



**NOUVEAU MONDE GRAPHITE**

# **NOUVEAU MONDE GRAPHITE INC.**

## **UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE-MONTH PERIODS ENDED  
SEPTEMBER 30, 2019 AND 2018  
(IN CANADIAN DOLLARS)**



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	Notes	September 30, 2019	December 31, 2018
<b>ASSETS</b>		\$	\$
<b>CURRENT</b>			
Cash and cash equivalents	5	8,970,973	3,794,449
Grants receivable		419,057	235,835
Investment		24,702	19,757
Sales taxes receivable		463,946	979,158
Tax credits receivable	6	1,339,098	1,339,098
Prepaid expenses		201,154	53,246
<b>Total current assets</b>		<b>11,418,930</b>	<b>6,421,543</b>
<b>NON-CURRENT</b>			
Tax credits receivable	6	3,801,262	2,811,454
Property and equipment	8	3,328,351	1,287,845
Intangible assets	9	1,675,933	2,126,752
Right-of-use assets	10	408,712	-
Restricted cash	5	779,309	779,309
Exploration and evaluation assets	11	31,373,455	24,252,483
<b>Total non-current assets</b>		<b>41,367,022</b>	<b>31,257,843</b>
<b>Total assets</b>		<b>52,785,952</b>	<b>37,679,386</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable and accrued liabilities		2,877,346	5,785,742
Current portion of long-term debt	7	4,711,737	930,841
		<b>7,589,083</b>	<b>6,716,583</b>
<b>NON-CURRENT</b>			
Asset retirement obligation	12	621,111	621,111
Deferred income tax liability		5,115,480	3,860,873
Long-term debt	7	191,362	2,377,300
Other liabilities		100,233	448,168
<b>Total non-current liabilities</b>		<b>6,028,186</b>	<b>7,307,452</b>
<b>Total liabilities</b>		<b>13,617,269</b>	<b>14,024,035</b>
<b>EQUITY</b>			
Share capital	13.1	56,181,435	36,242,680
Warrants	13.2	3,963,755	4,779,707
Contributed surplus		5,484,205	4,218,869
Deficit		(26,460,712)	(21,585,905)
<b>Total equity</b>		<b>39,168,683</b>	<b>23,655,351</b>
<b>Total liabilities and equity</b>		<b>52,785,952</b>	<b>37,679,386</b>
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These condensed consolidated interim financial statements were approved by the Company's Board of Directors on November 29, 2019.

APPROVED BY THE BOARD OF DIRECTORS

(s) Eric Desaulniers - « Director »

(s) Yannick Beaulieu - « Director »

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

**NOUVEAU MONDE GRAPHITE INC.**  
**Consolidated statement of loss and comprehensive loss**  
**For the three and nine-month periods ended**  
**September 30, 2019 and 2018**  
(Unaudited in Canadian dollars)

	Notes	For the three-month periods ended		For the nine-month periods ended	
		September 30 2019	September 30 2018	September 30 2019	September 30 2018
<b>Expenses</b>					
Professional fees		191,537	178,559	628,713	464,277
Consulting fees		86,412	264,131	193,680	541,702
Wages and benefits		514,391	243,987	1,367,452	775,948
Share-based compensation	13.5	210,744	87,143	403,792	725,517
Depreciation and amortization	8-10	175,388	160,584	516,231	330,752
Loss (gain) on investment		(10,214)	36,214	(4,945)	30,420
Travelling, representation and congress expenses		115,215	111,554	276,045	468,136
Office expenses		45,233	7,500	117,484	125,072
Stock exchange, authorities and communication expenses		37,232	12,009	92,153	114,642
Other operating expenses		88,408	17,999	182,058	139,533
Financial fees	7	28,269	13,448	195,470	(4,637)
<b>Loss before tax</b>		<b>1,482,615</b>	<b>1,133,128</b>	<b>3,968,133</b>	<b>3,711,361</b>
Deferred income tax expense		394,973	2,066,188	906,674	2,066,188
<b>Net loss and comprehensive loss</b>		<b>1,877,588</b>	<b>3,199,316</b>	<b>4,874,807</b>	<b>5,777,549</b>
<b>Basic and diluted loss per share</b>		<b>(0.007)</b>	<b>(0.021)</b>	<b>(0.023)</b>	<b>(0.041)</b>
<b>Weighted average number of shares outstanding</b>		<b>261,782,814</b>	<b>154,205,600</b>	<b>215,746,973</b>	<b>142,472,022</b>

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

	Notes	Number	Share capital	Warrants	Contributed surplus	Deficit	Total equity
			\$	\$	\$	\$	\$
<b>Balance as at January 1, 2019</b>		175,311,126	36,242,680	4,779,707	4,218,869	(21,585,905)	23,655,351
Shares issued from private placement	13.1	86,170,213	20,250,000	-	-	-	20,250,000
Share capital issuance fees		-	(403,792)	-	-	-	(403,792)
Warrants expired	13.2	-	-	(833,140)	833,140	-	-
Options exercised	13.5	250,000	78,906	-	(28,906)	-	50,000
Shares issued for consulting fees		51,475	13,641	-	-	-	13,641
Warrants issued for services rendered		-	-	17,188	-	-	17,188
Share-based payments	13.5	-	-	-	461,102	-	461,102
Net loss and comprehensive loss		-	-	-	-	(4,874,807)	(4,874,807)
<b>Balance as at September 30, 2019</b>		<b>261,782,814</b>	<b>56,181,435</b>	<b>3,963,755</b>	<b>5,484,205</b>	<b>(26,460,712)</b>	<b>39,168,683</b>
		<b>Number</b>	<b>Share capital</b>	<b>Warrants</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Total equity</b>
			\$	\$	\$	\$	\$
<b>Balance as at January 1, 2018</b>		134,681,078	25,701,940	3,370,718	3,169,941	(12,777,560)	19,465,039
Units issued from private placement		27,213,002	7,375,277	788,624	-	-	8,163,901
Unit issued from flow-through private placement		5,284,267	1,510,085	-	-	-	1,510,085
Warrants exercised	13.2	3,871,003	951,179	(176,979)	-	-	774,200
Warrants expired		-	-	(32,721)	32,721	-	-
Options exercised	13.5	750,000	224,949	-	(72,449)	-	152,500
Options expired		-	-	-	(3,730)	-	(3,730)
Share-based payments	13.5	-	-	-	899,205	-	899,205
Warrants issued for services rendered		-	-	153,746	-	-	153,746
Share capital issuance fees		-	(188,176)	(71,004)	22,501	-	(236,679)
Net loss and comprehensive loss		-	-	-	-	(5,777,549)	(5,777,549)
<b>Balance as at September 30, 2018</b>		<b>171,799,350</b>	<b>35,575,254</b>	<b>4,032,384</b>	<b>4,048,189</b>	<b>(18,555,109)</b>	<b>25,100,718</b>

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

**NOUVEAU MONDE GRAPHITE INC.**  
**Consolidated statements of cash flows**  
**For the nine-month periods ended**  
**September 30, 2019 and 2018**  
**(Unaudited in Canadian dollars)**

	Notes	For the nine-month periods ended September 30, 2019	September 30, 2018
<b>OPERATING ACTIVITIES</b>			
Net loss and comprehensive loss		(4,874,807)	(5,777,549)
Depreciation and amortization	8-10	516,231	330,752
Loss (gain) on investment		(4,945)	30,420
Deferred income tax expenses		906,674	2,066,188
Share-based payments		417,170	725,517
Financial fees		84,634	-
Net change in working capital	14	<u>(752,242)</u>	<u>(1,368,927)</u>
<b>Cash flows used in operating activities</b>		<b><u>(3,707,285)</u></b>	<b><u>(3,993,599)</u></b>
<b>INVESTING ACTIVITIES</b>			
Additions to exploration and evaluation assets	11	(10,110,375)	(9,524,656)
Additions to property and equipment	8	(1,730,082)	(359,104)
Additions to intangible asset		-	(2,562,829)
Restricted Cash		-	<b>(621,111)</b>
<b>Cash flows used in investing activities</b>		<b><u>(11,840,457)</u></b>	<b><u>(13,067,690)</u></b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the issuance of private placement	13	20,250,000	10,066,237
Proceeds from debt	7	2,000,000	-
Repayment of debt		(1,171,944)	-
Proceeds from the exercise of warrants		-	774,200
Proceeds from the exercise of stock options		50,000	152,500
Share capital issue expenses		<u>(403,792)</u>	<u>(180,414)</u>
<b>Cash flows from financing activities</b>		<b><u>20,724,264</u></b>	<b><u>10,812,523</u></b>
<b>Net change in cash and cash equivalents</b>		<b>5,176,524</b>	<b>(6,248,766)</b>
Cash and cash equivalents beginning of the period		<u>3,794,449</u>	<u>10,147,987</u>
<b>Cash and cash equivalents end of period</b>		<b><u>8,970,973</u></b>	<b><u>3,899,221</u></b>
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The accompanying notes are an integral part of the condensed consolidated interim financial statements.

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Nouveau Monde Graphite Inc. (the “Company” or “Nouveau Monde” or “NMG”), was established on December 31, 2012, under the *Canada Business Corporations Act*. The Company specializes in exploration and evaluation of mineral properties located in Quebec.

The Company’s shares are listed under the symbol NOU on the TSX Venture Exchange. The address of the Company’s registered office is 331 Brassard, Saint-Michel-des-Saints, Quebec, Canada.

As at September 30, 2019, the Company had a working capital of \$3,829,847 and had an accumulated deficit of \$26,460,712 and incurred a loss of \$4,874,807 for the nine-month period ended. Working capital included current tax credits receivable of \$1,339,098 and cash equivalents of \$8,970,973.

The Company’s ability to continue future operations and fund its exploration, evaluation, 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 including \$20,250,000 in 2019, 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. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements. These circumstances indicate the existence of material uncertainties that cast significant 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. 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 ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Company’s condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) published by the International Accounting Standards Board (« IASB »), adopting International Accounting Standard 34 Interim Financial Reporting (“IAS 34”), and also using the same accounting policies and procedures as those used for the Company’s audited consolidated financial statements as at December 31, 2018 and 2017 and for the fiscal years ended on those dates, with the exception of the accounting policies adopted and referred to below. These interim consolidated financial statements do not include all the disclosures and notes required for annual consolidated financial statements and should therefore be read with the Company’s audited consolidated financial statements as at December 31, 2018, which have been prepared in accordance with IFRS. The consolidated financial statements for the nine-month period ended September 30, 2019 (including comparative statements) were approved and authorized for publication by the Board of Directors on November 29, 2019.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 NEW ACCOUNTING POLICIES

#### A) ADOPTION OF IFRS 16 – LEASE AGREEMENTS

On January 1, 2019, the Company implemented IFRS 16, “Leases” (“IFRS 16”), replacing IAS 17, Leases and related interpretations. The standard introduced a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The Company implemented the standard using the modified retrospective approach. As a result, the Company’s 2019 results reflect lease accounting under IFRS 16. Under IFRS 16, the depreciation expense on right-of-use assets and interest expense on lease liabilities replaces rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of a lease. Prior year results have not been restated.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17. As at January 1, 2019, the Company recognized a \$682,268 lease liability related to previous operating lease, that are now considered debt obligations upon adoption of IFRS 16 (see note 7.2). These leases were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.38%. The associated right-of-use assets were measured at the amount equal to the lease liability as at January 1, 2019 (see note 10).

As a result of the adoption of IFRS 16, the accounting policy for leases applied starting from January 1, 2019 as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- I. the contract involves the use of an identified asset;
- II. the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- and
- III. the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. The carrying amount of the rental obligations must be revalued if there is a change in the term of the lease, rent payments that are essentially fixed payments or a change in the assessment of an option to purchase the underlying property.

The Company applies the practical expedient exemption not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The term of the lease is to be determined as the non-cancellable term of the lease plus any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Payments associated with short-term leases and leases of low-value assets, which are considered to be assets having a replacement cost value of less than \$8,000, are recognized as expenses on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less.

The following table reconciles the Company's operating lease commitments as at December 31, 2018, as previously reported in the Company's audited annual consolidated financial statements, lease liabilities recognized at the time of the initial application of IFRS 16 as at 1 January 2019:

<b>ASSETS</b>	
Right-of-use assets	682 268
<b>Total assets</b>	<b>682 268</b>
<b>LIABILITIES</b>	
Current portion of long-term debt	321 556
Long-term debt	360 712
<b>Total liabilities</b>	<b>682 268</b>

#### **B) ADOPTION OF IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS**

On January 1, 2019, the Company adopted IFRIC 23 which clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments. The interpretation requires the entity to:

- I. To determine whether it should consider tax treatments in isolation, or rather group them, according to the approach that best predicts the outcome of the uncertainty;
- II. To reflect the effect of uncertainty in the amount of tax payable (to be recovered) if it is likely that it will pay or recover an amount related to uncertainty;
- III. To assess a tax uncertainty according to that of the following two methods: the method of the most probable amount or the method of mathematical hope, which seems to provide the best forecast of the amount to be paid (to be recovered).

The adoption of this accounting interpretation did not have any impact.

#### **4. ESTIMATES, JUDGMENTS AND ASSUMPTIONS**

In preparing its consolidated financial statements, management makes a number of judgments, 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 implement its strategy by funding working capital and its exploration and evaluation activities requires the exercise of judgment. The estimates and assumptions made are reviewed regularly and are based on historical data and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **Provision for asset retirement obligations**

The Company's exploration activities are subject to a number of 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.

##### **Recognition of deferred tax assets and measurement of income tax expense**

Management regularly assesses the likelihood that its deferred income tax assets will be realized. As part of this assessment, management must determine whether it is probable that the Company will subsequently generate sufficient taxable income to which such losses can be applied during the deferral period. By its nature, this assessment requires a great deal of judgment. To date, management has not recorded any deferred tax assets in excess of existing taxable temporary differences that are expected to reverse during the deferral period.

##### **Impairment of exploration and evaluation assets**

Evaluating facts and circumstances that demonstrate the existence of any indication that an asset may have depreciated or recover in value is a subjective process that involves judgment and often a number of estimates and assumptions.

If there is an indication that an asset may have depreciated or recover in value, the recoverable amount of the individual asset or the cash-generating unit should be estimated.

##### **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 as of the reporting date. However, uncertainties as to the interpretation of the tax regulations, in particular regarding refundable mining rights credits for loss and refundable tax credits on eligible exploration expenses, as well as regarding amount and timing of recovery of these tax credits.

In order to determine whether the expenses it incurs are eligible for exploration tax credits, the Company must use a lot of judgment and resort to complex techniques, which makes the recovery of tax credits uncertain. 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 as a result of the tax administrations' review of matters that were subject to interpretation. In the event of such a difference, an adjustment must be made to the tax credits for mineral prospecting expenses in future periods.

It can take a long time for the tax administration to report its decisions on tax issues, thereby extending the tax credit recovery period. Mineral exploration tax credits that the Company expects to recover in more than one year are classified as non-current assets. The amounts recognized in the consolidated financial statements are based on the best estimates of the Company and in its best possible judgment, as noted above. However, given the uncertainty inherent in obtaining the approval of the tax authority concerned, the amount of tax credits that will actually be recovered and the timing of such recovery may differ materially from accounting estimates and would affect the financial position and cash flow of the Company.

##### **Lease agreement**

The lease liability is initially measured at the present value of the rental payments that were not paid at the start date, discounted at the implicit interest rate of the lease agreement or, if this rate cannot be easily determined, at the Company's additional borrowing rate. Usually, the company uses its additional borrowing rate as a discount rate.

Payments related to short-term leases and low-value asset leases are recognised on a straight-line basis. Short-term leases are contracts of 12 months or less.

## 5. CASH AND CASH EQUIVALENTS

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Cash and cash equivalents	8,970,973	3,794,449

As at September 30, 2019, the Company had restricted cash of \$779,309 of which \$621,111 related the asset retirement obligation and \$158,198 related to a letter of credit granted to Investissement Québec with respect to the loan financing (described in note 7).

## 6. TAX CREDITS RECEIVABLE

	<u>September 30 2019</u>	<u>December 31 2018</u>
	\$	\$
Current portion of tax credits receivable	1,339,098	1,339,098
Non-current portion of tax credits receivable	3,801,262	2,811,454
	<u>5,140,360</u>	<u>4,150,552</u>

Tax credits that are expected to be received beyond 12 months are recorded in non-current assets.

## 7. LONG TERM DEBT

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Loan payable (7.1)	4,449,775	3,308,141
Lease liabilities (7.2)	453,324	-
End of the period	4,903,099	3,308,141
Current portion of long-term debt	4,711,737	930,841
Non current portion of long-term debt	<u>191,362</u>	<u>2,377,300</u>

### 7.1 LOAN PAYABLE

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	\$	\$
Opening balance	3,308,141	-
Proceeds	2,000,000	3,361,788
Reimbursement	(943,000)	-
Issue costs	-	(53,647)
Accretion of issue costs	33,346	-
Interest payable	51,288	-
End of the period	4,449,775	3,308,141
Current portion	4,449,775	930,841
Non current portion	<u>-</u>	<u>2,377,300</u>

On December 21, 2018, the Company closed a financing with Investissement Québec for an aggregate amount of \$4,665,000 through four loan offers for which the first of four portions of an amount of \$3,361,788 (\$943,000 short term and \$2,418,788 long term) has been received while the second portion will be received in 2019 pursuant to Nouveau Monde's cash flow needs but subject to the achievement of conditions set forth in the loan offers. The loans were secured by first ranking mortgages for an aggregate amount of \$4,655,000 charging the universality of its present and future claims of accounts receivables.

During the nine-month period ended September 30, 2019, the Company repaid \$943,000 of its loan outstanding. The remaining \$2,418,788, repayable as of June 30, 2020, was reclassified in short term. The remaining amounts have still not been borrowed.

During the second quarter ending June 30, 2019, the company concluded a new financing agreement with one of its primary investors, Pallinghurst Graphite Limited, for a total sum of \$2,000,000. This agreement was concluded on June 18, 2019 and requires a full reimbursement of the capital plus interest accrued at the latest one year later on June 18, 2020. The agreement bears interest at 9% annually and all accrued interests shall be paid at the end of the maturity date of the agreement which is on June 18, 2020. The loan advanced by Pallinghurst is unsecured.

During the nine-month period ended September 30, 2019, the Company paid out a total of \$138,664 of interest to its lenders. On the other hand, the interest charge covering the same period totals \$195,470, including interest on lease liabilities.

## 7.2 LEASE LIABILITIES

	September 30 2019	December 31 2018
	\$	\$
Opening balance	-	-
Adjustment-IFRS 16	682,268	-
New liabilities under leases	-	-
Principal repayment	(228,944)	-
	453,324	-
Current term portion	261,962	-
Non current term portion	191,362	-

## 8. PROPERTY AND EQUIPMENT

	Land \$	Buildings \$	Equipment \$	Computers \$	Furniture \$	Rolling stock \$	Total \$
<b>Cost</b>							
Balance as at January 1, 2019	226,543	1,036,945	62,580	31,864	49,135	9,218	1,416,285
Acquisition	565,275	1,518,146	-	14,661	-	-	2,098,082
Balance as at September 30, 2019	<u>791,818</u>	<u>2,555,091</u>	<u>62,580</u>	<u>46,525</u>	<u>49,135</u>	<u>9,218</u>	<u>3,514,367</u>
<b>Accumulated depreciation</b>							
Balance as at January 1, 2019	-	46,871	58,461	5,867	14,771	2,470	128,440
Depreciation	-	45,880	857	5,408	4,027	1,403	57,575
Balance as at September 30, 2019	-	<u>92,751</u>	<u>59,318</u>	<u>11,275</u>	<u>18,798</u>	<u>3,873</u>	<u>186,015</u>
<b>Net book value as at September 30, 2019</b>	<u><b>791,818</b></u>	<u><b>2,462,340</b></u>	<u><b>3,262</b></u>	<u><b>35,250</b></u>	<u><b>30,337</b></u>	<u><b>5,345</b></u>	<u><b>3,328,352</b></u>

	Land \$	Buildings \$	Equipment \$	Computers \$	Furniture \$	Rolling stock \$	Total \$
<b>Cost</b>							
Balance as at January 1, 2018	147,809	446,392	62,107	16,680	45,456	-	718,444
Acquisition	78,734	590,553	473	15,184	3,679	9,218	697,841
Balance as at December 31, 2018	<u>226,543</u>	<u>1,036,945</u>	<u>62,580</u>	<u>31,864</u>	<u>49,135</u>	<u>9,218</u>	<u>1,416,285</u>
<b>Accumulated depreciation</b>							
Balance as at January 1, 2018	-	20,298	57,126	739	7,784	-	85,947
Depreciation	-	26,573	1,335	5,128	6,987	2,470	42,493
Balance as at December 31, 2018	-	<u>46,871</u>	<u>58,461</u>	<u>5,867</u>	<u>14,771</u>	<u>2,470</u>	<u>128,440</u>
<b>Net book value as at December 31, 2018</b>	<u><b>226,543</b></u>	<u><b>990,074</b></u>	<u><b>4,119</b></u>	<u><b>25,997</b></u>	<u><b>34,364</b></u>	<u><b>6,748</b></u>	<u><b>1,287,845</b></u>

## 9. INTANGIBLE ASSETS

During the year ended December 31, 2018, the Company and Hydro-Quebec ("HQ") signed a licence agreement by which the Company is allowed to use HQ's patented technologies for the micronization, spheronization, purification and natural graphite coating to serve the lithium-ion battery market. The Company paid US \$2 million (\$2,561,818) for the use of the patents which have different expiry dates between October 24, 2021, to June 7, 2028. The licence was capitalized as an intangible asset and will be amortized over the life of the underlying patents.

	<u>Softwares</u>	<u>License</u>	<u>Total</u>
	\$	\$	\$
<b>Cost</b>			
Balance as at January 1, 2019	16,058	2,561,818	2,577,876
Acquisition	-	-	-
Balance as at September 30, 2019	16,058	2,561,818	2,577,876
Balance as at January 1, 2019	3,019	448,105	451,124
Amortization	2,712	448,107	450,819
Balance as at September 30, 2019	5,731	896,212	901,943
<b>Net book value as at September 30, 2019</b>	<b>10,327</b>	<b>1,665,606</b>	<b>1,675,933</b>
	<u>Softwares</u>	<u>License</u>	<u>Total</u>
	\$	\$	\$
<b>Cost</b>			
Balance as at January 1, 2018	10,741	-	10,741
Acquisition	5,317	2,561,818	2,567,135
Balance as at December 31, 2018	16,058	2,561,818	2,577,876
Balance as at January 1, 2018	547	-	547
Amortization	2,472	448,105	450,577
Balance as at December 31, 2018	3,019	448,105	451,124
<b>Net book value as at December 31, 2018</b>	<b>13,039</b>	<b>2,113,713</b>	<b>2,126,752</b>

## 10. RIGHT-OF-USE ASSETS

	<u>Buildings</u>	<u>Equipment</u>	<u>Rolling stock</u>	<u>Total</u>
	\$	\$	\$	\$
<b>Cost</b>				
As at December 31, 2018	-	-	-	-
Adoption – IFRS 16 (Note 3)	252,454	320,601	109,213	682,268
As at January 1, 2019	252,454	320,601	109,213	682,268
<b>As at September 30, 2019</b>	<b>252,454</b>	<b>320,601</b>	<b>109,213</b>	<b>682,268</b>
<b>Accumulated depreciation</b>				
As at December 31, 2018	-	-	-	-
Adoption – IFRS 16 (Note 3)	-	-	-	-
As at January 1, 2019	-	-	-	-
Depreciation for the period	101,570	125,180	46,806	273,556
<b>As at September 30, 2019</b>	<b>101,570</b>	<b>125,180</b>	<b>46,806</b>	<b>273,556</b>
<b>Net book value</b>				
As at January 1, 2019	252,454	320,601	109,213	682,268
<b>As at September 30, 2019</b>	<b>150,884</b>	<b>195,421</b>	<b>62,407</b>	<b>408,712</b>

## 11. EXPLORATION AND EVALUATION ASSETS

	Balance as at January 1 <sup>st</sup> , 2019	Additions	Net Tax credits	Balance as at September 30, 2019
<b>Quebec, Canada</b>	\$	\$	\$	\$
Matawinie property				
Mining rights	1,657,778	603,577	-	2,261,355
Exploration and evaluation expenses	22,594,705	7,507,203	(989,808)	29,112,100
<b>Total</b>	<u>24,252,483</u>	<u>8,110,780</u>	<u>(989,808)</u>	<u>31,373,455</u>

	Balance as at January 1 <sup>st</sup> , 2018	Additions	Net Tax credits	Balance as at December 31, 2018
<b>Quebec, Canada</b>	\$	\$	\$	\$
Matawinie property				
Mining rights	861,764	796,014	-	1,657,778
Exploration and evaluation expenses	8,117,675	17,061,806	(2,584,776)	22,594,705
<b>Total</b>	<u>8,979,439</u>	<u>17,857,820</u>	<u>(2,584,776)</u>	<u>24,252,483</u>

Expenses are net of all grants recognized in connection with these expenses.

## 12. ASSET RETIREMENT OBLIGATION

As at September 30, 2019, the obligation related to the Matawinie property is \$621,111 (\$621,111 as at December 31, 2018).

## 13. EQUITY

### 13.1 SHARE CAPITAL

Authorized share capital:

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

On April 25, 2019, the Company completed a non-brokered private placement with Pallinghurst of 43,825,000 common shares (the "Shares") in the capital of the Company at a price of \$0.235 per Share for aggregate gross proceeds of \$10,298,875 (the "Pallinghurst Placement") pursuant to a subscription agreement dated April 2, 2019. As of the Closing Date, Pallinghurst holds 19.99% of the Shares of Nouveau Monde.

On June 28, 2019, the Company also completed a private placement of 42,345,213 common shares in the capital of the Company at a price of \$0.235 per Share for aggregate gross proceeds of \$9,951,125 (the "Private Placement").

### 13.2 WARRANTS

	September 30, 2019		December 31, 2018	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of period	52,039,727	0.39	43,192,476	0.36
Issued	-	-	14,261,837	0.40
Exercised	-	-	(3,871,003)	0.20
Expired	(9,863,498)	0.39	(1,543,583)	0.31
Balance end of period	<u>42,176,229</u>	<u>0.39</u>	<u>52,039,727</u>	<u>0.39</u>

The number of warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

Expiration date	September 30, 2019		December 31, 2018	
	Number	Exercise price \$	Number	Exercise price \$
June 15, 2019	-	-	2,506,000	0.35
September 19, 2019	-	-	7,357,498	0.40
October 20, 2019	15,410,087	0.40	15,410,087	0.40
May 17, 2020	3,333,336	0.40	3,333,336	0.40
July 13, 2020	4,480,584	0.40	4,480,584	0.40
September 28, 2020	5,792,584	0.40	5,792,584	0.40
October 2, 2020	655,333	0.40	655,333	0.40
December 22, 2020	7,534,914	0.35	7,534,914	0.35
February 7, 2021	4,969,391	0.35	4,969,391	0.35
	<u>42,176,229</u>		<u>52,039,727</u>	

### 13.3 BROKER'S OPTIONS

	September 30, 2019		December 31, 2018	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of period	1,474,525	0.31	1,335,711	0.30
Issued	-	-	331,994	0.30
Exercised	-	-	(90,000)	0.23
Expired	(607,360)	0.30	(103,180)	0.30
Balance end of period	<u>867,165</u>	<u>0.34</u>	<u>1,474,525</u>	<u>0.31</u>

Outstanding broker's options exercisable in exchange for an equivalent number of shares is as follows:

Expiration date	September 30, 2019		December 31, 2018	
	Number	Exercise price \$	Number	Exercise price \$
February 7, 2019	-	-	26,100	0.35
September 19, 2019	-	-	581,260	0.30
October 20, 2019	535,171	0.30	535,171	0.30
July 13, 2020	125,669	0.40	125,669	0.40
September 28, 2020	127,689	0.40	127,689	0.40
October 2, 2020	78,636	0.40	78,636	0.40
	<u>867,165</u>		<u>1,474,525</u>	

### 13.4 ADVISORY WARRANTS

	September 30, 2019		December 31, 2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of period	1,771,665	0.36	-	-
Issued	-	-	1,771,665	0.36
Balance end of period	<u>1,771,665</u>	<u>0.36</u>	<u>1,771,665</u>	<u>0.36</u>

The number of advisory warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

Expiration date	September 30, 2019		December 31, 2018	
	Number	Exercise price	Number	Exercise price
		\$		\$
October 20, 2019	1,150,000	0.39	1,150,000	0.39
July 13, 2020	55,000	0.30	55,000	0.30
October 2, 2020	566,665	0.30	566,665	0.30
	<u>1,771,665</u>		<u>1,771,665</u>	

### 13.5 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 TSX Venture.

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 reporting periods presented:

	September 30, 2019		December 31, 2018	
	Number	Average exercise price	Number	Average exercise price
		\$		\$
Balance at the beginning of the period	11,450,000	0.29	9,050,000	0.27
Granted	5,275,000	0.25	4,400,000	0.34
Exercised	(250,000)	0.20	(750,000)	0.20
Expired	(650,000)	-	(600,000)	0.30
Forfeited	-	0.30	(650,000)	0.36
Balance at the end of the period	<u>15,825,000</u>	<u>0.28</u>	<u>11,450,000</u>	<u>0.29</u>
Options that can be exercised	<u>13,718,750</u>	<u>0.28</u>	<u>11,087,500</u>	<u>0.29</u>



## 15. INFORMATION DISCLOSURE ABOUT CAPITAL

The Company monitors capital based on the carrying amount of equity and loans and totals \$44,071,780 as at September 30, 2019 (\$26,963,492 as at December 31, 2018).

The objective of the Company's capital management is to preserve its ability to continue its operations and its program of acquisition, exploration and evaluation of mineral properties. It manages its capital structure and makes adjustments based on economic conditions and risk characteristics of underlying assets.

The Company is not subject to externally imposed capital requirements unless the Company closes a flow-through financing for which funds should be reserved for exploration expenditures. Changes in capital are described in the consolidated statements of changes in equity.

## 16. FAIR VALUE MEASUREMENT

### Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for assets or liabilities that are not based on observable data (unobservable inputs).

Investments in shares measured at fair value in the statement of financial position as at September 30, 2019, and December 31, 2018, are classified in level 1. For all other financial assets and liabilities, their net carrying amount is a reasonable approximation of fair value given their relatively short maturities.

## 17. COMMITMENTS

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than earlier of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard, refusal of certain expenses by the tax authorities could have a negative tax impact for investors.

In 2018, the Company received \$2,302,336 following flow-through placements for which the Company renounced tax deduction. From this placement, there's an unspent amount of \$514,927 that will need to be spent as at December 31, 2019.

## 18. SUBSEQUENT EVENTS

The Company received and cashed a grant from the Government of Quebec regarding a research and innovation program in the mining sector, also known as "PARIDM", which totaled \$400,365 in October. This amount was recorded as a receivable in the financial statements as at September 30, 2019.