



Management Discussion & Analysis

THREE-MONTH & NINE-MONTH PERIODS ENDED

MARCH 31, 2020

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(amounts are expressed in thousands, unless otherwise stated)

The objective of the following Management's Discussion and Analysis (the "MD&A") is to help the reader better understand the activities of Nemaska Lithium Inc. (the "Corporation") and its wholly-owned subsidiaries as well as the highlights of its financial situation. It explains the financial situation and the results for the three and nine-month periods ended March 31, 2020 and March 31, 2019 and the comparison of the Corporation's consolidated statement of financial position as at March 31, 2020 and June 30, 2019.

The MD&A was prepared in accordance with Regulation 51-102 and should be read in conjunction with the unaudited consolidated condensed interim financial statements for the nine-month period ended March 31, 2020 (which are sometimes only referred to in this document as being the unaudited consolidated condensed interim financial statements) and the audited consolidated financial statements of the Corporation for the fiscal year ended June 30, 2019 and the related notes (referred to in this MD&A as Note xx, where xx is the number corresponding to each note in the related unaudited consolidated condensed interim financial statements) thereto which are available on the SEDAR website at www.sedar.com. All financial information contained in this MD&A and the Corporation's unaudited consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), as issued by the International Accounting Standards Board ("IASB"). The unaudited consolidated condensed interim financial statements were prepared on a going concern basis, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future.

The unaudited consolidated condensed interim financial statements dated June 23, 2020 and this MD&A were reviewed by the Audit Committee and approved for issuance by the Corporation's Board of Directors. Unless otherwise indicated, all the amounts in this MD&A are in thousands of Canadian dollars unless otherwise indicated, except per share and strike price amounts.

Forward looking statements

All statements, other than statements of historical fact, contained in this MD&A including, but not limited to, those relating to (i) the outcome of the matters relating to the proceedings under the Companies' Creditors Arrangement Act ("CCAA") and, as a result, the Corporation's ability to continue as a going concern, (ii) the Corporation being a going concern able to realize its assets and discharge its liabilities in the normal course of business as they come due into the foreseeable future, (iii) the generation of interest, under the SISP (as defined hereinafter), in either a recapitalization of the Corporation, or in the business or its assets, with the goal of maximizing return in respect of the Corporation's assets and potentially creating the foundation of a plan of compromise or arrangement for all stakeholders of the Corporation, (iv) a target closing date for a transaction, under the SISP (as defined hereinafter), in mid-August 2020, (v) the value of the secured and unsecured claims under the Claims Process (as defined hereinafter), the sufficiency of the provisioned amount in respect thereof and the amounts that could be eventually payable to claimants thereunder, (vi) the presentation of a CCAA plan to creditors for approval, (vii) positive outcomes with the SISP (as defined hereinafter) and the CCAA plan of arrangement to allow the Corporation developing into a chemical company whose activities will be vertically integrated (from spodumene mining to the commercialization of high-purity lithium hydroxide) with a vision to facilitate access to green energy, (viii) lithium market considerations relating to lithium salts and lithium-ion batteries and the Corporation's timing to enter that supply chain, (ix) the use of a membrane electrolysis process at the Commercial Electrochemical Plant (as defined hereinafter), (x) obtaining the additional capital required to enable the Corporation to complete the construction and commissioning of the Whabouchi Property (as defined hereinafter) and the Commercial Electrochemical Plant (as defined hereinafter), (xi) the estimated remaining capital expenditures for completing the construction of the Whabouchi Property (as defined hereinafter) and the Commercial Electrochemical Plant (as defined hereinafter), (xii) the Corporation's indemnification (as well as its directors and officers) for environmental liabilities associated with the Commercial Electrochemical Plant (as defined hereinafter) from the previous owner of the land and buildings, (xiii) the main objectives that the Corporation intends to accomplish in the next 12 to 18 months, (xiv) the expected timing for the resumption of construction and commissioning, both at the Whabouchi Property and the Commercial Electrochemical Plant (as

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defined hereinafter); and, thereafter, the expected unfolding of construction and commissioning as well as the anticipated start of production at the Whabouchi Property (as defined hereinafter) (including the Concentrator) and the Commercial Electrochemical Plant (as defined hereinafter), (xv) the Corporation's ability to carry the construction, commissioning and commercial operations at the Whabouchi Property (as defined hereinafter) and Commercial Electrochemical Plant (as defined hereinafter), (xvi) the carrying value and recoverable amount of the Commercial Project (as defined hereinafter), and, more generally, (xvii) the Corporation's vision and mission, (xviii) the Corporation's ability to meet all its obligations under the Chinuchi Agreement, as well as (xix) any information as to the future plans and outlook for the Corporation (namely - but without limitation - as set out in the risk factors section), constitute "forward-looking information" or "forward-looking statements" within the meaning of certain securities laws.

Forward-looking statements are based on expectations, estimates and projections as of the time of this MD&A; and they are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Corporation, acting in good faith, as of the time of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates and assumptions may prove to be incorrect. Many of these uncertainties and contingencies can directly or indirectly affect, and could cause, actual results to differ materially from those expressed or implied in any forward-looking statements. Certain important assumptions by the Corporation in making forward-looking statements include, but are not limited to, the conclusion of satisfactory arrangements and transactions under the CCAA and, as a result, the Corporation's ability to continue as a going concern.

There can be no guarantee that the Corporation will complete its refinancing and receive all necessary proceeds such that the Whabouchi Property (as defined hereinafter) and/or the Commercial Electrochemical Plant (as defined hereinafter) will ever start production; or that the Corporation will be able to continue as a going concern.

The words "anticipates", "plans", "expects", "indicates", "intends", "scheduled", "estimates", "forecasts", "guidance", "initiative", "outlook", "potential", "projected", "pursue", "strategy", "study", "targets", "believes", or variations of or similar such words and phrases or statements that certain actions, events or results "may", "could", "would", or "should", "might", or "way forward", "will be taken", "will occur" or "will be achieved" and similar expressions identify forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. There can be no assurance that satisfactory arrangements and transactions under the CCAA will materialize that there will be any residual value for shareholders under the CCAA process and that the Corporation will be able to continue as a going concern. In addition, there can be no assurances that the capital expenditures and other estimates mentioned in this MD&A will prove accurate.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. Readers are cautioned not to place undue reliance on these forward-looking statements as a number of important risk factors and future events could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in the Corporation's other filings with the securities regulators of Canada including, but not limited to, the cautionary statements made in the "Risk Factors" section of the Corporation's Annual Information Form dated September 30, 2019 and the cautionary statements more particularly set out hereinafter, under Section 10) of this MD&A. The Corporation cautions that the foregoing list of factors that may affect future results is not exhaustive, and new, unforeseeable risks may arise from time to time. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

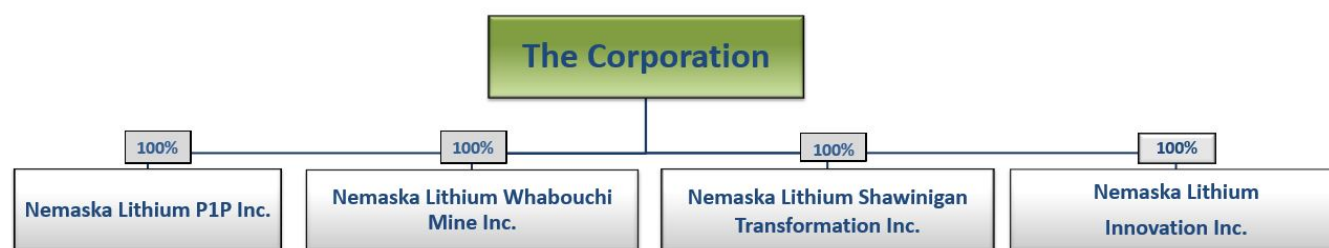
(amounts are expressed in thousands, unless otherwise stated)

1) Reporting entity, nature of operations and scope of activities

Nemaska Lithium Inc. (the "**Corporation**") is a corporate entity domiciled in Canada and incorporated under the Canada Business Corporations Act ("**CBCA**"). The Corporation is a reporting issuer under the Québec Securities Act. The Corporation has four wholly-owned subsidiaries, which are Nemaska Lithium Shawinigan Transformation Inc., Nemaska Lithium Whabouchi Mine Inc., Nemaska Lithium P1P Inc. and Nemaska Lithium Innovation Inc. (collectively, the "**Subsidiaries**"). All Subsidiaries are domiciled in Canada and are incorporated under the CBCA. The main operations of the Corporation will be to produce spodumene concentrate at its Whabouchi Property (as defined hereinafter) and convert it into lithium salts at its Commercial Electrochemical Plant (as defined hereinafter). The address of the principal place of business of the Corporation is 450, rue de la Gare-du-Palais, 1st floor, Québec (Québec), Canada G1K 3X2 and its web site is www.nemaskalithium.com.

Inter-corporate Relationships

The Corporation beneficially owns 100% of the voting shares of the Subsidiaries. The following corporate chart is a list of the Subsidiaries, all having their jurisdiction of incorporation as Canada.



All material assets of the Corporation and the Subsidiaries are located in the province of Québec. In summary, as at the date of this report, each corporate entity featured in the above chart has the following main assets:

- Nemaska Lithium Inc.: including but not limited to, intellectual property, computer software & hardware, all shares of the Subsidiaries as well as the investments in Vision Lithium Inc. ("**VLI**");
- Nemaska Lithium Whabouchi Lithium Mine Inc.: including but not limited to, the mining lease, mining claims, surface usage leases and mineral property, including site preparation, concentrator building/garage/domes infrastructures and related equipment, administrative office trailers and all other additions in order to put the Whabouchi Lithium Mine (as defined hereinafter) and concentrator in operation, being all located in the Eeyou Istchee / James Bay Region in the Province of Québec, Canada and defined herein as the "**Whabouchi Property**";
- Nemaska Lithium Shawinigan Transformation Inc.: including but not limited to, the land and commercial buildings located in Shawinigan, Province of Québec, Canada, including site preparation, infrastructures and equipment and all other additions to be used for the commercial production of lithium salts, defined herein as the "**Commercial Electrochemical Plant**" and a permanent administrative office building;
- Nemaska Lithium Innovation Inc.: an entity that carries out research & development has its main activity relating to lithium salts, recycling of lithium-ion batteries and the valorization of process by-products.
- Nemaska Lithium P1P Inc.: equipment, office and lease required to operate the small size electrochemical plant (the "**Phase 1 Plant**") located in Shawinigan, Province of Québec, Canada. Activities of the Phase 1 Plant have ceased on December 13, 2019.

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2) Business Activities and Objectives, Going Concern, Foreseen Main Work Planned and Milestones to come

On December 23, 2019, the Corporation obtained from the Superior Court of Québec (the "**Court**") protection from creditors under the *Companies' Creditors Arrangement Act* ("**CCAA**"). This Court also authorized the Corporation to begin a Court-supervised restructuring process and ordered a broad stay of any proceedings against the Corporation in order to provide the opportunity to present a CCAA plan of compromise or arrangement to its creditors for approval. PricewaterhouseCoopers Inc. is acting as the Court-appointed monitor (the "**Monitor**"). At a follow-up hearing on February 13, 2020, the stay period was extended from February 14, 2020 to July 10, 2020. It is not possible to predict the outcome of the matters relating to the CCAA proceedings and, as a result of this and other factors explained below, a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

Following the December 23, 2019 filing for CCAA protection, the shares of the Corporation have been delisted from the Toronto Stock Exchange since February 6, 2020 and have been delisted from the American stock exchange Over-the-Counter QX ("**OTCQX**") since December 31, 2019.

On January 29, 2020, the Corporation obtained two orders from the Court: i) approving the Corporation's proposed Sale and Investor Solicitation Process (the "**SISP**"); and ii) establishing a claims procedure for the review and assessment of the claims against the Corporation, the Subsidiaries and their directors and officers for voting under a potential plan of arrangement and distribution thereunder (the "**Claims Process**"). For the purpose of the SISP, the Corporation is assisted by its financial advisors National Bank Financial Inc. and Clarksons Platou Securities AS, which have significant knowledge of the Corporation's affairs as well as relevant expertise regarding the SISP. The SISP is intended to generate interest in either a recapitalization of the Corporation, or in the Commercial Project or its assets, with the goal of maximizing return in respect of the Corporation's assets and potentially creating the foundation of a plan of compromise or arrangement for all stakeholders of the Corporation. The SISP was launched as expected on February 28, 2020 with the transmission of an introductory letter or "teaser" to potentially interested parties, followed by the transmission of a confidential information memorandum on March 9, 2020. The Corporation received 13 non-binding letters of intent (the "**LOIs**") on or prior to the April 17, 2020 deadline, with a target closing date for a transaction in mid-August 2020. For more information, please refer to the following website: <https://www.pwc.com/ca/en/services/insolvency-assignments/nemaska-lithium-inc.html>

Assuming favorable outcomes of the SISP and Claims Process, and a positive outcome of a potential CCAA plan of arrangement, the Corporation expects that it should still be a developing chemical company whose activities will be vertically integrated, from spodumene mining to the commercialization of high-purity lithium hydroxide, with a vision to facilitate access to green energies through its products and processes. Lithium hydroxide is mainly destined for the fast-growing lithium-ion battery market, whose growth largely driven by the increasing demand for electric vehicles, personal portable devices and other consumer products as well as for energy storage worldwide. Based on its understanding of the actual and expected status of the lithium hydroxide supply, the Corporation believes it is well timed to enter that supply chain. The Corporation would operate the mine located on the Whabouchi Property, one of the richest lithium spodumene deposits in North America, both in tonnage and grade (the "**Whabouchi Lithium Mine**"), and the concentrator located on the Whabouchi site (the "**Concentrator**" and, collectively with the Whabouchi Lithium Mine, the "**Whabouchi Property**"). The spodumene concentrate produced there would be processed at the Commercial Electrochemical Plant using a membrane electrolysis process for which the Corporation holds several patents.

The Whabouchi mining property has economically recoverable ore reserves, pursuant to the rules and guidelines of National Instrument 43-101 ("**NI 43-101**") revised technical report prepared by Met-Chem (a division of DRA Americas Inc.) along with other consultants with an effective date of May 31, 2019 that was filed on SEDAR on August 9, 2019 (the "**2019 Technical Report**") in relation with the Whabouchi Lithium Mine and Concentrator (the "**Whabouchi Property**") as well as the Shawinigan conversion plant (the "**Commercial Electrochemical Plant**") (together the "**Commercial Project**"). The Commercial Project is currently on care and maintenance pending the outcome of the CCAA proceedings.

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As at March 31, 2020, the Corporation was not able to meet certain conditions in order to have access to the second tranche of US\$75 million relating to the US\$150 million **Purchase and Sale Agreement (Lithium Products)** (or sometimes referred to as the "**Stream Agreement**") with OMF Fund II (K) Ltd. and OMF Fund II (N) Ltd. (collectively, "**Orion**"). There are no guarantees that the Corporation will be able to negotiate an amended agreement with Orion in order to potentially keep in place the first tranche of US\$75 million already received in August 2018 or to have access, when required, to the second tranche on revised terms that Orion may request in the Stream Agreement. There also exist a possibility that the Stream Agreement could be cancelled or repudiated during the CCAA proceedings.

On January 29, 2020, the Corporation announced that it reached an agreement in principle with the Nordic Trustee (the "**Trustee**") to settle the dispute which arose with the bondholders. The settlement provides that the Corporation is released of its obligations towards the Trustee and the bondholders and obtains the discharge of the security which secured the bonds, in exchange for a lump sum payment of US\$30,000 (\$41,235\$). The settlement was approved on February 12, 2020 by bondholders holding in excess of two thirds of the principal amount of the Secured Bonds and on February 13, 2020 by the Court. The required funds were transferred to the bondholders' paying agent on March 11, 2020 such that, on March 13, 2020, the settlement had been fully implemented and was then confirmed on March 17, 2020 by the settlement officer stating that the payments to the bondholders had been fully executed. The first-ranking security held by the bondholders under the Bond Terms is currently in the process of being discharged.

The Corporation's operations are governed by applicable laws and regulations regarding environmental protection. At the date of issuance of this document and to the best knowledge of management, the Corporation is in material conformity with applicable environmental laws and regulations. Restoration costs are accrued in the financial statements only when it can be determined that a present obligation exists, resulting from the environmental consequences of the activities carried out by the Corporation or otherwise related to the potential decommissioning or rehabilitation of the Corporation's assets, and when such costs can be reliably estimated. Such obligation is capitalized to the cost of the related assets at that time (Note 12 Assets Retirement Obligations).

At the date of issuance of this document and to the best knowledge of the Corporation, the costs associated with the potential environmental obligations in connection with the Shawinigan site with respect to known contamination issues is estimated to be in the range of \$2.3 million to \$4.5 million. However, as explained in the next paragraph, the Corporation is not responsible for paying for most of these estimated costs. This is why only an amount of \$0.7 million is accounted for in the accounts payable and accruals in the current liabilities of the unaudited consolidated condensed interim financial statements of financial position and as care and maintenance and other costs in the unaudited consolidated condensed interim statements of net loss and comprehensive loss for the three-month and nine-month periods ended March 31, 2020.

The Corporation has strong legal arguments to seek indemnification from the previous owner of the Shawinigan site, the Société de Développement de Shawinigan Inc. ("SDS"), for potential environmental obligations associated with the Shawinigan site representing costs estimated to be in the range of approximately \$1.6 million to \$3.8 million; all pursuant to the Asset Purchase Agreement (Convention d'achat d'éléments d'actif) entered into between the Corporations' subsidiary Nemaska Lithium Shawinigan Transformation Inc. ("Nemaska Shawinigan") and the SDS on May 6, 2016 (the "Shawinigan APA"). Pursuant to this Agreement, the SDS agreed among other things to indemnify Nemaska Shawinigan, the Corporation, its directors and officers and shareholders from all damages and obligations related to historical hazardous materials located at the Shawinigan site on the effective date (May 6, 2016), subject to the terms and conditions set out in the Shawinigan APA. The SDS indemnification obligations do not apply however to: i) damages directly related to hazardous materials released at the Shawinigan site after May 6, 2016, or ii) damages directly related to the removal or destruction of concrete slabs or building foundations at the Shawinigan site.

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The assessment of the Corporation's ability to fund its future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including the Corporation's interpretation and assessment of significant subjective clauses under material lending agreements and expectations of future events that are believed to be reasonable under the current circumstances. This determination, however, could be impacted by future economic, financial and competitive factors as well as other future events that are beyond the Corporation's control. Such events or other matters as stated in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

Considering the financing required to complete the Commercial Project, the filing for creditor protection under the CCAA and the delisting of the shares of the Corporation, management re-assessed the recoverability of the assets related to the Commercial Project in the second quarter of the fiscal year 2020. Management concluded that an impairment of approximately \$267.6 million was deemed necessary and this was recorded in the statement of net loss and comprehensive loss as impairment charge in the second quarter of the fiscal year 2020. This impairment, which was allocated to several assets is mainly due to the increase in the discount rate, the additional delays and associated costs related to completing the required financing, which in turn entail delays in resuming the construction and its impact on the Stream Facility Agreement economics. The Corporation also performed an impairment test for the third quarter ended March 31, 2020, which did not result in any adjustment to the impairment charge recorded in the second quarter. This assessment may have to be revalued in the future based on the then facts and circumstances.

During the SISF and the Claims Process, the Corporation proceeded, with the help of its financial and legal advisers as well as of the Monitor, to estimate the potential overall liabilities when taking into account all the various claims received. Based on the information available to the management of the Corporation, it is estimated that the secured claims filed represents a cumulative total amount of approximately \$157 million; while the unsecured claims could represent a cumulative total amount of between approximately \$135 million and up to \$349 million. At the date of the issuance of these unaudited consolidated condensed interim financial statements for the three-month and nine-month periods ended March 31, 2020 and since a high level of uncertainty exists, the amounts that could be paid, if any, to the secured and unsecured creditors is unknown. Based on management and the Corporation's consultants' assessment as well as information available, an amount of approximately \$93 million has been provisioned for obligations relating to past events that could likely result in a potential payment in relation with the Claims Process. This provisioned amount, in conjunction with the other balances included in the liabilities subject to compromise, is the best estimate of what could be expected to be considered as the potential foundation of a plan of compromise or arrangement to the Corporation's creditors.

As at March 31, 2020, in connection with the CCAA proceeding, the Corporation identified the following obligations subject to potential compromise:

Notes are referring to the unaudited consolidated condensed interim financial statements for the period ended March 31, 2020	Notes	\$
Secured obligation - Stream Agreement	10 (B)	134,500
Secured - Contract liabilities	13 (A)	12,000
Unsecured and secured guaranteed fixed amount obligation	10 (C)	15,937
Unsecured account payable & accrual		38,551
Unsecured claims provision		93,032
Unsecured other accruals		26,727
Total liabilities subject to compromise		320,747

The liabilities that are not subject to the CCAA proceedings are excluded from the liabilities subject to potential compromise.

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Through the Claims Process and as part of the CCAA proceedings, Livent is claiming that an amount of US\$20 million currently in the Other in-trust deposit related to the Claims Process (Note 5 Restricted Cash and In-Trust Deposits) belongs to it and should be released to it by the Corporation. The Corporation and the Monitor are of the view that the amount belongs to the Corporation, such that during the Claims Process a notice of revision was issued to Livent, establishing its claim at an unsecured amount of approximately \$26 million.

Most of the claims are being independently reviewed by the Corporation and by the Monitor. The position of the Corporation and the Monitor has not yet been communicated to all the claimants. The Corporations' intention, with the assistance of the Monitor, is to issue notices of revision or disallowance to claimants for which the Corporation and the Monitor do not agree on the claims filed by the claimants.

The Corporation has a net loss and comprehensive loss of \$448,153 and a working capital deficiency of \$241,458 for the nine-month period ended March 31, 2020 as well as and a deficit since inception of \$554,643 as at March 31, 2020. It is not possible to predict the outcome of the matters involved in the CCAA proceedings, including whether a plan of compromise or arrangement will be presented to the Corporation's creditors or will be accepted by the latter, a settlement with creditors can be reached or the expected timing of such a settlement, or whether the Corporation will be able to continue to have access to financing from existing sources, or obtain new financing as a result of the SISP or other sources to complete the construction of the Commercial Project and ultimately attain profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. The unaudited consolidated condensed interim financial statements for the three-month and nine-month periods ended March 31, 2020 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses that would be necessary if the Corporation was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. If the Corporation was unable to operate in the normal course of operations, the adjustments required could be material.

Assuming a positive outcome of the SISP and alignment from the new investor(s), if any, combined with an acceptable potential CCAA plan of arrangement, the main objectives that the Corporation intends to accomplish from the date of this report and up to the next 12 to 18 months are, in no particular order, to:

- complete the SISP with the ultimate goal of securing the necessary financing or entering into a strategic transaction to resume the construction of the Whabouchi Lithium Mine, the Concentrator and the Commercial Electrochemical Plant in an orderly manner and this, for the benefit of all stakeholders;
- present a potential CCAA plan of arrangement to its creditors;
- proceed with hiring key employees and consultants for the execution of the plan;
- potentially seek, in due time, the re-listing of the shares on a trading platform (in the event there is any residual value for the holders of such shares); and
- negotiate, if required, a proper debt level with acceptable terms to be part of the overall project financing.

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3) Highlights for the nine-month period ended March 31, 2020 and up to the date of this report, next steps and going concern

i) Construction, Operation and Intellectual Property Highlights:

During the nine-month period ended March 31, 2020, on a total adjusted capital expenditure budget of approximately \$1,317 million as per the 2019 Technical Report and internal team estimate adjustments, approximately \$235 million of capital expenditures have been incurred for the Whabouchi Property and approximately \$130 million for the Commercial Electrochemical Plant. The remaining estimated capital expenditure required to complete the construction (excluding costs related to: remobilization or rebuilding of the required team, commissioning and ramp-up costs, sustaining capital and other costs) of the Commercial Project as at March 31, 2020 is estimated at approximately \$952 million. At the date the financial statements were authorized for issuance, the Corporation does not have the available cash resources or access to secured financing to complete the construction of the Commercial Project. The overall required financing will be better evaluated when other information becomes available, including the resolution of items described below.

During the nine-month period ended March 31, 2020 and up to the date of this report, the Corporation took, *inter alia*, the following decisions in order to preserve as much as possible its liquidities under difficult circumstances: i) downsizing of its workforce by letting go approximately 130 employees; ii) putting the Commercial Project and the Phase 1 Plant under care and maintenance; iii) filing for creditor protection under the CCAA; and iv) launching the SISP and Claims Process.

Progress at the Commercial Electrochemical Plant

During the nine-month period ended March 31, 2020 and up to the date of this report, other than limited engineering work and care & maintenance activities, no other material actions were conducted for the Commercial Electrochemical Plant after a full stop of all activities, including engineering, in December 2019.

Once the SISP is completed and the new investor(s), if any, are known, the Corporation will seek their advice and vision on how they would see the project execution unfolding. Only then will the Corporation be able to properly estimate the timeline to execute the construction, installation, pre-operational verification and commissioning of the Commercial Electrochemical Plant in connection with the Whabouchi Project.

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Progress at the Whabouchi Property

During the nine-month period ended March 31, 2020 and up to the date of this report, the following main work was done:

- limited construction progress was earned since the adjusted pace in May 2019 at the Whabouchi Property;
- completion of civil works as part of the general site preparation and crushing area;
- substantial completion of outside concrete foundations;
- overburden removal for Basins 11 and 11N has progressed well;
- operation readiness plan is ongoing, with a reduced team;
- pre-production mine development of the permanent mine infrastructure has progressed well;
- limited engineering work;
- the temporary construction camp was demobilized; and
- care and maintenance activities have been realized.

Once the SISF is completed and the new investor(s), if any, are known, the management of the Corporation will seek their advice and vision on how they would see the project execution unfolding. Only then the Corporation will be able to properly estimate the timeline to execute the construction, installation, pre-operational verification and commissioning of the Whabouchi Property in connection with the Whabouchi Project.



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Operations at the Phase 1 Plant

Up until about December 13, 2019, the Corporation operated its Phase 1 Plant, designed to produce high purity lithium hydroxide from Whabouchi spodumene concentrate and third party lithium sulfate.

The work accomplished at the Phase 1 Plant during the nine-month period ended March 31, 2020 and up to the date of this report are as follows:

- Continued to process lithium sulfate and conversion of own-sourced spodumene concentrate that was produced at the Whabouchi Property for delivery of lithium hydroxide monohydrate to Johnson Matthey and other potential clients until the activities were stopped in December 2019;
- Phase 1 Plant scheduled shutdown;
- Care and maintenance activities; and
- Technical support for the Commercial Project team.

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Intellectual Property

The Corporation now has a patent portfolio comprised of 11 different patent families that relate to its proprietary processes for preparing lithium hydroxide and lithium carbonate as well as for preparing metal hydroxides and oxides to be used in the preparation of lithium batteries, processes for recycling same, and additives for cement and concrete. More specifically, the Corporation has obtained Canadian Patent Nos. 2,871,092 and 2,964,106, Australian Patent Nos. 2013252439 and 201805189; and US Patent Nos. 9,677,181; 10,066,305; and 10,633,748 that relate to its proprietary process for preparing high purity lithium hydroxide as well as Canadian Patents Nos. 2,905,197; 2,928,227; 2,940,027; 2,964,148; 3,005,843 and 3,034,982; Australian Patent Nos. 2014339706; 2014231593; 2017258936 and 2015221373; Chilean Patent No. 55.597; European Patents Nos. 3 060 699 and 3 110 988; Japanese Patent Nos. 6368347 and 6449317; US Patent No. 10,036,094 and 10,544,512, Chinese Patent No. 201480070316.6 and 201580015620.5 that specifically protects improvements of the electrolysis membrane process for preparing lithium hydroxide. The Corporation has also obtained Canadian Patent Nos. 2,874,917 and 2,928,224; US Patent Nos. 9,382,126; 9,890,053 and 10,144,990; European Patents Nos. 2 855 735 and 3 060 522; Japanese Patents Nos. 6335316 and 6559754 Australian Patent Nos. 2013270412; 2014339705 and 2017201692; Indian Patent No. 333991 and Chinese Patent No. 201480070317.0 that relate to its proprietary process for preparing high purity lithium carbonate. In addition to the above-mentioned patents, the Corporation has 65 pending patent applications in 18 different jurisdictions (AU, CA, CL, CN, HK, EP, IN, JP, KR, US, SA, QA, BH, KW, AE, ID, PG and PCT).

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ii) Financing Agreements and Unsecured Obligations as at the date of this report:

Reference is made to section 10) Risk Factors Related to the Corporation within this document

a) Stream Agreement:

	As at March 31, 2020	Year Ended June 30, 2019
	\$	\$
Stream Agreement (US\$75 million)	97,620	97,620
Interest expenses	27,199	14,792
Foreign exchange impact	9,681	533
Sub-total	134,500	112,945
Financing costs	—	(5,859)
Amortized financing costs capitalized to property, plant and equipment	—	140
	134,500	107,226
Current portion of Stream Agreement	134,500	107,226
Non-current portion of Stream Agreement	—	—
Liabilities subject to compromise	134,500	—

	Period Ended March 31, 2020	Year Ended June 30, 2019
	\$	\$
Balance - beginning of period	107,226	97,620
Interest expense	12,407	14,792
Foreign exchange impact	9,148	533
Financing costs	—	(5,859)
Amortized financing costs capitalized to property, plant and equipment	12	140
Unamortized portion of financing costs recorded in finance expense	5,707	—
Balance - end of period	134,500	107,226

In April 2018, the Corporation signed the Stream Agreement with Orion whereby the Corporation will, in exchange of US \$150 million (in two tranches of US\$75 million each), sell to Orion 14.5% of its production of lithium hydroxide and lithium carbonate produced at the Shawinigan plant and sales of concentrate above the initial 300,000 tonnes expressed on a lithium carbonate equivalent basis (collectively, the "Stream Products") at an agreed discounted price.

Orion's purchase price paid to the Corporation under the Stream Agreement will be 40% of the sales proceeds of such Stream Products. The Corporation will act as Orion's agent in the sale of the Stream Products to third-party off-takers.

Through this arrangement, Orion would receive 60% of the sales proceeds from such Stream Products, which will result in Orion receiving a net portion of approximately 8.7% of the Stream Products sales. The maximum amount of Stream Products deliverable per year, if the full payment of US\$150 million is paid to the Corporation, will not exceed the equivalent of 5,000 tonnes of Stream Products or 2,586 tonnes of Stream Products if only the first tranche is paid to the Corporation.

On August 23, 2018, the Corporation received the first tranche payment of US\$75 million from Orion.

(amounts are expressed in thousands, unless otherwise stated)

The second US\$75 million tranche was payable by Orion upon the satisfaction of certain technical and other conditions that are in the Stream Agreement which needed to be satisfied before December 31, 2019. Following the issuance in August 2019 of the 2019 Technical Report, the Corporation needed to renegotiate and obtain some modifications to various covenants and requirements contained in the Stream Agreement to avoid having to possibly repay the first tranche plus damages. Also, as the Corporation was not able to obtain the required financing in a timely manner and that it had to seek creditor protection under CCAA, the Corporation was not in a position to access this second payment tranche before December 31, 2019. Consequently, the payment of the second tranche could not be obtained by the Corporation and the first tranche, together with damages, could have to be repaid by the Corporation to Orion depending on the outcome of the CCAA proceedings. Such potential repayment raises a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. In connection with the CCAA procedures, Orion and the Corporation entered into a settlement to determine the amount of Orion's secured claim at \$134.5 million, which was confirmed by an order of the Court as at June 5, 2020.

The Corporation determined that the Stream Agreement is in substance a financial liability with a derivative financial instrument related to the variation of the lithium price over the project and the prepayment option. The two financial instruments need to be presented separately on initial recognition, based on their relative fair value. Subsequently, the financial derivative is measured at fair value at each reporting period with the change in fair value recorded in the consolidated statement of comprehensive net loss. The Corporation elected to present the debt host at amortized cost using the effective interest method and an effective rate of 17% resulting in the fair value of the derivative financial instrument on initial recognition deemed to be nil, thus all the US\$75 million received has been accounted for as debt.

The fair value of the derivative financial instrument as at March 31, 2020 is nil (Note 20 of the consolidated condensed interim financial statements for the period ended March 31, 2020) (June 30, 2019 - \$397) and the change in fair value was recorded under Change in fair value of derivative financial instrument in the consolidated statement of comprehensive net loss. Moreover, based on the current assumptions, the Corporation would not reach the conditions related to the buy-down right and any additional delays to the project would not have an impact on the undiscounted cash flows related to the stream.

For the nine-month period ended March 31, 2020, the Corporation capitalized \$14,412 (March 31, 2019 - \$97,620) of interest to Whabouchi Mine and the Concentrator and Shawinigan site as a borrowing cost incurred during the development of the Commercial project. Based on the fact that the Commercial Project is on care and maintenance mode pending the outcome of the CCAA proceedings, there will be no additional interest capitalized to the Commercial Project.

The Corporation entering into the CCAA protection on December 23, 2019 may have potentially caused the Corporation to become in default under one or some elements of the Stream Agreement. The uncertainties surrounding the outcome of the CCAA protection and the fact that the Corporation does not have an unconditional right to defer settlement of the liability unilaterally for at least twelve months after the date of the reporting period resulted in the principal amount of the Stream Agreement being classified as a current liability. Furthermore, for the same reasons, the Corporation recorded, in the consolidated condensed interim statements of net loss and comprehensive loss for the nine-month period ended March 31, 2020, an additional finance expense of \$5,707 related to the unamortized portion of the financing costs incurred on the issuance of the Stream Agreement.

As of March 31, 2020, the US\$75 million first tranche received, plus the accumulated assumed interest, has been accounted for as current liabilities because the Corporation does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. On June 5, 2020, following an agreement between the Corporation and Orion, the Court declared the secured claim amount in relation with the proof of claim filed by Orion to the Monitor to be \$134.5 million.

The Stream Agreement is secured by the universality of the Corporation's tangible and intangible assets, present and future; and also, by the universality of the Subsidiaries' tangible and intangible assets, present and future.

(amounts are expressed in thousands, unless otherwise stated)

b) Unsecured and Secured Obligations (relating to the Chinuchi Agreement):

In November 2014, the Corporation entered into an impact and benefits agreement (the "**Chinuchi Agreement**") for the Commercial Project with the Cree Nation of Nemaska, the Grand Council of the Crees (Eeyou Istchee) and the Cree Nation Government (together the "**Cree Parties**"). The Chinuchi Agreement is a binding agreement that governs the long-term working relationship between the Corporation and the Cree Parties during all phases of the Commercial Project. It provides for training, employment and business opportunities for the Crees during the Commercial Project construction, operation and closure, and sets out the principles of social, cultural and environmental respect under which the project is managed. The Chinuchi Agreement includes a mechanism by which the Cree Parties will benefit financially from the success of the project on a long-term basis, consistent with the Cree mining policy and the mining industry's best practices.

The official date for the commencement of construction was established to be August 30, 2018 (the "**Official Start of Construction**"), which triggered a liability of \$20,499 pursuant to the terms of the Chinuchi Agreement. As at March 31, 2020, the balance of the liability is \$15,937. Under the terms of the Chinuchi Agreement, the Corporation pays interest at a rate of 4.75% per annum quarterly in arrears on the principal balance amount of the liability. Based on certain terms contained in the Chinuchi Agreement and circumstances following the filing for protection under the CCAA, the full carrying amount is presented in the current liabilities as at March 31, 2020.

Principal repayments, along with related interest, are being made since October 1, 2018 and are estimated to last for a remaining estimated 19 quarterly installments, in arrears, which started on the first day of the following quarter of the Official Start of Construction, which was August 30, 2018. For the nine-month period ended March 31, 2020, interest of \$409 was capitalized to the mineral property (Note 7 of the consolidated condensed interim financial statements for the period ended March 31, 2020) (March 31, 2019-\$9,808). As at March 31, 2020, interests payable amounting to \$189 are recorded in accounts payable and accrued liabilities in the consolidated statements of financial position. For the three and nine-month period ended March 31, 2020, the Corporation has made payment of \$2,563 plus interest of \$598 in relation to this obligation. The Corporation also made during the first week of April 2020 a payment of \$1,043, including interest in relation to this obligation.

On February 13, 2020, the Corporation was authorized by the Court to grant a hypothec in favor of the Cree Parties for a total value of approximately \$16 million plus interest on such amount, calculated from the date of the hypothec annually, at a rate of twenty-five percent (25%) *per annum*, in order to secure the balance of the obligation. The hypothec was executed on May 1, 2020.

The following table sets out the fixed amount obligation as set out in the Chinuchi Agreement:

	As at March 31, 2020	As at June 30, 2019
	\$	\$
Guaranteed amount obligation	15,937	18,500
Current portion of the guaranteed fixed amount obligation	15,937	3,416
Non-current portion of the guaranteed fixed amount obligation	—	15,084
Guaranteed fixed amount obligation subject to compromise	15,937	—

(amounts are expressed in thousands, unless otherwise stated)

	Period Ended March 31, 2020	Year Ended June 30, 2019
	\$	\$
Balance, beginning of period	18,500	—
Guaranteed fixed amount obligation	—	20,499
Payment of guaranteed fixed amount obligation	(2,563)	(1,999)
Balance, end of period	15,937	18,500

iii) Other matters or highlights during the nine-month period ended March 31, 2020 and up to the date of this report:

Between July 1, 2019 and the date of this report, no options were exercised by employees, consultants and former board members. The Corporation issued 592,082 options having exercise prices of \$1.04. Also 8,881,083 options expired or canceled that were issued at an exercise price varying between \$0.20 and \$1.40.

The preparation of the unaudited consolidated condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Impairment of non-financial assets

In the year ended June 30, 2019, as the Additional Net Funds required to enable the Corporation to complete constructions and commissioning of the Commercial Project and the carrying amount of the Corporation's net assets were exceeding its market capitalization, it caused the Corporation to perform an impairment test over its Commercial Project, treated as one CGU, and to assess its recoverable amount. At that time, the recoverable amount was estimated based on its fair value less cost to sell and was taking into account that the following main assumptions related to the Commercial Project would have been in place in due time; the required financing and the start of production of spodumene concentrate and lithium hydroxide. The following assumptions were also taken into account: an average sale price of US\$14,000 per ton of lithium hydroxide; an inflation rate of 2% on all revenue up until the 8th year following the reach of commercial production; an inflation rate of 2% on all capital expenses and costs and; an after-tax discount rate of 18.75%.

Based on the assessment as at June 30, 2019, the fair value less cost to sell of the Commercial Project was determined to be higher than its carrying amount and no impairment was recognized.

During the nine-month period ended March 31, 2020, the Corporation reassessed the fair value less cost to sell of its Commercial Project to reflect recent new facts and circumstances, which are leading the Corporation to revise and modify some of the previous assumptions that were taken in its impairment analysis. The analysis is now taking the following revised assumptions and/or triggering events into account, namely the filing for protection under CCAA, the SISF, the Claims Process, the estimated added costs that will be required due to the demobilization of resources, the delay in the Commercial Project financing which is having an impact on the start of production of spodumene concentrate and lithium hydroxide and a higher after-tax discount rate at 20.25%. The following assumptions remained unchanged: an average sale price of US\$14,000 per tonne of lithium hydroxide; an inflation rate of 2% on all revenue up until the year 2030 and an inflation rate of 2% on all capital expenses and costs. Based on this assessment, an impairment test was performed as at March 31, 2020 which showed that the impairment charge of \$267,634 that was recognized in the unaudited consolidated condensed interim statement of net loss and comprehensive loss as at December 31, 2019, of which an amount of \$266,760 was recorded in reduction of the *Property, plant and equipment* and an amount of \$874 was recorded in reduction of the *Intangible assets*, was still adequate and did not require any adjustments.

(amounts are expressed in thousands, unless otherwise stated)

A decrease of 1% in the after-tax discount rate would imply that the recoverable amount would increase by approximately an additional \$65 million as at March 31, 2020; while an increase of 1% in the after-tax discount rate would imply that the recoverable amount would decrease by approximately an additional \$57 million as at March 31, 2020.

A decrease of US\$1,000 in the lithium hydroxide sale price would imply that the recoverable amount would decrease by approximately an additional \$96 million as at March 31, 2020; while an increase of US\$1,000 in the lithium hydroxide sale price would imply that the recoverable amount would increase by approximately an additional \$95 million as at March 31, 2020.

No impairment was recognized on the *Land, Vehicle and mining equipment* and on the *Mineral property* as it was estimated that the recoverable amount was not below the carrying amount. Following the impairment charge recognized on some assets of the CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse change in a key assumptions may result in further impairment.

Going concern

The assessment of the Corporation's ability to fund its future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including the Corporation's interpretation and assessment of significant subjective clauses under material lending agreements and expectations of future events that are believed to be reasonable under the current circumstances. This determination, however, could be impacted by future economic, financial and competitive factors as well as other future events that are beyond the Corporation's control. Such events or other matters as stated in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

(amounts are expressed in thousands, unless otherwise stated)

4) Mining Property, 2019 Feasibility Study, Mineral Resources and Mineral Reserves

As at the date of this report, the Corporation owns one mining property, namely the Whabouchi Property, consisting of 35 claims, one mining lease and 5 surface usage leases in the Eeyou Istchee / James Bay territory, province of Québec. We refer you to SEDAR and/or our website to consult the 2019 Feasibility Study and the current annual information form for more details, including, but not limited to, mineral resources and mineral reserves. The table below highlights selected information from the 2019 Feasibility Study.

All amounts are in Canadian dollars, except where otherwise indicated, and some amounts are also rounded for presentation.	2019 Technical Report			
	Total	Incurred as at May 31, 2019	Remaining as at May 31, 2019	
Total CAPEX¹ (CAD in M, including contingency)	Whabouchi¹: Plant¹: Total:	448 <u>821</u> 1,269	223 <u>117</u> 340	225 <u>704</u> 929
Spodumene Concentrate Average OPEX per Tonne of 6.25%Li₂O (Transformation at Whabouchi Property + transportation to the Commercial Electrochemical Plant)	CAD 452 (USD 347)			
Lithium Hydroxide Average OPEX per Tonne of LiOH-H₂O (Transformation at the Commercial Electrochemical Plant)	CAD 2,513 (USD 1,933)			
Total OPEX per Tonne of LiOH-H₂O (Whabouchi Property + Commercial Electrochemical Plant, including transport)	CAD 5,223 (USD 4,018)			
Before-Tax Net Present Value (NPV)²	@ 8% Discount Rate	CAD 3.1 B (base case)		
	@ 10% Discount Rate	CAD 2.3 B		
Before-Tax Internal Rate of Return (IRR)²	30.3%			
After-Tax NPV²	@ 8% Discount Rate	CAD 2.3 B (base case)		
After-Tax (IRR)²	@ 10% Discount Rate	CAD 1.7 B		
Average Selling Price Lithium Hydroxide per tonne over Life of Mine	USD 14,000 (CAD 18,200)			
Open pit Mine Proven and Probable Reserves	27.9 M tonnes at 1.33% Li ₂ O			
Underground Mine Proven and Probable Reserves	8.7 M tonnes at 1.21% Li ₂ O			
Combined Open pit and Underground Proven and Probable Reserves <i>*The 2019 Technical Report confirms that more resources were identified below the mineral reserves level but are not considered Proven and Probable Reserves.</i>	36.6 M tonnes at 1.30% Li ₂ O			
Life of Mine Production	6.6 M tonnes of spodumene concentrate to be converted into ≈1.1 M tonnes of battery-grade lithium hydroxide and 368 k tonnes of spodumene concentrate to be sold on the market.			
Expected Mine Life	33 years			
Life of Mine Revenue	CAD 20.25 B			
Exchange rate used for CAD to USD	1.30 : 1.00			

¹The total CAPEX includes amounts for corporate owners' costs, which are ≈CAD 42 M for Whabouchi Property and ≈CAD 29 M for the Commercial Electrochemical Plant. ² The NPV and IRR **exclude** sunk costs of ~CAD 340 M from calculations. This is the NI 43-101 standard.

(amounts are expressed in thousands, unless otherwise stated)

2019**Whabouchi Deposit in Pit Mineral Resources Estimate ¹**

	Category	Tonnage (Mt)	Average Grade (% Li ₂ O)
In Pit (IP) COG: 0.3% Li ₂ O	Measured	17.8	1.60
	Indicated	20.5	1.33
	<u>Measured + Indicated</u>	<u>38.3</u>	<u>1.45</u>
	Inferred	11.7	1.27

¹ DMS stockpile included**Whabouchi Deposit Below Pit Mineral Resources Estimate**

	Category	Tonnage (Mt)	Average Grade (% Li ₂ O)
Below Pit (BP) COG: 0.6% Li ₂ O	Measured	-	-
	Indicated	0.3	1.13
	<u>Measured + Indicated</u>	<u>0.3</u>	<u>1.13</u>
	Inferred	5.4	1.33

2019**Combined Whabouchi Mineral Reserves ¹**

	Category	Tonnage (Mt)	Average Grade (% Li ₂ O)
Open Pit (OP) COG : 0.4% Li ₂ O	Proven	18.3	1.41
	Probable	9.6	1.18
	Total OP Reserves	27.9	1.33
Underground (UG) COG : 0.6% Li ₂ O	Proven	0.7	1.42
	Probable	8.0	1.20
	Total UG Reserves	8.7	1.21
Total	Proven	19.0	1.41
	Probable	17.6	1.19
	Total Reserves ²	36.6	1.30

¹ DMS stockpile included² Due to rounding errors, totals may not add-up exactly

(amounts are expressed in thousands, unless otherwise stated)

5) Selected Financial Information

The following table summarizes the Corporation's selected key financial data taken from the unaudited consolidated condensed interim of financial statements of net loss and comprehensive loss for the three and nine-month periods ended March 31, 2020 and March 31, 2019 as well as the consolidated condensed interim statements of financial position as at March 31, 2020, June 30, 2019 and June 30, 2018.

Consolidated statements of net loss selected financial information				
	Three-month periods ended, March 31		Nine-month periods ended March 31	
	2020	2019	2020	2019
Earnings and loss:				
Interest income	462	2,000	1,766	6,555
Operating loss	12,372	5,615	30,472	13,131
Net loss and comprehensive loss	118,700	13,090	448,153	21,619
Loss per share, basic and diluted	0.140	0.015	0.529	0.026

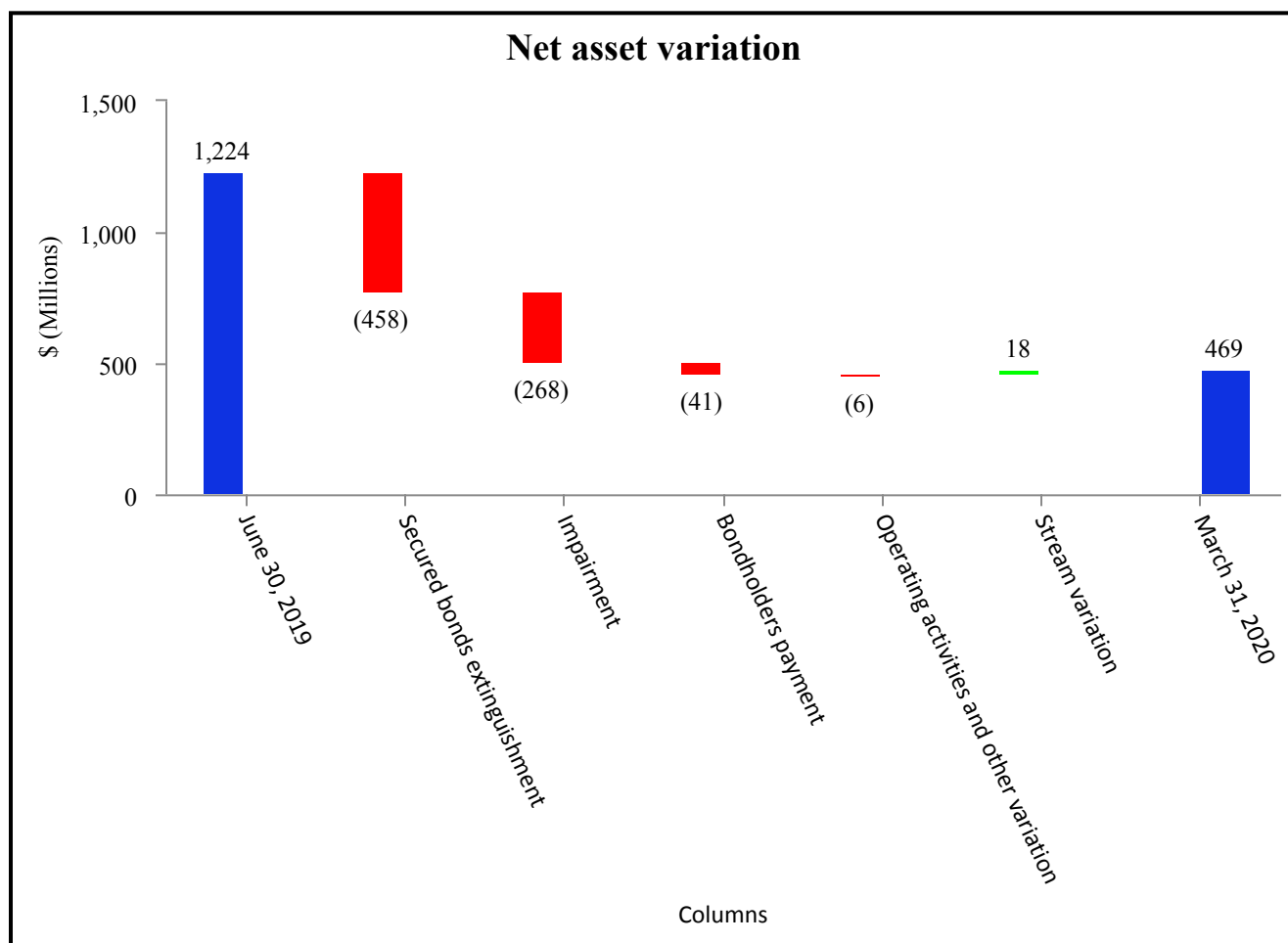
Consolidated statements of financial position selected financial information			
	As at		
	March 31, 2020	Jun 30, 2019	Jun 30, 2018
Cash and cash equivalents	42,053	128,133	371,193
Restricted cash and in-trust deposits ⁽¹⁾	42,208	525,928	44,603
Working capital ⁽²⁾	79,289	57,628	363,712
Total assets ⁽³⁾	469,221	1,223,785	652,653
Total liabilities ⁽³⁾	338,821	646,463	52,685
Shareholder's Equity	130,400	577,322	599,968

- (1) See Note 5 of the unaudited consolidated condensed interim of financial statements for the three and nine-month period ended Mar 31, 2020.
- (2) This is a non-GAAP financial measure which does not have any standardized meaning prescribed by the Corporation's GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. This financial measure is defined as the current assets less the current liabilities which presents the actual working capital available to the Corporation for general administrative purposes.
- (3) Restated: See Note 3 of the audited consolidated financial statements for the year ended June 30, 2019.

(amounts are expressed in thousands, unless otherwise stated)

Unaudited consolidated condensed interim statement of financial position as at March 31, 2020

As at March 31, 2020, the total assets of the Corporation were at \$469,221, representing a decrease of \$754,564 when compared to June 30, 2019. The decrease in the total assets during the nine-month period ended March 31, 2020 is mostly due to: i) the extinguishing of the Secured Bonds and the reversal of the corresponding in-trust deposit, for an amount of \$458,045 ; ii) impairment charge of \$267,634 mainly recorded as a reduction of property, plant and equipment; iii) settlement of the secured bonds for an amount of \$41,235; iv) the Stream Agreement variation of \$18,127 when taking into account the impact of the approval of the amount of the secured claim of \$134,500 by the Court; and iii) the operating activities and other variations also contributed in the decrease of the total assets.



(amounts are expressed in thousands, unless otherwise stated)

**Consolidated Condensed Interim Statements of Net Loss and Comprehensive Loss
three and nine-month periods ended March 31, 2020 and March 31, 2019**

	Three - month periods ended March 31, 2020		Nine - month periods ended March 31	
	2020	2019	2020	2019
	\$	\$	\$	\$
EXPENSES:				
Compensation	4,511	1,050	9,662	2,801
Share-based expenses	176	1,393	1,231	4,079
Rent, office expense and other expenses	(157)	414	897	687
Depreciation and amortization expense	742	150	2,135	521
Registration, listing fees and shareholders' information	(5)	79	72	430
Promotion and advertising	21	19	64	98
Representation, missions and trade shows	41	213	329	641
Consultants fees	1,296	463	5,106	1,581
Professional fees	1,730	1,834	6,959	2,293
Care and maintenance and other costs	4,017	—	4,017	—
Operating loss	12,372	5,615	30,472	13,131
OTHER ITEMS:				
Finance income	(462)	(2,000)	(1,766)	(6,555)
Finance expense	(757)	264	5,419	285
Secured bonds settlement, termination cost of contract liabilities and provisions	98,170	—	137,134	10,414
Loss on foreign exchange	8,026	(239)	7,385	932
Change in fair value of the investments	1,351	(964)	2,272	3,412
Change in fair value of the derivative financial instrument	—	—	(397)	—
Impairment charge related to property, plant and equipment and intangible assets	—	—	267,634	—
	106,328	7,475	417,681	8,488
Net loss and comprehensive loss for the period	118,700	13,090	448,153	21,619
Basic and diluted loss per share	0.140	0.015	0.529	0.026
Basic and diluted weighted average number of shares outstanding	847,634	847,514	847,634	847,584

(amounts are expressed in thousands, unless otherwise stated)

The results for the three and nine-month periods ended March 31, 2020 show a net loss and comprehensive loss of \$118,700 and \$448,153, respectively (\$13,090 and \$21,619, respectively for the same period in the previous year) as seen in the previous table. The Corporation has no revenues from operations. Finance income related to interest revenues of \$462 and \$1,766, respectively (\$2,000 and \$6,555, respectively for the same period in the previous year) showing a decrease of \$1,538 and \$4,789, respectively, which is directly linked to lower cash account balances. As seen in the previous page that reflects the unaudited consolidated condensed interim statement of net loss and comprehensive loss, the main variations between the three and nine-month periods having an impact on the net loss are: i) impairment charges of \$0 and \$267,634, respectively, were recorded following the analysis that the recoverable amount of the Commercial Project was determined to be lower than its carrying amount; ii) compensation increased by \$3,461 and \$6,861, respectively mainly due to \$2,096 of wages that were previously capitalized to Property, Plant and Equipment in the previous quarters and also due to higher headcount (for a portion of the current year vs the previous year) combined with the expenses related to the key employees retention plans; iii) share-based payment, a non-cash expense, decreased by \$1,217 and \$2,848, respectively mainly driven by the different parameters of the Black-Scholes valuation model combined with the fact that less options were granted and vested in the current three and nine-month period than the same period in the previous year; iv) combined consultant fees and professional fees increased by \$729 and \$8,191, respectively are mainly due to increases in the corporate activities related to the review of financing alternatives, the SISP and Claims Processes with the Monitor, the financial and legal advisers / consultants and also related to the court dispute with the Trustee; v) the secured bonds settlement, termination cost of contract liabilities, CCAA claims provision and grant provision increased by \$98,170 and \$137,134, respectively; and vi) the fluctuation in the fair market value of the investments in Monarch Gold Corporation and in Vision Lithium Inc. resulted in a positive change in fair value of the investments for an amount of \$2,315 during the three-month period and a negative change in fair value of the investments for a total of \$1,140 during the six-month period.

Financing activities for the nine-month period ended March 31, 2020

Between July 1, 2019 and March 31, 2020, the cost overrun account funds were released to the Corporation for an amount of \$40,000; and also the accrued interest amounting to \$13,767 that was accumulated in the escrow account held by the Trustee. The Corporation also disbursed \$1,461 in relation with the lease financing capital repayment and \$2,563 for the repayment of the capital related the unsecured obligation.

Investing activities for the nine-month period ended March 31, 2020

During the nine-month period ended March 31, 2020, a net amount of \$82,868 was used in the investing activities. The cash flows used for the additions in relation to property, plant and equipment were \$72,768 with also an amount of \$8,980 that was paid for interest capitalized to property, plant and equipment and finally the investments in the intangible assets amounted to \$1,146. For details on the investment activities, please refer to the “*Highlights for the nine-month period ended March 31, 2020 and up to the date of this report, next steps and going concern*” section at the beginning of this document under the sub-sections “*Operation at the Phase 1 Plant*”, “*Progress at the Electrochemical Plant*”, “*Progress at the Whabouchi mine site*” and “*Intellectual Property and Patents*”.

GRANTS AND OTHER RECEIVABLES:

	As at March 31, 2020	Year Ended June 30, 2019
	\$	\$
Grants receivable (see table below)	450	1,737
Other receivables	729	339
Accrued interest	57	347
	1,236	2,423

(amounts are expressed in thousands, unless otherwise stated)

Grantors	Granted	Received	Balance Available	As at	Year Ended
				March 31, 2020	June 30, 2019
	\$	\$	\$	\$	\$
Sustainable Development Technology Canada program (SDTC)	12,870	11,583	1,287	—	1,287
Technoclimat program	3,000	2,550	450	450	450
Transition Énergétique du Québec (TEQ)	3,750	3,750	—	—	—
	19,620	17,883	1,737	450	1,737

As at the date of the issuance of the unaudited consolidated condensed interim financial statements for the nine-month period ending March 31, 2020, SDTC has communicated to the Corporation that due to the fact that the Corporation is currently under the creditor protection under the CCAA, SDTC would no longer make any payments to the Corporation. The Corporation strongly believes that it has fulfilled all of its obligations towards SDTC under the agreement up to now and is of the view that the remaining amount owing from SDTC of \$1,287 is still receivable as at March 31, 2020. Pending the resolution of this matter, the Corporation recorded a provision over the balance receivable in the unaudited consolidated condensed interim statement of loss and comprehensive loss.

Indeed, by the Amended and Restated Initial Order dated February 13, 2020, the Court orders that, until and including July 10, 2020 or such later date as the Court may order (the "Stay Period"), all rights and remedies against the Corporation are stayed and suspended except with leave of the Court and that during the Stay Period, no Person (herein identified as being SDTC) shall discontinue, repudiate, resiliate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Corporation, except with the written consent of the Corporation, as applicable, and the Monitor, or with leave of the Court.

During the Claims Process initiated on January 29, 2020, the Corporation received a claim from TEQ for the amount previously received by the Corporation totaling \$3,750. As at March 31, 2020 the Corporation had not yet fulfilled the conditions required to receive the remaining balance of \$1,250 from financial assistance in the amount of \$5,000 that was granted to the Corporation under the terms of the agreement with TEQ. No provision was necessary on the amount of \$1,250 as it was not yet included in the Grants and other receivable.

(amounts are expressed in thousands, unless otherwise stated)

CONTRACT LIABILITIES:

	Period ended March 31, 2020	Year ended June 30, 2019
(A) Johnson Matthey agreement	\$	\$
Opening balance	16,010	14,391
Financial expense	(4,010)	1,619
Ending Balance	12,000	16,010
(B) Livent Corporation (previously referred to as FMC Corporation) agreement		
Opening balance	—	15,264
Financial expense	—	1,049
Termination cost	—	10,414
Contract cancellation	—	(26,727)
Ending Balance	—	—
Cumulative Ending Balance	—	16,010
Cumulative Ending Balance subject to compromise	12,000	—

(A) In May 2016, the Corporation signed an agreement with a subsidiary of Johnson Matthey Plc ("JMBM") in the amount of \$12,000 in exchange for services and products of the same value from the Corporation's Phase 1 Plant. As at March 31, 2020, the full amount had been received (\$12,000 as at June 30, 2019). During the Claims Process, JMBM filed a secured claim amounting to \$12,000 in relation with the deposit agreement which lead to the contract liability. As the supply agreement was terminated by the Corporation, IFRS 15 no longer applies and thus, the cumulative financial expense as at March 31, 2020, amounting to \$(4,667) was reversed in the unaudited consolidated condensed interim financial statement of net loss and comprehensive loss for the three-month and nine-month periods ended March 31, 2020 and reclassified under *Other liabilities* in the consolidated condensed interim financial statement of financial position as at March 31, 2020 of the consolidated condensed interim financial statements for the period ended March 31, 2020).

On March 27, 2019, the Corporation signed a modified and expanded existing long-term supply agreement for battery grade lithium hydroxide with JMBM. Under this amended agreement, the Corporation had agreed to supply JMBM, on a take-or-pay basis, a total of 61,000 tonnes of lithium hydroxide to be produced at the Commercial Electrochemical Plant, for an initial 10-year supply period scheduled to start in 2021. During the CCAA Claims Process, the Corporation terminated this long-term supply agreement and, as a result of same, JMBM filed a unsecured claim in the amount of approximately \$86.4 million in relation with the termination by the Corporation of this long-term supply agreement. The Corporation and the Monitor have not yet finalized their review of the claim presented by JMBM.

The contract liability with JMBM is secured by the universality of tangible assets, present and future, of the Corporation's subsidiary Nemaska Lithium P1P Inc. as well as by the shares of such subsidiary held by the Corporation.

(B) On April 3, 2017, the Corporation received from Livent Corporation ("Livent" previously referred to as FMC Corporation) an amount of \$13,358 (US\$10,000), in accordance with the supply agreement announced on October 31, 2016, and agreed to amend the supply agreement to extend the timeline for the supply of product thereunder.

In the course of previous negotiations, the Corporation had advised Livent that, in the event no agreement was to be reached between the parties, the Corporation might have no other option but terminating the Supply Agreement pursuant to its terms by reimbursing the US\$10 million and by paying a termination fee of the same amount. On February 18, 2019, despite good faith negotiations, the Corporation was unable to reach a mutually satisfactory outcome with Livent. As a result, the Corporation had no choice but to exercise its contractual rights to terminate the Supply Agreement.

(amounts are expressed in thousands, unless otherwise stated)

During the Claims Process, Livent filed secured and unsecured claims of approximately \$26 million against the Corporation or its Subsidiaries. Following a review of those claims by the Corporation and the Monitor, the latter issued a notice of revision to Livent, establishing its claim at an unsecured amount of approximately \$26 million. As at the issuance of the unaudited consolidated condensed interim financial statement for the three-month and nine-month periods ended March 31, 2020, there still exist a high level of uncertainty on the outcomes of the SISP and Claims Process and as to what amount could be payable to Livent, if any.

6) Selected Quarterly Data

Operating results for each of the last 8 quarters are presented in the table below. The data related to these quarters was prepared in the same manner as that of the audited financial statements for the fiscal year ended June 30, 2019.

Operating results:

Operating results as at:	Finance income \$	(Profit) or Loss before income taxes \$	Net (Profit) or Loss \$	(Profit) Loss per share – basic \$
March 31, 2020	462	118,702 ¹	118,702 ¹	0.140
December 31, 2019	553	268,007 ²	268,007 ²	0.316
September 30, 2019	751	61,447 ³	61,447 ³	0.072
June 30, 2019	1,359	6,127 ⁴	6,127 ⁴	0.007
March 31, 2019	2,000	13,090 ⁵	13,090 ⁵	0.015
December 31, 2018	2,658	2,436	2,436	0.003
September 30, 2018	1,898	6,093 ⁶	6,093 ⁶	0.007
June 30, 2018	724	13,204 ⁷	12,935 ⁷	0.020

1. The loss is mainly due to CCAA claims provision and termination cost for \$98,170.

2. The loss is mainly due to impairment charge of \$213,755.

3. The loss is mainly due to impairment charge of \$53,880.

4. The loss is mainly due to the change in fair value of \$2,009 of the investments and to the increase in cost for consultants and professional expenses for \$3,784.

5. The loss is mainly due to a non-recurring expense of \$10,414 related to the termination of a supply contract.

6. The loss is mainly due to a change in fair value of \$4,602 on the investments which are measured at fair value and to the share-based expense for \$1,344.

7. The loss is mainly due to an impairment of \$2,539 on the investments which are measured at fair value and to the share-based expense for \$5,267.

(amounts are expressed in thousands, unless otherwise stated)

Activities in the Common shares, Share purchase options, Warrants issued to shareholders and Compensation options to brokers:

Please refer to the “*Financing activities for the nine-month period ended March 31, 2020*” section in this document for more details on the main movements.

Common shares:

Outstanding shares information as at:	Common shares outstanding	Number of weighted average Common shares outstanding
As at the date of this report	847,634,338	847,634,338
March 31, 2020	847,634,338	847,634,338
December 31, 2019	847,634,338	847,634,338
September 30, 2019	847,634,338	847,634,338
June 30, 2019	847,634,338	847,603,019
March 31, 2019	847,584,338	847,514,338
December 31, 2018	847,134,338	846,851,730
September 30, 2018	846,434,338	846,124,555
June 30, 2018	846,059,338	846,059,338

Options:

Outstanding share purchase options as at:	Options issued	Options exercisable	Average exercise strike price \$
As at the date of this report	28,239,233	25,422,571	1.00
March 31, 2020	28,825,901	25,509,239	1.00
December 31, 2019	34,864,984	26,771,241	0.95
September 30, 2019	36,989,902	27,151,575	0.95
June 30, 2019	37,114,902	24,669,074	0.95
March 31, 2019	36,799,900	23,294,907	0.88
December 31, 2018	35,329,400	20,726,907	0.84
September 30, 2018	35,579,400	21,497,740	0.93
June 30, 2018	34,512,734	20,630,242	0.92

As at March 31, 2020, the Corporation had 28,825,901 outstanding options to purchase common shares. These options allow their holders to subscribe to one (1) common share at exercise prices varying between \$0.10 and \$1.44 per common share at different dates until April 2024, subject to the conditions established in the Amended and Restated Nemaska Lithium 2011 Stock Option Plan.

Between July 1, 2019 and the date of this report, no options were exercised by employees, consultants or directors.

(amounts are expressed in thousands, unless otherwise stated)

Warrants issued to shareholders:

	Warrants outstanding	Warrants exercisable	Average exercise strike price \$
As at the date of this report	—	—	—
March 31, 2020	—	—	—
December 31, 2019	—	—	—
September 30, 2019	—	—	—
June 30, 2019	29,274,823	29,274,823	1.50
March 31, 2019	29,274,823	29,274,823	1.50
December 31, 2018	29,274,823	29,274,823	1.50
September 30, 2018	29,274,823	29,274,823	1.50
June 30, 2018	29,274,823	29,274,823	1.50

As at March 31, 2020, all warrants were expired.

Compensation options or warrant units to brokers:

	Compensation options or warrant units outstanding	Compensation options or warrant units exercisable	Average exercise strike price \$
As at the date of this report	—	—	—
March 31, 2020	—	—	—
December 31, 2019	—	—	—
September 30, 2019	—	—	—
June 30, 2019	735,488	735,488	1.15
March 31, 2019	735,488	735,488	1.15
December 31, 2018	735,488	735,488	1.15
September 30, 2018	735,488	735,488	1.15
June 30, 2018	735,488	735,488	1.15

As at March 31, 2020, all compensation options and warrant units to brokers were expired.

(amounts are expressed in thousands, unless otherwise stated)

Compensation

During the three and nine-month periods ended March 31, 2020 and 2018, the Corporation incurred expenses for services rendered by executive officers of the Corporation. These services were rendered in the normal course of operations and are measured at the exchange amount, which is the amount agreed between the parties.

	Three - month periods ended March 31		Nine - month periods ended March 31	
	2019	2018	2019	2018
Wages and fringe benefits expensed:				
	\$	\$	\$	\$
Key management personnel	523	393	2,654	945
Other staff employees	1,792	514	4,565	1,576
Wages and fringe benefits related to care and maintenance and owner's costs that were previously capitalized to property, plant and equipment	2,096	—	2,096	—
Directors	100	143	347	280
	4,511	1,050	9,662	2,801
Other informations:				
Wages and fringe benefits capitalized to property, plant and equipment	—	3,161	9,242	7,408
Share-based expenses				
Share-based expenses key personnel	104	624	731	2,547
Share-based expenses to other staff employees	72	769	500	1,532
	176	1,393	1,231	4,079

(amounts are expressed in thousands, unless otherwise stated)

Financing sources

Financing sources table for amounts received during the last 8 quarters and up to the date of this report				
Date	Type	Financings	Gross Amounts (\$)	General description of the use of proceeds
Between July 1, 2017 and June 30, 2018	Options exercised	Common shares	818	The net proceeds of the financing were used to fund the general administrative expenses, investing activities and other working capital needs.
Between July 1, 2017 and June 30, 2018	Warrants	Common shares	15,036	The net proceeds of the financing were used to continue detailed engineering work, other projects development costs for the Whabouchi and Shawinigan sites and fund the general administrative expenses.
May 30, 2018	Short Form Prospectus base shelf	Common shares	280,000	The net proceeds of the project financing package, after deductions of the financing costs, is being used by the Corporation to fund the construction, working capital and reserves of the Commercial Project and partly for general corporate working capital.
May 30, 2018	Non-brokered Private Placement	Common shares	80,000	The net proceeds of the project financing package, after deductions of the financing costs, is being used by the Corporation to fund the construction, working capital and reserves of the Commercial Project and partly for general corporate working capital.
May 30, 2018	Non-brokered Private Placement	Common shares	93,776	The net proceeds of the project financing package, after deductions of the financing costs, is being used by the Corporation to fund the construction, working capital and reserves of the Commercial Project and partly for general corporate working capital.
July 24, 2018	Grants	Transition Énergétique du Québec	2,500	The net proceed from grants was to reimburse part of the cost of construction of the hydroelectric line that was built for the Whabouchi mine site.
August 23, 2018	Stream Agreement payment	Orion Mine Finance II LP	US\$75,000 (97,620)	The net proceeds of the Stream Agreement payment, after deductions of the financing costs, is being used by the Corporation to fund the construction, working capital and reserves of the Commercial Project.
September 12, 2018	Grants	Sustainable Development Technology Canada	2,732	The net proceeds from grants is to fund the investing activities and other working capital needs of the Phase 1 Plant.
Between July 1, 2018 and the date of this report	Options exercised	Common shares	273	The net proceeds from the exercised of options will be used to fund the general administrative expenses, investing activities and other working capital needs.
October 23, 2018	Grants	Transition Énergétique du Québec	900	The net proceeds from grants will be used to fund the investing activities and other working capital needs of the Phase 1 Plant.
February 4, 2019	Grants	Transition Énergétique du Québec	1,250	The net proceed from grants was to reimburse part of the cost of construction of the hydroelectric line that was built for the Whabouchi mine site.

(amounts are expressed in thousands, unless otherwise stated)

7) Basis of presentation:

(A) STATEMENT OF COMPLIANCE:

The unaudited consolidated condensed interim of financial statements referenced herein are related to the nine-month period ended March 31, 2020 and have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with those accounting policies followed by the Corporation in the most recent audited consolidated annual financial statements except where noted below. The unaudited consolidated condensed interim financial statements have been prepared under IFRS in accordance with IAS 34, Interim Financial Reporting. Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, the unaudited consolidated condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited consolidated annual financial statements and the notes thereto for the year ended June 30, 2019.

(B) BASIS OF MEASUREMENT:

The unaudited consolidated condensed interim financial statements have been prepared on the historical cost basis, except for investment, derivative financial instrument and share based payment which are recorded at fair value.

The unaudited consolidated condensed interim financial statements have been prepared on a going concern basis, meaning the Corporation would be able to realize its assets and discharge its liabilities in the normal course of operations.

(C) FUNCTIONAL AND PRESENTATION CURRENCY:

The unaudited consolidated condensed interim financial statements are presented in Canadian dollars, which is the Corporation’s functional currency, unless otherwise stated.

(D) USE OF ESTIMATES AND JUDGMENTS:

The preparation of the unaudited consolidated condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 1 - the use of the going concern assumption, Note 7 - capitalized costs and recoverability of property, plant and equipment, Note 8 - capitalized costs and recoverability of intangible assets, Note 9 - accounts payable and accrued liabilities and Note 18 - contingencies. It also includes the following critical judgment: Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 7 - property, plant and equipment, Note 9 - accounts payable and accrued liabilities, Note 10 - long-term debt and Note 12 - asset retirement obligation of the consolidated condensed interim financial statements for the period ended March 31, 2020.

Impairment of non-financial assets

Key sources of estimation uncertainty

(amounts are expressed in thousands, unless otherwise stated)

Management's assumptions and estimates of future cash flows used in the Corporation's impairment assessment of non-financial assets are subject to risk and uncertainties, particularly in market conditions where higher volatility exists, and may be partially or totally outside of the Corporation's control.

If an indication of impairment or reversal of a previous impairment charge exists, an estimate of the cash generating unit ("CGU") recoverable amount is calculated. The recoverable amount is based on the higher of fair value less costs of disposal ("FVLCD") and value-in-use ("VIU") using a discounted cash flow method taking into account assumptions that would be made by market participants, unless there is a market price available based on a recent purchase or sale of a mine integrated with an industrial complex. Cash flows cover periods up to the date that mining is expected to cease, which depends on a number of variables including recoverable mineral reserves and resources, expansion plans and the forecasted selling prices for such production.

Judgments made in relation to accounting policies

Both internal and external sources of information are required to be considered when determining whether there is any indication of impairment or that a previous impairment has reversed. Judgment is required around adverse changes in the business climate which may be indicators for impairment such as a significant decline in the asset's market value, decline in resources and/or reserves as a result of geological re-assessment or change in timing of extraction of resources and/or reserves which would result in a change in the discounted cash flow (including changes in the discount rate) obtained from the site, and lower metal or product prices or higher input cost prices than would have been expected since the most recent valuation of the site. Judgment is also required when considering whether significant positive changes in any of these items indicate a previous impairment may have reversed.

Judgment is required to determine whether there are indications that the carrying amount of the Commercial Project is unlikely to be recovered in full from successful development of the project or by sale. Judgment is also required when considering whether significant positive changes indicate that a previous impairment of assets may have reversed.

Commercial production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of Phase 1 Plant, Whabouchi Property and Commercial Electrochemical Plant within property, plant and equipment, and proceeds from sales are offset against capitalized costs.

Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached. Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management, including:

- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at a steady or increasing level;
- the mine has reached a level of pre-determined percentage of design capacity;
- mineral recoveries are at or near the expected production level; and
- the completion of a reasonable period of testing of the mine plant and equipment.

The commercial production will be declared on the first day of the calendar month following achievement of the above milestones. Once in commercial production, the capitalization of certain mine development and construction costs will cease.

Subsequent costs will be either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development will be assessed to determine whether capitalization is appropriate.

(amounts are expressed in thousands, unless otherwise stated)

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Corporation uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at initial recognition and at the end of each reporting period. Refer to Note 20 of the consolidated condensed interim financial statements for the period ended March 31, 2020 for further details on the methods and assumptions utilized.

Going concern

The assessment of the Corporation's ability to fund its future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including the Corporation's interpretation and assessment of significant subjective clauses under material lending agreements and expectations of future events that are believed to be reasonable under the current circumstances. This determination, however, could be impacted by future economic, financial and competitive factors as well as other future events that are beyond the Corporation's control. Such events or other matters as stated in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

8) Significant accounting policies:

The preparation of the unaudited consolidated condensed interim financial statements for the three and nine-month periods ended March 31, 2020 in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that effect amounts reported in the audited financial statement and accompanying notes. There is full disclosure of the Corporation's significant accounting policies and accounting estimates in Note 3 of the unaudited consolidated condensed interim financial statements for the period ended March 31, 2020, and in Note 3 of the audited consolidated financial statements for the year ended June 30, 2019.

9) Financial instruments and financial risk management:

Off Balance sheet agreements

The Corporation has not concluded any off-balance sheet agreements.

Obligations and contractual commitments

The Corporation had the following commitments as at the date of this report:

- A) In September 2009, the Corporation acquired a 100% interest in 18 mining claims included in the Whabouchi property in exchange for a consideration which included a 3% Net Smelter Return ("NSR") royalty on such claims and on four other claims later acquired by map designation payable to the vendor. For an amount of \$1,000, a 1% NSR royalty may repurchased by the Corporation once it has officially declared that it is in commercial production. As part of the CCAA proceedings, the Corporation sent a disclaimer notice of the royalty to its holder, which has filed an application with the Court to oppose the proposed disclaimer and has filed several claims against the Corporation, the Subsidiaries and their officers and directors for total amounts ranging from approximately \$83.3 million to approximately \$101.1 million.
- B) The Corporation was also committed to pay a 2% NSR royalty on 10 claims included in the Whabouchi property, but such royalty was disclaimed as part of the CCAA proceedings.

(amounts are expressed in thousands, unless otherwise stated)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, grants and other receivables and accounts payable and accrued liabilities, approximate their fair value due to the short-term nature of these financial instruments.

The carrying amount of the restricted cash and in-trust deposits approximate their fair value due to their nature. The fair value of all liabilities subject to compromise will only be determined once the SISP and the Claims Process are completed. The following table shows the carrying amount and fair value of the remaining financial liabilities, and their level in the fair value hierarchy:

	Carrying amount	Fair Value	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$
Lease liabilities	8,999	8,999	—	—	8,999

Valuation techniques**Derivative financial instrument**

Following the issuance of the 2019 Technical Report, different assumptions such as the product mix, the price of lithium hydroxide and revised construction and production schedules, were incorporated in the Corporations' valuation model of the derivative financial instrument related to the Stream Agreement and evaluated that the fair value of the derivative financial instrument as at March 31, 2020 is nil (June 30, 2019 - \$397). The valuation is based on the discounted cash flows at the market rate of interest to determine the present value of the option. Key inputs used in the valuation include the expected future prices of lithium, the expected delivery schedule, the expected mix of products and the credit spread. Valuation of the derivative financial instrument is therefore classified within Level 3 of the fair value hierarchy.

Financial liabilities at amortized cost (Stream Agreement, Unsecured obligation and Financial lease)

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

RISK EXPOSURE AND MANAGEMENT

The Corporation is exposed to a certain amount of risks at different levels. The type of risk and the way the exposure is managed are described hereafter.

(i) MARKET RISK:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Corporation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk:

The Corporation's interest rate risk arises from cash equivalents, restricted cash and in-trust deposits, long-term debt and Stream Agreement. Cash, restricted cash and in-trust deposits at variable rates expose the Corporation to the risk of variability in cash flows due to changes in interest rates, whereas long-term debt and Stream Agreement issued at fixed rates expose the Corporation to the risk of variability in fair value due to changes in interest rates. Cash equivalents and restricted cash bears interest at variable rates that can range during the period anywhere between 1.42% and 2.23% per year, depending on the Bank of Canada overnight rate fluctuations.

(amounts are expressed in thousands, unless otherwise stated)

For example, a 1% increase or decrease in the interest rate at the reporting date would have had the effect, assuming all other variables remain constant, to either decrease or increase the fair value of the financial instruments issued at fixed rates and the equity by \$503 as at March 31, 2020 (\$775 as at June 30, 2019).

In relation with financial instruments issued at variable rates, there is limited exposure to variability in cash flows due to the fact that they are redeemable at any time.

Currency risk:

The Corporation makes certain transactions in foreign currencies, mainly in US dollars. Consequently, the Corporation is exposed, to a certain level, to foreign exchange fluctuation. For example, a 5% increase or decrease in the US dollar at the reporting date would have had the effect, assuming all other variables remains constant, in particular interest rates, to increase or decrease the value of the financial instruments denominated in US dollar and the equity by \$5,985 as at March 31, 2020 (\$3,783 as at June 30, 2019).

	March 31, 2020		June 30, 2019	
	USD Value	CAD Value	USD Value	CAD Value
Cash and Cash Equivalent	450	639	9,698	12,691
In-trust deposit including interest	—	—	357,553	467,929
Account payables and accrued liabilities	22,488	31,903	74	97
Secured bonds	—	—	350,000	458,045
Stream Agreement	75,000	107,301	75,000	98,153

(ii) CREDIT RISK:

Credit risk is the risk of a financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Corporation's cash and cash equivalents, grants and other receivables and restricted cash and in-trust deposits and the carrying amount of these financial assets represents the Corporation's maximum exposure to credit risk as at the date of the financial statements. The credit risk on cash and cash equivalents and restricted cash and in-trust deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The credit risk on grants is also limited as the counterparties are funded by federal and provincial governments.

(iii) LIQUIDITY RISK AND CASH RESTRICTIONS:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations associated with its financial liabilities as they fall due.

The Corporation manages liquidity risk through the management of its capital structure. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at March 31, 2020, mainly due to the Claims Process and SISP, most of the Corporation's financial liabilities had contractual maturities of less than one year and the Corporation did not have enough funds available to meet its current financial liabilities. At the same date, the Corporation mainly had \$42,053 in non-restricted cash and cash equivalents (\$128,133 as at June 30, 2019), \$2,896 in sales tax receivables (\$8,410 as at June 30, 2019), \$1,236 in grants and other receivables (\$2,423 as at June 30, 2019) in order to partially meet its financial liabilities and future financial liabilities from its commitments.

(amounts are expressed in thousands, unless otherwise stated)

The table below shows the Corporation's financial liabilities based on the contractual maturities, including any interest payable, as at March 31, 2020 assuming that the first tranche of the Stream Agreement would not be reimbursed within the next twelve months:

	Carrying Amount	Contractual Cashflows	0 to 12 months	12 to 24 months	24 to 36 months	Over 36 months
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,200	2,200	2,200	—	—	—
Secured obligation - Stream Agreement subject to compromise ^{(1) (2)}	134,500	1,069,874	—	—	—	1,069,874
Unsecured accounts payable & accruals subject to compromise ⁽¹⁾	38,551	38,551	—	—	—	—
Unsecured and secured guaranteed fixed amount obligation subject to compromise ⁽¹⁾	15,937	17,799	4,113	3,950	3,788	5,948
Financing lease	8,999	10,307	2,424	2,354	2,342	3,188
	200,187	1,138,731	8,737	6,304	6,130	1,079,010

(1) Balance is subject to the CCAA proceeding (financial statements note 1);

(2) Stream Agreement not cancelled or repudiated and may be result in being kept in place after the CCAA proceedings, the SISP and the Claims Process, thus the amount in the column "Over 36 months" in the above table;

(iv) COMMODITY PRICE RISK:

The Corporation is subject to commodity price risk from fluctuations in the market prices for lithium salts and spodumene concentrate. Commodity prices risks are affected by many factors that are outside the Corporation's control including global or regional consumption patterns, the supply of and demand for metals, speculative activities, the availability and costs of lithium compounds substitutes, inflation, political and economic conditions. The Corporation has not hedged the price of any commodity at this time.

The fair value of the derivative financial instrument related to the Stream Agreement which is accounted for at fair value through profit or loss is impacted by fluctuations of commodity prices.

A 10% increase in the lithium hydroxide price at the reporting date would have had the effect, assuming all other variables remains constant, in particular interest rates, to decrease by \$103,884 the total cash flow paid in relation with the Stream Agreement, assuming that the first tranche of the Stream Agreement would not be reimbursed within the next twelve months.

A 10% decrease in the lithium hydroxide prices at the reporting date would have had the effect, assuming all other variables remains constant, in particular interest rates, to increase by \$103,773 the total cash flow paid in relation with the Stream Agreement, assuming that the first tranche of the Stream Agreement would not be reimbursed within the next twelve months.

(amounts are expressed in thousands, unless otherwise stated)

(v) OTHER RISKS ("CCAA RISK"):

CCAA risk relates to the uncertainty of the CCAA proceedings and its outcome. The risks include, but are not limited to: the risk that the Stay Period will not be extended past July 10, 2020 and that as a result, creditors will be entitled to exercise their various rights and remedies against the Corporation; the level of indebtedness of the Corporation; the implementation and impact of the SISP or any other sale, reorganization or restructuring on the assets, business, and financial affairs of the Corporation; future co-operation of the creditors of the Corporation; the Corporation's ability to obtain adequate financing to fund capital expenditures and working capital needs and to maintain the Corporation's ongoing obligations during the CCAA proceeding and thereafter; the ability to maintain relationships with suppliers, customers, employees, shareholders and other third parties in light of the Corporation's current liquidity situations and the CCAA proceedings; the Corporation's ability to present a CCAA plan of arrangement to its creditors.

The Corporation has no dividend policy.

PROPERTY TITLES

According to the *Mining Act* and regulations of the Province of Québec, to renew its claims, the Corporation must incur a minimum of exploration expenditures and must pay the Québec government a rent per claim for every two year renewal period. Between the date of this report and June 30, 2020, no other amounts have to be paid for the renewals of all the claims and mining lease as they all have been previously renewed. As at the date of this report, the Corporation has approximately \$6.6M in credits for work recognized by the *Ministère de l'Énergie et des ressources naturelles* that can be used to renew its claims on the Whabouchi property. Out of the 35 claims, the surface of 10 claims of the Whabouchi Property have been modified following the issuance of mining lease #1022 issued on October 26, 2017 by the *Ministère de l'Énergie et des ressources naturelles*.

10) Risk Factors Related to the Corporation

The Corporation operates in an industry and a context that contain various risks and uncertainties. The risks and uncertainties listed below are not the only ones to which the Corporation is subject. Additional risks and uncertainties not presently known by the Corporation, or which the Corporation deems not to be currently significant, or unforeseeable risks, may impede the Corporation's performance and/or may entail adverse consequences to the Corporation and its stakeholders. The materialization of one of the following - and other, unforeseeable - risks could harm the Corporation's activities and have significant negative impacts on its financial situation and its operating results.

It must be noted that, since December 23, 2019, the Corporation is under the protection of the CCAA and, as a result, many of the risks and uncertainties listed below must be read taking this particular context into consideration. While the Corporation endeavors to emerge from the CCAA process with an arrangement satisfactory to its stakeholders, there is no guarantee that any such outcome will occur.

It must also be noted that the common shares of the Corporation were delisted from the Toronto Stock Exchange on February 6, 2020 and have been delisted from the OTCQX since December 31, 2019. While the Corporation anticipates seeking a re-listing of its shares on a trading platform in connection with emerging from the CCAA process eventually (in the event there is any residual value for the holders of such shares), there is no guarantee that such re-listing will occur.

(amounts are expressed in thousands, unless otherwise stated)

Uncertainty of Completion of Required Funding or Disbursement of Funds

As at March 31, 2020, the Corporation was not able to meet certain conditions in order to have access to the second tranche of US\$75 million relating to the US\$150 million **Purchase and Sale Agreement (Lithium Products)** (or sometimes referred to as the "**Stream Agreement**") with OMF Fund II (K) Ltd. and OMF Fund II (N) Ltd. (collectively, "**Orion**"). There are no guarantees that the Corporation will be able to negotiate an amended agreement with Orion in order to potentially keep in place the first tranche of US\$75 million already received in August 2018 or to have access, when required, to the second tranche on revised terms that Orion may request in the Stream Agreement. There also exist a possibility that the Stream Agreement could be cancelled or repudiated during the CCAA proceedings.

On June 5, 2020, following an agreement between the Corporation and Orion, the Court declared the secured claim amount in relation with the proof of claim filed by Orion to the Monitor to be \$134.5 million.

If the Corporation is unable to draw some or all of the remaining funds from the Stream Agreement, this may materially and adversely affect the Corporation's ability to complete a sufficient project financing package and, as a result, to resume and complete the construction and commissioning of the Whabouchi Project, forcing the Corporation to seek additional debt and/or equity financing options.

Need for Additional Funding and Time of Development

The Whabouchi Property does not have an operating history upon which the Corporation can base estimates of future operating costs. Capital and operating costs are estimates based on the interpretation of geological data, feasibility studies and other conditions, and there can be no assurance that they will prove to be accurate. The costs, timing and complexities of developing the Whabouchi Project may be significantly higher than anticipated, including because the Whabouchi Property is located in a remote area and therefore the availability of infrastructure such as surface access, skilled labour, and fuel and power at an economic cost, cannot be assured. In addition, cost estimates may increase significantly as more detailed engineering work and studies are completed with respect to the Whabouchi Project.

Delays in the commissioning of the Whabouchi Project or unanticipated increases in capital and operating costs may require the Corporation to obtain additional third party financing or seek to complete further offerings of equity and/or debt securities to make required payments, if any, under its various credit facilities, to complete construction and commissioning of the Whabouchi Project and to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements. The success and the pricing of any such additional capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time, and upon the Corporation's ability to attract significant amounts of debt and/or equity without having a significant project already in production and with the possibility of having to secure significant amounts of indebtedness. There is no assurance that such financing will be obtained on terms satisfactory to the Corporation and, if raised by offering equity securities, any such equity financing will necessarily involve a dilution to existing shareholders which may be material. There are also risks that there is no residual value for shareholders. Any lack of financing could result in the delay or indefinite postponement of further construction, exploration and development of the Whabouchi Project, which in turn would materially and adversely affect the financial and operating results of the Corporation and the market price of the Corporation's securities (in the event of a re-listing) and, ultimately, could result in the loss of the assets comprising the Whabouchi Project.

There is no assurance that the Whabouchi Property, will ever be brought into a state of commercial production or that its activities will result in profitable mining operations.

(amounts are expressed in thousands, unless otherwise stated)

Negative Operating Cash Flow

The Corporation has no history of revenues from its operating activities. During the three and nine-month periods ended March 31, 2020, the Corporation had negative cash flow from operating activities. The Corporation's cash and cash equivalents amounted to \$42,053 as at March 31, 2020. From July 1, 2019 to March 31, 2020, based on the operating activities and investing activities as disclosed in the consolidated condensed interim statements of cash flows for the three and nine month periods ended March 31, 2020, the Corporation has had an average monthly cash expenditure rate of approximately \$14,455 per month, including addition to restricted cash, property, plant and equipment, intangible assets, deposit to suppliers, prepaid interest, asset retirement obligation and all operating expenses and development capitalized costs not covered by grants.

The Corporation anticipates it will continue to have negative cash flow from operating activities in future periods until commercial production is achieved in connection with the Whabouchi Project. Even if commercial operations are achieved in connection with the Whabouchi Project, short-term operating factors relating to the lithium deposits, such as the need for orderly development of the deposits or the processing of new or different grades of ore, may cause any mining operation to be unprofitable in any particular accounting period.

Obligations, Covenants and Restrictions in the Terms of Financing Transactions

The Stream Agreement contains financial and operating covenants that limit the discretion of management with respect to certain business matters and to engage in activities that may be in the Corporation's long-term best interest. These covenants will restrict the Corporation's ability to incur additional indebtedness (except for, *inter alia*, certain specifically permitted indebtedness such as unsecured and subordinated debt or uncommitted lines of credit incurred in the ordinary course of business solely for short-term cash management purposes), which may limit the Corporation's ability to finance any additional capital expenditure for the Whabouchi Project that may be necessary or appropriate once the project has been completed, to finance additional development activities, to fund working capital requirements and to service debt requirements, if applicable, which may greatly restrict the Corporation's ability to adjust to changing market conditions and may render the Corporation vulnerable to a downturn in general economic conditions and unable to make expenditures that are important to its growth and strategy.

These covenants also place significant restrictions on, among other things, the Corporation's ability to create liens or other encumbrances, to make certain payments and investments, to sell or otherwise dispose of assets, and to merge or consolidate with other entities, which will limit the Corporation's operating flexibility and could prevent the Corporation from taking advantage of business opportunities. The Stream Agreement also contain various provisions requiring the Corporation to take certain positive actions in order to fulfill its commitments such as entering into various future agreements in connection with the Whabouchi Project and providing confirmations, evidences and documents as may be required under the financing transactions contemplated by the existing financing package. Events may occur in the future, including events beyond the Corporation's control, that could cause the Corporation to fail to satisfy its obligations under the existing financing package.

The obligations of the Corporation under the Stream Agreement are currently secured by a security package comprised of (i) a charge against all present and after-acquired movable (personal) and immovable (real) property, assets and undertakings of each of the Whabouchi Property and the Commercial Electrochemical Plant, (ii) a charge against all present and after-acquired rights in intellectual property owned by the Corporation, (iii) a charge against all present and after-acquired rights of ownership in securities issued by each of the Whabouchi Property and the Commercial Electrochemical Plant owned by the Corporation, (iv) a guarantee by each of the Corporation and the Whabouchi Property of the obligations of the Commercial Electrochemical Plant, as seller under the Stream Agreement, and (v) blocked accounts control agreements granted in favour of Orion, as a first lien creditor, in respect of all bank accounts held by each of the Whabouchi Property and the Commercial Electrochemical Plant.

(amounts are expressed in thousands, unless otherwise stated)

A failure to comply with its obligations and restrictive covenants could result in an event of default which, if not cured or waived, could permit acceleration of the related debt and acceleration of debt under other instruments that contain cross acceleration or cross default provisions and lead to enforcement actions or proceedings under the security granted under the Stream Agreement and any other debt entered into by the Corporation. The occurrence of any such events would have a material adverse effect and could, among other things, result in the bankruptcy or liquidation of the Corporation, and could result in the loss of the Corporation's entire interest in the Whabouchi Project.

Going Concern and Insolvency Risk

The assessment of the Corporation's ability to fund its future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including the Corporation's interpretation and assessment of significant subjective clauses under material lending agreements and expectations of future events that are believed to be reasonable under the current circumstances. This determination, however, could be impacted by future economic, financial and competitive factors as well as other future events that are beyond the Corporation's control. Such events or other matters as stated in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

The Corporation's Dependence Upon the Whabouchi Project

The Corporation expects future mining operations at the Whabouchi Property to account for all of the Corporation's ore production unless additional sources of spodumene properties are acquired and brought into production, producing properties are acquired or spodumene concentrate can be purchased and processed at the Commercial Electrochemical Plant. Furthermore, the Corporation expects spodumene revenues (through the sale of spodumene concentrates to third parties from the Whabouchi Property) to be an integrated part of the project financing structure for the completion of the Whabouchi Project.

As the Whabouchi Property will eventually be put into operation prior to the Commercial Electrochemical Plant, the Corporation has considered using spodumene revenues as a source of financing in the capital budgeting to complete the Whabouchi Project.

Any adverse condition affecting the Whabouchi Property, or any adverse conditions affecting the revenues from any spodumene concentrate sale or the costs for producing spodumene concentrate at the Whabouchi Property could be expected to have a material adverse effect on the Corporation's financial performance, results of operations and prospects and could require the Corporation to raise additional financing, which may not be obtainable under such circumstances. While the 2019 Technical Report demonstrates the economic feasibility of the Whabouchi Project, the inability to achieve commercial operations on a basis that is economically viable would have a material adverse effect on the Corporation.

Significant Level of Indebtedness

Subject to the limits contained in the Stream Agreement and any other debt instruments entered into by the Corporation, the Corporation may be able, once the CCAA proceedings are over, to incur additional debt, including, but not limited to, certain permitted working capital facilities and permitted hedging arrangements, from time to time. If the Corporation does so, the risks related to the Corporation's high level of indebtedness could increase.

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The Corporation's degree of leverage in the future could have adverse consequences for the Corporation, due to the following factors that may affect the Corporation: (i) increased difficulty in satisfying obligations with respect to indebtedness; (ii) limitations on the ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements; (iii) requirements that a substantial portion of the Corporation's cash flows be dedicated to debt service payments, if any, instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes; (iv) increased vulnerability to general adverse economic and industry conditions; (v) decreased flexibility in planning for and reacting to changes in the industry in which it competes; (vi) placing the Corporation at a disadvantage compared to other, less leveraged competitors; and (vii) increased cost of borrowing.

The Corporation's ability to make scheduled payments on or refinance its debt obligations, depends on the Corporation's financial condition and operating performance at that time, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond its control. The Corporation may be unable to generate or maintain a level of sufficient cash flows from operating activities to satisfy its debt obligations or to refinance its indebtedness on commercially reasonable terms or at all, which would have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation can provide no assurance that it will achieve sufficient future cash flow and earnings to satisfy its debt obligations. If cash flows and capital resources are insufficient to fund debt service obligations, if any, the Corporation could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures, seek additional debt or equity capital or restructure or refinance indebtedness. If the Corporation cannot make scheduled payments on its debt, the Corporation could be in default and holders of any indebtedness could declare all outstanding principal and interest to be due and payable which could lead to cross default and cross acceleration provisions under certain of the Corporation's other debt agreements. The Corporation's creditors could foreclose against the collateral securing the Corporation's obligations and the Corporation could be forced into bankruptcy or liquidation, or to initiate other insolvency proceedings.

Variations in Interest Rates

Variations in interest rates could result in significant changes in the amount required to be applied to debt service, if any, and would affect the financial results of operations of the Corporation and the Subsidiaries. If the Corporation does not earn sufficient income from the Whabouchi Project to meet its debt service obligations, if any, the Corporation's creditors could foreclose on the Corporation's interest in the Whabouchi Property, the Concentrator and the Commercial Electrochemical Plant.

New Mining Operations

The Whabouchi Property does not have an operating history. Whether income will result from any of the Corporation's activities, including, without limitation, the Whabouchi Project, will depend on the successful establishment of new mining operations, including the construction and operation of the Whabouchi Property, the Concentrator, the Commercial Electrochemical Plant and related infrastructure. As a result, the Corporation is subject to all of the risks associated with establishing or expanding new mining operations and business enterprises, including: the timing and cost, which can be considerable, of the construction of mining and processing facilities and related infrastructure; the availability and cost of skilled labour and mining equipment; the need to obtain necessary environmental and other governmental approvals and permits and the timing of the receipt of those approvals and permits; the availability of funds to finance construction and development activities; potential opposition from non-governmental organizations, environmental groups or local groups which may delay or prevent development activities; and potential increases in construction and operating costs due to changes in the cost of fuel, power, materials and supplies.

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Various factors, including the successful construction, commissioning and ramp-up of the Whabouchi Project, costs, actual mineralization, consistency and reliability of ore grades, commodity prices, future cash flow and profitability can affect successful project development, and there can be no assurance that current or future estimates of these factors will reflect actual results and performance. The design and construction of efficient processing facilities, the cost and availability of suitable machinery, supplies, mining equipment and skilled labour, the existence of competent operational management and prudent financial administration, as well as the availability and reliability of appropriately skilled and experienced consultants can also affect successful project development. The operations of the Whabouchi Project will rely on new infrastructure for hauling ore and materials to the surface. It is common in new mining operations to experience unexpected problems and delays during construction, development, mine start-up and commissioning activities.

The costs, timing and complexities of developing the Whabouchi Project, may be significantly higher than anticipated, including because the Corporation's property interests are located in remote, undeveloped areas and therefore the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. Such factors can add to the cost of mine development, production and operation and/or impair production and mining activities, thereby affecting the Corporation's profitability.

Rock Mechanics and Hydro-geology

There are always unknown rock mechanics and hydrogeological conditions that cannot be predicted ahead of mining. These unknown conditions, such as faulting, zones of weak rock, or zones of unanticipated water inflow, may only be discovered during mining. There can be no certainty that there will not be in the future unanticipated water inflows or other unknown conditions encountered which may require significant changes to the mining plan resulting in additional costs and delays.

Infrastructure, Supplies and Inflation

The Whabouchi Property is located in the Eeyou Istchee / James Bay area of the Province of Québec, Canada, approximately 30 km east of the Nemaska community and 300 km north-northwest of the town of Chibougamau. The Whabouchi Property is accessible by the *Route du Nord*, the main all-season gravel road linking Chibougamau to Nemaska, and crossing the Whabouchi Property near its center. The Nemiscau airport is 18 km west of the Whabouchi Property. Due to the location of the Whabouchi Property, the Corporation will rely on air transport for the transport of its employees and also for some goods and services that may not be otherwise available at an economic cost.

The Commercial Electrochemical Plant will be installed and constructed in the City of Shawinigan, Province of Québec, Canada. The Shawinigan site was selected because of the readily available existing infrastructure (roads, rail, building, electricity and natural gas).

The spodumene concentrate is expected to be trucked from the Whabouchi Property to a transloading facility, either in Chibougamau or Matagami, where it is to be transloaded into rail cars to be shipped directly to the Commercial Electrochemical Plant. The transloading facility in Chibougamau is not currently built and some investments are required for the one in Matagami. The one in Chibougamau could be built by third parties and then the Corporation would have to negotiate a contractual arrangement with such third parties for the use of the facility. Should the transloading facility not be available in time for the initial shipment of spodumene concentrate or in the event the Corporation is not able to negotiate an agreement for the use of the transloading facility on favorable terms, then the Corporation will need to source different alternatives to ship its concentrate. One such possibility will be to truck its concentrate directly to the Commercial Electrochemical Plant or, alternatively to truck its concentrate to the existing transloading facility located in Matagami, where it can be transloaded into rail cars. The Corporation may also decide to build its own transloading facility in or near Chibougamau. Any of the alternative scenarios would result in higher costs of the spodumene concentrate.

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Prices for goods and services will fluctuate in relation to the level of investment in the mining and industrial sectors; it is reasonable to expect that increased demand could impact the Corporation's future economic projections and competitiveness, as it may entail a meaningful increase in costs for various goods and services during construction and operation. Improvements in the economic conditions for the mining and industrial sectors as a whole will typically result in increases to both the costs of planned development and construction activities, which must also be factored into economic models used in projections for future development and potential operations. Increased demand for, and costs of, goods or services could result in delays if they cannot be obtained in a timely manner due to inadequate availability, and it may cause scheduling difficulties and delays due to the need to coordinate their availability, any of which could materially increase project development and/or construction costs. These factors could have a material adverse impact on the Corporation's operations and profitability.

Life of Mine Plan ("LOM")

The Corporation will, once in production, periodically review its LOM planning for its Whabouchi Property. Significant changes in the life of mine plan can occur as a result of experience obtained in the course of carrying out the Corporation's mining activities, changes in mining methods and rates, process changes, investments in new equipment and technology, lithium price assumptions and other factors. There can be no assurance that the estimates in the Corporation's LOM plan will be consistent with future economic factors or actual results and performance or that the Corporation will not amend its existing life of mine plan for its Whabouchi Property in the future.

Uncertainty of Mineral Resources and Mineral Reserves

The estimates of mineral resources and mineral reserves for the Whabouchi Property have been prepared in accordance with NI 43-101. There are numerous uncertainties inherent in estimating mineral resources and mineral reserves and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that any categories of mineral resources or reserves will be upgraded to higher categories. The estimation of mineralization is a subjective process and the accuracy of estimates is a function of quantity and quality of available data, the accuracy of statistical computation and the assumptions and judgments made in interpreting engineering and geological information. Mineral reserves at the Whabouchi Property have been determined to be economic ore in the context of the 2019 Technical Report. However, factors such as market price fluctuations, increased production costs, reduced recovery rates, and changes to other assumptions applied to the estimates, may render the mineral reserves uneconomic.

It should be understood that the mineral resources and mineral reserves presented in the 2019 Technical Report are estimates of the size and grade of the deposits based on a number of drillings and samplings and on assumptions and parameters available. The level of confidence in the estimates depends upon a number of uncertainties. These uncertainties include, but are not limited to, future changes in product prices and/or production costs, differences in size and grade and recovery rates from those expected, and changes in project parameters. There is no assurance that the Whabouchi Project implementation will be realized or that the current estimates of volume and grade of minerals mined/processed or of cash flows derived from production will be achieved.

Processing Technology and Products Specifications

The Corporation's proprietary process of preparing lithium hydroxide and lithium carbonate from spodumene concentrate using membrane electrolysis has only been developed recently. This process, for which the Corporation obtained a number of patents and filed several patent applications and which is key to its business strategy and the economics of the Whabouchi Project, has not been used on a commercial basis and there is no certainty that results achieved during small scale testing (including at the Phase 1 Plant) will be replicated in commercial quantities, which could have a material adverse impact on the conversion abilities at the Commercial Electrochemical Plant. The production and capital costs associated with the process may also differ from those used in the 2019 Technical Report which could have a direct impact on the economics of the Whabouchi Project.

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Pursuant to supply arrangements, the Corporation will be required to provide lithium products that meet certain purity and grade specifications. The inability of the Corporation to fully commission and scale-up its operations at the Commercial Electrochemical Plant to produce lithium salts meeting these specifications would have an adverse effect on the Corporation's ability to meet its obligations, which would have a material adverse effect on the Corporation.

Lithium Demand

Lithium is considered an industrial mineral and the sales prices for the different lithium compounds are not public. Lithium is not a traded commodity like base and precious metals. Sales agreements are negotiated on an individual and private basis with each different end-user. Therefore, it is possible that the sales prices used in the 2019 Technical Report will be different than the actual prices at which the Corporation is able to sell its lithium compounds. In addition, there are a limited number of producers of lithium compounds and it is possible that these existing producers will try to prevent new-comers from entering the chain of supply by increasing their production capacity and lowering sales prices. Factors such as foreign currency fluctuation, supply and demand, industrial disruption and actual lithium market sale prices could have an adverse impact on operating costs and on the Corporation's ability to fund its activities. In each case, the economics of the Whabouchi Project could be materially adversely affected, even to the point of being rendered uneconomic. The Corporation intends to mainly produce lithium hydroxide monohydrate to address the increasing demand for such compound, which is favoured in the making of cathodes for rechargeable batteries. If cathode manufacturers use less lithium hydroxide than expected, or if the demand for rechargeable batteries, mainly used in electric and hybrid vehicles, is less than forecasted, it could have a material adverse effect on the sales price, profitability and development strategy of the Corporation.

Information Systems Security Threats

The Corporation relies on secure and adequate operations of information technology systems in the conduct of its activities. Access to and the security of the information technology systems are critical to the Corporation's operations. These systems are subject to disruption, damage or failure from a variety of sources, including, but not limited to, cable cuts; damage to physical plants; natural disasters; terrorism; fire; power loss; hacking, cyber-attacks and other information security breaches; non-compliance by third party service providers; computer viruses; vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software. The systems that are in place may not be enough to guard against loss of data due to the rapidly evolving cyber threats.

The Corporation may be required to increasingly invest in better systems, software, and use of consultants to periodically review and adequately adapt and respond to dynamic cyber risks or to investigate and remediate any security vulnerabilities. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. Failures in the Corporation's information technology systems could translate into operational delays, compromising, loss or disclosure of confidential, proprietary, personal or sensitive information and third-party data, or destruction or corruption of data. Accordingly, any failure of information systems or a component of information systems could adversely impact the Corporation's reputation, business, financial condition and results of operations, as well as compliance with its contractual obligations, compliance with applicable laws, and potential litigation and regulatory enforcement proceedings. Information technology systems failures could also materially adversely affect the effectiveness of the Corporation's internal controls over financial reporting.

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Social Media and Other Web-Based Applications

As a result of social media and other web-based applications, companies today are at much greater risk of losing control over how they are perceived. Damage to the Corporation's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Although the Corporation places a great emphasis on protecting its image and reputation, it does not ultimately have direct control over how it is perceived by others. Reputation loss may lead to increased challenges in developing and maintaining community relations, decreased investor confidence and act as an impediment to the Corporation's overall ability to recruit personnel or advance its projects, thereby having a material adverse impact on the Corporation's business, financial condition or results of operations.

Governmental and Environmental Regulations, Permits and Licenses

The current operations of the Corporation and anticipated future operations, including further exploration, development activities and commencement of production for the Whabouchi Project are subject to various federal, provincial and local laws and regulations governing prospecting, development, mining, construction, production, exports, taxes, standards of work, labour standards, occupational health (diseases and the occupational safety), waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities, and in the construction, development and operation of mines and related facilities, generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permitting requirements.

The Corporation's operations are also subject to various laws and regulations with the federal, provincial and local levels governing the protection of the environment. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. These laws and regulations impose high standards on the mining industry, in order to control the rejects of waste water and to force the participants to account for such controls to the lawful authorities, to reduce or eliminate the impact that are generated by certain production activities and which are later on deposited on the ground or are rejected into the air or the water, to complete work of restoration of the mining properties, to control dangerous waste and materials and to reduce the risk of industrial accidents.

A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a direction of stricter standards and enforcement, as well as higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. The Corporation believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. However, there is no assurance that future changes to existing laws and regulations will not adversely impact the Corporation. Amendments to current laws, regulations and permits governing the operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in capital expenditures or production costs, reduction in levels of production or require abandonment or delays in the development of current or new mining projects.

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The Corporation's activities and operations require obtaining on a timely manner and maintaining permits and licences from various governmental authorities. The Corporation considers that it holds all the permits and licences required for the activities it currently carries on, in accordance with the relevant laws and regulations. Changes brought to the laws and regulations could affect these permits and licences. There can be no assurance that various permits and all the necessary licences which the Corporation may require in the normal course for its current and anticipated exploration, development and construction activities as well as mining operations, including without limitation, on the Whabouchi Project, will be obtainable on reasonable terms or on a timely basis or that such laws and regulations would not have an adverse effect on any mining project which the Corporation might undertake, including, without limitation, the Whabouchi Project. Furthermore, any delays in obtaining the anticipated construction permits in respect of the Commercial Electrochemical Plant, would have an adverse effect on the Corporation's timing and costs associated with start-up. Such delays could also allow other third-party projects to commence production before the Whabouchi Project, thereby potentially reducing the Corporation's target market share, which would have an adverse impact on the level of product sales and economics of the Whabouchi Project.

At the date of issuance of this document and to the best knowledge of the Corporation, the costs associated with the potential environmental obligations in connection with the Shawinigan site with respect to known contamination issues is estimated to be in the range of \$2.3 million to \$4.5 million. However, as explained in the next paragraph, the Corporation is not responsible for paying for most of these estimated costs. This is why only an amount of \$0.7 million is accounted for in the accounts payable and accruals in the current liabilities of the unaudited consolidated condensed interim financial statements of financial position and as care and maintenance and other costs in the unaudited consolidated condensed interim statements of net loss and comprehensive loss for the three-month and nine-month periods ended March 31, 2020.

The Corporation has strong legal arguments to seek indemnification from the previous owner of the Shawinigan site, the Société de Développement de Shawinigan Inc. ("SDS"), for potential environmental obligations associated with the Shawinigan site representing costs estimated to be in the range of approximately \$1.6 million to \$3.8 million; all pursuant to the Asset Purchase Agreement (Convention d'achat d'éléments d'actif) entered into between the Corporations' subsidiary Nemaska Lithium Shawinigan Transformation Inc. ("Nemaska Shawinigan") and the SDS on May 6, 2016 (the "Shawinigan APA"). Pursuant to this Agreement, the SDS agreed among other things to indemnify Nemaska Shawinigan, the Corporation, its directors and officers and shareholders from all damages and obligations related to historical hazardous materials located at the Shawinigan site on the effective date (May 6, 2016), subject to the terms and conditions set out in the Shawinigan APA. The SDS indemnification obligations do not apply however to: i) damages directly related to hazardous materials released at the Shawinigan site after May 6, 2016, or ii) damages directly related to the removal or destruction of concrete slabs or building foundations at the Shawinigan site.

Anti-Corruption Laws

The Corporation's operations are governed by, and involve interactions with, many levels of governments. The Corporation is required to comply with anti-corruption and anti-bribery laws, including the *Criminal Code and the Corruption of Foreign Public Officials Act*. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to corporations (and, without limitation, their directors and officers) convicted of violating anti-corruption and anti-bribery laws. Furthermore, a corporation may be found liable for violations by not only its employees, but also by its contractors and third-party agents. Although the Corporation has adopted steps to mitigate such risks, including the adoption of a specific corporate policy by the Board (a copy of which is posted on its website) as well as the implementation of a code of ethics, training programs and policies to ensure compliance with such laws, such measures may not always be effective in ensuring that the Corporation, its employees, contractors or third-party agents will comply strictly with such laws. If the Corporation finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Corporation resulting in a material adverse effect on the Corporation's reputation, business, financial condition and results of operations.

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Climate Change

Climate change is an international concern and, as a result, governments are introducing climate change legislation and treaties that could result in increased costs, and therefore, could decrease profitability of the Corporation's operations.

The Canadian government has established a number of policy measures in response to concerns relating to climate change. The impacts of these measures will most likely be to increase costs for fossil fuels, electricity and transportation; restrict industrial emission levels; impose added costs for emissions in excess of permitted levels; and increase costs for monitoring and reporting. Compliance with these initiatives could have a material adverse effect on the Corporation's results of operations.

The Corporation's current regulatory risks associated with climate change mainly fall under its obligations under the Québec carbon market trading scheme. Increased public awareness and concern regarding global climate change may result in more legislative and/or regulatory requirements to reduce or mitigate the effects of GHG emission. If the current trend of increasing regulation continues, this may result in increased operating costs for the Corporation.

In addition, the physical risks of climate change may also have an adverse effect on the operations of the Corporation. Global climate change could exacerbate certain of the threats facing the Corporation's business, including the frequency and severity of weather-related events, resource shortages, changes in rainfall and storm patterns and intensities, water shortages and changing temperatures, which can disrupt the Corporation's operations, damage its infrastructure or properties, create financial risk to Corporation's business or otherwise have a material adverse effect on its results of operations, financial position or liquidity.

These may result in substantial costs to respond during the event, to recover from the event and possibly to modify existing or future infrastructure requirements to prevent recurrence. Climate changes could also disrupt the Corporation's operations by impacting the availability and cost of materials needed for mining operations and could increase insurance and other operating costs.

Reporting Issuer Obligations

As a reporting issuer under the *Québec Securities Act*, the Corporation is subject to evolving rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators (CSA), and the International Accounting Standards Board, which govern corporate governance and public disclosure regulations. These rules and regulations continue to evolve in scope and complexity creating many new requirements, which increase compliance costs and the risk of non-compliance. The Corporation's efforts to comply with these rules and obligations could result in increased general and administration expenses and a diversion of management time and attention from financing, development, operations and, eventually, revenue-generating activities. Until February 6, 2020, the Corporation was also subject to the TSX Rules and, should its securities be re-listed on a trading platform following its possible emerging from the CCAA process (if there is any residual value for shareholders), the Corporation will be subject to the rules of such platform.

Currency Fluctuations

Currency fluctuations may have an effect on the Corporation's costs, revenue and cash flow. Although the Corporation raised equity in Canadian dollars, certain of the Corporation's estimated capital costs in connection with the Whabouchi Project were converted from quotes obtained in foreign currencies and converted into Canadian dollars applying a fixed exchange rate. The Corporation may be pursuing debt financing which may be denominated in United States dollars. Accordingly, adverse fluctuations in the relative prices of Euros, Canadian and United States dollars could increase the cost of development and production in connection with the Whabouchi Project or increase the cost of borrowing and could materially and adversely affect the Corporation's earnings and financial condition.

(amounts are expressed in thousands, unless otherwise stated)

Conditions of the Industry in General

The exploration and development of mineral resources, including construction, commissioning, ramp-up, start-up and operation of a mine, a concentrator or of a conversion plant, involves significant risks that even an experienced evaluator cannot avoid. Although the discovery of a deposit can prove extremely lucrative, few properties where exploration and development work are carried out become producing mines thereafter. Important expenditures are necessary to establish ore reserves, to work out the metallurgical processes and to build a concentration or milling plant on a particular site. It is impossible to provide assurance to the effect that the exploration and development programs contemplated by the Corporation will eventually generate a profitable mine.

The mining and concentration activities as well as the transformation/conversion activities carry a high level of risks. The activities of the Corporation are subject to all the dangers and the risks usually inherent to exploration, development, production and transformation/conversion activities, including, without limitation, the unusual and unforeseen geological formations, explosions, collapses, floods and other situations which can occur during drilling and the removal of material and of which any could cause physical or material or environmental injuries and, possibly, legal responsibility.

Insurance Risk

Any industries are subject to significant risks that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims, mining lease and other property. No assurance can be given that insurance to cover the risks to which the Corporation's activities are subject will be available at all or at commercially reasonable premiums.

Therefore, the Corporation could be held responsible for pollution or for other risks against which it could not be insured or against which it could choose not to be insured, given the high cost of the premiums or for other reasons. The Corporation currently maintains insurance within ranges of coverage that it believes to be consistent with industry practice for companies carrying similar activities and at a similar stage of development. The Corporation carries liability insurance with respect to its exploration and development operations, including certain limited environmental liability insurance coverage. The payment of any such liabilities would reduce the funds available to the Corporation. If the Corporation is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy. The payment of sums in this respect could also involve the loss of the assets of the Corporation.

Dividend Policy

No dividends on the common shares of the Corporation have been paid to date. The Corporation has no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, the Corporation's financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. In addition, the Corporation's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness that the Corporation or the Subsidiaries incur. As a result, investors may not receive any return on an investment in the Corporation's securities unless they sell the securities for a price greater than that which they paid for them.

Volatility of Share Price and Market Price of the Common Shares

The price of the shares of resource companies tends to be volatile. Fluctuations in the world price of lithium and many other elements beyond the control of the Corporation could materially affect the price of the common shares of the Corporation.

Since February 6, 2020, the securities of the Corporation are no longer trading on the Toronto Stock Exchange. The Corporation envisages seeking a re-listing of its shares on a trading platform once if it eventually emerges from the CCAA process (if there is any residual value for shareholders).

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There can be no assurance that an active market for the common shares of the Corporation will be sustained after any such eventual re-listing and after any offering of securities. Securities of companies with smaller capitalizations have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the attractiveness of certain industries. There can be no assurance that continuing fluctuations in price will not occur. If an active market for the common shares of the Corporation does not continue, the liquidity of a purchaser's investment may be limited. If such a market does not develop, purchasers may lose their entire investment in the common shares of the Corporation.

As a result of any of these factors, and assuming an eventual re-listing of the Corporation's securities, the market price of the common shares of the Corporation at any given point in time may not accurately reflect the long-term value of the Corporation. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages, and also divert management's attention and resources.

Protection and Maintenance of Intellectual Property

The Corporation's success could depend in part on its ability to protect and maintain its intellectual property rights. The Corporation has identified specific markets of interest for lithium compounds produced from the transformation of spodumene concentrate and has completed, among other things, numerous metallurgical bench scale, pilot plant scale and demonstration scale production in order to develop different processes to produce lithium hydroxide from spodumene concentrate and to produce lithium carbonate from lithium hydroxide.

No assurance can be given that the rights used by the Corporation will not be challenged, invalidated, infringed or circumvented, nor that the rights granted thereunder will provide competitive advantages to the Corporation. Patent applications have been filed and several have been granted to the Corporation regarding methods of transforming spodumene and producing lithium hydroxide from lithium sulfate and lithium carbonate from lithium hydroxide. Moreover, it is not clear whether the patents granted or the pending applications for patents to be issued regarding these methods will be challenged by third parties, whether the patents of others will interfere with the Corporation's ability to use those patents and know-how to produce lithium compounds. There is no assurance that the Corporation will be able to develop or obtain alternative technology in respect of patents issued to third parties that incidentally cover parts of its production processes. Moreover, the Corporation could potentially incur substantial legal costs in defending legal actions which allege patent infringement or by instituting patent infringement suits against others. The Corporation's commercial success also depends on the Corporation not infringing patents or proprietary rights of others.

Competition

The lithium industry is intensely and increasingly competitive, and the Corporation competes with many companies with greater financial resources and technical facilities than those of the Corporation. Competition in the lithium industry could adversely affect the Corporation's ability to put the Whabouchi Project into production and to secure sale agreements for all (100%) of its products.

(amounts are expressed in thousands, unless otherwise stated)

Price of Lithium Salts and Spodumene Concentrate

The lithium industry is heavily dependent upon the market prices of the metals or minerals being mined and the converted lithium salts. There is no assurance that a profitable market will exist for the sale of the same. There can be no assurance that mineral or lithium salts prices will be such that the Corporation's properties can be mined at a profit. The financial results of the Corporation and its activities could, in the future, undergo important negative effects because of the fall of the prices of the lithium compounds, resulting in an impact on the capacity of the Corporation to finance its activities. The prices of lithium compounds may fluctuate in an important way and are tributary to various factors which are independent of the will of the Corporation, such as the sale or the purchase of lithium compounds by various brokers, the rates of interest, foreign exchange rates, the rates of inflation or deflation, the fluctuations in the value of the Canadian dollar and other currencies, the regional and world offer and demand, the economic conjuncture and policy which prevails in the countries of the world that are large lithium compounds producers. Lithium compounds, which are not traded on any exchange and the fact that sales contracts are negotiated on an individual basis, can see their prices fluctuates sometimes positively or negatively and any serious fall could prevent the continuation of the development activities of the properties of the Corporation.

Dependence on, and Protection of, Key Personnel

The success of the Corporation is currently largely dependent on the performance of its directors and officers as well as its operations and technical leaders. The loss of the services of any of these persons could have a materially adverse effect on the Corporation's business and prospects. There is no assurance the Corporation can maintain the services of its directors, officers or other qualified personnel required to operate its business, especially so under a CCAA context. The loss of their services could have an unfavourable impact on the Corporation. The Corporation has put in place a key employee retention plan in order to try to retain as much of the current key employees during the SISF and Claims process.

Labour Relations

While the Corporation has good relations with its employees, there can be no assurance that it will be able to maintain positive relationships with its employees, notably considering the CCAA context. In addition, relations between the Corporation and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Corporation carries on business. Adverse changes in such legislations or in the relationship between the Corporation and its employees could have a material adverse impact on the Corporation's business, results of operations and financial condition.

Cree Nation Mining Policy and Related Agreements

Under the current mining policy adopted by the Cree Regional Authority, any mineral production on the *Eeyou Istchee*/James Bay territory shall be subject to specific agreement among the Corporation, the Cree Nation of Nemaska (the First Nations on whose traditional territory the Whabouchi Property is located), the Grand Council of the Crees (Eeyou Istchee) and the Cree Nation Government (collectively, the "**Cree Parties**").

On November 7, 2014, the Corporation signed the Chinuchi Agreement with the Cree Parties (the "**Chinuchi Agreement**") concerning the development and operation of the Whabouchi Property in *Eeyou Istchee*/James Bay territory. The Corporation thereafter assigned its rights and obligations under the Chinuchi Agreement to the Subsidiary Nemaska Lithium Whabouchi Mine Inc. pursuant to an assignment and assumption agreement dated April 2, 2018 (the "**Chinuchi Assignment and Assumption Agreement**"). The Chinuchi Agreement is a binding agreement that governs the long-term working relationship between Nemaska Lithium Whabouchi Mine Inc. and the Cree Parties during all phases of the Whabouchi Project. It provides for training, employment and business opportunities for the Crees during project construction, operation and closure, and sets out the principles of social, cultural and environmental respect under which the Whabouchi Property will be managed.

(amounts are expressed in thousands, unless otherwise stated)

In consideration for the consent of the Cree Parties for the construction and operation of the Whabouchi Property and their support thereof, which ensures a stable regional environment for the development and operation of the Whabouchi Property and the Whabouchi Project, Nemaska Lithium Whabouchi mine Inc. is subject to several obligations, including in respect of the foregoing opportunities and principles, and including payment of fixed and ongoing variable amounts throughout the life of the Whabouchi Project. The said fixed payments, which first become payable upon the satisfaction of a specified milestone (which was attained as of August 30, 2018), are subject to a one-time adjustment mechanism at a specified time after commencement of commercial production has been achieved at the Whabouchi Property and at the Commercial Electrochemical Plant, which might result in a larger payment.

The obligations of Nemaska Lithium Whabouchi Mine Inc. under the Stream Agreement are secured by, among other things, a security package which will cover, to the extent legally possible, all material mining titles and all titles to the Shawinigan site. In the event of a default under the Stream Agreement, Orion will be entitled, subject in all cases to the terms of the Stream Agreement and all intercreditor agreements entered into to exercise all rights and remedies in respect of the security package and to commence any enforcement action, including but not limited to selling, transferring or disposing of, in whole or in part, the Whabouchi Property. Pursuant to the terms of the Chinuchi Agreement, upon (i) a transfer of the Whabouchi Property to a third party that is not affiliated with Nemaska Lithium Whabouchi Mine Inc. or (ii) the sale of, or acquisition of a controlling interest in, Nemaska Lithium Whabouchi Mine Inc. (or of any permitted assignee of Nemaska Lithium Whabouchi Mine Inc.'s rights and obligations under the Chinuchi Agreement), payment of the aggregate balance of all outstanding fixed payments, together with any accrued interest in respect thereof, is accelerated. This accelerated payment (which may be substantial), together with any variable payments owed to the Cree Parties at the date of such transfer, sale or acquisition of control, become payable within thirty days of the closing thereof. Moreover, any transferee of the Whabouchi Property must assume the rights and obligations of Nemaska Lithium Whabouchi Mine Inc. under the Chinuchi Agreement in order to avail itself of the benefit thereof. The consent of the Cree Parties to, and their support of, the Whabouchi Project, as set forth in the Chinuchi Agreement, is essential to the success of the Whabouchi Project. Non-compliance with the obligations of Nemaska Lithium Whabouchi Mine Inc. under the Chinuchi Agreement could have a material adverse effect on the Corporation.

Title Matters and Territorial Claims

While the Corporation has reviewed and is satisfied with title to its mineral properties, and, to the best of its knowledge, such title is in good standing, there is no guarantee that title to such properties will not be challenged or impugned. The properties may be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects. In addition, according to the applicable mining legislation in the Province of Québec, the Corporation will need to incur expenditures on its properties and pay a rent in order to renew claims upon their expiry.

There can be no assurance that the Corporation will be successful in renewing all such claims. The properties in which the Corporation holds an interest are not currently subject to territorial claims on behalf of First Nations. No insurance can however be provided to the effect that such will not be the case in the future.

Conflicts of Interest

Some of the directors and officers of the Corporation are engaged as directors or officers of other Corporation's involved in the exploration and development of mineral resources, and situations may arise where these directors and officers will be in direct competition with the Corporation. Such engagement could result in conflicts of interest. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the CBCA. Any decision made by these directors and officers, and involving the Corporation will be in conformity with their duties and obligations to compromise in an equitable way and in good faith with the Corporation and these other corporations. Moreover, these directors and officers will declare their interests and will abstain to vote on any question which could give place to a conflict of interest. Some of the directors and officers of the Corporation may become in the future directors of other companies engaged in same or other business ventures.

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Dilution

Additional financing is needed to continue funding the development and operation of the Corporation, and may require the issuance of additional securities of the Corporation. The issuance of additional securities and the exercise of common share purchase warrants, options and other convertible securities will result in dilution of the equity interests of any persons who are or may become shareholders.

Structural Subordination of the Common Shares

During CCAA proceedings, holders of certain of its indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Corporation before any assets are made available for distribution to the shareholders. The common shares of the Corporation will be effectively subordinated to most of the other indebtedness and liabilities of the Corporation. There may not be any residual value for shareholders under the CCAA proceedings.

Lack of Revenue and History of Losses

As the Corporation does not have revenues, it is dependent upon future financings to continue its plan of operation, yet stay in business. The Corporation has not generated any revenues since its incorporation. The Corporation's business objectives include the construction and operation of the Whabouchi Project. There is no assurance that it will be commercially viable.

The Corporation does not have a history of profitable operations. It sustained net losses in the fiscal years ended June 30, 2018 and 2019. Management of the Corporation does not expect any income until its first sales of spodumene concentrate and/or lithium salts as mentioned herein above, and it assesses that the Corporation may incur ongoing losses in the near future, as there is no guarantee it will become profitable in the short term.

The Corporation's future success will depend to a large extent on its ability to ensure the respect of its contractual commitments which are important from an operational and financial point of view.

In general, the Corporation's revenues will also be affected by economic conditions and the capacity of the Corporation to start production and manage its growth.

Forward-Looking Statements

Investors are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. For more detail on forward-looking statements, reference is made to the cautionary notice on that matter that is outlined on pages 2 and 3 of this MD&A.

Mining Joint Ventures Risk

Mining projects are often conducted through joint ventures. Joint ventures can often require unanimous approval of the parties to the joint venture or their representatives for certain fundamental decisions, such as an increase or reduction of registered capital, merger, division, dissolution, including indebtedness and the pledge of the joint venture assets, which means that each joint venture party has a veto right with respect to such decisions, which could in turn lead to a deadlock. Future joint venture partners may veto the Corporation's future business plans, with regard to a specific joint venture, and prevent the Corporation from achieving its objectives. Also, any failure of any partner to meet its obligations to the Corporation or other third parties, or any disputes with respect to third parties' respective rights and obligations, could have a negative impact on the Corporation.

(amounts are expressed in thousands, unless otherwise stated)

Litigation and Other Legal Proceedings

Like most companies, the Corporation is subject to the threat of litigation and may be involved in disputes with other parties in the future which may result in litigation or other proceedings. The Corporation's operations are subject to the risk of legal claims by employees, unions, contractors, debt holders, lenders, suppliers, future joint venture partners, shareholders, governmental agencies or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation.

In any case, the outcome of litigation and other legal proceedings, in which the Corporation is involved now, such as the Livent proceedings under the CCAA, or may be involved in the future, particularly regulatory actions, is difficult to assess or quantify. Plaintiffs may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. Defense and settlement costs can be substantial, even with respect to claims that have little or no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from the time and effort of the Corporation's management and could force the Corporation to pay substantial legal fees. There can be no assurance that the resolution of any particular future legal proceeding will not have an adverse effect on the Corporation's financial position and results of operations.

Livent

On April 3, 2017, the Corporation received from Livent Corporation ("**Livent**" previously referred to as FMC Corporation) an amount of \$13,358 (US\$10,000), in accordance with the supply agreement announced on October 31, 2016, and agreed to amend the supply agreement to extend the timeline for the supply of product thereunder.

In the course of previous negotiations, the Corporation had advised Livent that, in the event no agreement was to be reached between the parties, the Corporation might have no other option but terminating the Supply Agreement pursuant to its terms by reimbursing the US\$10 million and by paying a termination fee of the same amount. On February 18, 2019, despite good faith negotiations, the Corporation was unable to reach a mutually satisfactory outcome with Livent. As a result, the Corporation had no choice but to exercise its contractual rights to terminate the Supply Agreement.

During the Claims Process, Livent filed secured and unsecured claims of approximately \$26 million against the Corporation or its Subsidiaries. Following a review of those claims by the Corporation and the Monitor, the latter issued a notice of revision to Livent, establishing its claim at an unsecured amount of approximately \$26 million. As at the issuance of the unaudited consolidated condensed interim financial statement for the three-month and nine-month periods ended March 31, 2020, there still exist a high level of uncertainty on the outcomes of the SISP and Claims Process and as to what amount could be payable to Livent, if any.

(amounts are expressed in thousands, unless otherwise stated)

11) DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As the Corporation is a reporting issuer, management must take steps to ensure that material information regarding the reports filed or submitted under securities legislation fairly presents the financial information. Responsibility for this resides with management, including the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating the design of disclosure controls and procedures, as well as internal control over financial reporting.

Disclosure Controls and Procedures (DC&P)

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Corporation and the Subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Control over Financial Reporting (ICFR)

Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

During the period from July 1, 2019 to March 31, 2020, no changes were made to the Corporation's ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

In designing of DC&P and ICFR, the Corporation recognizes that any controls and procedures, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

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François Biron^(1,2,4), Director

Shigeki (Sean) Miwa⁽¹⁾, Director

Michel Baril^(2,3), Director

Luc Séguin⁽³⁾, Director

⁽¹⁾ Member of the audit and risk committee

⁽²⁾ Member of the corporate governance and social responsibility committee

⁽³⁾ Member of the human resources, compensation and nominating committee

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