsible for the construction site management and administration of all the construction contracts.

NMG started early works in 2021 to prepare the site for the mine industrial platform and the access road connecting the project to the local highway.

- » Initial tree clearing was completed before the nesting season to limit impacts on avifauna.
- » On-site construction work started in July 2021 to build the 8-km access road and was completed in December 2021.
- » Construction resumed in 2022 and continued up to February 2023 to build environmental infrastructure such as water ditches, a water collection basin, as well as organic and overburden stockpiles, and prepare the site for the next phase of civil works.

Wood harvested as part of tree clearing for preliminary works was transformed by regional sawmills and wood product manufacturers to optimize carbon sequestration and local economic benefits. Additional proactive environmental management enabled the advancement of initiatives in support to progressive site reclamation.

- » Hydroseeding of the access road borders on a total surface of 4 hectares, enables the testing of 24 native species in different mixes, soil conditions, and ground relief. In addition to helping vegetate the site, control potential dust emissions, and minimize erosion, the seeding provides insight into the ideal parameters for future site restoration. Over the next three to five years, the zones seeded will be subject to regular monitoring and documentation.
- » Through a plantation of 5,000 willows on its Phase-1 mining site, NMG is establishing a circular environmental system. Willow's phytoremediation capabilities are to be leveraged to complement the Company's integrated water management system by reducing the volume of treated water. The project also allows for the capture and sequestration of carbon by the willows as well as the in-situ production of biomass, organic matter input for vegetation, to support the progressive restoration of the site.
- » NMG continued its active management of on-site resources with a view for progressive reclamation with the deposition of windrows resulting from the stripping of the site to create organic matter.

As part of its electrification strategy, the Company is committed to having both its heavy equipment used for mining operations and its ore concentration and processing activities become fully electric within the first five years of production. This operating model, which would make it one of the first all-electric open-pit operations in the world, represents a potential reduction of over 300,000 tonnes of CO₂ emissions over the mine's lifespan as well as a significant advantage over peers globally.

Following its international call for prequalification as part of its procurement process for its all-electric fleet and charging infrastructure, NMG signed an agreement with Caterpillar on June 22, 2021.

- » Caterpillar will develop, test, and produce Cat® “zero-emission machines” for the Matawinie Mine with a view to becoming the exclusive supplier of an all-electric mining fleet for deployment at NMG's Matawinie Mine by Year 5 of Phase-2 operations.
- » Caterpillar's and NMG's technical teams are actively engaged in assessing technology opportunities and planning the zero-emission fleet development and testing for the Phase-2 Matawinie Mine.

NMG has been selected as a premier mining partner of the Canadian and Québec governments as they roll out their electrification strategy. Through a collaborative endeavor bringing together research and industry leaders, the Company also supports the development and testing of electric systems and rapid recharging infrastructure for heavy vehicles adapted to open-pit mining.

- » The technological development and conversion of a 40-tonne electric mining service truck are completed with the project partners; testing has started at the Innovative Vehicle Institute.
- » On-site testing at the Matawinie Mine construction site should start in 2023 and generate a valuable source of data from the testing of different *in situ* operational parameters to optimize the Company's electrification plan.

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

Uatnan Mining Project

On May 15, 2022, NMG entered into an investment agreement with Mason Graphite to explore the potential development of the Lac Guéret graphite deposit. The transaction, as approved by Mason Graphite’s shareholders (favorable vote by 99% of common shares represented at the special meeting on July 14, 2022), entails:

- » \$5 million equity-investment by NMG in Mason, in two installments;
- » Project development through a preliminary economic assessment with a project capacity of a minimum of 250,000 tonnes per annum, following NI 43-101 rules and guidelines;
- » Upon completion of technical studies and a \$10-million investment in related works (which includes technical studies work), and at the time of acceptance of such technical studies work by Mason, NMG shall be deemed to have acquired 51% participation in the Uatnan property and will be appointed as operator. The joint venture would be funded by each party per its proportionate share of each of the approved work programs.

Following the successful closing of the investment agreement, NMG and Mason initiated a PEA on the Lac Guéret graphite deposit with consultants BBA and GoldMinds Geoservices Inc. On January 10, 2023, NMG released the results of the assessment and announced a name change to Uatnan Mining Project considering the significant modifications to Mason Graphite’s original project.

Targeted as NMG’s Phase-3, the Uatnan Mining Project aligns with the Company’s growth strategy with a view to establishing a large and fully vertically integrated natural graphite production, from ore to battery materials, at the western markets’ doorstep.

Property and Mineral Resources

The Uatnan property presently consists of 74 map-designated claims totalling 3,999.52 hectares (“ha”), wholly owned (100%) by Mason Graphite. The Uatnan Mining Project is located in the Côte-Nord administrative region, Québec, Canada, approximately 220 km as the crow flies, north northwest of the closest community, the town of Baie-Comeau. It is accessible year-round by provincial paved road 389 and Class-1 forestry roads.

Exploration work on the Uatnan property targeted graphite mineralization and consists to date of airborne geophysics, prospecting, ground geophysics, trenching/channel sampling, and core drilling. Exploration work uncovered significant crystalline flake graphite mineralization, ultimately leading to the identification of Mineral Resources and Mineral Reserves (see Mason Graphite’s press release dated November 9, 2015). Although parameters to determine reasonable prospects for eventual economic extraction (RPEE) were updated, there are no significant changes between the current Mineral Resources and the Mineral Resources last published in 2015.

UATNAN CURRENT PIT-CONSTRAINED MINERAL RESOURCE ESTIMATE

In-Pit Constrained Mineral Resources	Tonnes (Mt)	Grade (% Cg)	Cg (Mt)
Measured 5.75% < Cg < 25%	15.65	15.2	2.38
Measured Cg > 25%	3.35	30.6	1.02
Total Measured	19.02	17.9	3.40
Indicated 5.75% < Cg < 25%	40.29	14.6	5.89
Indicated Cg > 25%	6.33	31.6	2.00
Total Indicated	46.62	16.9	7.89
Indicated + Measured 5.75% < Cg < 25%	55.94	14.8	8.27
Indicated + Measured Cg > 25%	9.70	31.2	3.03
Total Measured + Indicated	65.64	17.2	11.30
<i>Inferred 5.75% < Cg < 25%</i>	<i>15.35</i>	<i>14.9</i>	<i>2.28</i>
<i>Inferred Cg > 25%</i>	<i>2.47</i>	<i>31.8</i>	<i>0.79</i>
<i>Total Inferred</i>	<i>17.82</i>	<i>17.2</i>	<i>3.07</i>

Notes:

- The Mineral Resources provided in this table were estimated by M. Rachidi PGeo., and C. Duplessis, Eng., (QPs) of GoldMinds Geoservices Inc., using current Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Reserves, Definitions and Guidelines.
- Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, market or other relevant issues. The quantity and grade of reported Inferred Mineral Resources are uncertain in nature and there has not been sufficient work to define these Inferred Mineral Resources as indicated or Measured Mineral Resources. There is no certainty that any part of a Mineral Resource will ever be converted into Mineral Reserves.
- The Mineral Resources presented here were estimated with a block size of 3mE x 3mN x 3mZ. The blocks were interpolated from equal-length composites (3 m) calculated from the mineralized intervals.
- The Mineral Resource estimate was completed using the inverse distance to the square methodology utilizing three runs. For run 1, the number of composites was limited to ten with a maximum of two composites from the same drillhole. For runs two and three the number of composites was limited to ten with a maximum of one composite from the same drillhole.
- The Measured Mineral Resources classified using a minimum of four drillholes. Indicated resources classified using a minimum of two drillholes. The Inferred Mineral Resources were classified by a minimum of one drillholes.
- Tonnage estimates are based on a fixed density of 2.9 t/m³.
- A pit shell to constrain the Mineral Resources was developed using the parameters presented in the PEA. The effective date of the current Mineral Resources is January 10, 2023.
- Mineral Resources are stated at a cut-off grade of 5.75% C(g).

Uatnan Mining Project (Phase 3)

The Uatnan Mining Project optimizes the Mineral Resources and expands the original mining project tenfold with a production of approximately 500,000 tpa of graphite concentrate, entirely destined for the anode material manufacturing market.

The Uatnan Mining Project would be operated as a conventional open-pit with a concentrator near the deposit and electricity to be sourced from the Manic-5 hydroelectric power station. In line with NMG’s responsible mining approach, plans include progressive site closure with backfilling of the pit with waste rock as much as possible and assessment of fleet electrification.

OPERATIONAL PARAMETERS OF THE UATNAN MINING PROJECT

Operational Parameters	
LOM	24 years
Nominal annual processing rate	3.4 M tonnes
Stripping ratio (LOM)	1.3:1
Average grade (LOM)	17.5% Cg
Average graphite recovery	85%
Average annual graphite concentrate production (LOM)	500,000 tonnes
Finished product purity	94% Cg

Cautionary Note: The PEA is preliminary in nature and includes Inferred Mineral Resources, considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves have not demonstrated economic viability. Additional trenching and/or drilling will be required to convert inferred mineral resources to indicated or measured mineral resources. There is no certainty that the resources development, production, and economic forecasts on which this PEA is based will be realized.

Design of the Uatnan Mining Project has been tailored to the needs of the battery and EV market, orienting production volumes for beneficiation in order to produce active anode material. The PEA shows strong economics for NMG’s updated operational parameters and production volumes.

ECONOMIC HIGHLIGHTS OF THE UATNAN MINING PROJECT

Economic Highlights	Uatnan Mining Project
Pre-tax NPV (8% discount rate)	C\$ 3,613 M
After-tax NPV (8 % discount rate)	C\$ 2,173 M
Pre-tax IRR	32.6%
After-tax IRR	25.9%
Pre-tax payback	2.8 years
After-tax payback	3.2 years
Initial CAPEX	C\$ 1,417 M
Sustaining CAPEX	C\$ 147 M
LOM OPEX	C\$ 3,236 M
Annual OPEX	C\$ 135 M
OPEX per tonne of graphite concentrate	C\$ 268/tonne
Concentrate selling price	US\$ 1,100/tonne

All costs are in Canadian dollars with the exception of the graphite sale price which is provided in US dollars.

On the basis of these positive results, NMG plans to launch an updated feasibility study. The Company intends to leverage the expertise of its technical team, its Phase-1 facilities, and its knowledge of the graphite-based advanced materials commercial landscape to further define the economic, technical, and environmental possibilities of developing the Uatnan Mining Project.

Commercial Strategy

Sales

The integrated material flowsheet developed by NMG is designed to leverage the distribution of graphite concentrate flake sizes to be produced at the Phase-2 Matawinie Mine by catering to the most profitable market segments. Jumbo to coarse flakes will be destined to high-purity, high-margin specialty and traditional markets while fine to intermediate flakes will be transformed into CSPG at the Phase-2 Bécancour Battery Material Plant for sales as anode material for lithium-ion battery applications. A portion of jumbo flakes will also undergo refinement at the Bécancour Battery Material Plant to produce purified jumbo flakes for niche applications such as heat dissipators in 5G technologies and bipolar plates in hydrogen fuel cells. By-products from this facility will also be sold to optimize the Bécancour basket price.

- » As part of the Feasibility Study, Benchmark Mineral Intelligence, an IOSCO-regulated price reporting agency and market intelligence publisher for the lithium-ion battery to EV supply chain, provided pricing estimates for the North American market. The Company is expected to have competitive advantages over international producers, namely its carbon-neutral footprint, multimodal logistical base, stable political jurisdiction, and exclusion from U.S. import tariffs on graphite.

Beyond commercialization of Phase-2 production, the development of the Uatnan Mining Project supports the Company's commercial discussions with OEMs and lithium-ion battery cell makers seeking to secure significant graphite volumes amidst growing market demand and a projected structural deficit of production (Benchmark Mineral Intelligence, December 2022).

Commercial Agreements

On October 19, 2022, the Company signed a memorandum of understanding with Panasonic Energy to confirm intentions for a multi-year offtake agreement for a significant portion of NMG's active anode material out of NMG's fully integrated "ore-to-anode-material" Phase-2 facilities.

- » NMG and Panasonic Energy are actively working together to finalize product qualification and establish a contemplated definitive offtake agreement. Meetings and on-site visits continue to help advance technical and commercial components.
- » NMG's industry-leading environmental footprint as established by an independent recent life cycle assessment and strong ESG credentials aligned with Panasonic's vision and support its decarbonization commitment.
- » A complementary framework agreement was concluded between NMG, Panasonic Energy and Mitsui for the development and further commercialization of NMG's integrated anode material operations. The agreement looks to optimize the Feasibility Study and other important project-related operational milestones with a view to proceeding with project financing and the final investment decision on the Phase-2 Matawinie Mine and Bécancour Battery Material Plant.
- » Mitsui rallied behind NMG as a strategic investor and will support NMG's marketing initiatives for specific markets.

On February 14, 2019, the Company entered into a binding offtake and joint marketing agreement with Traxys for flake graphite concentrate to be produced at the Company’s Saint-Michel-des-Saints facilities.

- » Traxys market flake graphite concentrate from the Company’s operating graphite demonstration plants for customer product prequalification purposes.
- » For each of the first five years of the Company’s commercial production, 25,000 tonnes of flake graphite product will be sold through Traxys by NMG.
- » Traxys have the exclusive right to market, distribute and resell the flake graphite products to its customer base.

Business Development

In line with its active marketing and commercialization program, NMG continues to qualify anode material samples with leading battery and EV manufacturers, as well as purified jumbo flakes for niche applications such as 5G technologies and hydrogen fuel-cells. The Company’s Phase-1 operations support technical marketing and product qualification efforts.

- » Production at the Phase-1 facilities and testing at NMG’s new state-of-the-art laboratory enable the supply of graphite products in a variety of specifications to meet the individual requirements of each manufacturer.
- » A total of 47 samples were produced and supplied to potential customers in 2022 as part of sales discussions. NMG has advanced into the qualification process with several manufacturers, now providing A & B samples.
- » Sustained interest from top-tier potential customers across continents is supported by quality checks, site visits to the Company’s Phase-1 operations, requests for information and environmental due diligence.

To validate compliance with specifications and test NMG materials’ performance, samples are submitted to quality, cycling, and electrochemical tests at the Company’s battery laboratory as well as at third-party’s and/or potential customers’ laboratories.

NMG is actively strengthening quality assurance and quality control with the development of an ISO 9001-compliant management system to support the Company’s certification objectives, the groundwork for which has commenced in Q1-2022. Throughout the year, the Company has progressed along its quality roadmap through process definition, documentation, quality control planning, and internal audits.

Partnerships, research and development

NMG has submitted a patent application for its proprietary thermochemical purification technology, a greener and more sustainable alternative to that currently used in traditional anode material production, to the U.S. Patent and Trademark Office as part of its intellectual property strategy.

NMG is operating a laboratory at its battery material demonstration plants, an addition to the Company’s existing quality testing facilities. This expansion was triggered by NMG’s 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.

In August 2022, NMG secured a \$5.75 million grant from Sustainable Development Technology Canada, a flagship program from the Government of Canada, for the deployment of its proprietary coating technology. The Québec Government also confirmed on January 13, 2023, a financial assistance of up to \$3 million through its Technoclimat program for that project. The Company’s innovative coating technology could generate up to 25% energy reduction, optimize production flow, and provide versatility for different precursors as R&D advances.

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

- » NMG is working with materials engineering expert Philippe Ouzilleau, a professor at McGill University, and his research team to develop new types of precursors and coating technologies to reduce the environmental footprint of its advanced graphite products, optimize production costs, and improve the properties for existing performance.
- » In collaboration with Professor Lionel Roué from the Énergie Matériaux Télécommunications Research Centre of the Institut national de la recherche scientifique and Professor Philippe Ouzilleau from McGill University, NMG intends to develop a series of high electrochemical performance graphite-based composites by valorizing residual materials from NMG’s process as well as bio-sourced materials.
- » The Company also collaborates with Professors Gervais Soucy and Jocelyn Veilleux of the University of Sherbrooke on advanced graphite transformation technologies based on high-performance ecological thermal processes.

NMG has signed a collaboration agreement with Lithion Recycling for the recovery and value-added transformation of recycled graphite for reuse as anode material for lithium-ion batteries. The partnership aims at leveraging NMG’s and Lithion’s proprietary processes and expertise to promote graphite circularity and better position both companies in the evolving global market.

NMG has been admitted as an active member of the Global Battery Alliance, a World Economic Forum’s initiative dedicated to helping establish a sustainable battery value chain, which makes NMG one of the first battery materials producers to be admitted.

» In January 2023, the Global Battery Alliance launched the Battery Passport proof of concept, a major leap towards globalized standards for sustainable battery production. NMG contributed to the endeavour by informing the Global Battery Alliance’s traceability efforts and engaging as an active member of the association.

Market update

Supply chains remain under pressure which is exacerbated by increased demand for battery minerals and new policies. Indeed, EVs, renewable energy solutions and electronics continue to gain market shares, but manufacturers are facing a challenge as raw materials required to produce these battery-powered applications are becoming constrained.

Benchmark Mineral Intelligence forecasts a flake graphite deficit of nearly 2 million tpa by the end of the decade, predicting that demand for natural graphite will exceed supply, creating a deficit market starting as of 2023. OEMs, feeling this supply chain pressure, are turning their attention upstream to secure supplies and reduce their risks. Through direct development, joint ventures or strategic alliances, processing and mining are now gaining manufacturers’ attention.

With China being the only producer of spherical graphite, the current situation has reinforced the need for local and resilient supply chains. NMG is set to become the largest fully integrated source of green battery anode material in North America, benefiting in this respect.

» With a projected 8,148 GWh of global lithium-ion battery production capacity by 2030, demand for advanced materials is set to increase up to fivefold, with graphite outpacing the other battery metals (Benchmark Mineral Intelligence, March 2023) at 10,363,000 tpa.

While expertise, technology, and production capacity have historically been centred in Asia, the market is shifting toward localization. Canada is among the emerging leaders of this new economy, ranking second after China according to BloombergNEF’s annual global lithium-ion battery supply chain report (November 2022), due to its mineral resources, ESG factors, key infrastructure, innovation, and industry including Québec’s battery valley in Bécancour. NMG’s site for its Phase-2 Bécancour Battery Material Plant is indeed located at the center of this fast-developing zone, supported by the Québec Government’s battery hub strategy.

Indeed, technological trends and new greenhouse gas (“GHG”) policies have pushed the graphite market, mainly with regard to lithium-ion batteries and fuel-cell technologies, into an accelerated growth curve. Western governments are deploying programs, policies, and business incentives to support the development of local capacity and reduce overreliance on Chinese supply.

- » The European Union, Canada and the U.S. have identified graphite as a strategic mineral for economic growth and national security.
- » Canada has now outlined partnerships with both the European Union and the U.S. to secure supply chains and encourage market diversification from China’s raw materials.
- » In 2022, both the U.S. and Canadian governments have announced investments in the development of North American critical minerals production to ensure the domestic supply required to build a local battery economy.
- » In Q3-2022, the U.S. government adopted the *Inflation Reduction Act of 2022* that namely promotes EV adoption through consumer incentives, North American sourcing and production for the lithium-ion battery supply chain, and development of charging infrastructure. The Act has brought even more interest towards NMG as it is projected to be the only fully integrated source of natural graphite, from mine to anode material, in North America with significant volume.

To meet consumer demand and tap into governmental programs, the world’s top automakers are now projected to spend nearly \$1.2 trillion by 2030 on sourcing batteries and raw materials, and producing Evs (Reuters, October 2022).

Concurrently, there is increased focus on carbon neutrality in the market to cater to consumers’ green expectations and governments’ more stringent environmental regulations. From the Global Battery Alliance’s effort to develop a Battery Passport to the European Commission’s proposed updated Battery Directive that would require labelling of batteries to disclose their carbon footprint, the market is shifting to encourage and eventually potentially require low-carbon products. The European Union, which already set GHG emissions limits for EVs and industrial batteries, adopted a deadline on combustion engine production by 2035 as it steps up the fight against climate change through faster adoption of EVs.

NMG is positioning itself to respond to these market trends. The Company is ideally located to cater to the North American and European markets with its large graphite deposit, proprietary ecotechnologies, demonstrated production capacity, carbon-neutral profile as well as preferential jurisdiction advantages including clean hydropower, flexible logistical base and stable fiscal and political environment.

Responsibilities

From mining to advanced manufacturing, NMG strives to drive greater sustainability along its value chain. The Company embedded leading ESG principles in its business model alongside carbon-neutral operations and traceability of its value chain. Sustainability guided the development of the Matawinie Mine Project from day one through extensive stakeholder engagement and pioneering design choices to protect the environment, and was carried over in the engineering of the Battery Material Plant Project and the development of the Uatnan Mining Project.

On a foundation of accountability with a view to contributing to global environmental and sustainability goals, NMG publishes an annual ESG Report to disclose its managerial approach to addressing material topics and highlight significant sustainability milestones and indicators. The Company is committed to engaging in this transparency exercise yearly to provide its stakeholders with a comprehensive set of data on its ESG performance; the 2022 ESG Report should be issued in Q2-2023.

In an independent assessment of the Company’s sustainability performance, Moody’s ESG Solutions has provided a Sustainability Rating of A2 (‘Robust’), the second-highest grade on its rating scale, to NMG. The rating can be consulted on the Company’s website.

Human Capital

Health & Safety

The Company is committed to providing a safe work environment to its staff and business partners. For the year ended December 31, 2022, NMG had an Occupational Safety and Health Administration (“OSHA”) Recordable Incident Rate of 2.25.

- » The rate reflects minor incidents that occurred at the Company’s Phase-1 plant. Internal safety investigations confirmed that NMG’s work protocol were not at fault. Nevertheless, training on safe working methods continues with personnel as part of the Company’s prevention program.
- » The Company also tracks the contractors’ health and safety performance on-site; the OSHA Recordable Incident Rate is at 0, for the period.

In relation to COVID-19, NMG maintains vigilance, tracks public health directives, and adapts work protocols as needed to provide a safe environment to its employees, contractors, and communities.

Employment, Diversity, Equity & Inclusion

As the Company advances its projects, recruitment of key personnel continues both at the operational and corporate levels. NMG regards diversity as an important driver of strategy, creative thinking, and business performance. The Company promotes local and Indigenous recruitment opportunities to maximize benefits within its communities and strive to ensure representation of its milieu.

NMG recognizes that attraction, hiring, and retention of human capital pose challenges in today’s tight labor market. Hence, NMG is actively working to position itself as an employer of choice and a purpose-driven company in its communities, industries, and academic circles.

Training

To facilitate employment and bolster communities’ socioeconomic fabric, NMG has launched initiatives to train and hire local workers in collaboration with industrial, institutional, and business partners.

- » Diploma of Vocational Studies in Production Equipment Operation: Seven cohorts of this on-the-job training program leading graduates to a position as an operator at the Matawinie Phase-1 demonstration plants have now been launched, with a new cohort targeted to start at the end of March 2023.
- » Mining and Logging Essentials: This sociovocational integration program destined to members of the Atikamekw communities aims to reinforce the employability of Indigenous workers. Following a COVID-19-imposed pause, the program was launched in Q2-2022 and completed in early Q3-2022 with eight graduating students. One graduating student, supported by NMG, has enrolled in the seventh cohort of the Diploma of Vocational Studies in Production Equipment Operation to pursue his education and obtain a position within the Company.

NMG held its annual Employee Summit at the end of Q3-2022. This two-day, all-staff meeting focused this year on the environment through training sessions, workshops, and on-site visits. A conference on change management and adaptation was also offered as a continuous learning and self-development opportunity.

Environment

The Company is developing its projects to extract and transform natural graphite while limiting its environmental footprint, preserving ecosystems, maintaining its carbon-neutral status, and maximizing its products’ contribution to global decarbonization efforts. Dedicated to stringent sustainable development standards, NMG is committed to adopting a fully electric operating model – both at the mining and advanced manufacturing facilities – leveraging Québec’s renewable hydropower.

Responsible Mining

NMG has integrated innovative environmental initiatives to limit the Matawinie Mine’s potential impact on the natural and human milieu. On April 15, 2019, the Company officially filed its Environmental and Social Impact Assessment (“ESIA”) for the Matawinie Mine with the Government of Québec. Following its analysis by 25 provincial agencies and ministries, the Québec *Ministère de l’Environnement et de la Lutte contre les changements climatiques* gave the *Bureau d’audiences publiques sur l’environnement* (“BAPE”) the mandate to launch a public consultation. Public hearings held in January and February 2020 informed the Commission’s report, which was tabled in June 2020.

- » The Commission recognized the economic justification, environmental innovations, integration measures and social benefits associated with the mining project and identified avenues for enhancement.
- » Following a rigorous environmental review complementary to the BAPE’s analysis, the Québec Government issued a ministerial decree on February 10, 2021, authorizing NMG’s Matawinie Mine.

To protect the environment and the well-being of the community, NMG has developed an environmental surveillance and monitoring program to oversee the construction, operation, and closure activities of the Matawinie Mine.

- » In 2022, NMG maintained its track record with no major environmental incidents as per the Global Reporting Initiative’s definition. Through its work protocols, continuous monitoring, and environmental program, it responsibly conducted its operations and worked to diligently address and mitigate any minor incident at its sites.

Mine tailings represent a significant environmental responsibility. NMG has put forward innovative design criteria by prioritizing the desulphurization of tailings, the gradual backfilling of the pit, and the co-disposal of waste rock and tailings. Field-scale cells were built in 2020 to demonstrate in real conditions the performance of this innovative environmental method and calibrate the parameters with respect to the performance of the tailings co-disposal objectives design including preventing sulfide oxidation and mine water contamination. The field test cells are instrumented to study their geochemical behavior under real conditions with sensors monitoring oxygen, water, and temperature. The Company’s Environment team monitors the evolution of these parameters, thus supporting the optimization of tailings deposition plans of the future commercial mine.

As detailed under the Matawinie Mine (Phase 2) subsection, progressive site reclamation planning and site tests are underway as part of the Company’s proactive environmental management and commitment to no net loss.

Sustainable Production

NMG is committed to promoting responsible production across its value chain for responsibly extracted, environmentally transformed, and ethically sourced materials. The Company mandated a specialized consultant to carry out an independent cradle-to-gate life cycle assessment for its portfolio of graphite-based materials. On July 18, 2022, the Company published the assessment results that confirmed the minimal and industry-leading environmental footprint of its planned production. NMG’s full commercial-scale Phase-2 all-electric facilities are forecasted to produce CSPG – anode material for lithium-ion batteries – with a Global Warming Potential GWP of 1.23 kg CO₂ equivalent per kg, an impact up to 11 times smaller than that of benchmarked production.

- » The low environmental impact of NMG’s products supports customers’ search for sources that reduce their Scope 3 greenhouse gas emissions and complies with increasingly stringent regulations while also providing insight to strengthen the Company’s environmental efforts, continuous improvement, and climate action.
- » Panasonic Energy’s decision to partner with NMG is partly attributable to the Company’s demonstrated green production model as highlighted in Panasonic Energy’s announcement: “Being able to utilize NMG’s low environmental impact graphite is a major step toward our goal of halving our carbon footprint by FY2031” (Panasonic, October 2022).
- » Integrated into the life cycle assessment report is a benchmarking exercise conducted by Minviro, a life cycle assessment and sustainability consultant in the battery material space, comparing the footprint of CSPG from natural graphite along three production routes.

Extraction and concentration	Advanced manufacturing	GWP (kg CO ₂ eq per kg)
China	China	14.1
Mozambique	U.S.	6.1
Sweden	Sweden	3.1

Streamlined Life Cycle Assessment Study of Global Anode Grade Natural Graphite Manufacturing, Minviro, March 2022.

GWP of NMG’s CSPG (kg CO ₂ eq per kg)
1.23

LCA of Natural Graphite-Based Products Manufactured by NMG, CT Consultant, July 2022.

NMG continues to seek opportunities to enhance the properties of its materials, optimize technological solutions, reduce its footprint, improve its products’ life cycle, and develop recycling processes to drive sustainable production across the various industries it caters to.

Carbon Neutrality

Taking responsibility for its environmental footprint, the Company has taken concrete steps to avoid, reduce, and fully offset its GHG emissions, confirming its carbon-neutral status and mapping its intended transition to Net Zero by 2030. On February 24, 2022, NMG released its Climate Action Plan detailing efforts for the Company’s embedded emissions around transparent reporting, reduction of its climate impact, transition to Net Zero, research and development for low-carbon materials and activities, as well as industry leadership. NMG’s targets are based on, but not limited to, all Scope 1, Scope 2, and some Scope 3 emissions, including business travel, direct emissions associated with the facilities’ construction and the transportation of goods between sites.

- » For 2022, the Company reported GHG emissions of 1,229.1 tonnes of CO2 equivalent for carrying out its operations at its Phase-1 demonstration plants and corporate offices. NMG has purchased verified carbon credits to offset this balance.
- » Detailed performance and historical data is available via NMG’s annual ESG Report; the 2022 ESG Report should be published in Q2-2023.

NMG voluntarily initiated reporting under the Climate Disclosure Project (“CDP”) in 2022 to demonstrate its management of climate risks and opportunities, environmental performance and GHG reduction efforts, as well as climate action. CDP provides a transparent and recognized disclosure system that enables investors and stakeholders to access and compare organizations’ environmental stewardship.

Social

NMG strives to develop business activities that are supported by its communities and by First Nations, and contribute to the overall development and advancement of the areas where the Company operates.

The Matawinie Mine is located in the municipality of Saint-Michel-des-Saints, approximately 120 km as the crow flies north of Montréal, Québec. In keeping with its environmental and ethical development goals, the Company has launched many initiatives since the Matawinie graphite deposit was discovered in 2015 to align the project with the realities, concerns, and values of the local community. Information events, consultations as part of the ESIA, a community office with a dedicated Community Relations Manager, a Monitoring Committee, public communication platforms and a social responsibility program ensure local communities are consulted early and often throughout the development process.

- » A collaboration and benefit-sharing agreement with the municipality of Saint-Michel-des-Saints was signed in 2020 to set out a concrete social, economic and environmental development partnership through financial and participatory mechanisms.

NMG’s open and proactive engagement approach also extends to its Bécancour Battery Material Plant in Bécancour, Québec. The Company’s site is located in one of the largest industrial parks in Canada with access to a deep-water international port on the St. Lawrence River. The Company initiated outreach activities in early 2022 and intends to continue as it makes progress in terms of project development.

Upon the publishing of the Uatnan Mining Project PEA results, NMG’s Management team carried out a series of on-site meetings with stakeholders in the Baie-Comeau/Manicouagan region. Building on the first visit to the region, the Company representatives reinforced the dialogue with local organizations, groups, citizens, authorities, and elected officials and presented the new project. NMG is committed to maintaining active engagement with the milieu as it advances the development of the Uatnan Mining Project.

Indigenous Relations

Respect for the rights, culture, aspirations, and interests of Indigenous peoples guides the development of NMG’s sustainable business practices.

The Company has consulted and continues to engage with the Atikamekw First Nation in the Manawan community (85 km North of the Saint-Michel-des-Saints) and with the Band Council in the development of the Matawinie Mine.

- » NMG signed a framework agreement (2018) and a pre-development agreement (2019) with the Atikamekw First Nation to provide a guideline for negotiating an Impact and Benefit Agreement for the Matawinie Mine Project.
- » NMG is actively engaged in discussions with the First Nation to advance the Impact and Benefit Agreement with a view to maximize opportunities.
- » In parallel, initiatives support training, employment, and business opportunities in line with the spirit of the contemplated Impact and Benefit Agreement.

NMG is engaged in an open dialogue with the Abenakis First Nation (Wôlinak community is 5 km South of Bécancour) as part of the development of the Bécancour Battery Material Plant.

- » An archeological potential study was carried out by the Grand Conseil de la Nation Waban-Aki in Q2-2022 for NMG’s industrial land; no presence of archeological artifacts were confirmed.
- » Continued dialogue and collaboration with the Ndakina Office which is responsible for consultation and environmental protection are helping define interests, concerns, and opportunities for cooperation.

As part of the Uatnan Mining Project, the Company has initiated a relationship with the Innu First Nation of Pessamit (315 km South of the property) to understand their perspective, concerns, and priorities towards this project.

The Company appointed Kelly LeBlanc to the new position of Manager, Indigenous Relations where she contributes her understanding of First Nations’ environmental and social issues, and develops meaningful relationships focused on respect and sustainability.

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

Governance

Leadership

The Company’s management team and Board of Directors recognize the value of good corporate governance and the need to adopt best practices in terms of social, economic, and environmental responsibility. The Company’s Code of Conduct, Board of Directors’ charter, and key policies can be found on NMG’s website.

The Company’s directors have vast expertise in mining development and exploration; health, environment, and safety; legal and intellectual property; finance, investor relations and financing; business administration and corporate governance; technology development and innovation; sustainability, diversity and inclusion; manufacturing and construction; Indigenous relations; as well as sales and marketing.

- » Two Directors, Nathalie Jodoin and Yannick Beaulieu, completed their mandate in Q2-2022.
- » At the Company’s Annual General Meeting of Shareholders, the mandates of the remaining Directors – Daniel Buron, Eric Desaulniers, Arne H Frandsen, Jürgen Köhler, Nathalie Pilon, James Scarlett, and Andrew Willis were reconfirmed as per shareholders’ vote.
- » Stephanie Anderson was appointed to the Board of Directors on November 11, 2022.
- » A search to find talented executives to complement the Board of Directors, with special emphasis given to gender and diversity representation, continues.

Indeed, 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. The Human Resources, Nominating and Compensation Committee, which is responsible for recommending director nominees to the Board of Directors, 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.

The following committees support the Board of Directors’ activities: the Audit Committee; the Human Resources, Nomination and Compensation Committee; the Governance, Compliance, and Legal Committee; the ESG, Safety and Health Committee; as well as the Projects and Development Committee. Charters for each committee can be found on NMG’s website.

NMG’s management team, leaders with distinctive skillsets, qualities, and a shared sense of enthusiasm towards the Company’s vision, steers its development.

- » In January 2022, Bernard Perron was appointed to the position of Chief Operating Officer, overseeing Nouveau Monde’s engineering, procurement, construction, operations, as well as environmental, health and safety management.
- » In March 2022, NMG appointed Marc Jasmin as Director, Investor Relations.
- » In October 2022, NMG nominated to its management team Anoop Singh as Vice President, Mining Projects and Josée Gagnon as Vice President, Legal Affairs & Corporate Secretary. These nominations coincide with NMG’s preparation for the transition toward its Phase 2 integrated commercial operations.
- » In February 2023, NMG appointed Jean Cayouette as Vice President, Metallurgy & Process.

Risks

The Company operates in an industry that contains various risks and uncertainties. For a more comprehensive discussion of these inherent risks, see “Risk Factors” in the Company’s most recent annual information form and its prospectus supplements n°. 1 and n°. 2 on file with the Canadian provincial securities regulatory authorities and on SEDAR and on EDGAR.

Financing

In recent months, NMG advanced financing efforts for the development of its fully vertically integrated Phase-2 operations, combining the Bécancour Battery Material Plant and Matawinie Mine. Following the appointment of financial advisors to assist with the structuring and securing of project financing, the Company has engaged with export credit agencies, governments, strategic investors, and potential customers to frame a robust capital structure that leverages international debt, government funding and equity. NMG received formal expressions of interest to cover approximately up to 70% of the estimated total funding for an integrated project, subject to standard project finance conditions.

- » NMG’s financing approach strives to further derisk its development by seeking to secure medium-term debt, complemented by strategic equity participation.
- » NMG appointed Société Générale as the sole mandated lead arranger to oversee the due diligence process, support efforts to obtain final credit approval and assist in offtake negotiations.

- » To support the latest stages of project financing with its projected lenders, NMG hosted independent consultants to its facilities to review the engineering, environmental and social components of its current and projected operations as part of Société Générale’s due diligence.
- » Through a Framework Agreement signed on October 19, 2022, NMG, Mitsui, and Panasonic Energy will work to optimize the Phase 2 parameters with the intention to proceed with project financing and the final investment decision on both the Matawinie Mine and Bécancour Battery Material Plant once that optimization phase is completed, and all operational variables are well understood.

On October 19, 2022, NMG entered into unsecured convertible note subscription agreements with Mitsui, Pallinghurst and Investissement Québec pursuant to which NMG has agreed to issue, upon closing of the transaction, to each holder an unsecured convertible note: Mitsui subscribed for US\$25 million, while Pallinghurst, and Investissement Québec each subscribed for US\$12.5 million, for a total of US\$50 million. On November 8, 2022, the Company closed the previously announced private placement of unsecured convertible notes.

- » The convertible notes will mature 36 months from the date of issuance and shall bear interest at the higher of 6% per annum and the 90-day average term SOFR (secured overnight financing rate) plus 4% per annum, compounded daily. At the end of each quarter starting December 31, 2022 the Company has an option to pay the interest in (i) cash; or (ii) subject to TSXV approval, by capitalizing interest and adding it to the principal, which would then be converted into common shares (and not units) at a US Dollar equivalent of the Company’s share price determined at the quarter end on which such interest become payable.
- » The convertible notes are subject to a hold period of four months and one day in accordance with relevant regulatory and stock exchange policies.

In Q1-2023, the Company announced the closing of grants for an amount of \$3.6 million for the deployment of the coating technology at NMG’s Phase-1 operations and for R&D projects targeting the development of advanced manufacturing of graphite-based materials with a low environmental impact. Included in the amount above is the TEQ coating demonstration plant grant totalling \$3M, which has an effective date for costs incurred starting January 2022.

ATM Offering

The net proceeds received from the ATM Offering in 2022 totalling \$3.9 million have been used for general working capital and corporate expense needs.

Quarterly Results

During the three-month period ended December 31, 2022, the Company recorded a net loss of \$4,836 (\$10,623 in 2021), a basic loss per share of \$0.09 (\$0.25 in 2021) and a diluted loss per share of \$0.13 (\$0.25 in 2021).

Description	Q4-2022 (note a)	Q3-2022 (note b)	Q2-2022 (note c)	Q1-2022 (note d)
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss	(4,836)	(12,765)	(14,042)	(16,071)
Basic loss per share	(0.09)	(0.23)	(0.25)	(0.29)
Diluted loss per share	(0.13)	(0.23)	(0.25)	(0.29)

Description	Q4-2021	Q3-2021	Q2-2021	Q1-2021
	\$	\$	\$	\$
Revenue	-	-	-	-
Net loss	(10,623)	(8,945)	(12,878)	(7,444)
Basic loss per share	(0.25)	(0.19)	(0.34)	(0.22)
Diluted loss per share	(0.25)	(0.19)	(0.34)	(0.22)

- a) The net loss in Q4-2022 decreased by \$5.8M compared to Q4-2021 mainly due to a gain of 11.2M\$ related to the fair value adjustment as at December 31, 2022 of the embedded derivatives in the convertible notes (for more details, refer to note 15 of the audited consolidated financial statements). This is partially offset by the vesting expenses of stock options granted to key management personnel and consultants in 2022 and higher depreciation expenses related to the purification demonstration plant and the laboratory that were placed in service in 2022.
- b) The net loss in Q3-2022 increased by \$3.8M compared to Q3-2021 mainly due to the start of depreciation for the purification demonstration plant and for the laboratory equipment in 2022. Secondly, wages and benefits also increased due to the beginning of operations at the purification demonstration plant and new hires were made to support the Company’s growth phase. Lastly, share-based compensation expenses increased mostly due to vesting expenses of stock options granted to key management personnel and consultants in 2022.
- c) The net loss in Q2-2022 increased by \$1.2M compared to Q2-2021 mainly due to the increase in engineering fees related to the feasibility study for the Bécancour Battery Material Plant, the start of depreciation expenses for the purification demonstration plant and the laboratory equipment, and an increase in insurance fees following the NYSE listing, which is partially offset by a decrease in share-based compensation.
- d) The net loss in Q1-2022 increased by \$8.6M compared to Q1-2021 mainly due to the increase in engineering fees related to the Feasibility Study, an increase in insurance fees following the NYSE listing and an increase in share-based compensation expenses due to the timing of new options being granted to employees, directors, consultants, and officers.

Fourth Quarter Results

The major variances that occurred in the fourth quarter of 2022 versus 2021 are due to the differences hereunder.

	Q4-2022	Q4-2021	VARIATION
	\$	\$	\$
Exploration and evaluation expenses	1,703	1,225	478
Battery Material Plant Project expenses (a)	4,453	3,771	682
General and administrative expenses (b)	6,690	5,129	1,561
Net financial costs (income) (c)	(8,110)	99	(8,209)

- a) The Battery Material Plant Project expenses increased by \$682 in the fourth quarter of 2022 compared to 2021 mainly because of higher depreciation expenses due to the purification demonstration plant and the laboratory that were placed in service in 2022.
- b) The General and administrative expenses increased by \$1,561 in the fourth quarter of 2022 compared to 2021, mainly because of higher share-based compensation in Q4 2022 due to options granted to key management personnel in November 2022 and higher vesting expenses of stock options granted to consultants in 2022.
- c) The net financial costs decreased by \$8,209 in the fourth quarter of 2022 compared to 2021 mainly because of a gain of \$11,199 related to the fair value adjustment as at December 31 of the embedded derivatives in the convertible notes. This is partially offset by an unrealized foreign currency exchange loss on cash and the convertible notes, by the decline in Mason’s share market value, and by the quarterly accrued interest on the convertible notes.

Annual Financial Information

Selected Annual Information

Annual information as at and for the years ended December 31, 2022, 2021, and 2020.

Description	2022	2021	2020
Other revenues	–	57	–
Net loss	47,714	39,890	17,978
Basic loss per share	(0.86)	(0.93)	(0.68)
Diluted loss per share	(0.90)	(0.93)	(0.68)
Total assets (a)	150,074	126,349	21,156
Non-current liabilities (b)	61,645	4,924	15,907

- a) The increase of \$23,725 in total assets between 2022 and 2021 is mainly explained by an increase of \$22,032 in property, plant and equipment following the progress made to the Phase 2 Matawinie Mine project and the Phase 1 coating plant.
- b) The increase of \$56,721 in non-current liabilities between 2022 and 2021 is mainly explained by the closing on November 8, 2022, of a private placement of unsecured convertible notes for aggregate gross proceeds of \$67.2 million (US\$50 million) with Mitsui, Pallinghurst, and Investissement Quebec. For more details, refer to note 15 of the audited consolidated financial statements.

Exploration and Evaluation Expenses

Description	December 31, 2022	December 31, 2021	Variation
	\$	\$	\$
Wages and benefits	3,274	3,637	(363)
Share-based compensation (a)	898	452	446
Engineering (b)	162	1,856	(1,694)
Professional fees	554	190	364
Materials, consumables, and supplies (c)	824	1,330	(506)
Maintenance & Subcontracting	1,252	1,454	(202)
Geology and Drilling	31	143	(112)
Utilities	420	349	71
Depreciation and amortization	283	217	66
Other	95	213	(118)
Uatnan mining project (d)	309	–	309
Grants	(37)	(36)	(1)
Tax credits	(638)	(1,443)	805
Exploration and Evaluation Expenses	7,427	8,362	(935)

- a) The increase of \$446 in share-based compensation expenses for the year ended December 31, 2022, is mostly due to more options being granted to employees and officers.
- b) The decrease of \$1,694 in engineering fees for the year ended December 31, 2022, is due to the beginning of capitalization of detailed engineering on the development of the Matawinie Mine Project after the technical feasibility and commercial viability of the project was determined on March 31, 2021.
- c) The decrease of \$506 in materials, consumables, and supplies the year ended December 31, 2022, is due to the reduced production activities of the concentrator demonstration plant, and greater efforts put towards the installation and testing of the coating demonstration plant.
- d) The increase of \$309 is related to the costs incurred to complete the PEA for the Uatnan Mining Project. On January 10, 2023, MMG released the results of the PEA.

Battery Material Plant Project Expenses

Description	December 31, 2022	December 31, 2021	Variation
	\$	\$	\$
Wages and benefits (a)	2,698	754	1,944
Share-based compensation	534	–	534
Engineering (b)	8,895	4,136	4,759
Professional fees	914	898	16
Materials, consumables and supplies	920	686	234
Maintenance & Subcontracting (c)	1,180	268	912
Utilities	553	–	553
Depreciation and amortization (d)	4,028	177	3,851
Other	146	39	107
Grants	(506)	(718)	212
Tax credits	(272)	(264)	(8)
Battery Material Plant Project expenses	19,090	5,976	13,114

- a) The increase of \$1,944 in wages and benefits for the year ended December 31, 2022, is due to the commencement of operations at the purification demonstration plant and increased headcount to support the Company's growth phase in its Battery material segment combined with the Canada Emergency Wage Subsidy grants obtained in the first half of 2021 (none in 2022).
- b) The increase of \$4,759 in engineering expenses for the year ended December 31, 2022, is mainly due to the work related to the NI 43-101 Feasibility Study, which was completed and published in Q3-2022.
- c) The increase of \$912 in maintenance and subcontracting for the year ended December 31, 2022, is due to maintenance costs of the purification demonstration plant that began its operations in January 2022.
- d) The increase of \$3,851 in depreciation for the year ended December 31, 2022, is due to the purification demonstration plant and the laboratory that were placed in service in January 2022.

General And Administrative Expenses

Description	December 31, 2022	December 31, 2021	Variation
	\$	\$	\$
Wages and benefits (a)	7,083	4,883	2,200
Share-based compensation (b)	7,274	6,224	1,050
Professional fees (c)	1,435	2,635	(1,200)
Consulting fees (d)	2,618	1,476	1,142
Travelling, representation and convention	668	627	41
Office and administration (e)	8,862	6,747	2,115
Stock exchange, authorities, and communication	462	872	(410)
Depreciation and amortization	246	699	(453)
Loss (gain) on asset disposal	–	5	(5)
Other financial fees	26	35	(9)
General and administrative expenses	28,674	24,203	4,471

- a) The increase in wages and benefits of \$2,200 for the year ended December 31, 2022, is mostly due to the increase in headcount to support the Company’s growth phase.
- b) The increase in share-based compensation expenses of \$1,050 for the year ended December 31, 2022, is mostly due to more options being granted to employees and consultants.
- c) The decrease in professional fees of \$1,200 for the year ended December 31, 2022, is mostly due to an increase in legal consultation fees in 2021 in preparation of the NYSE listing on May 24, 2021.
- d) The increase in consulting fees of \$1,142 for the year ended December 31, 2022, is mostly due to an increase in project financing fees following the appointment of Société Générale to oversee the due diligence process.
- e) The increase in office and administration of \$2,115 for the year ended December 31, 2022, is due to higher D&O insurance fees following the NYSE listing in Q2 2021. The fees relating to insurance were higher in 2022 versus 2021 only because these fees were expensed for 7 months in 2021 versus a full year (12 months) in 2022. This is partially offset by non-recurring fees of \$1.2M in connection with the settlement of a litigation in September 2021, related to the buyback of a 1.8% net smelter return.

Net Financial Costs

The decrease of \$8.9M in financial costs for year ended December 31, 2022, is mainly due to the gain of \$11.2M related to the fair value adjustment of the embedded derivatives, partially offset by the accrued interests on the convertible notes 2022 closed in Q4-2022, and higher interest income on the short-term cash investment activities. This is partially offset by an unrealized foreign currency exchange loss compared to a gain in 2021 and by the decline in Mason Graphite’s share market value of \$1.7M.

Liquidity and Funding

As at December 31, 2022, the difference between the Company’s current assets and current liabilities was \$57,819, including \$59,924 in cash and cash equivalents.

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.

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.

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

As at December 31, 2022, all of the Company’s short-term liabilities totalling \$16,105 (\$15,730 as at December 31, 2021) 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.

	Carrying amount	Contractual cash flow	0 to 12 months	As at December 31, 2022	
				12 to 24 months	more than 24 months
Account payables and accrued liabilities	15,429	15,429	15,429	–	–
Lease liabilities	2,817	3,423	560	647	2,216
Borrowings	1,988	2,330	352	577	1,401
Convertible Notes – Host ⁽ⁱ⁾	49,817	67,723	–	–	67,723
Convertible Notes – Embedded Derivatives ⁽ⁱ⁾	6,727	–	–	–	–

(i) The Convertible Notes are translated at the spot rates as of December 31, 2022

For the year ended December 31, 2022, the Company had an average monthly cash expenditure rate of approximately \$6,073 per month, including additions to property, plant and equipment, deposits to suppliers and all operating expenses. This expenditure rate can be adjusted to preserve liquidity. The Company anticipates it will continue to have negative cash flows from operating activities in future periods at least until commercial production is achieved. Significant additional financing will be needed to bring the Matawinie Mine and the Bécancour Battery Material Plant to commercial production.

Cash flows provided by (used in)	December 31, 2022	December 31, 2021
	\$	\$
Operating activities before the net change in working capital items	(41,813)	(31,078)
Net change in working capital items	(3,068)	(3,247)
Operating activities	(44,881)	(34,325)
Investing activities	(27,998)	(34,578)
Financing activities	70,293	125,731
Effect of exchange rate changes on cash	155	1,007
Decrease in cash and cash equivalents	(2,431)	57,835

Operating Activities

For the year ended December 31, 2022, cash outflows from operating activities totalled \$44.9M, while there was \$34.3M of cash outflows for the same period in 2021. The cash outflows were higher due to a greater net loss as described in the above sections.

Investing Activities

For the year ended December 31, 2022, cash used in investing activities totalled \$28.0M whereas for the same period in 2021 investing activities were of \$34.6M. The decrease of \$6.6M is due to higher capitalizable expenses in 2021 which were mainly related to the construction of the purification demonstration plant and the laboratory which were both commissioned in January 2022.

Financing Activities

For the year ended December 31, 2022, the Company had net cash receipts related to financing activities of \$70.3M whereas for the same period in 2021, cash receipts related to financing activities were of \$125.7M. The variance is mostly due to the bought deal and private placement offerings completed in Q1-2021 of \$23M, the public offering following the NYSE listing of \$72.9M completed in Q2-2021, and the subsequent private placement completed in Q3-2021 of \$18.3M. The variance is partially offset by the closing of convertible notes for aggregate gross proceeds of \$67.2M (US\$50M) in Q4-2022.

On January 21, 2022, the Company filed a prospectus supplement establishing a new at-the-market equity offering (“ATM Offering”). The ATM Offering allows the Company to offer for sale and issue up to US\$75M (or the equivalent in Canadian dollars) of common shares of the Company from time to time, at the Company’s discretion.

All tabular amounts are in thousands of dollars, unless otherwise noted.

	For the three-month periods ended				For the year ended
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	December 31, 2022
Number of common shares issued	19,901	482,181	–	–	502,082
Average price per share	9.62	7.87	–	–	7.94
Gross proceeds	192	3,795	–	–	3,987
Commissions	5	95	–	–	100
Net Proceeds	187	3,700	–	–	3,887

Additional Information

Related Party Transactions

Description	December 31, 2022	December 31, 2021
	\$	\$
Key management personnel of the Company		
Employee benefit expenses	2,641	1,158
Share-based payments	2,475	3,435
Directors of the Company		
Board fees	829	643
Share-based payments	1,247	2,333

In November 2022, the Company closed a private placement of unsecured convertible notes for aggregate gross proceeds of US\$50M with Mitsui, Pallinghurst and Investissement Québec. Of the US\$50M, Pallinghurst and Investissement Québec each subscribed for US\$12,5M. More details on the transaction are provided in note 15 of the audited consolidated financial statements.

As at December 31, 2022, Pallinghurst owns 20.66% of the Company’s issued and outstanding common shares and has significant influence over the Company (2021– 20.94%).

As at December 31, 2022, the Company capitalized the accrued interests owed to Investissement Québec, Pallinghurst and Mitsui. An aggregate amount of \$829 (US\$612) will be capitalized and 160,976 common shares at a price of US\$3.80 will be issued to Holders at the maturity or conversion of the Notes in payment of accrued interest due on December 31, 2022.

Off-Balance Sheet Transactions

There are no off-balance sheet transactions.

Critical Accounting Estimates, New Accounting Policies, Judgements and Assumptions

The preparation of annual financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is full disclosure of the Company’s critical accounting policies and accounting estimates in notes 3,4, and 5 of the audited consolidated financial statements for the year ended December 31, 2022.

Change in Accounting Policy

There is no change in accounting policy for the year ended December 31, 2022.

Financial Instruments and Risk Management

Refer to note 26 in the audited consolidated financial statements.

Contractual Obligations and Commitments

Refer to note 28 in the audited consolidated financial statements.

Capital Structure

	As at March 23, 2023
Common shares	55,873,898
Options	3,877,048
Warrants	10,000,000
Convertible Notes	10,000,000
Other reserves - settlement of interests on Convertible Notes	160,976
Total common shares fully diluted	79,911,922

Subsequent events to December 31, 2022

There are no subsequent events.

Additional Information and Continuous Disclosure

The Company is required to comply with National Instrument 52-109, *Certification of Disclosure in Issuers’ Annual and Interim Filings*. The certification of annual filings requires us to disclose in the MD&A any changes in our internal controls over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We confirm that no such changes were made to the internal controls over financial reporting during the year ended December 31, 2022. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F1, *Certification of Annual Filings*, which can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Additional information on the Company is available through regular filings of press releases, financial statements, and the most recent annual information form on SEDAR (www.sedar.com) and on EDGAR (www.sec.gov). These documents and other information about NMG may also be found on our website at www.nmg.com.

March 23, 2023



Eric Desaulniers, MSc, Geo
President and Chief Executive Officer



Charles-Olivier Tarte, CPA CMA
Chief Financial Officer

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, 2022 and 2021, 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, 2022 and 2021, 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 has suffered recurring losses from operations, has an accumulated deficit and requires additional financing in order to fund its development and acquisition activities and has stated that these conditions raise substantial doubt about its ability to continue as a going concern. Management's plans with 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.

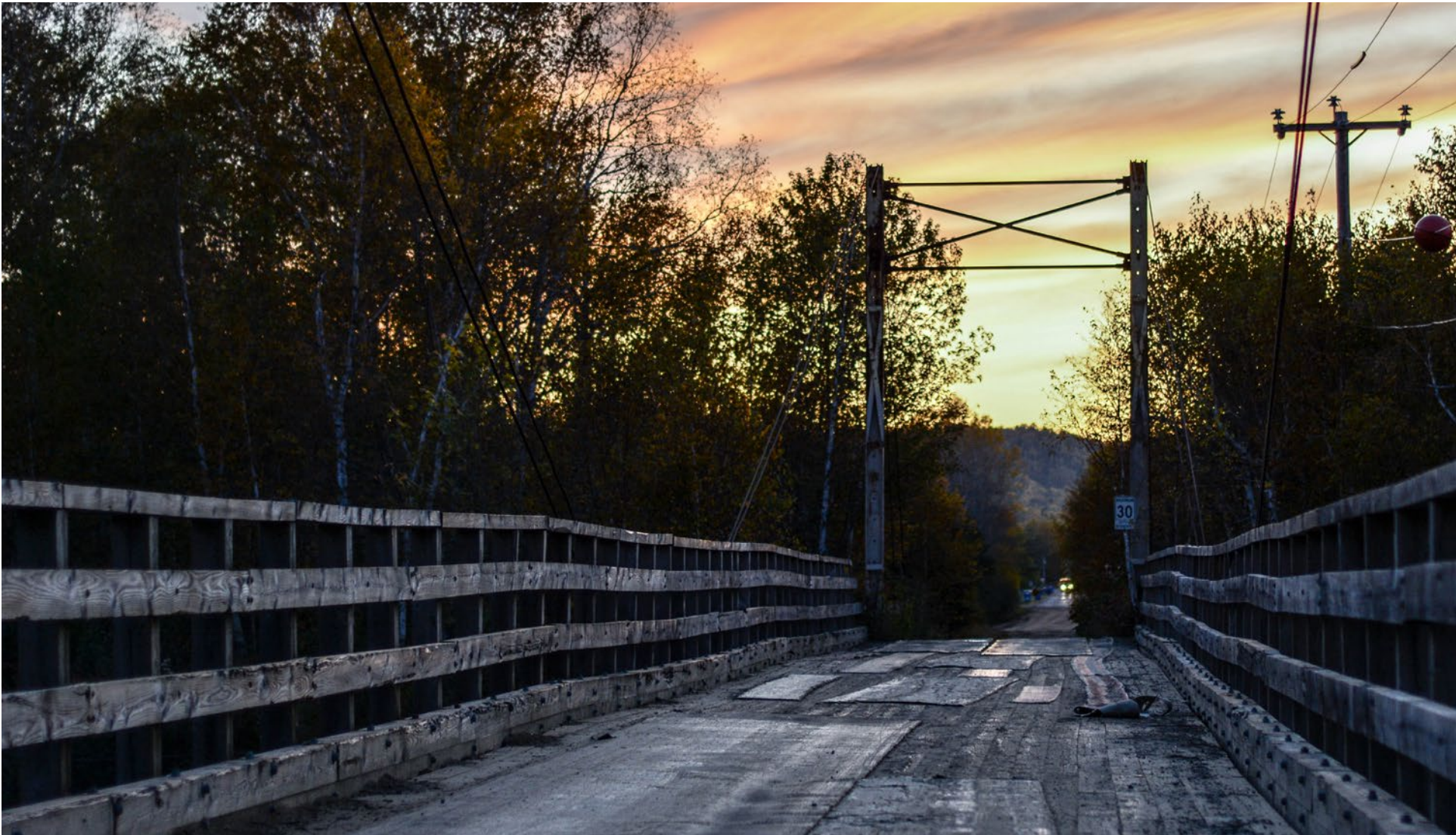
/s/PricewaterhouseCoopers LLP

Montréal, Quebec, Canada
March 23, 2023

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

FINANCIAL STATEMENT

Consolidated Statements of Financial Position	41
Consolidated Statements of Loss and Comprehensive Loss	43
Consolidated Statements of Changes in Equity	44
Consolidated Statements of Cash Flows	45
Notes to Consolidated Financial Statements	47



Consolidated Statements of Financial Position

	Notes	December 31, 2022	December 31, 2021
		\$	\$
ASSETS			
CURRENT			
Cash and cash equivalents	6	59,924	62,355
Grants receivable and other current assets	12	3,983	3,096
Sales taxes receivable		1,972	2,002
Tax credits receivable		4,362	3,958
Restricted cash and deposits		621	–
Prepaid expenses		3,062	2,768
Total current assets		73,924	74,179
NON-CURRENT			
Tax credits receivables		5,458	5,509
Investment – Listed shares	7	800	–
Property, plant and equipment	8	64,135	42,103
Intangible assets	9	182	481
Right-of-use assets	10	2,656	2,254
Restricted cash and deposits		2,919	1,823
Total non-current assets		76,150	52,170
Total assets		150,074	126,349
LIABILITIES			
CURRENT			
Accounts payables and accrued liabilities	11	15,429	15,193
Deferred grants		20	–
Current portion of lease liabilities	13	431	329

	Notes	December 31, 2022	December 31, 2021
		\$	\$
Current portion of borrowings	14	225	208
Total current liabilities		16,105	15,730
NON-CURRENT			
Asset retirement obligation	16	952	1,009
Borrowings	14	1,763	1,921
Lease liabilities	13	2,386	1,994
Convertible notes	15	56,544	–
Total non-current liabilities		61,645	4,924
Total liabilities		77,750	20,654
EQUITY			
Share capital	17.1	210,786	206,483
Other reserves	15	829	–
Contributed surplus		25,313	16,102
Deficit		(164,604)	(116,890)
Total equity		72,324	105,695
Total liabilities and equity		150,074	126,349
Going Concern	1		
Commitments	28		

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, 2022	December 31, 2021
		\$	\$
EXPENSES			
Exploration and evaluation expenses	18	7,427	8,362
Battery Material Plant project expenses	19	19,090	5,976
General and administrative expenses	20	28,674	24,203
Other income		–	(57)
Operating loss		55,191	38,484
Net financial costs (income)	21	(7,877)	1,006
Loss before tax		47,314	39,490
Income tax	22	400	400
Net loss and comprehensive loss		47,714	39,890
Basic loss per share	17.2	(0.86)	(0.93)
Diluted loss per share	17.2	(0.90)	(0.93)

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	Other reserves	Deficit	Total equity
			\$	\$	\$	\$	\$
Balance as at January 1, 2022		55,118,316	206,483	16,102	–	(116,890)	105,695
Shares issued from offering	17.1	502,082	3,987	–	–	–	3,987
Options exercised	17.4	253,500	1,153	(417)	–	–	736
Share-based compensation	17.4	–	–	9,628	–	–	9,628
Settlement of interests on 2022 Convertible Note	15	–	–	–	829	–	829
Share issue costs		–	(837)	–	–	–	(837)
Net loss and comprehensive loss		–	–	–	–	(47,714)	(47,714)
Balance as at December 31, 2022		55,873,898	210,786	25,313	829	(164,604)	72,324

	Notes	Number	Share capital	Contributed surplus and warrants	Equity component of convertible note	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	17.1	11,479,977	114,242	–	–	–	114,242
Warrants exercised	17.3	7,821,700	17,825	(198)	–	–	17,627
Options exercised	17.4	720,201	3,339	(1,137)	–	–	2,202
Shares issued for interest payment	15 – 17.1	297,106	2,697	–	–	–	2,697
Share-based compensation	17.4	–	–	6,676	–	–	6,676
Share issue costs		–	(7,170)	–	–	–	(7,170)
Conversion of 2020 Convertible Note	15 – 17.1	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

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

Consolidated Statements of Cash Flows

		For the years ended	
	Notes	December 31, 2022	December 31, 2021
		\$	\$
OPERATING ACTIVITIES			
Net loss		(47,714)	(39,890)
Depreciation and amortization	8-10	4,557	1,095
Change in fair value – listed shares	7	1,700	–
Change in fair value – embedded derivatives	15	(11,059)	–
Interest on convertible notes	15	829	–
Unrealized foreign exchange loss (gain)		352	(1,022)
Loss on disposal of property, plant and equipment	20	–	5
Share-based compensation	17.4	8,706	6,676
Accretion included within financial costs	21	816	2,058
Net change in working capital	23	(3,068)	(3,247)
Cash flows used in operating activities		(44,881)	(34,325)
INVESTING ACTIVITIES			
Additions to property, plant, and equipment	8	(26,678)	(36,984)
Investment made in listed shares	7	(2,500)	–
Restricted cash and deposits		(1,641)	(921)
Grants received	12	2,821	3,327
Cash flows used in investing activities		(27,998)	(34,578)
FINANCING ACTIVITIES			
Proceeds from offering	17.1	3,987	114,242
Proceeds from convertible notes, net of issue costs	15	67,042	–
Proceeds from borrowings, net of issue costs	14	–	1,189

	Notes	For the years ended	
		December 31, 2022	December 31, 2021
		\$	\$
Repayment of borrowings and lease liabilities	13, 14	(594)	(2,408)
Proceeds from the exercise of warrants	17.3	–	17,627
Proceeds from the exercise of stock options	17.4	736	2,202
Share issue costs		(878)	(7,121)
Cash flows from financing activities		70,293	125,731
Effect of exchange rate changes on cash		155	1,007
Net change in cash and cash equivalents		(2,431)	57,835
Cash and cash equivalents at the beginning of the year		62,355	4,520
Cash and cash equivalents at the end of the year		59,924	62,355
Non-cash investing and financing activities	23		

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”, or “parent 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.

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) 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 for the foreseeable future.

During the year ended December 31, 2022, the Company reported net loss after tax of \$47.7 million; cash outflows from operating activities of \$44.9 million and an accumulated deficit of \$164.6 million and has yet to generate positive cash flows or earnings. Based on all available information about the future, which includes 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 as to the ability of the Company to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. In recognition of these circumstances, the Company completed a private placement of unsecured Convertible Notes of \$67.2 million (US\$50 million) (Note 15) in November 2022.

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 except as otherwise stated.

The consolidated financial statements for the year ended December 31, 2022 were approved and authorized for publication by the Board of Directors on March 22, 2023

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, 2022, 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 of 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 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank, and short-term deposits with a maturity of less than three months.

3.4 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 with them.

3.5 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.

3.6 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*.

3.7 Property and Equipment

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

Buildings	10-25 years
Equipment	2-15 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.

Borrowing costs

Borrowing costs attributable to the acquisition, development or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalized to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interests on long-term debt are capitalized in assets under construction until substantially all the activities necessary to prepare the asset for its intended use are complete. Otherwise, borrowing costs are expensed as incurred in profit or loss. Borrowing costs incurred during the year attributable to acquisition, development or construction of qualifying assets were not material.

3.8 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

3.9 Matawinie Mine Project

Management 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 8). 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, 2022, 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 assets*.

3.10 Battery Material Plant Project

Costs incurred for the construction of the Company’s Battery Material Plant project, such as the shaping and coating demonstration plants, are capitalized under Battery Material Demonstration Plant within Property, plant and equipment (See note 8). 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 costs related to the phase 2 Battery Material Plant and 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 assets*.

3.11 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 statement of loss and comprehensive 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.

3.12 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.

3.13 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.

Other reserves

Other reserves relate to shares to be issued in relation to capitalized interest (Note 15)

3.14 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 the convertible notes.

3.15 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.

3.16 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.

3.17 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.

3.18 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 in note 26).

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 expired.

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.

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).

Convertible Notes

2020 Convertible Notes

The convertible notes issued in 2020 was a compound financial instrument which the principal amounts, together with all accrued and unpaid or uncaptialized 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.

2022 Convertible Notes

The conversion feature (which includes shares and warrants) and the prepayment feature of convertible notes issued to investors (see note 15) are considered embedded derivatives because their economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract (the loan without the conversion feature and the prepayment feature). Therefore, the Company separates the embedded derivatives from the host contract and accounts for each element separately.

The conversion feature is classified as a derivative financial liability as the loan is denominated in a currency other than the Company’s functional currency (and therefore its exercise price is not fixed in the Company’s functional currency) and is convertible into both shares and warrants. The conversion feature and the prepayment feature are measured as a single compound embedded derivative since they relate to common risks and depend on each other. The embedded derivative is initially recognized at its fair value at the date of issuance. The host contract is initially recognized as the difference between total consideration received for the convertible loans less the fair value of the embedded derivative.

If, after considering the terms of the transaction, the Company determines that the fair value of a financial instrument at initial recognition differs from the transaction price, the difference is recognized in the statement of loss and comprehensive loss only if fair value is evidenced

by quoted prices or based on a valuation technique that uses only data from observable markets. In all other cases, the difference is deferred and recognized systematically to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. Any subsequent measurement of the instrument excludes the balance of the deferred amount.

Transaction costs directly attributable to the issuance of convertible loans with embedded derivatives are allocated to the host contract and deducted from its initial recognition amount.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized 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 may be considered as having low credit risk.

The Company applies the simplified approach 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 and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Grants and other receivables	Amortized cost
Investment in listed shares	Fair value through profit or loss

Financial Liabilities	Classification
Accounts payable and accrued liabilities	Amortized cost
Borrowings	Amortized cost
Convertible Notes (USD debt host)	Amortized cost
Convertible Notes (embedded derivatives)	Fair value through profit or loss

3.19 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.

3.20 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 Battery 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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the December 31, 2022 reporting period and have not been early adopted by the Company. These standards, amendments or interpretations, except noted below, are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Amendments to IAS 1 *Presentation of Financial Statements on classification of liabilities*:

Narrow-scope amendments to IAS 1 clarify when liabilities are classified as either current or non-current.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must exist at the end of the reporting period and have substance.

The amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect a liability's classification at that date.

The amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments state that: settlement of a liability includes transferring a company's own equity instruments to the counterparty; and when classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity.

The amendments are effective for years beginning on or after January 1, 2024.

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 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.

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, there are 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.

Fair value of embedded derivative

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a valuation model and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of the valuation model used for determining the fair value of the embedded derivatives in the 2022 Convertible Notes and the assumptions used by management are disclosed in note 15.

Management used significant judgement to determine that the fair value of the Convertible Notes on issuance does not equal the transaction price, which was primarily attributed to the warrants present in the conversion option embedded in the Convertible Notes. The resulting difference between the transaction price and the fair value on initial recognition is deferred as the fair value of the Convertible Notes is based on a valuation technique where not all the inputs are observable. The unrecognized deferred amount is recorded in the statement of profit and loss to the extent that it arises from a change in factor that market participants would take into account when pricing the Convertible Notes.

Management has attributed the deferred amount to the host instrument and embedded derivatives proportionate to their estimated fair value on the initial recognition date. The deferred amount attributable to the embedded derivative is recorded systematically in the consolidated statements of loss and comprehensive loss over the estimated life of the instruments underlying the conversion option as management believes that time is one of the factors specific to the pricing of the conversion option.

6. Cash and Cash Equivalents

As at December 31, 2022, cash and cash equivalents totalling \$59,924 (\$62,355 in 2021) consisted of cash in bank and short-term deposits. As at December 31, 2022, the Company’s cash in bank balance is comprised of \$4,889 and \$876 US dollars (CAD \$1,186). The balance of short-term deposits is comprised of \$40,234 and \$10,052 US dollars (CAD \$13,615).

7. Investments – Listed Shares

As at December 31, 2022, investment in listed shares are composed of an equity-investment in Mason Graphite inc. (“Mason”). On July 20, 2022, the Company subscribed for 5 million common shares of Mason for a total of \$2,500. The price paid to acquire the Mason shares was \$0.50 per share, equivalent to the Volume-Weighted Average Price (“VWAP”) of Mason shares on the TSXV for a period of twenty trading days prior to May 15, 2022. As at December 31, 2022, Mason’s stock value is \$0.16 per share, resulting in a decrease in fair value of \$1,700 which is presented under net financial costs in the consolidated statement of loss and comprehensive loss.

In July 2022, the Company signed an agreement providing the option to acquire 51% of the Lac Guéret property of Mason by investing \$10M in exploration activities and subscribing to \$5M in Mason’s shares. As at December 31, 2022, the Company incurred \$309 related to the completion of the preliminary economic assessment on the Lac Guéret property.

8. Property, Plant And Equipment

	Land	Buildings	Equipment	Computers	Furniture	Rolling stock	Mine under construction [1]	Battery Material Demonstration Plant under construction [1]	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST									
Balance as at January 1, 2022	2,412	2,791	163	141	25	53	18,032	18,886	42,503
Additions	43	15	248	–	–	50	19,753	5,687	25,796
Transfers	–	461	9,402	–	93	26	–	(9,982)	–
Write-Off/Disposals	–	–	–	–	–	(1)	–	–	(1)
Balance as at December 31, 2022	2,455	3,267	9,813	141	118	128	37,785	14,591	68,298
ACCUMULATED DEPRECIATION									
Balance as at January 1, 2022	–	330	19	25	11	15	–	–	400
Depreciation	–	221	3,459	47	14	23	–	–	3,764
Write-Off/Disposals	–	–	–	–	–	(1)	–	–	(1)
Balance as at December 31, 2022	–	551	3,478	72	25	37	–	–	4,163
Net book value as at December 31, 2022	2,455	2,716	6,335	69	93	91	37,785	14,591	64,135

	Land	Buildings	Equipment	Computers	Furniture	Rolling stock	Mine under construction [1]	Battery Material Demonstration Plant under construction [1]	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST									
Balance as at January 1, 2021	507	2,642	–	56	70	24	–	1,206	4,505
Additions	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

1 Assets under construction are not being depreciated as they are not in the condition necessary to be capable of being operated in the manner intended by management.

Capitalized expenditures for the Battery Material Demonstration Plant under construction are presented net of grants of \$4,109 for the year ended December 31, 2022 (\$5,483 in 2021).

During the year ended December 31, 2021, the Company bought back a 1.8% NSR on the Matawinie property for \$1,800 that is included in Mine under construction.

9. Intangible Assets

In 2019, the Company and Hydro-Quebec ("HQ") signed a license agreement by which the Company is allowed to use HQ's patented technologies for the micronization, spheronization, purification, and coating to serve the lithium-ion battery market. The Company paid US\$2 million (CAD \$2,562) for the use of the patents which have different expiry dates between October 24, 2021, to June 7, 2028. The license was capitalized as an intangible asset and will be amortized over the life of the underlying patents.

	Licenses	Total
	\$	\$
COST		
Balance as at January 1, 2022	1,604	1,604
Write-off of assets	(384)	(384)
Balance as at December 31, 2022	1,220	1,220
ACCUMULATED DEPRECIATION		
Balance as at January 1, 2022	1,123	1,123
Amortization	299	299
Write-off of assets	(384)	(384)
Balance as at December 31, 2022	1,038	1,038
Net book value as at December 31, 2022	182	182

	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

10. 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	Rolling stocks	Total
	\$	\$	\$
COST			
As at January 1, 2022	2,715	164	2,879
New leases	451	–	451
End of leases	(205)	(49)	(254)
Remeasurement of lease	445	(44)	401
As at December 31, 2022	3,406	71	3,477
ACCUMULATED DEPRECIATION			
As at January 1, 2022	553	72	625
Depreciation	451	43	494
End of leases	(205)	(49)	(254)
Remeasurement of lease	–	(44)	(44)
As at December 31, 2022	799	22	821
Net book value as at December 31, 2022	2,607	49	2,656

	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

Included in the depreciation of Right-of-use assets for the period is \$250 (\$213 in 2021) that has been included under the Evaluation and exploration expenses and \$162 (\$166 in 2021) that have been included under the Battery Material Plant project expenses line in the consolidated statements of loss and comprehensive loss.

11. Accounts Payables and Accrued Liabilities

	December 31, 2022	December 31, 2021
	\$	\$
Trade payables and accrued liabilities	12,825	13,284
Wages and benefits liabilities	2,524	1,772
Other payables	80	137
Accounts payables and accrued liabilities	15,429	15,193

12. 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 \$4,250. The SDTC decided in March 2021 to increase the grant by an additional \$223. This grant supported the Company to build and to operate the Purification Demonstration Plant in Bécancour, Quebec. In February 2020, the Company received the first milestone payment of \$2,000. SDTC also increased its initial commitment of \$4,250 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 2022, the Company received a payment of \$857. As at December 31, 2022, \$425 of grant receivable was recorded for eligible expenditures.

The Company completed the closing of another grant agreement in August 2022 with SDTC for a total of \$5,750. This grant will support financially the Company to build and to operate the Coating Demonstration Plant in Saint-Michel-des-Saints, Quebec. In August 2022, the Company received the first milestone payment of \$1,849. As at December 31, 2022, \$862 of grant receivable was recorded for eligible expenditures.

In April 2020, the Company completed the closing of a grant agreement with Transition énergétique Québec (“TEQ”), a Quebec government funded program, to support financially building and operating the Purification Demonstration Plant in Bécancour. This additional grant of \$3,000 was secured via TEQ’s Technoclimat program. During the year 2022, the Company received a payment of \$700. As at December 31, 2022, \$750 of grant receivable was recorded for eligible expenditures.

The Company entered into another grant agreement effective January 2022 with TEQ for a total of \$3,000. This grant will support financially the Company to build and to operate the Coating Demonstration Plant in Saint-Michel-des-Saints, Quebec. As at December 31, 2022, \$1,378 of grant receivable was recorded for eligible expenditures.

The remaining \$542 grants receivable as at December 31, 2022 is composed of various smaller grants as there is reasonable assurance that they will be received and the Company has reasonable assurance that it will continue to comply with the conditions associated with these grants.

13. Lease Liabilities

	December 31, 2022	December 31, 2021
	\$	\$
Opening balance	2,323	1,076
New liabilities and modifications of leases	880	1,670
Lease write off	–	(15)
Principal repayment	(386)	(408)
Ending balance	2,817	2,323
Current portion	431	329
Non-current portion	2,386	1,994

The Company also has certain leases of assets with lease terms of 12 months or less. The Company applies the short-term lease recognition exemptions for these leases. The expenses related to short term leases were \$629 for the year ended December 31, 2022 (\$339 in 2021).

14. Borrowings

	December 31, 2022	December 31, 2021
	\$	\$
Opening balance	2,129	1,793
New borrowings	–	2,281
Repayments	(208)	(2,000)
Accretion of issue costs	–	9
Interest	67	46
Ending balance	1,988	2,129
Current portion	225	208
Non-current portion	1,763	1,921

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.

15. Convertible Notes

2022 – US\$50 Million Convertible Notes with Mitsui, Pallinghurst and Investissement Québec

	Host (amortized cost)	Derivative (FVTPL)	Deferred amount	Total
	\$	\$	\$	\$
Issuance ¹	48,703	20,453	(2,773)	66,383
Interest accretion	732	–	–	732
Fair value adjustment	–	(11,199)	–	(11,199)
Amortization	–	–	140	140
Foreign exchange	382	127	(21)	488
Balance as of December 31, 2022	49,817	9,381	(2,654)	56,544

1 Transaction costs of \$821 (US\$608) have been allocated to the host instrument and reduced from the net proceeds allocated to this component.

On November 8, 2022, the Company completed a private placement of unsecured convertible notes (the “Notes”) for aggregate gross proceeds of \$67.2 million (US\$50 million). The Notes are denominated in US Dollars with a term of 36 months and carry a quarterly coupon interest payment of the greater between the 3-month CME Term SOFR + 4% and 6%. The Notes include the following material conversion and settlement options available to the holders and the Company:

- » **General conversion option:** The holder of a Note, at any time before maturity, can convert the outstanding principal amount into units for US\$5/unit. Each unit comprises one common share of the Company and one share warrant. The share warrant can be used to subscribe one common share of the Company at an exercise price of US\$5.70/share for a period of 24 months from the date of conversion of the Note.
- » **Repurchase option:** The Company has, at its sole discretion, an option to repay the Notes at the Repurchase Amount (as defined in the subscription agreement) at the earlier of (i) December 31, 2023; or (ii) the date of a final investment decision (FID) as defined in the subscription agreement. Depending on the circumstances, the repurchase amount is affected by the remaining time to maturity and the cumulative interests paid to date to the investors.

- » **Interest repayment option:** At the end of each quarter starting December 31, 2022, the Company has an option to pay the interest in (i) cash; or (ii) subject to TSXV approval, by capitalizing interest and adding it to the principal, which would then be converted into common shares (and not units) at a US Dollar equivalent of the Company's share price determined at the quarter end on which such interest become payable.
- » The Notes also include redemption mechanisms at the option of the holders in the event of a change of control or an event of default.

The Notes represent hybrid financial instruments with multiple embedded derivatives requiring separation. The debt host portion (the “Host”) of the instrument is classified at amortized cost, whereas the aggregate conversion and prepayment options (the “Embedded Derivatives”) are classified as fair value through profit and loss (FVTPL).

The fair value of the Notes at inception was estimated at \$77.7 million (US\$57.8 million) and determined using a valuation model which required the use of significant unobservable inputs. The Company identified a difference between the transaction price and the fair value of \$10.5 million (US\$7.8 million). The difference has been allocated on a pro-rata basis to the Host and the Embedded Derivatives based on their relative estimated fair values. The portion allocated to the Host has been integrated in its initial carrying amount. The Company believes that time value is an important factor in the estimation of the Embedded Derivatives’ fair value. Therefore, the unrecognized deferred amount attributed thereto is recognized on a straight-line basis in the statement of loss and comprehensive loss over the estimated life of the combined conversion option and underlying warrants.

As at December 31, 2022, the Company capitalized the accrued interests owed to Investissement Québec, Pallinghurst and Mitsui. An aggregate amount of \$829 (US\$612) will be capitalized and 160,976 common shares at a price of US\$3.80 will be issued to Holders at the maturity or conversion of the Notes in payment of accrued interest due on December 31, 2022. The capitalized interests are recorded as shares to be issued in the consolidated statements of changes in equity.

	November 8, 2022	Reasonably possible change	Sensitivity [1] \$ 000 (derivative liability)	December 31, 2022	Reasonably possible change	Sensitivity [1] \$ 000 (derivative liability)
Observable inputs						
Share Price	US\$4.73			US\$3.82	+/- 10%	+3.6M/-1.9M
Foreign Exchange rate	1.34			1.35	+/- 5%	+/- 0.5M
Unobservable inputs						
Expected volatility	50%	+/- 10% (absolute)	+2.6M/-2.8M	50%	+/- 10% (absolute)	+3.2M/-1.7M
Credit Spread	10%	+/- 1% (absolute)	+/- 0.5M	9%	+/- 1% (absolute)	+/- 0.3M

1 Holding all other variables constant

2020 – Convertible Note with Pallinghurst

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

	December 31, 2021
	\$
Opening balance	14,505
Conversion	(14,649)
Accretion expense	144
Ending balance	–

16. Asset Retirement Obligation

	December 31, 2022	December 31, 2021
	\$	\$
Opening balance	1,009	621
New obligations	46	383
Change in estimate	(120)	–
Accretion expense	17	5
Ending balance	952	1,009

The asset retirement obligation that arose during the year ended December 31, 2022, 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 5.26% (3.62% in 2021), 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.

17. Equity

17.1 Share Capital

Authorized share capital

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

	For the years ended	
	December 31, 2022	December 31, 2021
	\$	\$
Shares issued at the start of the period	55,118,316	27,299,332
Shares issued from offering	502,082	11,479,977
Warrants exercised	–	7,821,700
Options exercised	253,500	720,201
Shares issued for conversion of 2020 Convertible Note	–	7,500,000
Shares issued for interest payment	–	297,106
Shares issued at the end of period	55,873,898	55,118,316

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 \$5.750M 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.

On January 21, 2022, the Company filed a prospectus supplement establishing a new at-the-market equity offering (“ATM Offering”). The ATM Offering allows 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. For the year ended December 31, 2022, the Company issued 502,082 common shares at an average price of \$7.94 for gross proceeds of \$3,987, commissions of \$100, for total net proceeds of \$3,887.

17.2 Loss Per Share

The calculation of basic and diluted loss per share is based on the loss attributable to ordinary shareholders and weighted average number of shares outstanding, including shares to be issued for payment of interest on the convertible notes. The calculation of diluted loss per share takes into account the effects of all dilutive potential ordinary shares.

	For the years ended	
	December 31, 2022	December 31, 2021
	\$	\$
Loss attributable to the ordinary equity holders of the Company	47,714	39,890
Gain on change in fair value of embedded derivatives ⁽ⁱ⁾ , net of interest expense associated with debt host	(3,850)	–
Loss attributable to the ordinary equity holders of the Company used in calculation of the diluted loss per share	51,564	39,890
Basic weighted average number of shares outstanding	55,600,636	42,971,152
Dilutive effect of 2022 Convertibles Notes	1,452,055	–
Dilutive weighted average number of shares outstanding	57,052,691	42,971,152
Basic loss per share	0.86	0.93
Diluted loss per share	0.90	0.93

(i) Excludes the portion of the change in fair value of the embedded derivative attributable to the underlying warrants.

The other potentially dilutive instruments, namely the options (see note 17.4), the warrants (see note 17.3), the underlying warrants of the 2022 Convertible Notes and the shares underlying the 2020 Convertible Notes (see note 15) are anti-dilutive for all periods presented.

17.3 Warrants

	December 31, 2022		December 31, 2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	\$	\$	\$	\$
Opening balance	–	–	7,853,439	2.26
Issued	–	–	–	–
Exercised	–	–	(7,821,700)	2.25
Expired	–	–	(31,739)	3.50
Ending balance	–	–	–	–

17.4 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, 2022 and 2021:

	December 31, 2022		December 31, 2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	\$	\$	\$	\$
Opening balance	2,352,249	7.07	2,400,000	3.20
Granted	2,219,304	8.13	735,000	15.95
Exercised	(253,500)	2.90	(720,201)	3.06
Expired	(385,000)	12.21	(51,300)	7.00
Forfeited	(21,249)	9.47	(1,250)	16.84
Cancelled	–	–	(10,000)	16.84
Ending balance	3,911,804	7.42	2,352,249	7.07
Options that can be exercised	2,872,500	7.22	2,058,500	7.30

The weighted average share price at the time of exercise for 2022 is \$7.91 (\$13.45 in 2021).

For the year ended December 31, 2022, the Company granted 525,000 options to officers, 247,500 to directors, 682,000 to employees, and 764,804 to consultants. The vesting period on options granted varies from vesting immediately to four semi-annual tranches. Each option entitles the holder to subscribe to one common share of the Company, at an average price of \$8.13 per common share, for a period of 4.11 years. Total expenses arising from share-based transactions recognized during the year amount to \$9,628 (\$6,676 in 2021) out of which 922\$ (nil in 2021) have been capitalized in property, plant and equipment.

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 options granted varies from vesting immediately to four semi-annual tranches. 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.

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:

	2022	2021
Share price at date of grant	\$8.13	\$15.95
Expected life	4.11 years	5 years
Risk-free interest rate	2.33%	0.82%
Expected volatility	81.49%	67.86%
Expected dividend	Nil	Nil
Fair value per option	\$4.79	\$8.95

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. The strike price of share options issued are exercisable at the share's closing price on the last trading day prior to the grant.

Expiration date	December 31, 2022		
	Total number	Total exercisable	Weighted average exercise price
	\$	\$	\$
Year 2023	330,000	330,000	3.45
Year 2024	895,304	370,000	6.56
Year 2025	772,500	772,500	3.33
Year 2026	490,000	490,000	16.31
Year 2027	1,424,000	910,000	8.06
Ending balance	3,911,804	2,872,500	7.42

18. Exploration and Evaluation Expenses

	December 31, 2022	December 31, 2021
	\$	\$
Wages and benefits	3,274	3,637
Share-based compensation	898	452
Engineering	162	1,856
Professional fees	554	190
Materials, consumables, and supplies	824	1,330
Maintenance & Subcontracting	1,252	1,454
Geology and drilling	31	143
Utilities	420	349
Depreciation and amortization	283	217
Other	95	213
Uatnan mining project	309	–
Grants	(37)	(36)
Tax credits	(638)	(1,443)
Exploration and evaluation expenses	7,427	8,362

The exploration and evaluation expenses relate to the Matawinie Mine in Quebec, with the exception of fees for the preliminary economic assessment of the Uatnan mining project, in relation with the transaction of Mason (see note 7).

The wages and benefits are net of the grant received as part of the Canada Emergency Wage Subsidy program of Nil in 2022 (\$473 in 2021).

19. Battery Material Plant Project Expenses

	December 31, 2022	December 31, 2021
	\$	\$
Wages and benefits	2,698	754
Share-based compensation	534	–
Engineering	8,895	4,136
Professional fees	914	898
Materials, consumables, and supplies	920	686
Maintenance & Subcontracting	1,180	268
Utilities	553	–
Depreciation and amortization	4,028	177
Other	146	39
Grants	(506)	(718)
Tax credits	(272)	(264)
Battery Material Plant project expenses	19,090	5,976

The battery material plant project expenses relate mainly to the preliminary costs incurred in anticipation of the development of an advanced Battery material plant in Bécancour, Québec.

The wages and benefits are net of the grant received as part of the Canada Emergency Wage Subsidy program of Nil in 2022 (\$81 in 2021).

20. General and Administrative Expenses

	December 31, 2022	December 31, 2021
	\$	\$
Wages and benefits	7,083	4,883
Share-based compensation	7,274	6,224
Professional fees	1,435	2,635
Consulting fees	2,618	1,476
Travelling, representation and convention	668	627
Office and administration	8,862	6,747
Stock exchange, authorities, and communication	462	872
Depreciation and amortization	246	699
Loss on asset disposal	–	5
Other financial fees	26	35
General and administrative expenses	28,674	24,203

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

21. Net Financial Costs (Income)

	December 31, 2022	December 31, 2021
	\$	\$
Foreign exchange loss (gain)	452	(985)
Interest income	(701)	(327)
Interest expense on lease liabilities	19	113
Change in fair value - listed shares	1,700	–
Change in fair value - embedded derivative and deferred amount amortization	(11,059)	–
Accretion on borrowings and notes	816	2,104
Interest on borrowings and notes	895	101
Net financial costs	(7,877)	1,006

22. 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 2021) to loss before income taxes as a result of the following:

	December 31, 2022	December 31, 2021
	\$	\$
Loss before income taxes	(47,314)	(39,490)
Tax recovery computed at applicable statutory tax rate	26.50%	26.50%
Tax expense at combined statutory rate	(12,538)	(10,465)
Increase (decrease) in income taxes resulting from:		
Temporary difference not recorded	10,018	8,937
Share-based payments	2,307	1,769
Non-deductible expenses	325	406
Mining royalties	400	400
Non-taxable mining duties	(108)	(219)
Other	(4)	(428)
Income tax	400	400
Composition of deferred income taxes in the income statement:		
Taxes payable	400	400
Income tax	400	400

As at December 31, 2022, temporary differences for which the company has recognized deferred tax assets and liabilities are as follows:

	Opening balance	Recognized in the net earnings	Recognized in other comprehensive income	Recognized in Equity	Closing balance
Convertible notes	–	(9,693)	–	–	(9,693)
Exploration and evaluation expenses	–	9,693	–	–	9,693

As at December 31, 2022 and 2021, temporary differences and unused tax losses for which the Company has not recognized deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
	\$	\$
FEDERAL		
Exploration and evaluation expenses	44,572	37,787
Property and equipment	3,080	2,253
Equity investment	2,346	646
Asset retirement obligation	952	1,009
Share issue expenses	5,102	5,990
Research and development expenses	19,412	16,700
Non-capital losses	69,792	46,371
Unrealized foreign exchange loss on convertible notes	519	–
Other	273	74
	146,048	110,830
PROVINCIAL		
Exploration and evaluation expenses	41,796	35,058
Property and equipment	3,080	2,253
Equity investment	2,346	646
Asset retirement obligation	952	1,009
Share issue expenses	5,102	293
Research and development expenses	25,158	19,447
Non-capital losses	68,341	45,943
Unrealized foreign exchange loss on convertible notes	519	–
Other	273	74
	147,567	104,723

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, 2022, 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
2022	2042	22,792	22,712
2021	2041	19,469	18,562
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	1,544	1,399
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 \$3,698 (\$2,693 in 2021) that expire between 2036 and 2041, which are available to reduce income taxes payables in future years.

23. Additional Cash Flow Information

	December 31, 2022	December 31, 2021
	\$	\$
Grants receivable and other current assets	12	401
Deferred grants		20
Mining tax credits		(353)
Sales taxes receivable		30
Prepaid expenses		(370)
Accounts payable and accrued liabilities	11	(2,796)
Total net change in working capital	(3,068)	(3,247)
Income tax received		558
Interest paid		69
Non-cash investing and financing activites		
Property, plant and equipment included in accounts payable and accrued liabilities		7,447
Share issue costs included in accounts payable and accrued liabilities		8
Cost to issue the convertible notes included in accounts payable and accrued liabilities		659
Shares issued for interest payment		–

24. Related Party Transactions

	December 31, 2022	December 31, 2021
	\$	\$
Key management personnel of the Company		
Employee benefit expenses	2,641	1,158
Share-based payments	2,475	3,435
Directors of the Company		
Board fees	829	643
Share-based payments	1,247	2,333

In addition to transactions with Pallinghurst and Investissement Québec disclosed previously in the consolidated 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, 2022, Pallinghurst owns 20.66% of the Company’s issued and outstanding common shares and has significant influence over the Company (2021– 20.94%).

In November 2022, the Company closed a private placement of unsecured convertible notes for aggregate gross proceeds of US\$50M with Mitsui, Pallinghurst and Investissement Québec. Of the US\$50M, Pallinghurst and Investissement Québec each subscribed for US\$12,5M. More details on the transaction are provided in note 15.

Severance

The Company has commitments under certain management contracts with key executives. Minimum commitments under these contracts are approximately \$2,150 (\$1,554 in 2021). These contracts require additional minimum payments of approximately \$4,379 (\$3,139 in 2021) 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.

25. Information Disclosure About Capital Management

The Company monitors capital based on the carrying amount of equity, borrowings, leases and convertible notes which totals \$133,673 as at December 31, 2022 (\$110,147 in 2021).

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 13, 14, and 15.

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.

26. Financial Instruments and Risk Management

Classification and Carrying Amount of Financial Instruments

Financial assets and financial liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are financial assets and financial liabilities at FVTPL, financial assets at amortized cost, and financial liabilities at amortized cost. The following tables show the carrying values and the fair value of assets and liabilities for each of these categories as at December 31, 2022 and 2021:

		As at December 31, 2022		
		At fair value through profit or loss	Amortized cost	Total
		\$	\$	\$
FINANCIAL ASSETS				
Cash and cash equivalents		–	59,924	59,924
Grants receivable and other current assets	12	–	3,983	3,983
Investments – Listed shares	7	800	–	800
Total financial assets		800	63,907	64,707
FINANCIAL LIABILITIES				
Account payables and accrued liabilities	11	–	15,429	15,429
Borrowings	14	–	1,988	1,988
Convertible Notes	15	6,727	49,817	56,544
Total financial liabilities		6,727	67,234	73,961

		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	11	–	3,096	3,096
Total financial assets		–	65,451	65,451
FINANCIAL LIABILITIES				
Account payables and accrued liabilities	10	–	15,193	15,193
Borrowings	13	–	2,129	2,129
Total financial liabilities		–	17,322	17,322

Financial Risks

Fair value

Current financial assets and financial liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their relatively short-maturities; this includes cash and cash equivalents, grants receivable and other current assets and accounts payable and other. Borrowings and the convertible debt host are accounted for at amortized cost using the effective interest method, and their fair value approximates their carrying value except for the convertible debt host for which fair value is estimated at \$59.3 million (US\$43.8 million) (level 3).

Fair Value Hierarchy

Subsequent to initial recognition, the Company uses a fair value hierarchy to categorize the inputs used to measure the financial instruments at fair value grouped into the following levels based on the degree to which the fair value is observable.

- » **Level 1:** Inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- » **Level 2:** Inputs derived from other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- » **Level 3:** Inputs that are not based on observable market data (unobservable inputs).

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Non-current investments (Equity investment in publicly listed entities)	800	–	–	800
Financial liabilities at FVTPL				
Convertible notes - Embedded derivatives (note 15)	–	–	6,727	6,727

There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2022 (none in 2021).

Financial Instruments Measured at FVTPL

Non-Current investments

Equity instruments publicly listed are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the closing share price observed on the relevant stock exchange.

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, 2022, all of the Company’s short-term liabilities totalled \$16,105 (\$15,730 in 2021), 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.

	Carrying amount	Contractual cash flow	0 to 12 months	As at December 31, 2022	
				12 to 24 months	more than 24 months
Account payables and accrued liabilities	15,429	15,429	15,429		–
Lease liabilities	2,817	3,423	560	647	2,216
Borrowings	1,988	2,330	352	577	1,401
Convertible Notes – Host ⁽ⁱ⁾	49,817	67,723	–	–	67,723
Convertible Notes – Embedded Derivative ⁽ⁱ⁾	6,727	–	–	–	–

(i) The Convertible Notes are translated at the spot rate as of December 31, 2022

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 cash and cash equivalents and receivables. 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 and guaranteed deposits in credit unions.

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. Also, the convertible notes are 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 negatively impact the Company’s net income and cash flows while the strengthening of the Canadian dollar would increase its net income and cash flows.

As at December 31, 2022 and 2021, the balances in U.S. dollars held by the Company were as follows:

	As at December 31, 2022	As at December 31, 2021
	\$	\$
Cash and cash equivalents in US dollars	10,928	11,435
Accounts payables in US dollars	(407)	(1,044)
Convertibles notes – Host in US dollars	(36,780)	–
Net exposure, in US dollars	(26,259)	10,391
Equivalent in Canadian dollars	(35,570)	13,175

Based on the balances as at December 31, 2022, a 5% increase (decrease) in the exchange rates on that date (with all other variables being constant) would have resulted in an increase (decrease) of net loss of approximately \$1,778 in 2022 (\$659 in 2021).

Also see note 15 for the Embedded Derivatives.

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 is exposed to interest rate risk primarily on its convertible notes bearing interest at variable rates and does not take any particular measures to protect itself against fluctuations in interest rates. With the exception of the convertible notes, the Company’s financial assets and financial liabilities are not significantly exposed to interest rate risk because either they are short-term in nature or because they are non-interest bearing.

The convertible notes bear interest equal to the greater of 6% and the 3-month Term SOFR plus 4%. Based on the balance of the convertible notes as at December 31, 2022, the impact on net financial expenses over a 12-month horizon of a 1.0% shift in interest rates would amount to approximately \$677. See note 15 for the interest rate risk on the embedded Derivatives.

27. Additional Segment Information

	December 31, 2022			
	Matawinie Mine Project	Battery Material Plant project	Corporate	Total
	\$		\$	\$
Total property, plant and equipment	39,597	21,289	3,249	64,135
Total liabilities	8,022	3,808	65,920	77,750

	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

28. Commitments

In the normal course of business, the Company enters into contracts that give rise to commitments. As at December 31, 2022, the Company had issued \$2,830 of purchase orders for the acquisition of property, plant and equipment and \$4,084 in relation to the operations.

Royalty

The Company issued a 3% net smelter royalty (“NSR”) over the Matawinie graphite property to Pallinghurst for an aggregate purchase price of \$4,306. For a period of three years following issuance (August 28, 2020), 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 0.20% 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.



References and acronyms

CAD	Canadian dollars
CDP	Carbon Disclosure Project
COVID-19	COVID-19 pandemic
CSPG	Coated spherical purified graphite
ESG	Environmental, social and governance
EV	Electric vehicle
FID	Final investment decision
GHG	Greenhouse gas
ha	hectares
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Mason Graphite	Mason Graphite Inc.
MD&A	Management Discussion and Analysis
Mitsui	Mitsui & Co., Ltd.
NI 43-101	National Instrument 43-101 Standards of Disclosure for Mineral Projects
NMG	Nouveau Monde Graphite Inc.
NYSE	New York Stock Exchange
Olin	Olin Corporation

PEA	Preliminary economic assessment
R&D	Research and development
SEC	U.S. Securities and Exchange Commission
SPG	Spherical purified graphite
TCFD	Task Force on Climate Related Financial Disclosures
The Company	Nouveau Monde Graphite Inc.
tpa	Tonnes per annum
TSXV	TSX Venture Exchange
We	Nouveau Monde Graphite Inc.

Legal Disclaimer

Cautionary note regarding forward-looking statements

This report contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities legislation (collectively, “forward-looking statements”), which relate to future events or future performance and reflect management’s expectations and assumptions regarding the Company’s growth, results, performance and business prospects and opportunities. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to it. In some cases, forward-looking statements can be identified by words such as “may”, “would”, “could”, “will”, “should”, “expect”, “intend”, “aim”, “attempt”, “anticipate”, “believe”, “study”, “target”, “estimate”, “forecast”, “predict”, “outlook”, “mission”, “aspire”, “plan”, “schedule”, “potential”, “progress” or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the Company’s corporate objectives and business strategy, including, without limitation, the “NMG at a Glance” paragraph, future results, the intended construction and commissioning timeline of the Matawinie Mine project, the Bécancour Battery Material Plant Project, the shaping demonstration plant and the coating demonstration plant, the intended operation and performance of the purification demonstration plant, shaping demonstration plant, coating demonstration plant and the concentrator demonstration plant, the intended development of the Matawinie Mine Property, the intended development of the Uatnan Mining Project, including the formation of a joint venture, the economic performance and product development efforts, as well as the Company’s expected achievement of milestones, including the ability to obtain sufficient financing for the development of the Matawinie Mine Project and the Bécancour Battery Material Plant Project, including the completion of the FID, (as defined herein), the ability to achieve the Company’s environmental, social and governance (“ESG”) initiatives, the Company’s electrification strategy and its intended results, market trends, the results of the integrated feasibility study, preliminary economic assessment for the Uatnan Mining Project and any other feasibility study and preliminary economic assessments and any information as to future plans and outlook for the Company are or involve forward looking statements.

Forward-looking statements are based on reasonable assumptions that have been made by the Company as at the date of such statements and are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to, the actual results of current development, engineering and planning activities, access to capital and future prices of graphite, new mining operation inherent risks, mineral exploration and development activities inherent risks, the uncertainty of processing the Company’s technology on a commercial basis and those factors discussed in the section entitled “Risk Factors” in the Company’s most recent annual information form. Forward-looking statements in this report contain, among other things, disclosure regarding: the Company’s development activities and production plans, including the operation of the shaping demonstration plant, the purification demonstration plant and the concentrator demonstration plant; the construction and commissioning, as applicable, of the Matawinie Mine Project, the Bécancour Battery Material Plant Project, the shaping demonstration plant and the coating demonstration plant; the development of the Uatnan Mining Project, the impact of infectious diseases, global pandemics or any other public health crises, including COVID-19 pandemic (“COVID-19”), and the ongoing war between Russia and Ukraine on the Company’s operations; the future outlook, corporate development and strategy of the Company; the Company’s projected capital and operating expenditures; the estimates of mineral resources and mineral reserves; the Company’s green and sustainable lithium-ion active anode material initiatives; the government regulation of mining operations, environmental regulation and compliance; the realization of the expected economics of the construction and operation of the Matawinie Mine project and the Bécancour Battery Material Plant Project; the ability to obtain sufficient financing and the permitting required for the development of the Matawinie Mine Project and the Bécancour Battery Material Plant Project; and business opportunities that become available to, or are pursued by the Company.

Forward-looking statements are based on assumptions management believes to be reasonable, including but not limited to: general business and economic conditions; there being no direct operational impacts resulting from infectious diseases or pandemics; the supply and demand for, deliveries of, and the level and volatility of prices for graphite products; the speculative nature of mineral exploration and development; changes in mineral production performance and increase in costs, exploitation, exploration and mine new mines’ start-up successes; the risk that exploration data may be incomplete and additional work may be required to complete further evaluation, including but not limited to drilling, engineering, and socioeconomic studies and investment; the impact of the inflation of the Company’s planned exploration and

development activities, the timing of the receipt of necessary regulatory and governmental permits and approvals for the Matawinie Mine Project and Bécancour Battery Material Plant Project; the availability of financing for the Company’s development of its properties and construction of its facilities and installations on reasonable terms; the possibility that the Company may incur additional debt; the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; increased costs, delays, suspensions and technical challenges associated with the development, construction and commissioning of the Matawinie Mine Project and the Bécancour Battery Material Plant Project; the good standing of the Company’s title and claims on its properties; the ability to attract and retain skilled staff and maintain positive relationships with the staff; the risk of relying on consultants; development and production timetables; competition and market risks; pricing pressures; the accuracy of the Company’s mineral resource and mineral reserve estimates (including, with respect to size, grade and recoverability) as well as the geological, operational and price assumptions on which they are based; the volatile nature of the share price of a resources company and public Company obligations, currency fluctuations, the fact that certain business improvement initiatives are still in the early stages of evaluation, and additional engineering and other analysis is required to fully assess their impact; the fact that certain of the initiatives described in this report, are still in the early stages and may not materialize; business continuity and crisis management; and such other assumptions and factors as set out herein and in this report.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that may cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update or revise any forward-looking statements that are included in this report, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

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 Mine Project and the Bécancour Battery Material Plant Project, including a description of key assumptions, parameters, methods and risks, is available in a technical report following NI 43-101 rules and guidelines, titled “NI 43-101 Technical Feasibility Study Report for the Matawinie Mine and Bécancour Battery Material Plant Integrated Graphite Projects”, effective July 6, 2022, and available on SEDAR and EDGAR (the “Feasibility Study”). Further information about the Uatnan Mining Project, including a description of key assumptions, parameters, methods and risks, is available in a technical report following NI 43-101 rules and guidelines, titled “NI 43-101 Technical Report – PEA Report for the Uatnan Mining Project”, effective January 10, 2023, and available on SEDAR and EDGAR (the “PEA”).

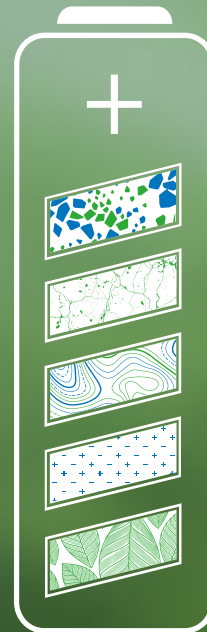
Disclosure regarding Mineral Reserve and Mineral Resource estimates included herein were prepared in accordance with Regulation 43-101 respecting Standards of Disclosure for Mineral Projects (“NI 43-101”) and applicable mining terms are as defined in accordance with the CIM Definition Standards on Mineral Resources and Reserves adopted by the Canadian Institute of Mining, Metallurgy and Petroleum Council (the “CIM Definition Standards”), as required by NI 43-101. Unless otherwise indicated, all reserve and resource estimates included in this report have been prepared in accordance with the CIM Definition Standards, as required by NI 43-101.

NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. NI 43-101 differs from the disclosure requirements of the United States Securities and Exchange Commission (the “SEC”) applicable to U.S. companies. Accordingly, information contained herein may not be comparable to similar information made public by U.S. companies reporting pursuant to SEC 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, as well as industry and other data prepared by the Company or on the behalf of the Company on the basis of the Company’s knowledge of the markets in which the Company operates, including information provided by suppliers, partners, customers and other industry participants.

The Company believes that the market and economic data presented throughout this report is accurate as of the date of publication and, with respect to data prepared by the Company or on behalf of the Company, that estimates and assumptions are currently appropriate and reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic 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 as of the date of publication, 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 economic 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. In addition, certain of these publications, studies and reports were published before COVID-19 and therefore do not reflect any impact of COVID-19 on any specific market or globally.



Green Battery Materials to Power the Energy rEVolution

NMG.com

