

FINANCIAL STATEMENTS

Condensed consolidated interim unaudited financial statements

**For the three and nine-month periods ended September 30,
2023 and 2022**

(Expressed in thousands of Canadian dollars, except where otherwise indicated)



NOUVEAU MONDE GRAPHITE



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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at September 30, 2023	As at December 31, 2022
ASSETS			
CURRENT			
Cash and cash equivalents		48,593	59,924
Grants receivable and other current assets		1,143	3,983
Sales taxes receivable		1,052	1,972
Tax credits receivable		4,362	4,362
Restricted cash and deposits		-	621
Prepaid expenses		2,532	3,062
Total current assets		57,682	73,924
NON-CURRENT			
Tax credits receivables		6,155	5,458
Investment – Listed shares	13	1,225	800
Property, plant and equipment	4	66,615	64,135
Intangible assets		79	182
Right-of-use assets		2,000	2,656
Restricted cash and deposits		2,597	2,919
Total non-current assets		78,671	76,150
Total assets		136,353	150,074
LIABILITIES			
CURRENT			
Accounts payables and accrued liabilities		8,177	15,429
Deferred grants		1,432	20
Current portion of lease liabilities		453	431
Current portion of borrowings		472	225
Total current liabilities		10,534	16,105
NON-CURRENT			
Asset retirement obligation		921	952
Borrowings		1,401	1,763
Lease liabilities		1,745	2,386
Convertible notes	5	53,454	56,544
Total non-current liabilities		57,521	61,645
Total liabilities		68,055	77,750
EQUITY			
Share capital		238,823	210,786
Other reserves	5	5,883	829
Contributed surplus		27,602	25,313
Deficit		(204,010)	(164,604)
Total equity		68,298	72,324
Total liabilities and equity		136,353	150,074
Going Concern	1		
Commitments	14		

APPROVED BY THE BOARD OF DIRECTORS

(s) Eric Desaulniers – “Director”

(s) Daniel Buron – “Director”

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

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

	Notes	For the three-month periods ended		For the nine-month periods ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		\$	\$	\$	\$
EXPENSES					
Exploration and evaluation expenses	7	1,330	1,519	5,716	5,724
Battery Material Plant project expenses	8	6,790	3,760	16,688	14,637
General and administrative expenses	9	4,927	6,666	17,574	21,984
Operating loss		13,047	11,945	39,978	42,345
Net financial costs (income)	10	2,379	520	(872)	233
Loss before tax		15,426	12,465	39,106	42,578
Income tax		100	300	300	300
Net loss and comprehensive loss		15,526	12,765	39,406	42,878
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Basic and diluted loss per share		0.26	0.23	0.66	0.77
Weighted average number of shares outstanding		60,746,564	55,788,953	59,378,171	55,510,849

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



NOUVEAU MONDE GRAPHITE INC.
Consolidated statements of changes in equity
(Amounts expressed in thousands of Canadian dollars - unaudited)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Number	Share capital	Contributed surplus and warrants	For the nine-month period ended September 30, 2023		
					Other reserves	Deficit	Total equity
			\$	\$	\$	\$	\$
Balance as at January 1, 2023		55,873,898	210,786	25,313	829	(164,604)	72,324
Shares issued from offering	6.1	4,850,000	29,565	-	-	-	29,565
Options exercised	6.2	180,000	956	(380)	-	-	576
Share-based compensation		-	-	2,669	-	-	2,669
Settlement of interest on Convertible Notes	5	-	-	-	5,054	-	5,054
Share issue costs		-	(2,484)	-	-	-	(2,484)
Net loss and comprehensive loss		-	-	-	-	(39,406)	(39,406)
Balance as at September 30, 2023		60,903,898	238,823	27,602	5,883	(204,010)	68,298

	Notes	Number	Share capital	Contributed surplus and warrants	For the nine-month period ended September 30, 2022		
					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	6.1	502,082	3,987	-	-	3,987	
Options exercised	6.2	237,500	1,042	(373)	-	669	
Share-based compensation		-	-	7,983	-	7,983	
Share issue costs		-	(829)	-	-	(829)	
Net loss and comprehensive loss		-	-	-	(42,878)	(42,878)	
Balance as at September 30, 2022		55,857,898	210,683	23,712	(159,768)	74,627	

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



NOUVEAU MONDE GRAPHITE INC.
Consolidated statements of cash flow
(Amounts expressed in thousands of Canadian dollars - unaudited)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the nine-month periods ended	
	Notes	September 30, 2023	September 30, 2022
		\$	\$
OPERATING ACTIVITIES			
Net loss		(39,406)	(42,878)
Depreciation and amortization	4	5,508	3,372
Change in fair value – listed shares		(425)	1,000
Change in fair value – embedded derivatives	5	(6,600)	-
Interest on convertible notes	5	5,054	-
Unrealized foreign exchange gain		(40)	(688)
Loss on disposal of property, plant and equipment	4 - 9	5	-
Share-based compensation	6.2	2,253	7,272
Accretion included within financial costs		3,299	62
Net change in working capital	11	1,384	(3,939)
Cash flows used in operating activities		(28,968)	(35,799)
INVESTING ACTIVITIES			
Additions to property, plant, and equipment	4 - 11	(13,125)	(17,749)
Investment in listed shares		-	(2,500)
Restricted cash and deposits		263	207
Grants received		4,148	3,405
Cash flows used in investing activities		(8,714)	(16,637)
FINANCING ACTIVITIES			
Proceeds from offering	6.1	29,565	3,987
Convertible notes issue costs		(659)	-
Repayment of borrowings and lease liabilities		(487)	(442)
Proceeds from the exercise of stock options		576	669
Deferred expenses		-	(30)
Share issue costs	6.1	(2,484)	(812)
Cash flows from financing activities		26,511	3,372
Effect of exchange rate changes on cash		(160)	743
Net change in cash and cash equivalents		(11,331)	(48,321)
Cash and cash equivalent at the beginning of the period		59,924	62,355
Cash and cash equivalents at the end of the period		48,593	14,034
Non-cash investing and financing activities	11		

The accompanying notes are an integral part of the condensed consolidated interim financial statement



NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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.

The Company's condensed consolidated interim 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 nine-month period ended September 30, 2023, the Company reported net loss of \$39.4 million; cash outflows from operating activities of \$29 million and an accumulated deficit of \$204 million and has yet to generate positive cash flows. 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.

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.

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, 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 condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 *Interim Financial Reporting*, and also using the same accounting policies and procedures as those used for the Company's audited consolidated financial statements as at December 31, 2022. These condensed consolidated interim financial statements do not include all the disclosures and notes required for annual consolidated financial statements and should therefore be read with the Company's audited consolidated financial statements as at December 31, 2022, which have been prepared in accordance with IFRS.

The condensed consolidated interim financial statements for the three and nine-month periods ended September 30, 2023 (including comparative statements) were approved and authorized for publication by the Board of Directors on November 8, 2023.



3. 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 can be found in the note 5 of the Consolidated audited annual financial statement. Actual results may differ significantly.



NOUVEAU MONDE GRAPHITE INC.

Notes to the condensed consolidated interim financial statements
(Amounts expressed in thousands of Canadian dollars, except per share amounts - unaudited)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Computers	Furniture	Rolling stock	For the nine-month period ended September 30, 2023		Total
							Mine under construction ^[1]	Battery Material Demonstration Plant under construction ^[1]	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
COST									
Balance as at January 1, 2023	2,455	3,267	9,813	141	118	128	37,785	14,591	68,298
Additions	-	-	313	-	-	-	6,269	952	7,534
Transfers	-	-	15,054	-	-	-	-	(15,054)	-
Write-Off/Disposals	-	-	-	(24)	-	-	-	-	(24)
Balance as at September 30, 2023	2,455	3,267	25,180	117	118	128	44,054	489	75,808
ACCUMULATED DEPRECIATION									
Balance as at January 1, 2023	-	551	3,478	72	25	37	-	-	4,163
Depreciation	-	170	4,818	32	11	18	-	-	5,049
Write-Off/Disposals	-	-	-	(19)	-	-	-	-	(19)
Balance as at September 30, 2023	-	721	8,296	85	36	55	-	-	9,193
Net book value as at September 30, 2023	2,455	2,546	16,884	32	82	73	44,054	489	66,615

	Land	Buildings	Equipment	Computers	Furniture	Rolling stock	For the year ended December 31, 2022		Total
							Mine under construction ^[1]	Battery Material Demonstration Plant under construction ^[1]	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
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

^[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.



The amount of borrowing costs included in Mine under construction for the three and nine-month periods ended September 30, 2023, is \$259 and \$473 respectively (nil for the three and nine-month periods ended September 30, 2022). The rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the entity's general borrowings during the three and nine-month periods ended September 30, 2023.

5. CONVERTIBLES NOTES

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

	Host (amortized cost)	Derivative (FVTPL)	Deferred amount	Total
	\$	\$	\$	\$
Issuance	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
Interest accretion	3,706	-	-	3,706
Fair value adjustment	-	(7,935)	-	(7,935)
Amortization ^[1]	-	-	1,335	1,335
Foreign exchange	(69)	(134)	7	(196)
Balance as of September 30, 2023	53,454	1,312	(1,312)	53,454

^[1] The amortization for the three and nine months ended September 30, 2023 include an additional amount of \$793 to prevent the net amount of the Derivative and the Deferred amount components from representing a negative amount.

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 (a) the 3-month CME Term SOFR plus 4% and (b) 6%.

Subsequently and effective January 1, 2023, the Notes contracts were amended by:

- Removing the interest capitalization provisions, such that accrued interest will be deemed paid in full in shares each quarter following the TSXV's approval; and
- Increasing the interest rate to the greater of (a) 7% and (b) the 3-month CME Term SOFR plus 5%.

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) in Common Shares subject to TSXV's approval, by delivering share certificates to the Holders upon maturity, conversion or redemption at a US Dollar equivalent of the Company's TSXV market 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.

For the three and nine-month periods ended September 30, 2023, the interest coupon totalled an aggregate amount of \$1,758 (US\$1,311) and \$5,054 (US\$3,757) respectively. For the third quarter of 2023, the Company elected to pay the interest coupon with 492,783 common shares at a price of US\$2.66 which will be issued at maturity or conversion of the Notes. The common shares to be issued are recorded as other reserves in the consolidated statements of changes in equity.



Sensitivity analysis on inputs that have an impact on the fair value revaluation of the derivative:

	December 31, 2022	Reasonably possible change	Sensitivity ^[1] US\$ (Derivative liability)	September 30, 2023	Reasonably possible change	Sensitivity ^[1] US\$ (Derivative liability)
Observable inputs						
Share price	US\$3.82	+/- 10%	+3.6M/-1.9M	US\$2.64	+/- 10%	+0.5M/-0.4M
Foreign Exchange rate	1.35	+/- 5%	+/- 0.5M	1.35	+/-5%	+/-0.1
Unobservable inputs						
Expected volatility	50%	+/- 10% (absolute)	+3.2M/-1.7M	46.77%	+/- 10%	+/-0.4
Credit spread	9%	+/- 1% (absolute)	+/- 0.3M	5.30%	+/-5%	+/-0.1

^[1] Holding all other variables constant.

6. EQUITY

6.1 SHARE CAPITAL

Authorized share capital

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

	For the nine-month period ended September 30, 2023	For the year ended December 31, 2022
Shares issued at the start of the period	55,873,898	55,118,316
Shares issued from offering	4,850,000	502,082
Options exercised	180,000	253,500
Shares issued at the end of period	60,903,898	55,873,898

From January 21, 2022 to 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, in connection with the at-the-market equity offering ("ATM offering") in place at that time. The ATM program has not been reactivated since Q1-2023 with no securities issued in 2023.

On April 17, 2023, the Company concluded an underwritten public offering agreement for 4,850,000 common shares, at a price of US\$4.55 per share for gross proceeds of \$29.6M (US\$22M). The offering was conducted on a bought deal basis and the Company incurred underwriter fees equal to 6% of the gross proceeds.



6.2 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 nine-month period ended September 30, 2023		For the year ended December 31, 2022	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Opening balance	3,911,804	7.42	2,352,249	7.07
Granted	2,088,548	5.51	2,219,304	8.13
Exercised	(180,000)	3.20	(253,500)	2.90
Expired	(276,250)	5.73	(385,000)	12.21
Forfeited	(75,000)	5.48	(21,249)	9.47
Cancelled	(487,804)	8.20	-	-
Ending balance	4,981,298	6.82	3,911,804	7.42
Options that can be exercised	2,839,875	7.71	2,872,500	7.22

On February 17, 2023, the TSXV approved the cancellation of 487,804 options (initial options) previously issued to consultants and which were replaced with the grant of 453,048 new options (replacement options). The options have been issued as a consideration to secure Project financing for the Matawinie Mine and the Bécancour Battery Material Plant. The initial options had an exercise price of \$8.20 and vested on the closing of the project financing subject to expiry on March 28, 2023. The replacement options have an exercise price of \$8.20, vest on the closing of the project financing (no later than March 28, 2025) and will expire two years following the vesting of those options (no later than March 28, 2027). The incremental fair value of this modification is \$1,036, which was measured using the Black-Scholes option pricing model based on the assumptions below and is being recognized as an expense over the period from the modification date to the end of the extended vesting period.

- Stock price: \$8.20
- Expected volatility: 93%
- Risk-free rate: 3.79%
- Expected dividend: nil

The expense representing the fair value of the initial options granted will continue to be recognized as if the terms had not been modified.

For the nine-month period ended September 30, 2023, the Company granted 212,500 options to directors, 600,000 to officers, 800,000 to employees, and 476,048 to consultants. Apart from the replacement options described above, the vesting period for the options granted are done in two annual tranches. Each option entitles the holder to subscribe to one common share.

The weighted average fair value of the share options granted in the nine-month period ended September 30, 2023, were estimated using the Black-Scholes option pricing model based on the following average assumptions:

- Stock price at date of grant: \$5.51
- Expected life: 4.49 years
- Risk-free interest rate: 3.11%
- Expected volatility: 74.03%
- Expected dividend: nil
- Fair value per option: \$3.22



7. EXPLORATION AND EVALUATION EXPENSES

	For the three-month periods ended		For the nine-month periods ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Wages and benefits	684	708	2,274	2,543
Share-based compensation	149	218	349	731
Engineering	-	78	-	213
Consulting fees	6	116	1,607	482
Materials, consumables, and supplies	166	246	511	640
Maintenance and subcontracting	177	181	452	1,039
Geology and drilling	-	4	8	28
Utilities	83	81	279	315
Depreciation and amortization	64	75	201	210
Other	58	(58)	190	31
Uatnan mining project	-	-	99	-
Grants	(5)	(10)	(83)	(28)
Tax credits	(52)	(120)	(171)	(480)
Exploration and evaluation expenses	1,330	1,519	5,716	5,724

8. BATTERY MATERIAL PLANT PROJECT EXPENSES

	For the three-month periods ended		For the nine-month periods ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Wages and benefits	1,326	833	3,292	2,089
Share-based compensation	93	147	242	434
Engineering	1,760	1,116	4,802	7,017
Consulting fees	258	209	804	671
Materials, consumables, and supplies	453	171	1,565	582
Maintenance and subcontracting	717	245	1,593	899
Utilities	86	74	382	355
Depreciation and amortization	2,499	1,047	5,120	2,979
Other	52	33	143	106
Grants	(262)	(115)	(729)	(495)
Tax credits	(192)	-	(526)	-
Battery Material Plant project expenses	6,790	3,760	16,688	14,637



9. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month periods ended		For the nine-month periods ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Wages and benefits	1,681	1,654	5,380	5,315
Share-based compensation	622	1,291	1,661	6,106
Professional fees	632	325	2,045	1,043
Consulting fees	391	710	1,844	1,748
Travelling, representation and convention	98	171	655	412
Office and administration	1,344	2,217	5,436	6,688
Stock exchange, authorities, and communication	93	149	345	390
Depreciation and amortization	62	64	187	183
Loss on asset disposal	-	-	5	-
Other financial fees	4	85	16	99
General and administrative expenses	4,927	6,666	17,574	21,984

10. NET FINANCIAL COSTS (INCOME)

	For the three-month periods ended		For the nine-month periods ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Foreign exchange loss (gain)	942	(430)	(137)	(607)
Interest income	(721)	(93)	(2,118)	(289)
Interest expense on lease liabilities	4	5	14	13
Change in fair value - listed shares	(125)	1,000	(425)	1,000
Change in fair value - embedded derivative and deferred amount amortization	(538)	-	(6,600)	-
Accretion on borrowings and notes	1,046	21	3,299	62
Interest on borrowings and notes	1,771	17	5,095	54
Net financial costs (income)	2,379	520	(872)	233

11. ADDITIONAL CASH FLOW INFORMATION

	For the nine-month period ended September 30, 2023	For the nine-month period ended September 30, 2022
	\$	\$
Grants receivable and other current assets	92	(314)
Deferred grants	157	-
Mining tax credits	(697)	77
Sales taxes receivable	920	428
Prepaid expenses	1,210	(1,531)
Accounts payable and accrued liabilities	(298)	(2,599)
Total net change in working capital	1,384	(3,939)
Non-cash investing and financing activities		
Property, plant and equipment included in accounts payable and accrued liabilities	1,156	8,778
Share issue costs included in accounts payables and accrued liabilities	-	66
Deferred expenses included in accounts payable and accrued liabilities	-	372



12. RELATED PARTY TRANSACTIONS

During the three and nine-month periods ended September 30, 2023, share-based compensation expenses for key management personnel totalled \$370 and \$735 respectively (\$217 and \$2,310 for the three and nine-month periods ended September 30, 2022, respectively) and for directors, \$113 and \$173 respectively for the three and nine-month periods ended September 30, 2023 (nil and \$1,247 for the three and nine-month periods ended September 30, 2022, respectively).

During the three and nine-month periods ended September 30, 2023, the Company also incurred interest fees to Investissement Québec and Pallinghurst, as disclosed above in Note 5 – Convertible Notes. The Company has elected to pay the accrued interest in common shares which will be issued at maturity or conversion of the Notes.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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, other current assets, accounts payable and others. 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 \$66.8 million (US\$49.4 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 September 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Non-current investments (Equity investment in publicly listed entities)	1,225	-	-	1,225
Financial liabilities at FVTPL				
Convertible notes - Embedded derivatives (note 5)	-	-	-	-

	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 5)	-	-	6,727	6,727

There were no transfers between Level 1, Level 2 and Level 3 during the three and nine-month period ended September 30, 2023 (none in 2022).

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.



14. COMMITMENTS

In the normal course of business, the Company enters into contracts that give rise to commitments. As at September 30, 2023, the Company had issued \$3,477 of purchase orders for the acquisition of property, plant and equipment and \$4,645 in relation to operations.

15. COMPARATIVE FIGURES

The Company added a new category of expense namely "Utilities" within Note 8 "Battery Material Plant Project Expenses". Consequently, comparative figures have been reclassified to conform to the current year presentation. The reclassification had no impact on the net loss.