



## FINANCIAL STATEMENTS

**Consolidated audited financial statements**

**For the years ended December 31, 2023 and 2022**

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



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## **Report of Independent Registered Public Accounting Firm**

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

### **Opinion on the Consolidated 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, 2023 and 2022, 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, 2023 and 2022, 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 (IFRS).

### **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.

PricewaterhouseCoopers LLP  
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1  
T: +1 514 205 5000, F: +1 514 876 1502, Fax to mail: [ca\\_montreal\\_main\\_fax@pwc.com](mailto:ca_montreal_main_fax@pwc.com)



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, Canada  
March 27, 2024

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



NOUVEAU MONDE GRAPHITE INC.  
Consolidated statements of financial position  
(Amounts expressed in thousands of Canadian dollars)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

|  | Notes | As at December 31, 2023 | As at December 31, 2022 |
|--|-------|-------------------------|-------------------------|
| <b>ASSETS</b>                              |       |                         |                         |
| <b>CURRENT</b>                             |       |                         |                         |
| Cash and cash equivalents                  | 6     | 36,332                  | 59,924                  |
| Grants receivable and other current assets | 12    | 1,334                   | 3,983                   |
| Sales taxes receivable                     |       | 1,061                   | 1,972                   |
| Tax credits receivable                     |       | 1,502                   | 4,362                   |
| Restricted cash and deposits               |       | —                       | 621                     |
| Prepaid expenses                           |       | 2,697                   | 3,062                   |
| <b>Total current assets</b>                |       | <b>42,926</b>           | <b>73,924</b>           |
| <b>NON-CURRENT</b>                         |       |                         |                         |
| Tax credits receivables                    |       | 8,846                   | 5,458                   |
| Investment - Listed shares                 | 7     | 1,075                   | 800                     |
| Property, plant and equipment              | 8     | 66,619                  | 64,135                  |
| Intangible assets                          | 9     | 59                      | 182                     |
| Right-of-use assets                        | 10    | 1,884                   | 2,656                   |
| Deposits                                   |       | 2,530                   | 2,919                   |
| <b>Total non-current assets</b>            |       | <b>81,013</b>           | <b>76,150</b>           |
| <b>Total assets</b>                        |       | <b>123,939</b>          | <b>150,074</b>          |
| <b>LIABILITIES</b>                         |       |                         |                         |
| <b>CURRENT</b>                             |       |                         |                         |
| Accounts payable and accrued liabilities   | 11    | 9,798                   | 15,429                  |
| Deferred grants                            | 12    | 1,255                   | 20                      |
| Current portion of lease liabilities       | 13    | 451                     | 431                     |
| Current portion of borrowings              | 14    | 480                     | 225                     |
| <b>Total current liabilities</b>           |       | <b>11,984</b>           | <b>16,105</b>           |
| <b>NON-CURRENT</b>                         |       |                         |                         |
| Asset retirement obligation                | 16    | 987                     | 952                     |
| Lease liabilities                          | 13    | 1,636                   | 2,386                   |
| Borrowings                                 | 14    | 1,278                   | 1,763                   |
| Convertible notes                          | 15    | 53,624                  | 56,544                  |
| <b>Total non-current liabilities</b>       |       | <b>57,525</b>           | <b>61,645</b>           |
| <b>Total liabilities</b>                   |       | <b>69,509</b>           | <b>77,750</b>           |
| <b>EQUITY</b>                              |       |                         |                         |
| Share capital                              | 17    | 238,823                 | 210,786                 |
| Other reserves                             | 15    | 7,692                   | 829                     |
| Contributed surplus                        |       | 28,502                  | 25,313                  |
| Deficit                                    |       | (220,587)               | (164,604)               |
| <b>Total equity</b>                        |       | <b>54,430</b>           | <b>72,324</b>           |
| <b>Total liabilities and equity</b>        |       | <b>123,939</b>          | <b>150,074</b>          |
| <b>Going Concern</b>                       | 1     |                         |                         |
| <b>Commitments</b>                         | 28    |                         |                         |
| <b>Subsequent events</b>                   | 30    |                         |                         |

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.



NOUVEAU MONDE GRAPHITE INC.  
Consolidated statements of loss and comprehensive loss  
(Amounts expressed in thousands of Canadian dollars, except per share amount)

**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

|   |       | December 31, 2023 | For the years ended<br>December 31, 2022 |
|---|-------|-------------------|--|
|   | Notes | \$                | \$                                       |
| <b>EXPENSES</b>                         |       |                   |  |
| Exploration and evaluation expenses     | 18    | 9,456             | 7,427                                    |
| Battery Material Plant project expenses | 19    | 22,944            | 19,090                                   |
| General and administrative expenses     | 20    | 22,704            | 28,674                                   |
| <b>Operating loss</b>                   |       | <b>55,104</b>     | <b>55,191</b>                            |
| Net financial costs (income)            | 21    | 479               | (7,877)                                  |
| <b>Loss before tax</b>                  |       | <b>55,583</b>     | <b>47,314</b>                            |
| Income tax                              | 22    | 400               | 400                                      |
| <b>Net loss and comprehensive loss</b>  |       | <b>55,983</b>     | <b>47,714</b>                            |
|   |       |                   |  |
| Basic loss per share                    | 17.2  | 0.93              | 0.86                                     |
| Diluted loss per share                  | 17.2  | 0.93              | 0.90                                     |

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



NOUVEAU MONDE GRAPHITE INC.  
Consolidated statements of changes in equity  
(Amounts expressed in thousands of Canadian dollars, except per share amount)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

|  | Notes | Number            | Share capital<br>\$ | Contributed<br>surplus and<br>warrants<br>\$ | For the year ended December 31, 2023 |                  |                    |
|--|-------|-------------------|---------------------|--|--------------------------------------|------------------|--------------------|
|  |       |                   |                     |  | Other reserves<br>\$                 | Deficit<br>\$    | Total equity<br>\$ |
| <b>Balance as at January 1, 2023</b>         |       | <b>55,873,898</b> | <b>210,786</b>      | <b>25,313</b>                                | <b>829</b>                           | <b>(164,604)</b> | <b>72,324</b>      |
| Shares issued from offering                  | 17.1  | 4,850,000         | 29,565              | —  | —                                    | —                | 29,565             |
| Options exercised                            | 17.3  | 180,000           | 956                 | (380)  | —                                    | —                | 576                |
| Share-based compensation                     | 17.3  | —                 | —                   | 3,569  | —                                    | —                | 3,569              |
| Settlement of interests on Convertible Notes | 15    | —                 | —                   | —  | 6,863                                | —                | 6,863              |
| Share issue costs                            |       | —                 | (2,484)             | —  | —                                    | —                | (2,484)            |
| Net loss and comprehensive loss              |       | —                 | —                   | —  | —                                    | (55,983)         | (55,983)           |
| <b>Balance as at December 31, 2023</b>       |       | <b>60,903,898</b> | <b>238,823</b>      | <b>28,502</b>                                | <b>7,692</b>                         | <b>(220,587)</b> | <b>54,430</b>      |

|  | Notes | Number            | Share capital<br>\$ | Contributed<br>surplus and<br>warrants<br>\$ | For the year ended December 31, 2022 |                  |                    |
|--|-------|-------------------|---------------------|--|--------------------------------------|------------------|--------------------|
|  |       |                   |                     |  | Other reserves<br>\$                 | Deficit<br>\$    | Total equity<br>\$ |
| <b>Balance as at January 1, 2022</b>         |       | <b>55,118,316</b> | <b>206,483</b>      | <b>16,102</b>                                | <b>—</b>                             | <b>(116,890)</b> | <b>105,695</b>     |
| Shares issued from offering                  | 17.1  | 502,082           | 3,987               | —  | —                                    | —                | 3,987              |
| Options exercised                            | 17.3  | 253,500           | 1,153               | (417)  | —                                    | —                | 736                |
| Share-based compensation                     | 17.3  | —                 | —                   | 9,628  | —                                    | —                | 9,628              |
| Settlement of interests on Convertible Notes | 15    | —                 | —                   | —  | 829                                  | —                | 829                |
| Share issue costs                            |       | —                 | (837)               | —  | —                                    | —                | (837)              |
| Net loss and comprehensive loss              |       | —                 | —                   | —  | —                                    | (47,714)         | (47,714)           |
| <b>Balance as at December 31, 2022</b>       |       | <b>55,873,898</b> | <b>210,786</b>      | <b>25,313</b>                                | <b>829</b>                           | <b>(164,604)</b> | <b>72,324</b>      |

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



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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | Notes  | December 31, 2023<br>\$ | For the years ended<br>December 31, 2022<br>\$ |
|---|--------|-------------------------|--|
| <b>OPERATING ACTIVITIES</b>                               |        |                         |  |
| Net loss  |        | (55,983)                | (47,714)                                       |
| Depreciation and amortization                             | 8-9-10 | 8,148                   | 4,557  |
| Change in fair value - listed shares                      | 7      | (275)                   | 1,700  |
| Change in fair value - embedded derivatives               | 15     | (6,596)                 | (11,059)                                       |
| Interest on convertible notes                             | 15     | 6,863                   | 829  |
| Unrealized foreign exchange loss (gain)                   |        | (1,142)                 | 352  |
| Loss on disposal of property, plant and equipment         | 8      | 5                       | —  |
| Share-based compensation                                  | 17.3   | 3,061                   | 8,706  |
| Accretion included within financial costs                 |        | 4,326                   | 816  |
| Net change in working capital                             | 23     | 2,078                   | (3,068)  |
| <b>Cash flows used in operating activities</b>            |        | <b>(39,515)</b>         | <b>(44,881)</b>                                |
| <b>INVESTING ACTIVITIES</b>                               |        |                         |  |
| Additions to property, plant, and equipment               | 8-23   | (14,408)                | (26,678)                                       |
| Investment in listed shares                               | 7      | —                       | (2,500)  |
| Deposits  |        | 311                     | (1,641)  |
| Grants received   | 12     | 4,024                   | 2,821  |
| <b>Cash flows used in investing activities</b>            |        | <b>(10,073)</b>         | <b>(27,998)</b>                                |
| <b>FINANCING ACTIVITIES</b>                               |        |                         |  |
| Proceeds from offering                                    | 17.1   | 29,565                  | 3,987  |
| Proceeds from convertible notes                           | 15     | —                       | 67,204   |
| Convertible notes issue costs                             |        | (659)                   | (162)  |
| Repayment of borrowings                                   | 14     | (282)                   | (208)  |
| Repayment of lease liabilities                            | 13     | (430)                   | (386)  |
| Proceeds from the exercise of stock options               | 17.3   | 576                     | 736  |
| Share issue costs   | 17.1   | (2,484)                 | (878)  |
| <b>Cash flows from financing activities</b>               |        | <b>26,286</b>           | <b>70,293</b>                                  |
| Effect of exchange rate changes on cash                   |        | (290)                   | 155  |
| <b>Net change in cash and cash equivalents</b>            |        | <b>(23,592)</b>         | <b>(2,431)</b>                                 |
| Cash and cash equivalents at the beginning of the period  |        | 59,924                  | 62,355   |
| <b>Cash and cash equivalents at the end of the period</b> |        | <b>36,332</b>           | <b>59,924</b>                                  |
| <b>Non-cash investing and financing activities</b>        | 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.

The Company’s 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, 2023, the Company reported a net loss after tax of \$56.0 million; cash outflows from operating activities of \$39.5 million and an accumulated deficit of \$220.6 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.

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 for aggregate gross proceeds of US\$50 million, with General Motors Holding LLC (“GM”) and Panasonic Holdings Corporation (“Panasonic”) on February 28, 2024. For more details refer to note 30 - subsequent events.

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 unless as otherwise stated.

The consolidated financial statements for the year ended December 31, 2023 were approved and authorized for publication by the Board of Directors on March 27, 2024.

### 3. MATERIAL ACCOUNTING POLICIES

#### 3.1 BASIS OF CONSOLIDATION

The Company’s consolidated financial statements consolidate those of the parent company and its subsidiaries. The parent company 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, accounting policies of subsidiaries are consistent with the policies adopted by the Company.



## Subsidiaries

Information on the Company's subsidiaries as at December 31, 2023, 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 TAX CREDITS RECEIVABLE

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred, duties for losses under the *Mining Tax Act* (Quebec), and qualified research and development expenditures 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.

## 3.4 GRANTS RECEIVABLE

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

## 3.5 PROPERTY PLANT 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  |
| Furniture and other IT equipment | 3-7 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 the statement



of loss and comprehensive loss. The Company capitalized borrowing costs related to the development and construction of the Matawinie Mine project in the Mine under Construction asset category.

### 3.6 INTANGIBLE ASSETS

The intangible assets include 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:

|          |            |
|----------|------------|
| Licenses | 2-10 years |
|----------|------------|

### 3.7 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.

#### – Current Taxes

The Company currently does not generate income, and therefore does not incur tax expenses. The current tax expense relates to a benefit-sharing agreement with Saint-Michel-des-Saints (refer to note 28 - commitments).

### 3.8 EQUITY

#### – Share Capital & Other Reserves

Share capital represents the amount received at the issuance 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.

Other reserves relate to shares to be issued in relation to the settlement of interest on the Convertible notes (Note 15)

#### – Contributed Surplus and Warrants

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

### 3.9 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.

### 3.10 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.

### 3.11 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.

Equity-settled share-based payments are either recognized as expenses in the statement of loss and comprehensive loss with a corresponding credit to Contributed surplus, in equity or capitalized under assets in construction.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. No adjustment is made to any expense recognized in a prior period if some vested share options are not ultimately exercised.

### 3.12 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 at fair value on initial recognition. The subsequent measurement of financial assets and financial liabilities depends on the classification of the financial instrument.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial 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

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit of loss ("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 through other comprehensive loss ("FVTOCL") or FVTPL.

#### 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 FVTPL unless it is measured at amortized cost or at FVTOCL.

A financial asset shall be measured at FVTPL 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 equity investment at FVTOCL, 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 FVTPL. 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**

##### **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.



The Company's financial instruments consist of the following:

| FINANCIAL ASSETS                     | CLASSIFICATION                    |
|--------------------------------------|-----------------------------------|
| Cash and cash equivalents            | Amortized cost                    |
| Other receivables (excluding grants) | 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 (debt host)            | Amortized cost                    |
| Convertible Notes (embedded derivatives) | Fair value through profit or loss |

### 3.13 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 customers 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 ADOPTED AND ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

### 4.1 NEW ACCOUNTING STANDARDS ADOPTED

#### Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 *Presentation of Financial Statements* with regards to disclosure of accounting policies. The amendment, effective for financial years beginning on or after January 1, 2023, requires a Company to disclose its material accounting policy information rather than its significant accounting policies. Management reviewed the accounting policies previously disclosed and adjusted consequently its disclosure to reflect only the accounting policies essential to allow the users of the financial statements to understand other material information.

#### Amendments to IAS 8

In February 2021, the IASB amended IAS 8 *Accounting Policies, Changes in Accounting estimates and Errors* to introduce a definition of accounting estimates and to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. This amendment is effective for financial years beginning on or after January 1, 2023. There is no financial impact resulting from this amendment.

### 4.2 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards, amendments to accounting standards and interpretations have been published but are not mandatory for the current 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.

### 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 expenditures as well as regarding amount and timing of recovery of these tax credits.

To determine whether the expenditures 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 Exploration and evaluation expenditures 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.

### Fair Value of Embedded Derivatives

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 of the 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 loss and comprehensive loss to the extent that it arises from a change in factor that market participants would take into account when pricing the Convertible Notes.



NOUVEAU MONDE GRAPHITE INC.

Notes to consolidated financial statements

(Amounts expressed in thousands of Canadian dollars, except per share amounts)

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, 2023, cash and cash equivalents totalling \$36,332 (\$59,924 in 2022) consisted of cash in bank and short-term deposits. As at December 31, 2023, the Company's cash in bank balance is comprised of \$1,277 and \$992 U.S. dollars (\$1,312). The balance of short-term deposits is comprised of \$28,439 and \$4,011 U.S. dollars (\$5,304).

## 7. INVESTMENTS – LISTED SHARES

As at December 31, 2023, investments in listed shares are composed of an equity-investment in Mason Resources 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, 2023, Mason's stock value is \$0.22 per share, resulting in a decrease in fair value of \$1,425 since acquisition. For the year ended December 31, 2023, there was an increase in fair value resulting in a \$275 gain 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, 2023, the Company incurred \$409 related to the completion of the preliminary economic assessment on the Lac Guéret property. On January 31, 2024, the Company completed the asset acquisition of the Lac Guéret property. For more details on the transaction, refer to note 30 - subsequent events.





NOUVEAU MONDE GRAPHITE INC.  
Notes to consolidated financial statements  
(Amounts expressed in thousands of Canadian dollars, except per share amounts)

**8. PROPERTY, PLANT AND EQUIPMENT**

|   | Land         | Buildings    | Equipment     | Furniture and<br>other IT equipment | Rolling stock | Mine under<br>construction <sup>[1]</sup> | Battery Material<br>Demonstration Plant<br>under construction <sup>[1]</sup> | Total         |
|---|--------------|--------------|---------------|-------------------------------------|---------------|---|--|---------------|
|   | \$           | \$           | \$            | \$                                  | \$            | \$  | \$   | \$            |
| <b>COST</b>                                       |              |              |               |                                     |               |   |  |               |
| Balance as at January 1, 2023                     | 2,455        | 3,267        | 9,813         | 259                                 | 128           | 37,785                                    | 14,591   | 68,298        |
| Additions   | -            | 171          | 398           | -                                   | -             | 8,215                                     | 1,258  | 10,042        |
| Transfers   | -            | -            | 15,139        | -                                   | -             | -   | (15,139)   | -             |
| Write-Off/Disposals                               | -            | -            | -             | (24)                                | -             | -   | -  | (24)          |
| Balance as at December 31, 2023                   | 2,455        | 3,438        | 25,350        | 235                                 | 128           | 46,000                                    | 710  | 78,316        |
| <b>ACCUMULATED DEPRECIATION</b>                   |              |              |               |                                     |               |   |  |               |
| Balance as at January 1, 2023                     | -            | 551          | 3,478         | 97                                  | 37            | -   | -  | 4,163         |
| Depreciation                                      | -            | 228          | 7,245         | 56                                  | 24            | -   | -  | 7,553         |
| Write-Off/Disposals                               | -            | -            | -             | (19)                                | -             | -   | -  | (19)          |
| Balance as at December 31, 2023                   | -            | 779          | 10,723        | 134                                 | 61            | -   | -  | 11,697        |
| <b>Net book value as at<br/>December 31, 2023</b> | <b>2,455</b> | <b>2,659</b> | <b>14,627</b> | <b>101</b>                          | <b>67</b>     | <b>46,000</b>                             | <b>710</b>   | <b>66,619</b> |

|   | Land         | Buildings    | Equipment    | Furniture and<br>other IT equipment | Rolling stock | Mine under<br>construction <sup>[1]</sup> | Battery Material<br>Demonstration Plant<br>under construction <sup>[1]</sup> | Total         |
|---|--------------|--------------|--------------|-------------------------------------|---------------|---|--|---------------|
|   | \$           | \$           | \$           | \$                                  | \$            | \$  | \$   | \$            |
| <b>COST</b>                                       |              |              |              |                                     |               |   |  |               |
| Balance as at January 1, 2022                     | 2,412        | 2,791        | 163          | 166                                 | 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        | 259                                 | 128           | 37,785                                    | 14,591   | 68,298        |
| <b>ACCUMULATED DEPRECIATION</b>                   |              |              |              |                                     |               |   |  |               |
| Balance as at January 1, 2022                     | -            | 330          | 19           | 36                                  | 15            | -   | -  | 400           |
| Depreciation                                      | -            | 221          | 3,459        | 61                                  | 23            | -   | -  | 3,764         |
| Write-Off/Disposals                               | -            | -            | -            | -                                   | (1)           | -   | -  | (1)           |
| Balance as at December 31, 2022                   | -            | 551          | 3,478        | 97                                  | 37            | -   | -  | 4,163         |
| <b>Net book value as at<br/>December 31, 2022</b> | <b>2,455</b> | <b>2,716</b> | <b>6,335</b> | <b>162</b>                          | <b>91</b>     | <b>37,785</b>                             | <b>14,591</b>  | <b>64,135</b> |

<sup>[1]</sup> 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 and Mine under construction are presented net of grants of \$60 and \$16, respectively, for the year ended December 31, 2023 (\$4,109 and nil, respectively in 2022).

The amount of borrowing costs included in Mine under construction for the year ended December 31, 2023 is \$825 (nil for the year ended December 31, 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 year ended December 31, 2023.

During the quarter ended June 30, 2023, the Company placed in service both the Coating Demonstration Plant and a second unit for the Shaping Demonstration Plant representing a total amount of \$11,767 and \$3,372 respectively. As a result, \$15,139 was transferred from the Battery Material Demonstration Plant under construction category towards the Equipment category.



## 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 (\$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  |
|---|-----------|
|   | \$        |
| <b>COST</b>                                   |           |
| Balance as at January 1, 2023                 | 1,220     |
| Write-off of assets                           | (1,028)   |
| Balance as at December 31, 2023               | 192       |
| <b>ACCUMULATED DEPRECIATION</b>               |           |
| Balance as at January 1, 2023                 | 1,038     |
| Amortization                                  | 123       |
| Write-off of assets                           | (1,028)   |
| Balance as at December 31, 2023               | 133       |
| <b>Net book value as at December 31, 2023</b> | <b>59</b> |

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



## 10. RIGHT-OF-USE ASSETS

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

Set below are the carrying amounts of Right-of-use assets and the movement during the years.

|   | Buildings<br>\$ | Rolling stocks<br>\$ | Total<br>\$  |
|---|-----------------|----------------------|--------------|
| <b>COST</b>                                   |                 |                      |              |
| As at January 1, 2023                         | 3,406           | 71                   | 3,477        |
| Remeasurement of lease                        | (300)           | —                    | (300)        |
| As at December 31, 2023                       | 3,106           | 71                   | 3,177        |
| <b>ACCUMULATED DEPRECIATION</b>               |                 |                      |              |
| As at January 1, 2023                         | 799             | 22                   | 821          |
| Depreciation                                  | 442             | 30                   | 472          |
| As at December 31, 2023                       | 1,241           | 52                   | 1,293        |
| <b>Net book value as at December 31, 2023</b> | <b>1,865</b>    | <b>19</b>            | <b>1,884</b> |

|   | Buildings<br>\$ | Rolling stocks<br>\$ | Total<br>\$  |
|---|-----------------|----------------------|--------------|
| <b>COST</b>                                   |                 |                      |              |
| 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        |
| <b>ACCUMULATED DEPRECIATION</b>               |                 |                      |              |
| 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          |
| <b>Net book value as at December 31, 2022</b> | <b>2,607</b>    | <b>49</b>            | <b>2,656</b> |

Included in the depreciation of Right-of-use assets for the year is \$219 (\$250 in 2022) that has been included under the Evaluation and exploration expenses and \$162 (\$162 in 2022) that have been included under the Battery Material Plant project expenses line in the consolidated statements of loss and comprehensive loss.

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|   | December 31, 2023<br>\$ | December 31, 2022<br>\$ |
|---|-------------------------|-------------------------|
| Trade payable and accrued liabilities           | 6,919                   | 12,825                  |
| Wages and benefits liabilities                  | 2,751                   | 2,524                   |
| Other payables                                  | 128                     | 80                      |
| <b>Accounts payable and accrued liabilities</b> | <b>9,798</b>            | <b>15,429</b>           |



## 12. GRANTS RECEIVABLE AND OTHER CURRENT ASSETS

|   | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Grants receivable                                 | 1,182             | 3,957             |
| Deferred expenses                                 | 87                | -                 |
| Other receivables                                 | 65                | 26                |
| <b>Grants receivable and other current assets</b> | <b>1,334</b>      | <b>3,983</b>      |

### 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. As at December 31, 2023, the balance of grants receivable related to this program is \$425 (\$425 in 2022).

The Company completed the closing of another grant agreement in August 2022 with SDTC for a total of \$5,750. This grant will financially support the Company to build and operate the Coating Demonstration Plant in Saint-Michel-des-Saints. During the year 2023, the Company received a payment of \$2,322. As at December 31, 2023, the balance of grants receivable related to this program is nil (\$862 in 2022).

In April 2020, the Company completed the closing of a grant agreement with Transition énergétique Québec (“TEQ”), a Quebec government funded program, to financially support the building and operating of the Purification Demonstration Plant in Bécancour. This additional grant of \$3,000 was secured via TEQ’s Technoclimat program. During the year 2023, the Company received a payment of \$450. As at December 31, 2023, the balance of grants receivable related to this program is \$300 (\$750 in 2022).

The Company entered into another grant agreement effective January 2022 with TEQ for a total of \$3,000. This grant will financially support the Company to build and to operate the Coating Demonstration Plant in Saint-Michel-des-Saints. During the year 2023, the Company received a payment of \$1,950. As at December 31, 2023, the balance of grants receivable related to this program is nil (\$1,378 in 2022).

The remaining \$457 grants receivable as at December 31, 2023 is composed of various other grant programs that will be received and the Company has reasonable assurance that it will continue to comply with the conditions associated with these grants.

### Deferred Grants

As at December 31, 2023, the Company has \$1,255 recorded as deferred grants in current liabilities in connection with the SDTC and TEQ program related to the Coating Demonstration Plant in Saint-Michel-des-Saints.

## 13. LEASE LIABILITIES

|   | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Opening balance                             | 2,817             | 2,323             |
| New liabilities and modifications of leases | (300)             | 880               |
| Principal repayment                         | (430)             | (386)             |
| <b>Ending balance</b>                       | <b>2,087</b>      | <b>2,817</b>      |
| Current portion                             | 451               | 431               |
| Non-current portion                         | 1,636             | 2,386             |

The Company elected not to apply the IFRS 16 leases requirement for its leases with terms of 12 months or less and the leases for which the underlying asset is of low value. A total of \$393 was expensed in the statement of loss and comprehensive loss for the year ended December 31, 2023 in connection with those exemptions (\$629 in 2022).



#### 14. BORROWINGS

|                       | December 31, 2023 | December 31, 2022 |
|-----------------------|-------------------|-------------------|
|                       | \$                | \$                |
| Opening balance       | 1,988             | 2,129             |
| Repayments            | (282)             | (208)             |
| Interest              | 52                | 67                |
| <b>Ending balance</b> | <b>1,758</b>      | <b>1,988</b>      |
| Current portion       | 480               | 225               |
| Non-current portion   | 1,278             | 1,763             |

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 is repayable in 60 equal monthly installments starting October 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

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

|  | Host (amortized cost) | Derivative (FVTPL) | Deferred amount | Total         |
|--|-----------------------|--------------------|-----------------|---------------|
|  | \$                    | \$                 | \$              | \$            |
| Issuance <sup>[1]</sup>                | 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           |
| <b>Balance as of December 31, 2022</b> | <b>49,817</b>         | <b>9,381</b>       | <b>(2,654)</b>  | <b>56,544</b> |
| Interest accretion                     | 5,082                 | —                  | —               | 5,082         |
| Fair value adjustment                  | —                     | (8,049)            | —               | (8,049)       |
| Amortization <sup>[2]</sup>            | —                     | —                  | 1,453           | 1,453         |
| Foreign exchange                       | (1,275)               | (163)              | 32              | (1,406)       |
| <b>Balance as of December 31, 2023</b> | <b>53,624</b>         | <b>1,169</b>       | <b>(1,169)</b>  | <b>53,624</b> |

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

<sup>[2]</sup> The amortization for the year ended December 31, 2023 includes an additional amount of \$809 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 U.S. Dollars with a term of 36 months and carry a quarterly coupon interest payment of the greater of the 3-month CME Term SOFR plus 4% and 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 Exchange’s approval; and
- Increasing the interest rate to the greater of (a) the 3-month CME Term SOFR plus 5% and (b) 7%.

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 Holders.
- **Interest repayment option:** Quarterly, the Company has an option to pay the interest due 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 U.S. Dollar equivalent of the Company’s Market Price as defined in TSXV rules, determined at the quarter end on which such interest became payable.
- The Notes also include redemption mechanisms in favor of the holders in the event of a change of control or an event of default.

The Notes represent a hybrid financial instrument 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 at 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.



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For the year ended December 31, 2023, the interest coupon totalled an aggregate amount of \$6,863 (US\$5,084) (\$829 (US\$612) for the year ended December 31, 2022) and the Company elected to pay the interest coupon with 1,634,827 common shares 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.

Below is a sensibility analysis on inputs impacting the fair value revaluation of the derivative.

|                            | December 31, 2022 |                            | Sensitivity <sup>[1]</sup>  |          | December 31, 2023          |                             | Sensitivity <sup>[1]</sup> |  |
|----------------------------|-------------------|----------------------------|-----------------------------|----------|----------------------------|-----------------------------|----------------------------|--|
|                            |                   | Reasonably possible change | US\$ (Derivative liability) |          | Reasonably possible change | US\$ (Derivative liability) |                            |  |
| <b>Observable inputs</b>   |                   |                            |                             |          |                            |                             |                            |  |
| Share price                | US\$3.82          | +/- 10%                    | +3.6M/-1.9M                 | US\$2.61 | +/- 10%                    | +0.4M/-0.3M                 |                            |  |
| Foreign Exchange rate      | 1.35              | +/- 5%                     | +/- 0.5M                    | 1.32     | +/-5%                      | +/-0.1M                     |                            |  |
| <b>Unobservable inputs</b> |                   |                            |                             |          |                            |                             |                            |  |
| Expected volatility        | 50%               | +/- 10% (absolute)         | +3.2M/-1.7M                 | 48%      | +/- 10%                    | +0.1/-0.3M                  |                            |  |
| Credit spread              | 9%                | +/- 1% (absolute)          | +/- 0.3M                    | 5%       | +/-5%                      | +/-0.03M                    |                            |  |

[1] Holding all other variables constant.

## 16. ASSET RETIREMENT OBLIGATION

|                       | December 31, 2023 | December 31, 2022 |
|-----------------------|-------------------|-------------------|
|                       | \$                | \$                |
| Opening balance       | 952               | 1,009             |
| New obligations       | -                 | 46                |
| Change in estimate    | 18                | (120)             |
| Accretion expense     | 17                | 17                |
| <b>Ending balance</b> | <b>987</b>        | <b>952</b>        |

The Company has determined the fair value of its rehabilitation obligation by using a discount rate of 4.93% (5.26% in 2022), 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. All issued ordinary shares are fully paid.

|   | December 31, 2023 | For the years 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                               |
| <b>Shares issued at the end of period</b> | <b>60,903,898</b> | <b>55,873,898</b>                     |

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.



## 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, 2023 <sup>[ii]</sup> | December 31, 2022 |
| Loss attributable to the ordinary equity holders of the Company   | 55,983                            | 47,714            |
| Gain on change in fair value of embedded derivatives <sup>[i]</sup> , 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       | 55,983                            | 51,564            |
| Basic weighted average number of shares outstanding   | 60,089,151                        | 55,600,636        |
| Dilutive effect of 2022 Convertibles Notes  | —                                 | 1,452,055         |
| Dilutive weighted average number of shares outstanding  | 60,089,151                        | 57,052,691        |
| <b>Basic loss per share</b>   | <b>0.93</b>                       | <b>0.86</b>       |
| <b>Diluted loss per share</b>   | <b>0.93</b>                       | <b>0.90</b>       |

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

[ii] There was no dilutive impact on 2023, therefore, no adjustment made.

The other potentially dilutive instruments, namely the options, the underlying warrants of the Convertible Notes are anti-dilutive for all years presented.

## 17.3 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 years ended December 31, 2023 and 2022:

|                               | December 31, 2023 |                                    | 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                       | (337,000)         | 6.52                               | (385,000)         | 12.21                              |
| Forfeited                     | (87,000)          | 5.39                               | (21,249)          | 9.47                               |
| Cancelled                     | (487,804)         | 8.20                               | —                 | —                                  |
| <b>Ending balance</b>         | <b>4,908,548</b>  | <b>6.79</b>                        | <b>3,911,804</b>  | <b>7.42</b>                        |
| Options that can be exercised | 2,824,000         | 7.64                               | 2,872,500         | 7.22                               |

The weighted average share price at the time of exercise for 2023 is \$4.52 (\$7.91 in 2022).





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 Battery Material Plant projects. 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.

The details of the share options granted by the Company are as follows for the years ended December 31, 2023 and 2022:

|                                    | December 31, 2023 | For the years ended<br>December 31, 2022 |
|------------------------------------|-------------------|--|
| Directors                          | 212,500           | 247,500                                  |
| Officers                           | 600,000           | 525,000                                  |
| Employees                          | 800,000           | 682,000                                  |
| Consultants                        | 476,048           | 764,804                                  |
| <b>Total granted share options</b> | <b>2,088,548</b>  | <b>2,219,304</b>                         |

Apart from the replacement options described above, the vesting period for the options granted during 2023 are done in two annual tranches. Each option entitles the holder to subscribe to one common share of the Company, at an average price of \$5.51 (\$8.13 for 2022) per common share, for a period of 4.49 years (4.11 years in 2022). Total expenses arising from share-based transactions recognized during the year amount to \$3,569 (\$9,628 in 2022) out of which \$507 (\$922 in 2022) have been capitalized in property, plant and equipment.

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:

|                              | 2023       | 2022       |
|------------------------------|------------|------------|
| Share price at date of grant | \$ 5.51    | \$ 8.13    |
| Expected life                | 4.49 years | 4.11 years |
| Risk-free interest rate      | 3.11 %     | 2.33 %     |
| Expected volatility          | 74.03 %    | 81.49 %    |
| Expected dividend            | Nil        | Nil        |
| Fair value per option        | \$ 3.22    | \$ 4.79    |

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       | As at December 31, 2023 |                   |  |
|-----------------------|-------------------------|-------------------|--|
|                       | Total number            | Total exercisable | Weighted average<br>exercise price<br>\$ |
| 2024                  | 397,500                 | 397,500           | 4.65                                     |
| 2025                  | 737,500                 | 737,500           | 3.21                                     |
| 2026                  | 913,048                 | 460,000           | 12.27                                    |
| 2027                  | 1,289,000               | 1,229,000         | 8.08                                     |
| 2028                  | 1,571,500               | —                 | 4.76                                     |
| <b>Ending balance</b> | <b>4,908,548</b>        | <b>2,824,000</b>  | <b>6.79</b>                              |



### 18. EXPLORATION AND EVALUATION EXPENSES

|  | December 31, 2023 | For the years ended<br>December 31, 2022 |
|--|-------------------|--|
|  | \$                | \$                                       |
| Wages and benefits                         | 3,087             | 3,274                                    |
| Share-based compensation                   | 511               | 898                                      |
| Engineering                                | —                 | 162                                      |
| Consulting fees                            | 1,636             | 554                                      |
| Materials, consumables, and supplies       | 630               | 824                                      |
| Maintenance and subcontracting             | 782               | 1,252                                    |
| Geology and drilling                       | 19                | 31                                       |
| Utilities                                  | 360               | 420                                      |
| Depreciation and amortization              | 265               | 283                                      |
| Other                                      | 253               | 95                                       |
| Uatnan Mining Project                      | 100               | 309                                      |
| Grants                                     | (119)             | (37)                                     |
| Tax credits                                | 1,932             | (638)                                    |
| <b>Exploration and evaluation expenses</b> | <b>9,456</b>      | <b>7,427</b>                             |

The exploration and evaluation expenses relate to the Matawinie Mine in Saint-Michel-des-Saints, with the exception of fees for the preliminary economic assessment of the Uatnan Mining Project in relation with the Mason transaction (see note 7).

### 19. BATTERY MATERIAL PLANT PROJECT EXPENSES

|  | December 31, 2023 | For the years ended<br>December 31, 2022 |
|--|-------------------|--|
|  | \$                | \$                                       |
| Wages and benefits                             | 4,608             | 2,698                                    |
| Share-based compensation                       | 326               | 534                                      |
| Engineering                                    | 7,638             | 8,895                                    |
| Consulting fees                                | 964               | 914                                      |
| Materials, consumables, and supplies           | 2,101             | 920                                      |
| Maintenance and subcontracting                 | 2,410             | 1,180                                    |
| Utilities                                      | 515               | 553                                      |
| Depreciation and amortization                  | 7,635             | 4,028                                    |
| Other  | 202               | 146                                      |
| Grants   | (995)             | (506)                                    |
| Tax credits                                    | (2,460)           | (272)                                    |
| <b>Battery Material Plant project expenses</b> | <b>22,944</b>     | <b>19,090</b>                            |

The Battery Material Plant project expenses relate mainly to the micronization and spheronization, the purification, and the coating demonstration plants and preliminary study costs incurred in anticipation of the development of the Phase-2 Bécancour Battery Material Plant.



**20. GENERAL AND ADMINISTRATIVE EXPENSES**

|  | December 31, 2023 | For the years ended<br>December 31, 2022 |
|--|-------------------|--|
|  | \$                | \$                                       |
| Wages and benefits                             | 6,993             | 7,083                                    |
| Share-based compensation                       | 2,224             | 7,274                                    |
| Professional fees                              | 2,814             | 1,435                                    |
| Consulting fees                                | 2,175             | 2,618                                    |
| Travelling, representation and convention      | 964               | 668                                      |
| Office and administration                      | 6,848             | 8,862                                    |
| Stock exchange, authorities, and communication | 442               | 462                                      |
| Depreciation and amortization                  | 248               | 246                                      |
| Loss on asset disposal                         | 5                 | -  |
| Other financial fees                           | 21                | 26                                       |
| Grants   | (30)              | -  |
| <b>General and administrative expenses</b>     | <b>22,704</b>     | <b>28,674</b>                            |

**21. NET FINANCIAL COSTS (INCOME)**

|   | December 31, 2023 | For the years ended<br>December 31, 2022 |
|---|-------------------|--|
|   | \$                | \$                                       |
| Foreign exchange loss (gain)  | (1,229)           | 453                                      |
| Interest income   | (2,698)           | (701)                                    |
| Interest expense on lease liabilities                                       | 18                | 19                                       |
| Change in fair value - listed shares  | (275)             | 1,700                                    |
| Change in fair value - embedded derivative and deferred amount amortization | (6,596)           | (11,059)                                 |
| Accretion on borrowings and notes   | 4,326             | 816                                      |
| Interest on borrowings and notes  | 6,933             | 895                                      |
| <b>Net financial costs (income)</b>   | <b>479</b>        | <b>(7,877)</b>                           |



## 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 2022) to loss before income taxes as a result of the following:

|  | December 31, 2023 | December 31, 2022 |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Loss before income taxes   | (55,583)          | (47,314)          |
| Tax recovery computed at applicable statutory tax rate               | 26.50 %           | 26.50 %           |
| Tax expense at combined statutory rate                               | (14,729)          | (12,538)          |
| Increase (decrease) in income taxes resulting from:                  |                   |                   |
| Temporary difference not recorded                                    | 13,988            | 10,018            |
| Share-based payments   | 811               | 2,307             |
| Non-deductible expenses  | (339)             | 325               |
| Mining royalties   | 400               | 400               |
| Non-taxable mining duties  | 258               | (108)             |
| Other  | 12                | (4)               |
| <b>Income tax</b>  | <b>400</b>        | <b>400</b>        |
| <b>Composition of deferred income taxes in the income statement:</b> |                   |                   |
| Taxes payable  | 400               | 400               |
| <b>Income tax</b>  | <b>400</b>        | <b>400</b>        |

As at December 31, 2023, 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 |
|--|-----------------|--------------------------------|--|----------------------|-----------------|
| Property, plant and equipment and Intangible assets    | —               | (9,711)                        | —  | —                    | (9,711)         |
| Right-of-use assets                                    | —               | (1,884)                        | —  | —                    | (1,884)         |
| Unrealized foreign exchange gain on convertibles notes | —               | (1,075)                        | —  | —                    | (1,075)         |
| Convertible notes                                      | (9,693)         | 5,373                          | —  | —                    | (4,320)         |
| Exploration and evaluation expenses                    | 9,693           | 7,297                          | —  | —                    | 16,990          |



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As at December 31, 2023 and 2022, temporary differences and unused tax losses for which the Company has not recognized deferred tax assets are as follows:

|   | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <b>FEDERAL</b>  |                   |                   |
| Exploration and evaluation expenses                   | 61,343            | 44,572            |
| Property and equipment                                | —                 | 3,080             |
| Equity investment                                     | 2,071             | 2,346             |
| Asset retirement obligation                           | 987               | 952               |
| Share issue expenses                                  | 5,380             | 5,102             |
| Research and development expenses                     | 23,258            | 19,412            |
| Non-capital losses                                    | 105,528           | 69,792            |
| Unrealized foreign exchange loss on convertible notes | —                 | 519               |
| Lease liabilities                                     | 2,087             | —                 |
| Other   | 6                 | 273               |
|   | <u>200,660</u>    | <u>146,048</u>    |
| <b>PROVINCIAL</b>                                     |                   |                   |
| Exploration and evaluation expenses                   | 58,187            | 41,796            |
| Property and equipment                                | —                 | 3,080             |
| Equity investment                                     | 2,071             | 2,346             |
| Asset retirement obligation                           | 987               | 952               |
| Share issue expenses                                  | 5,380             | 5,102             |
| Research and development expenses                     | 30,077            | 25,158            |
| Non-capital losses                                    | 103,506           | 68,341            |
| Unrealized foreign exchange loss on convertible notes | —                 | 519               |
| Lease liabilities                                     | 2,087             | —                 |
| Other   | 6                 | 273               |
|   | <u>202,301</u>    | <u>147,567</u>    |

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, 2023, 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 |
|---------------|-----------------|---------|------------|
| 2023          | 2043            | 34,485  | 34,485     |
| 2022          | 2042            | 24,043  | 23,392     |
| 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 \$4,725 (\$3,698 in 2022) that expire between 2036 and 2042, which are available to reduce income taxes payables in future years.



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### 23. ADDITIONAL CASH FLOW INFORMATION

|  | December 31, 2023 | For the years ended |                   |
|--|-------------------|---------------------|-------------------|
|  | \$                | December 31, 2023   | December 31, 2022 |
|  |                   | \$                  | \$                |
| Grants receivable and other current assets   | 12                | (147)               | 401               |
| Deferred grants  | 12                | 170                 | 20                |
| Mining tax credits   |                   | (528)               | (353)             |
| Sales taxes receivable   |                   | 911                 | 30                |
| Prepaid expenses   |                   | 1,064               | (370)             |
| Accounts payable and accrued liabilities   | 11                | 608                 | (2,796)           |
| <b>Total net change in working capital</b>   |                   | <b>2,078</b>        | <b>(3,068)</b>    |
| Income tax received  |                   | —                   | 558               |
| Interest paid  |                   | 70                  | 69                |
| <b>Non-cash investing and financing activities</b>                                 |                   |                     |                   |
| Property, plant and equipment included in accounts payable and accrued liabilities |                   | 1,806               | 7,447             |
| Deferred expenses included in accounts payable and accrued liabilities             |                   | 87                  | —                 |
| Share issue costs included in accounts payable and accrued liabilities             |                   | —                   | 8                 |

### 24. RELATED PARTY TRANSACTIONS

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

|                                    | December 31, 2023 | For the years ended |                   |
|------------------------------------|-------------------|---------------------|-------------------|
|                                    | \$                | December 31, 2023   | December 31, 2022 |
|                                    |                   | \$                  | \$                |
| <b>Key management compensation</b> |                   |                     |                   |
| Employee benefit expenses          |                   | 2,212               | 2,641             |
| Share-based payments               |                   | 1,377               | 3,722             |
| Board fees                         |                   | 880                 | 829               |

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.

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. The notes carry a quarterly coupon interest payment, refer to note 15 – convertible notes.

#### Severance

The Company has commitments under certain management contracts with key executives. Minimum commitments under these contracts are approximately \$2,428 (\$2,150 in 2022). These contracts require additional minimum payments of approximately \$4,927 (\$4,379 in 2022) 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 \$111,899 as at December 31, 2023 (\$133,673 in 2022).

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 Battery Material Plant project. 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, 2023                       |                      |               |
|--|----|---|----------------------|---------------|
|  |    | At fair value through<br>profit or loss<br>\$ | Amortized cost<br>\$ | Total<br>\$   |
| <b>FINANCIAL ASSETS</b>                  |    |   |                      |               |
| Cash and cash equivalents                | 6  | —   | 36,332               | 36,332        |
| Other receivables (excluding grants)     |    | —   | 65                   | 65            |
| Investments – Listed shares              | 7  | 1,075   | —                    | 1,075         |
| <b>Total financial assets</b>            |    | <b>1,075</b>                                  | <b>36,397</b>        | <b>37,472</b> |
| <b>FINANCIAL LIABILITIES</b>             |    |   |                      |               |
| Accounts payable and accrued liabilities | 11 | —   | 9,798                | 9,798         |
| Borrowings                               | 14 | —   | 1,758                | 1,758         |
| Convertible Notes                        | 15 | —   | 53,624               | 53,624        |
| <b>Total financial liabilities</b>       |    | <b>—</b>                                      | <b>65,180</b>        | <b>65,180</b> |

|  |    | As at December 31, 2022                       |                      |               |
|--|----|---|----------------------|---------------|
|  |    | At fair value through<br>profit or loss<br>\$ | Amortized cost<br>\$ | Total<br>\$   |
| <b>FINANCIAL ASSETS</b>                  |    |   |                      |               |
| Cash and cash equivalents                | 6  | —   | 59,924               | 59,924        |
| Other receivables (excluding grants)     |    | —   | 27                   | 27            |
| Investments – Listed shares              | 7  | 800   | —                    | 800           |
| <b>Total financial assets</b>            |    | <b>800</b>                                    | <b>59,951</b>        | <b>60,751</b> |
| <b>FINANCIAL LIABILITIES</b>             |    |   |                      |               |
| Accounts payable and accrued liabilities | 11 | —   | 15,429               | 15,429        |
| Borrowings                               | 14 | —   | 1,988                | 1,988         |
| Convertible Notes                        | 15 | 6,727   | 49,817               | 56,544        |
| <b>Total financial liabilities</b>       |    | <b>6,727</b>                                  | <b>67,234</b>        | <b>73,961</b> |



## 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, other receivables and accounts payable and accrued liabilities. 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 \$66,227 (US\$50,073) as at December 31, 2023 (\$59,296 and US\$43,778 as at December 31, 2022) (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 (refer to note 3.12).

|   | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|-------|
| <b>Financial Assets at FVTPL</b>  |         |         |         |       |
| Non-current investments (Equity investment in publicly listed entities) | 1,075   | —       | —       | 1,075 |
| <b>Financial liabilities at FVTPL</b>                                   |         |         |         |       |
| Convertible notes - Embedded derivatives (note 15)                      | —       | —       | —       | —     |

|   | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|-------|
| <b>Financial Assets at FVTPL</b>  |         |         |         |       |
| Non-current investments (Equity investment in publicly listed entities) | 800     | —       | —       | 800   |
| <b>Financial liabilities at FVTPL</b>                                   |         |         |         |       |
| 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, 2023 (none in 2022).

### Financial Instruments Measured at FVTPL

#### Investments – Listed Shares

Equity instruments publicly listed are classified as 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 its 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).





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As at December 31, 2023, all of the Company's short-term liabilities totalled \$11,984 (\$16,105 in 2022), 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 | As at December 31, 2023 |                 |                     |
|--|-----------------|-----------------------|-------------------------|-----------------|---------------------|
|  |                 |                       | 0 to 12 months          | 12 to 24 months | More than 24 months |
| Accounts payable and accrued liabilities | 9,798           | 9,798                 | 9,798                   | —               | —                   |
| Lease liabilities                        | 2,087           | 2,416                 | 545                     | 529             | 1,342               |
| Borrowings                               | 1,758           | 1,979                 | 577                     | 577             | 825                 |
| Convertible Notes – Host <sup>[i]</sup>  | 53,624          | 66,129                | —                       | 66,129          | —                   |

[i] The Convertible Notes are translated at the spot rate as of December 31, 2023

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, the Company holds cash balances 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 revaluation.

Currently, the Company has no hedging contracts in place and therefore is exposed 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, 2023 and 2022, the balances in U.S. dollars held by the Company were as follows:

|  | As at December 31, 2023 | As at December 31, 2022 |
|--|-------------------------|-------------------------|
|  | \$                      | \$                      |
| Cash and cash equivalents in U.S. dollars                      | 5,003                   | 10,928                  |
| Accounts payable in U.S. dollars                               | (765)                   | (407)                   |
| Convertible notes – Host in U.S. dollars                       | (40,545)                | (36,780)                |
| <b>Net exposure, in U.S. dollars</b>                           | <b>(36,307)</b>         | <b>(26,259)</b>         |
| <b>Equivalent in Canadian dollars</b>                          | <b>(48,018)</b>         | <b>(36,307)</b>         |
| Increase in net loss with a 5% appreciation in the U.S. dollar | (2,401)                 | (1,778)                 |
| Decrease in net loss with a 5% depreciation in the U.S. dollar | 2,401                   | 1,778                   |

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 a quarterly coupon interest payment of the greater between the 3-month CME Term SOFR plus 5% and 7%. Based on the balance of the convertible notes as at December 31, 2023, the impact of a 1% shift in interest rate, on net financial expenses over a 12-month horizon would amount to approximately \$681 (US\$515) (\$695 (US\$513) in 2022). See note 15 for the interest rate risk on the embedded Derivatives.



## 27. ADDITIONAL SEGMENT INFORMATION

|  | Matawinie Mine<br>Project | Battery Material<br>Plant project | Corporate | December 31, 2023<br>Total |
|--|---------------------------|-----------------------------------|-----------|----------------------------|
| <b>Total property, plant and equipment</b> | 46,188                    | 17,173                            | 3,258     | 66,619                     |
| <b>Total liabilities</b>                   | 4,942                     | 7,571                             | 56,996    | 69,509                     |

|  | Matawinie Mine<br>Project | Battery Material<br>Plant project | Corporate | December 31, 2022<br>Total |
|--|---------------------------|-----------------------------------|-----------|----------------------------|
| <b>Total property, plant and equipment</b> | 39,597                    | 21,289                            | 3,249     | 64,135                     |
| <b>Total liabilities</b>                   | 8,022                     | 3,808                             | 65,920    | 77,750                     |

## 28. COMMITMENTS

In the normal course of business, the Company enters into contracts that give rise to commitments. As at December 31, 2023, the Company had issued \$2,944 of purchase orders for the acquisition of property, plant and equipment and \$3,102 in relation to the operations.

### Royalty

The Company issued a 3% net smelter royalty ("NSR") over the Matawinie Property to Pallinghurst for an aggregate purchase price of \$4,306. The Royalty agreement is subject to a 1% Buyback right in favor of the Company for a price of \$1,306 plus an amount equal to interest accrued at a rate of 9% per annum from and after the closing of the Royalty Agreement on August 28, 2020 up to the Buyback consideration date. The original agreement was amended on August 18, 2023 to extend the duration of the Buyback option by an additional year, bringing the termination date to August 28, 2024.

### Matawinie Property

A large part of the property is subject to a 0.2% NSR owned by Pallinghurst, 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 Property. 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.

## 29. 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.

## 30. SUBSEQUENT EVENTS

On January 31, 2024, the Company closed the acquisition of the Lac Guéret property with Mason through an asset acquisition consisting mostly of 74 map-designated claims. The consideration for the asset acquisition was 6,208,210 common shares of the Company, at \$3 per share, representing a total aggregated amount of \$18.6 million. A subsequent payment of \$5 million will be made to Mason at the start of commercial production of the contemplated Uatnan Mining Project.

In February 2024, NMG entered into multiyear offtake agreements for its planned Phase-2 fully integrated projects with Panasonic Energy and GM. On February 28, 2024, the Company completed a private placement for aggregate gross proceeds of \$67.9 million (US\$50 million), with GM and Panasonic. Each party subscribed for 12,500,000 Common Shares and 12,500,000 warrants with an exercise price of US\$2.38.



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On February 14, 2024, the Company secured a private placement of 18,750,000 Common Shares and 18,750,000 Warrants with Mitsui and Pallinghurst to surrender and cancel their convertibles notes dated November 8, 2022 (presented in note 15 of the consolidated financial statements), for a total value of \$50.6 million (US\$37.5 million) in accordance with the subscription agreements entered between the Company. The Company anticipates closing its private placement upon receipt of the required regulatory approvals and satisfaction of the requirements of Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions.