

NEMASKA LITHIUM



MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED

DECEMBER 31, 2016 – SECOND QUARTER

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Management discussion and analysis

February 13, 2017

The following management's discussion and analysis (the "MD&A") objective is to help the reader better understand the activities of Nemaska Lithium Inc. (the "Company") and its wholly owned subsidiaries as well as the highlights of its financial situation. It explains the financial situation and the results for the six-month periods ended December 31, 2016 and 2015 and the comparison of the Company's consolidated statement of financial position as at December 31, 2016 and June 30, 2016.

The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with the unaudited consolidated condensed interim financial statements for the six-month period ended December 31, 2016 and the audited consolidated financial statements of the Company for the fiscal year ended June 30, 2016 and the related notes thereto.

The unaudited consolidated condensed interim financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Company's Board of Directors on February 13, 2017. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

Forward looking statements

All statements, other than statements of historical fact, contained in this Management Discussion & Analysis ("MD&A") including, but not limited to, any information as to the future plans and outlook for the Company, constitute "forward-looking information" or "forward-looking statements" within the meaning of certain securities laws, and are based on expectations, estimates and projections as of the time of this MD&A. The words "anticipates", "plans", "expects", "indicate", "intend", "scheduled", "estimates", "forecasts", "guidance", "initiative", "outlook", "potential", "projected", "pursue", "strategy", "study", "targets", or "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. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, 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. 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. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company 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.

Reporting entity, nature of operations, scope of activities and going concern

The Company is domiciled in Canada and incorporated under the *Canada Business Corporations Act*. Its shares were listed on the TSX Venture Stock Exchange up until July 7, 2016 and are now listed on the Toronto Stock Exchange under the symbol NMX since July 8, 2016 and on the American stock exchange Over-the-Counter QX ("OTCQX") under the symbol NMKEF. The Company has incorporated 2 wholly-owned subsidiaries on March 16, 2016, which are Nemaska Lithium Shawinigan Transformation Inc. and Nemaska Lithium P1P Inc. The

Management discussion and analysis

February 13, 2017

Company also incorporated Nemaska Lithium Whabouchi Mine Inc. in July 2016. All subsidiaries are domiciled in Canada and are incorporated under the *Canada Business Corporations Act*.

The Company intends to become a lithium hydroxide and lithium carbonate supplier to the emerging lithium battery market that is largely driven by electric vehicles, cell phones, tablets and other consumer products as well as energy storage. Nemaska Lithium owns 100% of the Whabouchi mine, where it will produce spodumene concentrate to be shipped to the Company's lithium compounds processing plant to be built in Shawinigan, Quebec. This plant will transform spodumene concentrate into high purity lithium hydroxide and carbonate using the proprietary methods developed by the Company, and for which the Company has obtained issuance of Canadian Patent No. 2,874,917, United States Patent No. US 9,382,126 and Australian Patent No. 2013270412 that describes its proprietary process of preparing lithium hydroxide and lithium carbonate from spodumene sources using membrane electrolysis. The Company also obtained issuance of Canadian Patent No. 2,905,197 that specifically protects improvements of the electrolysis membrane process for preparing lithium hydroxide. The Company has also received confirmation of other patent applications and patent cooperation treaty ("PCT") covering such processes that have been published and have received PCT numbers. The Company also filed additional patents which cover optimization and evolution of the technology as a result of the Company's ongoing optimization programs. The main benefits of these processes include, among other things:

- low and predictable operating costs;
- virtually eliminates costly reagents such as soda ash thus eliminating sodium sulfate by-product which has no market value and is environmentally harmful;
- significant reduction of green-house gas emissions (GHG)

The Company has determined that its mining property, namely Whabouchi, has economically recoverable ore reserves, pursuant to a NI-43-101 feasibility study update with an effective date of April 4, 2016 and deposited on SEDAR on May 19, 2016 and as amended on June 8, 2016 (the "Updated Feasibility Study") prepared by Met-Chem Canada Inc. (a member of the DRA group). The Company determined that it is in the development stage in respect of its Whabouchi mining property and Shawinigan site (the "Whabouchi Project") because it has obtained the initial financing required to start the development and the construction phase of the Whabouchi Project. The Company has not yet determined whether its Sirmac mining property has economically recoverable ore reserves. Accordingly, this property is still in the exploration stage.

The recoverability of amounts shown for mining properties and related exploration and evaluation assets is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The unaudited consolidated condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company 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.

A substantial amount of additional financing is required for construction of a lithium mine at the Whabouchi Project near the Cree community of Nemaska and the Hydromet Plant in Shawinigan. The estimated capital cost for the project is in excess of \$500 million, including contingencies. In addition, financing costs and general working capital needs will increase the Company's cash requirements during the construction period, until positive cash-flow from operations commences. Although the Company has general working capital of \$36.7 million as at

December 31, 2016, the Company may be required to delay discretionary expenditures if additional financing cannot be obtained to develop the Whabouchi project and Hydromet Plant in Shawinigan.

Business Objectives, Foreseen Main Work Planned and Milestones

The Company's main objective is to have the Whabouchi mine and concentrator in production during the first half of the calendar year 2018 and to start the commissioning of the Shawinigan hydromet plant during the second half of the calendar year 2018.

In order to achieve its main objective, the Company is commissioning its hydromet demonstration plant in Shawinigan, having a designed capacity to produce an average 500 tonnes per year of lithium hydroxide using the Company's proprietary processes (the "Phase 1 Plant") and a modular dense media separation (DMS) concentrator at the mine site, in order to qualify its products with customers, while building the commercial hydromet plant and mine.

This strategy provides, among other things: i) the opportunity for initial staff training and development of skills for quick start of the hydromet commercial plant and concentrator; ii) the opportunity for process optimization; and iii) shorten the ramp-up timeline of the hydromet commercial plant and concentrator at the mine.

The Company expects to accomplish the following tasks, from the date of this report and up to the next 12 to 24 months:

- (i) Commission the Phase 1 Plant and start producing lithium hydroxide monohydrate commercial samples;
- (ii) Perform the tooling agreement signed with Johnson Matthey Battery Materials Inc., using the Phase 1 Plant;
- (iii) Produce 6 % Li₂O spodumene concentrate with its DMS concentrator at the Whabouchi mine site from a bulk sample underway
- (iv) Implement training programs with local stakeholders for employment opportunities at the Whabouchi mine site;
- (v) Continue ongoing detailed engineering work in relation to the Whabouchi mine, concentrator and Commercial Hydromet plant and to order equipment with long lead-time delivery;
- (vi) Install concentrator equipment in the building that was built during last quarter, with a view of commissioning the concentrator in Q1-2018;
- (vii) Build the Whabouchi mine and concentrator at the Whabouchi mine site and build the Commercial Hydromet Plant in Shawinigan, Québec to produce high purity lithium hydroxide and lithium carbonate from spodumene concentrate to be produced at the Whabouchi mine;
- (viii) Complete the construction of a 13Km 69Kv electric power line from the Nemiscau substation to the mine site;
- (ix) Continue our marketing efforts with potential clients in order to secure additional commercial off-take agreements for lithium hydroxide and lithium carbonate in order to support the project financing;
- (x) Continue ongoing negotiations in order to put in place, the project financing with recognized financial institutions and investors.

Management discussion and analysis

February 13, 2017

The Company was able to proceed with these steps following the completion of the \$38M Phase 1 plant project financing during the first half of calendar year 2016. This financing is comprised of \$12,87M grant from Sustainable Development Technology Canada ("SDTC"), a \$3M grant from the *Ministère des Ressources Naturelles* under the Technoclimat program, a \$10M private placement from Ressources Quebec Inc. and finally a \$12M upfront payment from Johnson Matthey Battery Materials Inc. The Company has also closed on July 8, 2016, a public offering for a gross proceeds of \$69M, of which \$50M is earmarked to either start, complete or continue the main business objectives stated above.

Highlights for the six-month period ended December 31, 2016 and up to the date of this report and next steps

On February 13, 2017, the Company announced that it has received a \$3M installment payment from Johnson Matthey Battery Materials Ltd ("JMBM") of Candiac, Québec, a wholly owned subsidiary of Johnson Matthey Plc (LSE: JMAT). The installment payment was made after JMBM's review and acceptance of the Operation Manuals for the Phase 1 Plant and receipt by the Company of the certificate of authorization to operate the Phase 1 Plant. The existing agreement between JMBM and the Company, announced on May 11, 2016, provides for an aggregate \$12M advance payment for goods and services. The final \$3M milestone installment will be payable by JMBM following receipt of battery grade lithium hydroxide from the Company.

On October 31, 2016, the Company, via its wholly owned subsidiary Nemaska Lithium Shawinigan Transformation Inc., announced that it had entered into an agreement with FMC Corporation pursuant to which the Company will provide FMC Corporation with 8,000t per year of lithium carbonate beginning in mid-2018.

Between July 1, 2016 and up to February 13, 2017, 850,000 options were exercised at prices varying between \$0.10 and \$0.425 for an aggregate value of \$263,000 and 3,942,000 warrants were exercised by shareholders at a price varying between \$0.20 and \$0.28 for an aggregate value of \$1,003,960; this resulted in the Company issuing 4,792,000 common shares. During the same period, the Company granted 3,725,000 options at an average exercise price of \$1.24 to 13 newly hired highly skilled key employees covering operation, human resources, information technology, environment, maintenance, procurement, financial controllers and administrative support in order to properly build and operate the Phase 1 plant and also prepare the construction of the mine and commercial hydromet plant; always with a view of commissioning the commercial operations during the second half of the calendar year 2018.

On July 8, 2016, the Company closed a brokered short form prospectus offering for gross proceeds of \$69,000,115 by the issuance of 60,000,100 units, which includes the exercise of the over-allotment option in full, at a price of \$1.15 per unit in connection with the short form prospectus of the Company dated July 4, 2016. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles its holder to purchase one common share of the Company, at a price of \$1.50 per common share, up to July 8, 2019. The Company may accelerate the Warrant Expiry Date if, before the Warrant Expiry Date and at any time following the Closing Date, the closing price of the common shares listed on the Toronto Stock Exchange, as applicable, is equal to or above \$2.25 for a period of 20 consecutive trading days.

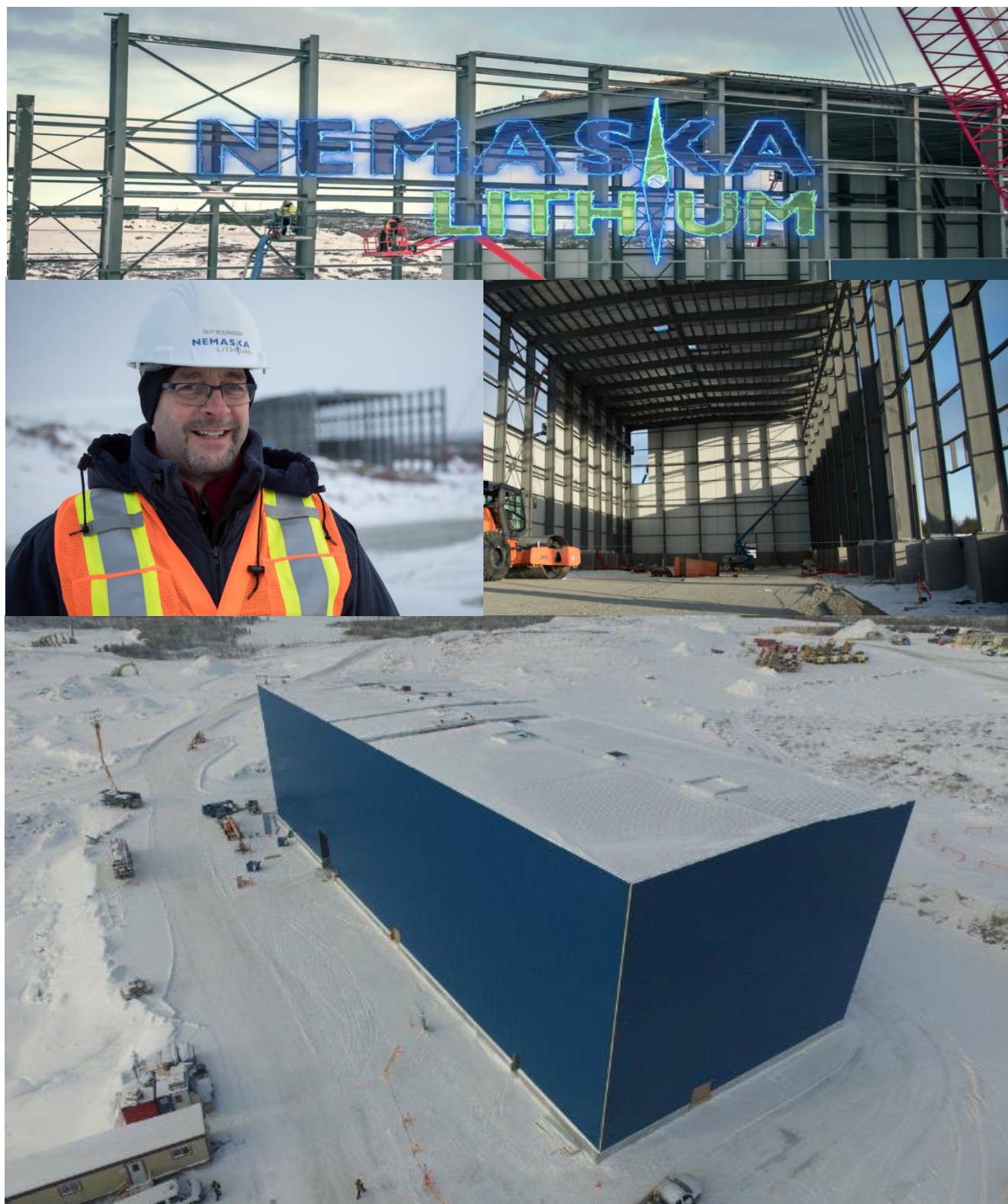
During the six-month period and up to the date of this report, the Company has progressed in the following fronts:

- Site preparation and installation and commissioning of the DMS concentrator at the Whabouchi mine site;
- Site preparation and construction of the concentrator building at the Whabouchi mine site;
- Construction of the Phase 1 Plant in Shawinigan;
- Engineering work for the Whabouchi Project;
- 17,400 meters of definition diamond drilling at the Whabouchi mine;
- Hiring of key personnel
- Hiring and training of 20 multi-task technician operators for the Phase 1 plant;
- Start commissioning sections of the Phase 1 plant;

Bulk sample blasting operations and DMS concentrator installation at the mine site (December 2016)



Concentrator building construction at the mine site (October to December 2016)

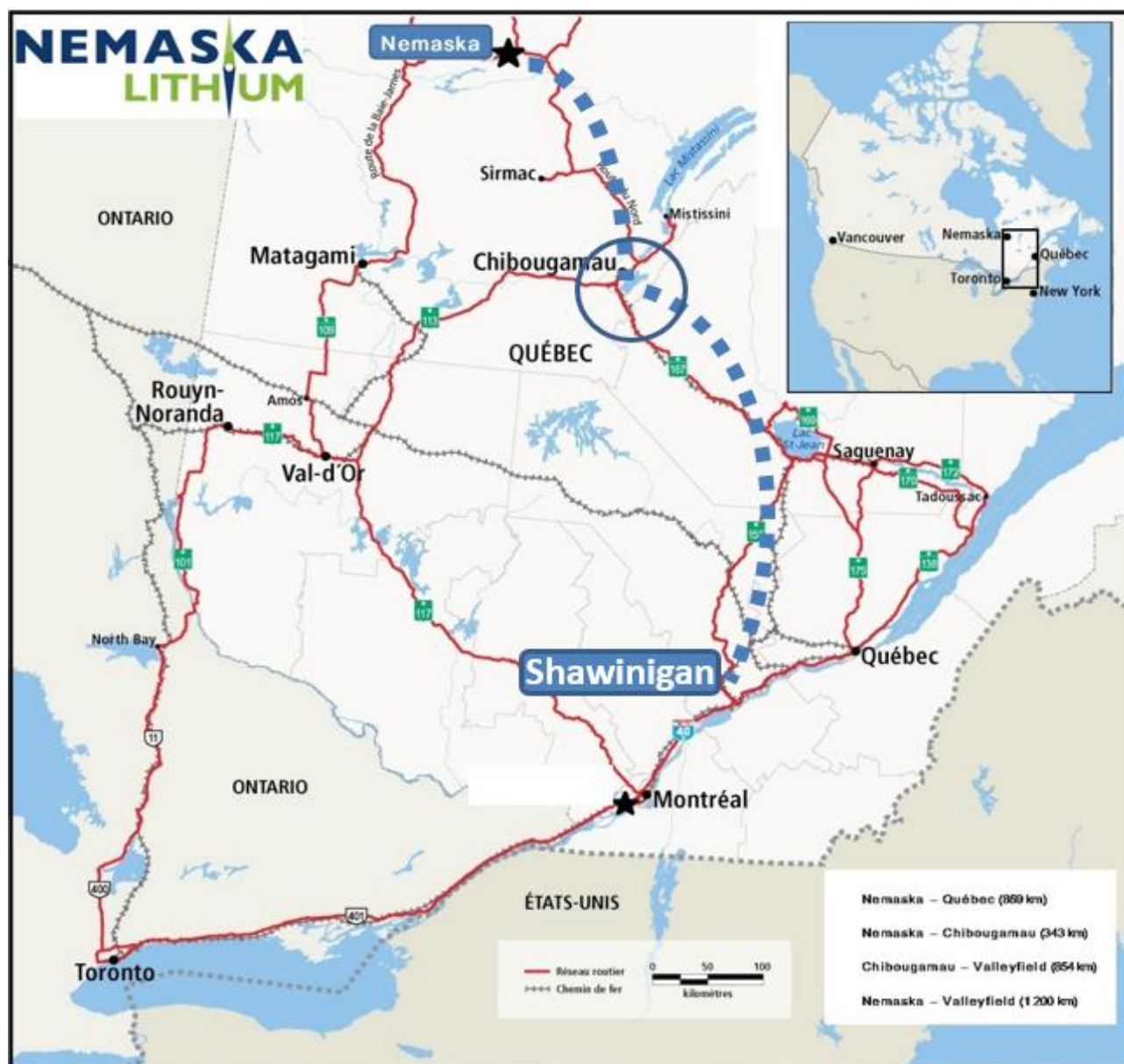


Shawinigan site (Buildings and Phase 1 Plant construction)



Updated Feasibility Study Highlights, Mineral Resources and Mineral Reserves

As at the date of this report, the Company owns two (2) mining properties consisting of 57 claims (Whabouchi and Sirmac) in the Eeyou Istchee / James Bay territory, province of Quebec. The Company also owns the Shawinigan Site and infrastructures that house the Company's Phase 1 Plant and will house the future Commercial Hydromet Plant that will convert spodumene concentrate into high purity lithium hydroxide and lithium carbonate.



Management discussion and analysis

February 13, 2017

The table below highlights selected information taken from the Updated Feasibility Study filed on SEDAR on May 19, 2016 and as amended on June 8, 2016:

Mine Life and Pre-Tax Pay Back of Capital Costs	26 years with a 2.4 years pay back period
Life of Mine Revenue	\$9.2 Billion (US \$7.4 Billion) (average of \$354 M/yr)
Pre-Tax Net Undiscounted Cash Flow	\$6.2 Billion (US \$4.9 Billion) (average of \$260 M/yr excluding initial CAPEX)
After-Tax Undiscounted Cash Flow	\$3.9 Billion (US \$3.1 Billion)
Pre-Tax NPV 8% Discount (base case)	\$1.9 Billion (US \$1.5 Billion)
After-Tax NPV 8%Discount (base case)	\$1.2 Billion (US \$924 Million)
Pre-Tax & After-Tax Internal Rate of Return (IRR)	Pre-Tax: 37.7% and After-Tax: 30.3 %
Total Initial Capital Costs	\$549 M (US \$439 M) in CAPEX including contingency of \$56 M (US \$45 M)
Selling Price Lithium Hydroxide	US \$9,500/t FOB Shawinigan
Selling Price Lithium Carbonate	US \$7,000/t FOB Shawinigan
Average Cost/tonne of Spodumene Concentrate	\$181/t (US \$145/t) FOB Whabouchi Mine
Average Cost/tonne of Lithium Hydroxide	\$2,693/t (US \$2,154/t) FOB Shawinigan
Average Cost/tonne of Lithium Carbonate	\$3,441/t (US \$2,753/t) FOB Shawinigan
Life of Mine Production	5.5 M tonnes (approx. 213k tonnes/year) of spodumene concentrate converted into battery grade lithium hydroxide for approx. 714k tonnes (27.5k tonnes/year) and approx. 84k tonnes (3.2k tonnes/year) of lithium carbonate.
Exchange Rate \$C to \$US	1 : 0.80

Mineral Resources and Mineral Reserves

The Mineral Resources were estimated based on the following geological and resources block modeling parameters which are based on the Memorandum received from SGS Geostat, prepared by Jean-Philippe Paiement, M.SC., P.Geo and dated January 23, 2014:

- Mineral resources were evaluated from the diamond drill holes and channels analytical results completed by Nemaska since 2009. Historical drill holes and channels were not used for the current mineral resources estimate. A total of 479 drill holes/channels and 9,358 assays were used for the mineral resources model.
- The mineral resources 3-D modeling of mineralized pegmatite dyke was conducted using a minimal modeling grade of 0.50% Li_2O over a 2m horizontal thickness.
- The interpolation was conducted using composited assays of 2m in length. The Mineral Resources were modeled and estimated using Genesis© software.
- Block Model Interpolation was done using Ordinary Kriging. The block model was defined by a block size of 5m long by 3m wide by 5m thick and covers a strike length of 1,315 m to a maximal depth of 520 m below surface.
- The In-pit Mineral Resources were limited inside an optimized pit shell. The interpolated blocks of the model located below the optimised pit shell are not included in the updated Mineral Resources. The In-pit Mineral Resources reach 320 m below surface (maximum depth of optimised pit).
- The cut-off grade of the reported Mineral Resources is 0.43% Li_2O .

In-Pit Mineral Resources - Whabouchi Project		
Resource Category	Tonnage (t)*	Li ₂ O Grade (%)
Measured	12,998,000	1.60
Indicated	14,993,000	1.54
Measured + Indicated	27,991,000	1.57
Inferred	4,686,000	1.51

*Note: The mineral resources estimate has been calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definitions Standards for mineral resources in concordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are exclusive of the Measured and Indicated resources. Bulk density of 2.70 t/m³ is used. Effective date January 22, 2014. * Rounded to the nearest thousand.

The Mineral Reserves estimate used in the Updated Feasibility Study was prepared using the same Mineral Resource block model that was used in the 2014 Feasibility Study. The Mineral Reserves are included in the Measured and Indicated Mineral Resources that have been identified as being economically extractable and which incorporate mining losses and the addition of waste dilution.

Mineral Reserves - Whabouchi Project		
Reserve Category	Tonnage (Mt)	Li ₂ O Grade (%)
Open Pit		
Proven	11.7	1.58
Probable	8.3	1.46
Proven and probable	20.0	1.53
Underground		
Proven	1.6	1.27
Probable	5.7	1.29
Proven and probable	7.3	1.28

Reserves categories are compliant with Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definitions Standards for mineral resources in concordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects. The cut-off grade for the open pit Mineral Reserves Li₂O ≥ 0.43% and the cut-off grade for the underground Mineral Reserves is Li₂O ≥ 0.80%. The effective date of the Mineral Reserves estimate is May 13, 2014. * Rounded to the nearest thousand.

Whabouchi property

The following works were carried out mainly on the Whabouchi property during the last 8 quarters and up to the date of this report:

Management discussion and analysis

February 13, 2017

Work description	Objectives	Results
Installation of a 10t/hr modular Dense media separation (DMS) concentrator at mine site	1. Process a 10,000 t bulk sample to produce 6 % spodumene concentrate to be processed in the Phase 1 hydromet plant in Shawinigan, Quebec to produce commercial representative samples of high purity lithium hydroxide. 2. Process about 50,000 t bulk sample to produce 6 % spodumene concentrate for training purposes	Operation of the DMS mill has started in February 2017 Training program scheduled to start April 2017 and continue for 12 months (2 groups)
Obtaining the required permits to install and operate the DMS concentrator	Legally operate the DMS for the 60,000 t bulk sample	Permits were obtained in due time to proceed with the installation and operation thereafter
Diamond drilling campaign totaling 17,400 meters in 50 holes during the summer of 2016	1. Potential conversion of 4.69Mt of inferred resources into indicated resources. 2. Increase the level of confidence of mineral resources between 0m and 200m vertical from the surface. 3. Confirm the continuity of the longitudinal zone of mineral resources down to 500m vertical depth, below surface.	The objectives were attained successfully and new resources were confirmed. Measured and Indicated resources increased by ≈31% (from 27.99 million tons to 36.62 million tons), while inferred resources increased by ≈53% (from 4.69 million tons to 7.19 million tons). See December 1, 2016 press release for more details. During the campaign a new dyke, parallel to the main Whabouchi dyke, was discovered and defined over 450m laterally and is still open to the East (the Doris zone). Management decided that additional definition drilling to pursue Eastward extension is warranted. Drilling program is being planned.

Management discussion and analysis

February 13, 2017

Work description	Objectives	Results
Environmental and social impacts assessment study	Obtaining the necessary permits to build and operate a mine and a concentrator.	A positive federal environmental assessment decision for the Whabouchi Lithium Project from the Minister of Environment of Canada was received on July 29, 2015. On September 4, 2015, the Company received the General Certificate of Authorization (CA) for the Whabouchi Lithium Project from the Quebec Ministry of Sustainable Development, Environment and The Fight Against Climate Change ("MSDEFCC").
Updated Feasibility Study Ni-43-101 report completed by Met-Chem.	Confirm capital expenditures to construct a mine and concentrator on the mine site. Confirm operating expenditures for same. Confirm logistics and transportation costs of a 6 % Li₂O spodumene concentrate to the Shawinigan Site for the conversion instead of Salaberry-de-Valleyfield. Confirm capital expenditures to construct a chemical plant to convert spodumene concentrate into lithium hydroxide and lithium carbonate of battery grades in the existing facilities of a former paper mill company recently acquired by the Company. Confirm operating expenditures for same.	The results of the Updated Feasibility Study were released with an effective date of April 4, 2016. Complete report has been filed on SEDAR on May 19, 2016 and was amended as of June 8, 2016
Metallurgical lab and pilot scale tests	Optimize purification and electrolysis processes to produce high purity lithium hydroxide from spodumene concentrate and also to produce high purity lithium carbonate from the lithium hydroxide produced with the first process. Optimize lithium extraction recovery from spodumene concentrate using sulfuric acid.	High purity lithium hydroxide was produced on a pilot scale level. Samples were sent to potential end users. Patent applications were filed to protect these processes. Extraction recovery from spodumene concentrate using sulfuric acid was as expected and is reflected in the 2016 updated feasibility study.

Sirmac project

As for the Sirmac project, the last drilling campaign and metallurgical tests done did not allow to confirm the presence of technical grade spodumene (low iron content) required for direct use. The latest tests results and reports recommend that additional work be undertaken on the property. However, given the fact that the priority is the Whabouchi project, no further work is planned in the short term on the Sirmac project which has over \$1.1M in credits from the *Ministère de l'Énergie et des Ressources naturelles* in order to renew its claims. It's the intention of the Company to renew its claims in the future and to evaluate if exploration activities are or should be done on its properties when the necessary funds are available to the Company at a reasonable price and acceptable conditions.

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Selected Financial Information

The following table summarizes the Company's selected key financial data taken from the consolidated condensed interim statements of loss and comprehensive (profit) or loss for the periods ended December 31, 2016 and 2015 as well as the consolidated condensed interim statement of financial position as at December 31, 2016, June 30, 2016 and June 30, 2015.

Consolidated statements of loss and comprehensive loss selected financial information				
	Three-month period ended December 31		Six-month period ended December 31	
Earnings and loss	2016	2015	2016	2015
Interest income	131,978	2,996	221,266	6,305
Loss before income taxes	2,630,877	1,106,860	3,880,045	1,537,230
Net loss	2,748,123	1,106,860	3,917,475	1,537,230
Comprehensive loss	3,502,597	1,106,860	3,300,178	1,537,230
Loss per share, basic and diluted	0.011	0.005	0.011	0.008
Consolidated Statements of Financial Position selected financial information				
	As at			
	December 31, 2016 (\$)	June 30, 2016 (\$)	June 30, 2015 (\$)	
Cash and cash equivalents	56,110,141	19,563,445	1,625,666	
Working capital ⁽¹⁾	36,739,831	17,119,140	1,393,482	
Total assets	146,065,306	63,515,382	29,208,212	
Total liabilities	36,303,701	15,808,688	2,709,138	
Shareholder's Equity	109,761,605	47,706,694	26,499,074	

- ⁽¹⁾ This is a non GAAP financial measure which does not have any standardized meaning prescribed by the Company'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 Company for general administrative purposes.

Consolidated statement of financial position as at December 31, 2016

As at December 31, 2016, the total assets of the Company were at \$146,065,306, an increase of \$14,164,387 and of \$82,549,924 when compared to September 30, 2016 and to June 30, 2016, respectively. The increase in the total assets during the six-month period ended December 31, 2016 is mostly due to the increase in cash and cash equivalent related to the following elements: i) the closing of a brokered short form prospectus offering for gross proceeds of \$69,000,115; ii) additions relating to the commitment of \$700,000 in relation to the development of the Whabouchi project; iii) the increase in the fair market value of the investment in Monarques Gold Corporation increased the total assets by \$713,226; and iv) the increase in the current liabilities of \$23,968,349. On the other hand, the following main elements contributed to the decrease in the total assets during the six-month period ended December 31, 2016: i) the cash flow used for the share issuance expenses for \$4,975,028; ii) the decrease in the deferred grants for \$3,535,771 which is applied in reduction of the Phase 1 Plant assets; and ii) the operating activities also contributed in the decrease of the total assets.

A substantial amount of additional financing is required to complete the construction of the Whabouchi lithium mine and the Hydromet Plant in Shawinigan. The estimated capital cost for the project is in excess of \$500 million, including contingencies. In addition, financing costs and general working capital needs will increase the Company's cash requirements during the construction period, until positive cash-flow from operations commences. Although the Company has general working capital of 36.7 million as at December 31, 2016, the Company may be required to delay discretionary expenditures if additional financing cannot be obtained to continue construction of the Whabouchi mine and Hydromet Plant.

Since the Company has reached the development stage of the Whabouchi project during this first quarter of 2017, the project was tested for impairment before the capitalized amounts in mining properties and exploration and evaluation assets were transferred in tangible assets and intangible assets. No impairment was necessary based on the economic feasibility study of the project and also supported by the strong market capitalization of the entity at the time of transfer. Accordingly, an amount of \$ 2,393,845 was transferred from mining properties to property, plant and equipment, as well as amounts of \$18,195,696 and \$7,442,881 were transferred to property, plant and equipment and intangible assets, respectively.

Management discussion and analysis

February 13, 2017

Consolidated Statement of Loss and comprehensive (Profit) or Loss
Three-month periods ended December 31, 2016 and 2015

	2016	2015
	\$	\$
EXPENSES:		
Compensation	1,228,162	194,151
Share-based payments	651,243	641,359
Rent, office expense and other expenses	67,300	37,745
Depreciation and amortization expense and loss on disposals	19,645	2,610
Registration, listing fees and shareholders' information	152,154	77,963
Promotion and advertising	62,715	13,312
Representation, missions and trade shows	213,948	78,482
Consultants fees	94,602	38,341
Professional fees	323,145	24,117
	2,812,914	1,108,080
NET FINANCE (INCOME) EXPENSE:		
Finance income	(131,978)	(2,996)
Finance expense	4,022	1,776
Gain on foreign exchange	(54,081)	-
	(182,037)	(1,220)
Operating loss and loss before income taxes	2,630,877	1,106,860
Current income taxes and mining taxes recovery	(16,867)	(26,190)
Deferred income taxes and mining taxes recovery	134,113	26,190
	117,246	-
Net loss for the period	2,748,123	1,106,860
OTHER COMPREHENSIVE LOSS:		
Decrease (Increase) in fair value of the investments	871,720	-
Deferred income taxes	(117,246)	-
	754,474	-
Comprehensive Loss for the period	3,502,597	1,106,860
Basic and diluted loss per share	0.011	0.005
Basic and diluted weighted average number of shares outstanding	312,909,942	202,908,843

Management discussion and analysis

February 13, 2017

The results for the three-month period ended December 31 2016 show an operating loss of \$2,630,877 (\$1,106,860 for the same period in the previous year) as seen in the previous table. Aside from interest revenues of \$131,978 (\$2,996 for the same period in the previous year), the Company has no revenues from operations.

As seen in the previous consolidated statement of (profit) or loss, the main variations between the current year three-month period and the previous year comparative figures are: i) compensation increased by \$1,034,011 mainly due to headcount increases, adjustments and incentive compensation; ii) registration, listing fees and shareholders' information increased by \$74,191 mainly due to the increase in the costs of the annual general assembly; iii) promotion and advertising combined with representation, missions and trade shows increased by \$184,869 mainly due to increased presence in Europe, Asia, Australia and North America in order to promote the Company and to increase the exposure of the Company to potential partners and end users for the development and financing of the Whabouchi project; iv) consultants fees increased by \$56,261 mainly due to increasing activities in the HR and communication sector of the Company; v) professional fees increased by \$299,028 mainly due to increased fees for auditors, recruiting activities and legal fees in relation to due diligence activities. The fluctuation in the fair market value of the investment in Monarques Gold Corporation resulted in another comprehensive loss of \$871,720, before taxes.

Financing activities for the three-month period ended December 31, 2016

During the three-month period, 50,000 options were exercised by officers and directors at a price of \$0.12 and 50,000 warrants were exercised by shareholders at a price of \$0.22 for an aggregate total value of \$17,000; this resulted in the Company issuing 100,000 common shares.

Investing activities for the three-month period ended December 31, 2016

During the three-month period ended December 31, 2016, a net amount of \$19,663,071 was used in the investing activities. The cash flows used for investments in the property, plant and equipment totalled an amount of \$19,651,052, while the investments in the intangible assets required cash flows for a total amount of \$12,019. These use of funds for the investments are mainly related to: i) the site preparation and the construction of the concentrator building at the Whabouchi mine site property; ii) the installation of the DMS (dense media separation) concentrator; and iii) the continued construction work and equipment installation at the Phase 1 Plant in Shawinigan.

Management discussion and analysis

February 13, 2017

Consolidated Statement of Loss and comprehensive (Profit) or Loss
Six-month periods ended December 31, 2016 and 2015

	2016	2015
	\$	\$
EXPENSES:		
Compensation	1,647,702	363,674
Share-based payments	1,035,356	660,179
Rent, office expense and other expenses	115,889	71,989
Depreciation and amortization expense and loss on disposals	21,598	5,220
Registration, listing fees and shareholders' information	325,581	91,970
Promotion and advertising	104,627	40,383
Representation, missions and trade shows	397,765	135,919
Consultants fees	136,136	128,940
Professional fees	362,658	42,075
	4,147,312	1,540,349
NET FINANCE (INCOME) EXPENSE:		
Finance income	(221,266)	(6,305)
Finance expense	6,395	3,186
Gain on foreign exchange	(52,396)	-
	(267,267)	(3,119)
Operating loss and loss before income taxes	3,880,045	1,537,230
Current income taxes and mining taxes recovery	(62,435)	(38,415)
Deferred income taxes and mining taxes recovery	99,865	38,415
	37,430	-
Net loss for the period	3,917,475	1,537,230
OTHER COMPREHENSIVE INCOME:		
(Increase) in fair value of the investments	(713,226)	-
Deferred income taxes	95,929	-
	(617,297)	-
Comprehensive Loss for the period	3,300,178	1,537,230
Basic and diluted loss per share	0.011	0.008
Basic and diluted weighted average number of shares outstanding	310,197,165	197,722,136

The results for the six-month period ended December 31 2016 show an operating loss of \$3,880,045 (\$1,537,230 for the same period in the previous year) as seen in the previous table. Aside from interest revenues of \$221,266 (\$6,305 for the same period in the previous year), the Company has no revenues from operations.

As seen in the previous consolidated statement of (profit) or loss, the main variations between the current year six-month period and the previous year comparative figures are: i) compensation increased by \$1,284,028 mainly

due to headcount increases, adjustments and incentive compensation; ii) share-based payments increased by \$375,177 due to the facts that the Black-Scholes valuation model was mainly impacted by the increase in the stock price of the Company compare to the previous year and that more options were issued in the current six-month period than the same period in the previous year; iii) registration, listing fees and shareholders' information increased by \$233,611 mainly due to the transition costs from the TSX-V to the TSX and due to costs increases related to the annual general assembly; iv) promotion and advertising combined with representation, missions and trade shows increased by \$326,090 mainly due to increased presence and publicity in Europe, Asia, Australia and North America in order to promote the Company and to increase the exposure of the Company to potential partners and end users for the development and financing of the Whabouchi project; v) professional fees increased by \$320,583 mainly due to increased fees for auditors, recruiting activities and legal fees in relation to due diligence activities. The fluctuation in the fair market value of the investment in Monarques Gold Corporation resulted in another comprehensive income of \$713,226, before taxes.

Financing activities for the six-month period ended December 31, 2016

During the six-month period, the Company completed a brokered short form prospectus offering for gross proceeds of \$69,000,115 by the issuance of 60,000,100 units, which includes the exercise of the over-allotment option in full, at a price of \$1.15 per unit in connection with the short form prospectus of the Company dated July 4, 2016. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles its holder to purchase one common share of the Company, at a price of \$1.50 per common share, up to July 8, 2019. The Company may accelerate the Warrant Expiry Date if, before the Warrant Expiry Date and at any time following the Closing Date, the closing price of the common shares listed on the Toronto Stock Exchange, as applicable, is equal to or above \$2.25 for a period of 20 consecutive trading days.

Also during the six-month period, 450,000 options were exercised by officers and directors at prices varying between \$0.10 and \$0.40 and shareholders exercised 50,000 warrants at a price of \$0.22 for an aggregate total value of \$148,000; this resulted in the Company issuing 500,000 common shares.

Investing activities for the six-month period ended December 31, 2016

During the six-month period ended December 31, 2016, a net amount of \$24,993,206 was used in the investing activities. The cash flows used for investments in the property, plant and equipment, net of the deposits to suppliers of \$142,589, totalled an amount of \$24,562,213, while the investments in the intangible assets required cash flows for a total amount of \$573,582. These investments are mainly related to: i) the detailed engineering, site preparation and the construction of the concentrator building at the Whabouchi mine site property; ii) the 17,400 meters drilling campaign performed on the Whabouchi property in order to see the potential to increase the resources and to possibly confirm the continuity of the longitudinal zone down to 500m vertical depth below the surface; iii) the detailed engineering and site preparation at the Whabouchi mine site in order to install the new DMS (dense media separation) concentrator; and iv) the continued construction work, building modifications and equipment installation at the Phase 1 Plant in Shawinigan.

Selected quarterly data

Operating results for each of the last 8 quarters are presented in the table below. The data related to these quarters were prepared in the same manner as that of the audited financial statements for the fiscal year ended June 30, 2016.

Operating results:

Operating results as at:	Finance income \$	Loss (Profit) before income taxes \$	Net (Profit) or Loss \$	(Profit) Loss per share – basic and diluted \$
December 31, 2016	131,978	2,630,877	2,748,123	0.011
September 30, 2016	89,287	1,249,167	1,169,351	0.004
June 30, 2016	22,802	(1,457,121) ¹	(1,457,121) ¹	(0.006) ¹
March 31, 2016	1,991	497,073	497,073	0.002
December 31, 2015	2,996	1,106,860	1,106,860	0.005
September 30, 2015	3,309	430,370	430,370	0.002
June 30, 2015	5,557	422,166	422,166	0.002
March 31, 2015	3,253	687,608	687,608	0.004

¹ The profit was generated by a gain of \$5,468,062 resulting from the reclassification of the investment in Monarques Gold Corporation from an equity accounted investee to an investment as a financial asset.

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

On July 8, 2016, the Company completed a brokered short form prospectus offering for gross proceeds of \$69,000,115 by the issuance of 60,000,100 units, which includes the exercise of the over-allotment option in full, at a price of \$1.15 per unit in connection with the short form prospectus of the Company dated July 4, 2016. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles its holder to purchase one common share of the Company, at a price of \$1.50 per common share, up to July 8, 2019. The Company may accelerate the Warrant Expiry Date if, before the Warrant Expiry Date and at any time following the Closing Date, the closing price of the common shares listed on the Toronto Stock Exchange, as applicable, is equal to or above \$2.25 for a period of 20 consecutive trading days. On July 8, 2016, the Company issued an aggregate number of 3,600,006 broker unit warrants, collectively entitling the holders thereof to purchase an aggregate of up to 3,600,006 units of the Company, at a price of \$1.15 per unit, each being comprised of one common share of the Company and one-half of one common share purchase warrant. Subject to acceleration provisions as described in the July Warrant Indenture, each whole common share purchase warrant is exercisable up to July 8, 2019 to purchase one common share of the Company at a price of \$1.50 per common share.

Management discussion and analysis

February 13, 2017

During the six-month period ended December 31, 2016, 450,000 options were exercised by officers and directors at prices varying between \$0.10 and \$0.40 and shareholders exercised 50,000 warrants at a price of \$0.22 for an aggregate total value of \$148,000; this resulted in the Company issuing 500,000 common shares.

Between January 1, 2017 and up to February 13, 2017, 400,000 options were exercised at an average price of \$0.315 for an aggregate value of \$126,000 and 3,892,000 warrants were exercised by shareholders at an average price of \$0.0.255 for an aggregate value of \$992,960; this resulted in the Company issuing 4,292,000 common shares. Also, during the same period, the Company granted 100,000 options to a newly hired employees at an exercise price of \$1.44.

1- Common shares:

Outstanding shares information as at:	Common shares outstanding	Number of weighted average Common shares outstanding
As at the date of this report	317,225,855	314,962,638
December 31, 2016	312,933,855	312,909,942
September 30, 2016	312,833,855	307,484,390
June 30, 2016	252,433,755	229,537,529
March 31, 2016	216,423,915	207,582,183
December 31, 2015	206,615,385	202,908,843
September 30, 2015	198,991,014	192,535,434
June 30, 2015	191,596,104	191,596,104
March 31, 2015	191,596,104	185,618,327

2- Share purchase option:

Outstanding share purchase options as at:	Options issued	Options exercisable	Average exercise strike price \$
As at the date of this report	17,381,150	12,856,150	0.69
December 31, 2016	17,681,150	12,856,150	0.68
September 30, 2016	16,781,150	12,706,150	0.64
June 30, 2016	14,506,150	12,881,150	0.53
March 31, 2016	9,660,575	9,610,575	0.28
December 31, 2015	9,720,575	9,614,325	0.27
September 30, 2015	8,772,075	8,640,825	0.29
June 30, 2015	8,722,075	8,659,575	0.29
March 31, 2015	8,722,075	8,586,658	0.29

As at December 31, 2016, the Company had 17,681,150 outstanding options to purchase Common Shares. These options allow their holders to subscribe to one (1) common share at a price varying between \$0.10 and

\$1.44 per common share at different dates until January 2022, subject to the conditions established under the Common Share Purchase Option Plan.

3- Warrants issued to shareholders:

Outstanding warrants issued to shareholders as at:	Warrants issued to shareholders	Warrants exercisable	Average exercise strike price \$
As at the date of this report	60,633,348	60,633,348	0.82
December 31, 2016	64,525,348	64,525,348	0.76
September 30, 2016	64,575,348	64,575,348	0.76
June 30, 2016	34,575,298	34,575,298	0.36
March 31, 2016	22,721,915	22,721,915	0.28
December 31, 2015	19,235,150	19,235,150	0.23
September 30, 2015	26,723,521	26,723,521	0.22
June 30, 2015	33,868,431	33,868,431	0.22
March 31, 2015	40,930,015	40,930,015	0.25

As at December 31, 2016, the Company had a total of 64,525,348 exercisable warrants outstanding. Each warrant allows its holder to subscribe to one (1) common share at a price varying between \$0.20 per share to \$1.50 per share for a period varying from 18 months to 36 months following their issue date.

4- Compensation options or warrant units to brokers:

Outstanding compensation options or warrant units to brokers as at:	Compensation options or warrant units issued to brokers	Compensation options or warrant units exercisable	Average exercise strike price \$
As at the date of this report	3,600,006	3,600,006	1.15
December 31, 2016	3,600,006	3,600,006	1.15
September 30, 2016	3,600,006	3,600,006	1.15
June 30, 2016	-	-	-
March 31, 2016	-	-	-
December 31, 2015	-	-	-
September 30, 2015	136,000	136,000	0.12
June 30, 2015	136,000	136,000	0.12
March 31, 2015	981,140	981,140	0.28

As at December 31, 2016, the Company had 3,600,006 broker warrant units outstanding.

Related Party Transactions and Commercial Objectives

During the three-month and six-month periods ended December 31, 2016, the Company incurred expenses for services rendered by executive officers of the Company. 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 December 31		
	2016 (\$)	2015 (\$)
Compensation paid to key management personnel	845,314	124,234
Stock-based compensation paid to key management personnel	301,442	181,685
Fees and expenses towards the external directors	54,294	20,104
Stock-based compensation paid to external directors	-	397,367
Six-month periods ended December 31		
	2016 (\$)	2015 (\$)
Compensation paid to key management personnel	1,153,691	227,273
Stock-based compensation paid to key management personnel	394,231	181,685
Fees and expenses towards the external directors	94,275	39,354
Stock-based compensation paid to external directors	-	397,367

Off Balance sheet agreements

The Company has not concluded any off balance sheet agreements.

Obligations and contractual commitments

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

Whabouchi Property

Of the 33 claims comprising the Whabouchi property, 16 claims were acquired from Victor Cantore and 10 claims were acquired from Golden Goose Resources Inc. The Whabouchi deposit is located on the Cantore claims. In September 2009, the Company acquired a 100% interest in 16 mining claims included in the Whabouchi property. The vendors kept a 3% royalty on the 16 claims and on 4 of the 7 claims acquired by map designation by the Company. 1% of this royalty may be purchased for an amount of \$1,000,000.

In case of commercial production on any of the 10 claims acquired from Golden Goose Resources Inc. in January 2010 related to the Whabouchi property, the Company has to pay a 2% NSR royalty on all metals. The Company has the option to purchase 1% of this NSR royalty for an amount of \$1,000,000.

Management discussion and analysis

February 13, 2017

Sirmac Property

The Sirmac property is composed of 24 claims, covering approximately 1,101 hectares, located in SNRC sheet 32J11 in the province of Québec, Canada. The property is subject to a 1% NSR royalty, on 15 of the 24 claims forming the property, which can be purchased by the Company for \$1,000,000.

Lease

The Company leases office space and the lease was renewed in December 2016 for a period of four years, from February 1, 2017 to January 31, 2021, with the option to terminate the lease after the first year of this renewal. The monthly amount of the lease for the first two years of the renewal is \$6,062 and will be \$6,142 for the remaining term. As at December 31, 2016, the total contractual payments remaining until then, assuming the lease will not be terminated before the end of the term, will amount to \$294,679.

Financing sources

The financing sources for the last 8 quarters and up to the date of this report are listed in the following table:

Financing sources table				
Date	Type	Financings	Amount (\$)	General description of the use of proceeds
September 18, 2014	Options exercises	Common shares	180,576	The net proceed of the financing was used to: i) Fund the general administrative expenses and other working capital needs.
November 14 and 17, 2014	Base-shelf prospectus fourth supplemental prospectus	Common shares	1,500,000	The net proceed of the financing was used to: i) Continue the permitting process for the mine and concentrator on the Whabouchi property, including the follow-up work in relation to such permitting; ii) Fund the general administrative expenses, other investing activities and other working capital needs.
November 17, 2014	Brokered Private Placement	Common shares	42,500	The net proceed of the brokered private placement was used to: i) Continue the permitting process for the mine and concentrator on the Whabouchi property, including the follow-up work in relation to such permitting; ii) Fund the general administrative expenses, other investing activities and other working capital needs.

Financing sources table				
Date	Type	Financings	Amount (\$)	General description of the use of proceeds
February 4 and 20, 2015	Base-shelf prospectus fifth supplemental prospectus	Common shares	2,000,000	The net proceed of the financing was used to: i) Start of the detailed engineering in relation to the Phase 1 Plant; ii) Fund the general administrative expenses, other investing activities and other working capital needs.
March 11, 2015	Non-brokered offering	Common shares	400,000	The net proceed of the financing was used to: i) Fund the general administrative expenses, investing activities and other working capital needs.
May 20, 2015	Grant	Ministère des Ressources Naturelles (Technoclimat grant)	300,000	The net proceed of the financing was used to: i) Fund the investing activities and other working capital needs of the Phase 1 Plant.
Between July 1, 2015 and June 30, 2016	Options exercises	Common shares	232,219	The net proceed of the financing was used to: i) Fund the general administrative expenses, investing activities and other working capital needs.
Between July 1, 2015 and June 30, 2016	Shareholder warrants and compensation options to brokers exercises	Common shares	4,137,859	The net proceed of the financing was used to: i) Fund the general administrative expenses, investing activities and other working capital needs.
January 29, 2016	Grant	SDTC grant	2,117,969	The net proceed of the financing was used to: i) Fund the investing activities and other working capital needs of the Phase 1 Plant.
March 23, 2016	Grant	Ministère des Ressources Naturelles (Technoclimat grant)	450,000	The net proceed of the financing was used to: i) Fund the investing activities and other working capital needs of the Phase 1 Plant.
March 24, 2016	Non-brokered Private Placement	Common shares and Warrants	3,000,000	The net proceed of the financing was used to:

Financing sources table				
Date	Type	Financings	Amount (\$)	General description of the use of proceeds
				i) Fund the general administrative expenses, investing activities and other working capital needs.
April 29, 2016	Assets paid by share issuance	Common shares	1,500,000	The net proceed of the financing was used to: i) Purchase the new self-contained dense media separation (DMS) portable mill being installed at the Whabouchi mine site.
Between May 24, 2016 and June 14, 2016	Non-brokered Private Placement	Common shares and Warrants	10,000,000	The net proceed of the financing was used to: i) Fund the investing activities and other working capital needs of the Phase 1 Plant.
June 10, 2016	Advance payment	Johnson Matthey Battery Materials Ltd	6,000,000	The net proceed of the financing was used to: Fund the investing activities and other working capital needs of the Phase 1 Plant.
June 29, 2016	Grant	SDTC grant	2,117,969	The net proceed of the financing was used to: i) Fund the investing activities and other working capital needs of the Phase 1 Plant.
July 8, 2016	Brokered Short Form Prospectus	Common shares and Warrants	69,000,115	The net proceed of the financing was or is being mainly used to: i) Fund the general administrative expenses, investing activities and other working capital needs; ii) Diamond drilling program on the Whabouchi mine site; iii) Detailed engineering work and other projects development costs for the Whabouchi and Shawinigan sites; iv) Installation of the portable mill at the Whabouchi mine site in order to do a bulk sample and training; v) Site preparation and construction of the concentrator building at the Whabouchi mine site.

Financing sources table				
Date	Type	Financings	Amount (\$)	General description of the use of proceeds
Between July 1, 2016 and the date of this report	Options exercises	Common shares	263,000	The net proceed of the financing was used to: i) Fund the general administrative expenses, investing activities and other working capital needs.
Between July 1, 2016 and the date of this report	Shareholder warrants exercises	Common shares	1,003,960	The net proceed of the financing was or is being used to: i) Fund the general administrative expenses, investing activities and other working capital needs.
February 10, 2017	Advance payment	Johnson Matthey Battery Materials Ltd	3,000,000	The net proceed of the financing is or will be used to: Fund the investing activities and other working capital needs of the Phase 1 Plant.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

(A) STATEMENT OF COMPLIANCE:

These unaudited consolidated condensed interim financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual financial statements. These 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, these 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 annual financial statements and the notes thereto for the year ended June 30, 2016. On February 13, 2017, the Board of Directors approved, for issuance, the consolidated condensed interim financial statements for the six-month period ended December 31, 2016.

(B) BASIS OF MEASUREMENT:

The consolidated condensed interim financial statements have been prepared on the historical cost basis.

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

(C) FUNCTIONAL AND PRESENTATION CURRENCY:

The consolidated condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

(D) USE OF ESTIMATES AND JUDGMENTS:

The preparation of the 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 year in which the estimates are revised and in any future years affected.

In preparing these consolidated condensed interim financial statements, the significant judgments made by management applying the Company accounting policies and the key sources of estimation uncertainty include those described in the Company's audited annual consolidated financial statements for the year ended June 30, 2016, plus the recoverability of property, plant and equipment and intangible assets (refer to Note 5).

Significant accounting policies

The Company's consolidated condensed interim financial statements have been prepared following the same accounting policies used in the audited consolidated financial statements for the year ended June 30, 2016.

FINANCIAL RISK, MANAGEMENT OBJECTIVES AND POLICIES***FAIR VALUE OF FINANCIAL INSTRUMENTS***

The carrying amounts of short-term financial assets and liabilities, which include cash and cash equivalents, other receivables and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these financial instruments.

RISK EXPOSURE AND MANAGEMENT

The Company 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 Company'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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash equivalents bear interest at a variable rate that can range during the year anywhere from 0.70% up to 1.25% per year, depending on the Bank of Canada overnight rate fluctuations. In relation with those items, there is limited exposure to fair value variation due to the fact that they are redeemable at any time. The other financial assets and liabilities of the Company as at the consolidated

financial statement date do not represent interest risk because they are without interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

Currency risk

The Company makes certain transactions in foreign currencies mainly in US dollars, euros and Great Britain pound. The balances in the accounts payable and accrued liabilities in these foreign currencies were \$72,299 (US \$46,770 and £8,950) as at December 31, 2016 and \$18,391 (US \$11,176 and £2,250) as at June 30, 2016. Consequently, the Company is slightly exposed to foreign exchange fluctuation.

(ii) CREDIT RISK

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

(iii) LIQUIDITY RISK

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

As at December 31, 2016, all of the Company's financial liabilities had contractual maturities of less than one year and the Company had enough funds available to meet its current financial liabilities. At the same date, the Company had \$56,110,141 in cash and cash equivalents (\$19,563,445 as at June 30, 2016), \$5,987,280 in sales tax receivables (\$836,472 as at June 30, 2016), \$2,053,997 in other receivables (\$112,602 as at June 30, 2016) and \$350,379 in mining rights and tax credits receivable (\$287,944 as at June 30, 2016) in order to meet its financial liabilities and future financial liabilities from its commitments.

DEFERRED GRANTS

On February 16, 2015, the Company entered into an agreement with the federally-funded Sustainable Development Technology Canada for a \$12,870,000 non-repayable grant for construction and operation of its Phase 1 Plant. The Company received in two tranches a total amount of \$4,235,939, the first one was received in January 2016 and the second in June 2016. The next tranche of \$4,614,863 is expected to be received during the 2016-2017 fiscal year, following the achievements of certain milestones. The remaining balance of \$2,732,198 should be received during the fiscal year 2017-2018 while the 10% retention on amounts disbursed amounting to \$1,287,000 should be received during the fiscal year 2018-2019.

On March 11, 2015, the Company signed an agreement with the Ministère des Ressources Naturelles, which entitles the Company to receive a total of \$3,000,000 non-repayable grant as part of the Technoclimat program. The Company received the first tranche of \$300,000 in May 2015 and a second tranche of \$450,000 in March 2016. The next tranche of \$1,800,000 is expected to be received during the 2016-2017 fiscal year, following the achievements of certain milestones. The remaining portion of \$450,000 should be received during the fiscal year 2017-2018.

These grants will cover approximately 41% of costs related to the Phase 1 Plant.

Management discussion and analysis

February 13, 2017

As at December 31, 2016, an amount of \$2,016,982 was recorded as grants receivable (\$3,535,771 as at June 30, 2016 was recorded as deferred grants).

LOAN PAYABLE

The Company has contracted a loan payable towards the Société de Développement de Shawinigan Inc. in the amount of \$2,000,000 in relation to the acquisition of the land and selected buildings located in Shawinigan, Québec, Canada. The payment of this note will be released upon the completion of certain milestones, such as the reception of certain permits from the city of Shawinigan, which are expected to occur during the fiscal year 2016-2017. As such, this amount has been classified as a current liability.

ADVANCED PAYMENT

The Company has contracted an advanced payment by a customer in the amount of \$12,000,000 in exchange for services and products of the same value from the Company Phase 1 Plant. As at the date of the approval of these financial statements by the Board of Directors, a total amount of \$9,000,000 was received (\$6,000,000 was received as at December 31, 2016), while the remaining balance of \$3,000,000 (\$6,000,000 as at December 31, 2016) is expected to be released during the last quarter of the fiscal year 2016-2017 upon the completion of certain milestones.

CAPITAL MANAGEMENT

There were no significant changes in the Company's approach to capital management during the current year compared with the prior year.

As at December 31, 2016, the Company's capital consists of shareholders' equity amounting to \$109,761,605 (\$47,706,694 as at June 30, 2016).

The Company's capital management objective is to have sufficient capital to be able to pursue its activities in order to ensure the growth of its assets. It has also the objective to have sufficient liquidity to finance the investing activities and its working capital requirements.

In order to maintain or adjust the capital structure, the Company may issue new capital instruments, obtain debt financing and acquire or sell mining properties or other assets, to improve its financial performance and flexibility.

The access to financing depends on the economic situation and state of the equity and credit markets.

The Company has no dividend policy.

PROPERTIES TITLES

According to the mining Act and regulations of the Province of Quebec, to renew its claims, the Company must incur a minimum of exploration expenditures and must pay the Quebec government a rent per claim for every 2 year renewal period. Between the date of this MD&A and June 30, 2017 no amounts have to be paid for claims renewal. As at the date of this report, the Company has approx. \$6.5M in credits from the *Ministère de l'Énergie et des Ressources naturelles* that can be used to renew its claims on the Whabouchi and Sirmac properties. Out of the 33 claims, 10 claims of the Whabouchi property are suspended by the *Ministère de l'Énergie et des Ressources naturelles* during the process of the mining lease application.

ADDITIONAL FINANCING

In the future, additional funds will be required to finance the exploration or development work on the Company's mining properties, to pay for the renewal of the claims forming the properties and to cover the costs of managing the Company. The Company will also need to secure additional financing in order to build and operate the Phase 1 Plant, as well as the Whabouchi mine, concentrator and hydromet plant. The main sources of funds available to the Company are the issuance of additional shares, the borrowing of money or the sale of interests in its properties. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

PROTECTION AND MAINTENANCE OF INTELLECTUAL PROPERTY

The Company's success will depend in part on its ability to protect and maintain its intellectual property rights. The Company has obtained issuance of Canadian Patent No. 2,874,917, United States Patent No. US 9,382,126 and Australian Patent No. 2013270412 that describes its proprietary process of preparing lithium hydroxide and lithium carbonate from spodumene sources using membrane electrolysis. The Company also obtained issuance of Canadian Patent No. 2,905,197 that specifically protects improvements of the electrolysis membrane process for preparing lithium hydroxide. The Company has also received confirmation of other patent applications and patent cooperation treaty ("PCT") covering such processes that have been published and have received PCT numbers. The Company also filed additional patents which cover optimization and evolution of the technology as a result of the Company's ongoing optimization programs. No assurance can be given that the rights used by the Company will not be challenged, invalidated, infringed or circumvented, nor that the rights granted thereunder will provide competitive advantages to the Company. Patent applications have been filed by the Company regarding methods of transforming spodumene and producing lithium hydroxide from lithium sulfate and lithium carbonate from lithium hydroxide. Therefore, it is not clear whether the pending patent applications will result in the issuance of patents. Moreover, it is not clear whether the patents to be issued regarding these methods will be challenged by third parties, whether the patents of others will interfere with the Company's ability to use those patents and know-how to produce lithium compounds. There is no assurance that the Company will be able to develop or obtain alternative technology in respect of patents issued to third parties that incidentally cover its production processes. Moreover, the Company could potentially incur substantial legal costs in defending legal actions which allege patent infringement or by instituting patent infringement suits against others. The Company's commercial success also depends on the Company not infringing patents or proprietary rights of others.

CREE NATION MINING POLICY AND RELATED AGREEMENTS

Under the actual mining policy adopted by the Cree Nation Government, any mineral production on the Eeyou Istchee /James Bay territory shall be subject to specific agreement between the Company, the First Nations on which traditional territory the mine will be located, the GCC and the CNG.

On November 7, 2014, the Company signed the Chinuchi Agreement concerning the development and operation of the Whabouchi Lithium Project. The Chinuchi Agreement is a binding agreement that will govern the long-term working relationship between the Company and the Cree parties during all phases of the Whabouchi Lithium 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 project will be 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 mining industry's best practices for engagement with First Nations communities as well as with the Cree Nation Mining Policy.

CONDITIONS OF THE INDUSTRY IN GENERAL

The exploration and development of mineral resources, including construction, start-up and operation of a mine, involves significant risks that even an allied neat evaluation with experience and know-how 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 the mining plant on a particular site. It is impossible to provide assurance to the effect that the exploration and development programs contemplated by the Company will generate a profitable mine.

Economic viability of a mineral deposit depends on many factors, of which some are due to the particular characteristics of the deposit, in particular its size, its content and its proximity with the infrastructures as well as the cyclic character of the prices of metals and the governmental regulations, the royalties, the limits of production, the import and export of minerals and the protection of the environment, as well as social acceptability of the project. The impact of these factors cannot be evaluated in a precise way, but their effect can make so that the Company does not provide an adequate return of the funds invested.

The mining activities comprise a high level of risks. The activities of the Company are subject to all the dangers and the risks usually dependent on the exploration and the development, including 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.

GOVERNMENTAL REGULATION

The activities of the Company are subject to various federal, provincial and local laws, which relate to the exploration and development, taxes, standards of work, diseases and the occupational safety, the safety in mines, toxic substances, the protection of the environment and others. The exploration and the development are subject to legislative measures and laws with the federal, provincial and local levels relating to the protection of the environment. These laws 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; extraction and of treatment 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. The defect to conform to the above-mentioned legislative measures can involve important fines and other penalties.

RISKS OF LAWSUITS AND NO INSURABLE RISKS

The Company 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 payment of sums in this respect could involve the loss of the assets of the Company.

CONFLICTS OF INTEREST

Some of the directors and officers of the Company are engaged as directors or officers of other company's involved in the exploration and development of mineral resources. Such engagement could result in conflicts of interest. Any decision taken by these directors and officers and involving the Company will be in conformity with their duties and obligations to compromise in an equitable way and in good faith with the Company 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.

PERMITS, LICENCES AND AUTHORIZATIONS

The activities of the Company require obtaining and maintaining permits and licences from various governmental authorities. The Company considers that it holds all the permits and licences required for the activities it currently carries on, in accordance with the relevant laws and by-laws. Changes brought to the by-laws could affect these permits and licences. Nothing guarantees that the Company can obtain all the permits and all the necessary licences in order to continue its mining activities, to build mines or mining plants and to begin the exploitation of its exploration properties. Moreover, if the Company begins the exploitation of an exploration property, it will have to obtain the necessary permits and licences and to conform to all the required obligations concerning the use of water, removal of waste etc. It cannot be guaranteed that the Company will be able to obtain these permits and licences, nor that it will be able to conform to their requirements.

DEPENDENCE ON THE MANAGEMENT

The Company is dependent towards certain persons of its management. The loss of their services could have an unfavourable impact on the Company. The Company has contracted key-man insurance in order to mitigate such unfavourable impact on the Company.

PRICE OF METALS

The price of the common shares, financial results of the Company, its exploration and development activities; could undergo in the future important negative effects because of the fall of the prices of the lithium compounds, resulting in an impact on the capacity of the Company 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 Company, 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 which 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 Company.

TAX RISKS

The Company was partly financed by the issuance of flow-through shares during the previous years. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors. In such an event, the Company will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A was prepared as of the date shown in the header of this document. The Company is required to comply with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. The certification of interim filings requires us to disclose in the MD&A any changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting. We confirm that no such changes were made to the internal controls over financial reporting during the three-month and six-month periods ended December 31, 2016. The Chief Executive Officer and Chief Financial Officer have signed form 52-109F2, Certification of Interim Filings, which can be found on SEDAR at www.sedar.com. Additional information relating to the Company, including the technical reports mentioned herein and the Company's Annual Information Form can also be found on the website www.sedar.com and on our website www.nemaskalithium.com.

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STOCK EXCHANGE

TSX Exchange under the symbol: **NMX** for the shares

NMX.WT for the warrants issued on July 8, 2016 and expiring on July 8, 2019

OTCQX under the symbol: **NMKEF**

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Chief Financial Officer

Marc Dagenais, llb
Vice-President, legal affairs
and corporate secretary

Francois Godin
Vice-President Operations

Chantal Francoeur
Vice-President human resources and
organizational development

BOARD OF DIRECTORS

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René Lessard, Director
Judy Baker, Director
Paul-Henri Couture*, Director
François Biron*, Director
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