CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

THREE-MONTH PERIOD ENDED

SEPTEMBER 30, 2017

NEMASKA LITHIUM
450, Gare-du-Palais Street, 1st floor,
Québec (Québec)
G1K 3X2

418-704-6038
www.nemaskalithium.com

NEMASKA LITHIUM

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Three-month period ended September 30, 2017

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

NEMASKA LITHIUM INC.

Management's Report

Management's responsibility for financial reporting

The accompanying unaudited consolidated condensed interim financial statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The management is responsible for the preparation, integrity and objectivity of the unaudited consolidated condensed interim financial statements and other financial information presented in this Report. Other information included in these unaudited consolidated condensed interim financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the unaudited consolidated condensed interim financial statements are presented fairly in all material respects.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors and is mainly composed of independent directors. The Audit Committee meets periodically with management and the independent auditors to review accounting, auditing and internal control matters. These unaudited consolidated condensed interim financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

Internal control over financial reporting

The Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Corporation's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements. The Corporation's management refers the reader to consult the Form 52- 109F2 certification of annual filings deposited on SEDAR along with these unaudited consolidated condensed interim financial statements.

/s/ Guy Bourassa	*/s/ Steve Nadeau*
Guy Bourassa, President and CEO	Steve Nadeau, Chief Financial Officer

	Note	September 30, 2017	June 30, 2017
ASSETS		$	$
CURRENT ASSETS:			
Cash and cash equivalents		41,796,002	66,567,210
Inventory		1,171,910	1,139,675
Sales tax receivable		1,881,756	5,054,044
Grants and other receivables		7,723,394	7,663,838
Mining rights and tax credits receivable related to resources		379,694	379,694
Prepaid expenses		389,044	314,098
		53,341,800	81,118,559
NON-CURRENT ASSETS:			
Deposits to suppliers		9,946,137	1,357,594
Investments		5,626,557	5,468,062
Property, plant and equipment	5	120,439,542	103,221,778
Intangible assets	6	9,254,458	8,989,043
Mining properties	7	441,424	439,981
Exploration and evaluation assets	8	1,447,689	1,447,689
		147,155,807	120,924,147
TOTAL ASSETS		200,497,607	202,042,706
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		18,415,246	19,287,354
Purchase price balance payable		1,700,000	1,700,000
		20,115,246	20,987,354
NON-CURRENT LIABILITIES:			
Deferred income and mining taxes	12	2,248,599	2,248,599
Asset Retirement Obligation	13	611,976	–
Deferred revenues		25,357,987	24,357,987
		28,218,562	26,606,586
TOTAL LIABILITIES		48,333,808	47,593,940
EQUITY:			
Share capital and warrants		192,478,557	192,209,897
Contributed surplus		10,847,550	10,604,985
Accumulated other comprehensive income		137,177	-
Deficit		(51,299,485)	(48,366,116)
TOTAL EQUITY		152,163,799	154,448,766
TOTAL LIABILITIES AND EQUITY		200,497,607	202,042,706

Reporting entity and nature of operations (Note 1); Contingencies (Note 10); Commitments (Note 11); Subsequent events (Note 22)

The notes on pages 8 to 31 are an integral part of these consolidated condensed interim financial statements.

On behalf of the Board:

'Guy Bourassa', Director　　　　*'Michel Baril'*, Director

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF LOSS (UNAUDITED)

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016

	NOTE	September 30, 2017	September 30, 2016
		$	$
EXPENSES:			
Compensation	16	**1,128,672**	419,539
Share-based payments		**345,725**	384,113
Rent, office expense and other expenses		**45,994**	50,273
Depreciation, amortization expense and loss on disposals		**65,618**	1,954
Registration, listing fees and shareholders' information		**33,749**	173,427
Promotion and advertising		**20,353**	41,912
Representation, missions and trade shows		**289,104**	183,817
Consultants fees		**47,580**	41,534
Professional fees		**132,356**	39,513
Operating loss		**2,109,151**	1,336,082
NET FINANCE (INCOME) EXPENSE:			
Finance income		**(86,120)**	(89,287)
Finance expense		**7,211**	2,372
Loss on foreign exchange		**479,842**	-
		400,933	(86,915)
Loss after net finance expenses (income)		**2,510,084**	1,249,167
Current income taxes and mining taxes recovery	12	**-**	(45,568)
Deferred income taxes and mining taxes recovery	12	**(21,318)**	(34,248)
		(21,318)	(79,816)
Net loss for the period		**2,488,766**	1,169,351
OTHER COMPREHENSIVE INCOME:			
Increase in fair value of the investments	4	**(158,495)**	(1,584,946)
Deferred income taxes		**21,318**	213,175
		(137,177)	(1,371,771)
Comprehensive Loss or (Profit) for the period		**2,351,589**	(202,420)
Basic and diluted loss per share	14	**0.006**	0.004
Basic and diluted weighted average number of shares outstanding		**377,120,744**	307,484,390

The notes on pages 8 to 31 are an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016

	Share capital and warrants	Contributed surplus	Deficit	Accumulated other comprehensive income	**Total**
	$	$	$	$	$
BALANCE, JUNE 30, 2017	**192,209,897**	**10,604,985**	**(48,366,116)**	**-**	**154,448,766**
EQUITY FINANCING:					
Exercise of options	268,660	(103,160)	-	-	**165,500**
Share issuance costs	-	-	(444,603)	-	**(444,603)**
OPTIONS AND WARRANTS:					
Granted to employees, officers, directors, consultants or I.R. representatives	-	345,725	-	-	**345,725**
	192,478,557	**10,847,550**	**(48,810,719)**	**-**	**154,515,388**
LOSS FOR THE PERIOD	**-**	**-**	**(2,488,766)**	-	**(2,488,766)**
OTHER COMPREHENSIVE INCOME:					
Increase in fair value of the investments, net of $21,318 of taxes	**-**	**-**	**-**	137,177	**137,177**
Balance, September 30, 2017	**192,478,557**	**10,847,550**	**(51,299,485)**	**137,177**	**152,163,799**

	Share capital and warrants	Contributed surplus	Deficit	Accumulated other comprehensive income	**Total**
	$	$	$		$
BALANCE, JUNE 30, 2016	**68,944,971**	**6,794,690**	**(28,032,967)**	**-**	**47,706,694**
EQUITY FINANCING:					
Issuance of shares	69,000,115	-	-	**-**	**69,000,115**
Exercise of options	194,380	(63,380)	-	**-**	**131,000**
Exercise of warrants					
Share issuance costs, net of $133,359 of taxes			(4,755,985)	-	**(4,755,985)**
OPTIONS AND WARRANTS:					
Granted to employees, officers, directors, consultants or I.R. representatives	-	384,113	-		**384,113**
Granted to brokers	-	1,823,885	(1,823,885)	**-**	**-**
	138,139,466	8,939,308	(34,612,837)	**-**	**112,465,937**
LOSS FOR THE PERIOD	-	-	(1,169,351)	**-**	**(1,169,351)**
OTHER COMPREHENSIVE INCOME :					
Increase in fair value of the investments, net of $213,175 of taxes	**-**	**-**	**-**	1,371,771	**1,371,771**
Balance, September 30, 2016	**138,139,466**	**8,939,308**	**(35,782,188)**	**1,371,771**	**112,668,357**

The notes on pages 8 to 31 are an integral part of these consolidated condensed interim financial statements.

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2017 AND 2016

	September 30, 2017	September 30, 2016
	$	$
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss for the period	**(2,488,766)**	(1,169,351)
Adjustments for:		
Share-based payments	**345,725**	384,113
Depreciation and amortization expense and loss on disposal	**65,618**	1,954
Deferred income and mining taxes	**(21,318)**	(34,248)
Current income tax recovery	**-**	(45,568)
Net change in non-cash operating working capital	**2,209,903**	637,790
	111,162	(225,310)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares	**165,500**	69,131,115
Share issuance expenses	**(444,603)**	(4,902,631)
Grants	**10,000**	-
Proceeds from deferred revenues	**1,000,000**	-
	730,897	64,228,484
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Change in deposit to suppliers for property, plant and equipment	**(8,588,543)**	142,589
Addition to property, plant and equipment	**(16,755,750)**	(4,729,914)
Addition to intangible assets	**(265,415)**	(727,219)
Addition to mining and mineral properties	**(3,559)**	-
	(25,613,267)	(5,314,544)
Net (decrease) increase in cash and cash equivalents	**(24,771,208)**	58,688,630
Cash and cash equivalents, beginning of the period	**66,567,210**	19,563,445
Cash and cash equivalents, end of the period	**41,796,002**	78,252,075

Items not affecting cash flows (see Note 15).

The notes on pages 8 to 31 are an integral part of these consolidated condensed interim financial statements.

1. REPORTING ENTITY AND NATURE OF OPERATIONS:

Nemaska Lithium Inc. (the "Corporation") is a company 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 Corporation has incorporated 2 wholly-owned subsidiaries on March 16, 2016, which are Nemaska Lithium Shawinigan Transformation Inc. and Nemaska Lithium P1P Inc. The Corporation 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 address of the head office 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.

The mining property 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 Corporation is in the development stage in respect of its Whabouchi mining property and Shawinigan hydromet plant (the "Whabouchi Project") because it has obtained in July 2016 the initial financing required to start the development and the construction phase of the Whabouchi Project. The Corporation 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 Corporation 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 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 futures.

In order for the Corporation to accomplish its main commercial business objectives, additional financing is required for the construction of the Whabouchi mine and concentrator as well as the Hydromet Plant in Shawinigan. The estimated capital cost for the project according to the 2016 Updated Feasibility study is $549 million, including contingencies, which is being revised as described below and will increase accordingly and therefore, the Corporation is expecting to have the details within the next 45 days. The Corporation’s Commercial Hydromet Plant was initially designed to produce approximately 27,500 tonnes of lithium hydroxide monohydrate and a maximum of approximately 3,250 tonnes of lithium carbonate, or about a total combined 27,500 tonnes LCE (lithium carbonate equivalent) per year. Over the course of the year, the Corporation entered into off-take agreements, re-assessed the current and foreseeable market demands, discussed with potential clients and performed testing and optimization work of its processes. As a result, the Corporation is currently reviewing the total budget of the project, considering a potential increase of the total output of its hydromet plant by about 20%, to approximately 33,000 tonnes LCE per year from the 27,500 tonnes LCE initially planned. It was also decided, given the current off-take agreements in place, to increase the lithium carbonate production capacity from the 3,250 tonnes initially planned to 16,500 t/y (about 50% of the total capacity of the hydromet plant).

1. REPORTING ENTITY AND NATURE OF OPERATIONS (CONTINUED):

With the information available to the Corporation at the date of this report, the increase in the production at the hydromet plant will be mainly driven by the lithium sulfate solution that will be supplied by a client, the spodumene concentrate from the Whabouchi mine, expected to yield an average grade of 6.25% Li_2O instead of 6.03 %, and by the internal recycling of lithium rich water, improving recovery. The on-going review of the project budget is also taking into consideration the important additional information gathered through the operation of both the DMS modular concentrator and the Phase 1 Plant and through continued equipment and material testing with various potential equipment suppliers. Finally, the Corporation is also considering additional cash requirements during the commissioning and ramp-up period, until positive cash-flow from operations is reached. Although the Corporation has general working capital of $ 33.2 million as at September 30, 2017, the Corporation may be required to delay the construction or discretionary expenditures if additional financing cannot be obtained to continue as planned the construction of the Whabouchi mine and Hydromet Plant. The Corporation remains very active to complete the required project financing to continue the construction of its Project.

2. BASIS OF PREPARATION:

(A) STATEMENT OF COMPLIANCE:

These consolidated financial statements have been prepared in accordance with IFRS.

The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect as at year-end. On November 13, 2017, the Board of Directors approved for issuance these consolidated financial statements.

(B) BASIS OF MEASUREMENT:

The consolidated financial statements have been prepared on the historical cost basis, except for investment which are recorded at fair value.

The consolidated 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:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(D) USE OF ESTIMATES AND JUDGMENTS:

The preparation of the consolidated 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.

2. BASIS OF PREPARATION (CONTINUED):

(D) USE OF ESTIMATES AND JUDGMENTS (CONTINUED):

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 1 - the determination that the Corporation is in the development stage; in Note 3 (N) - which relates to the accounting for refundable credit for mining duties; in Note 5 - recoverability of property, plant and equipment, intangible assets and in Note 13 - assets retirement obligations. It also includes the following critical judgment:

Commercial production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of Phase 1 Plant and Commercial Plant, Buildings and Sites Preparation in progress 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.

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.

The Whabouchi project has not yet reached commercial production.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 - capitalizable costs as property, plant and equipment and intangible assets;
- Notes 3 and 12 - recoverability of deferred income tax assets;
- Note 13 – assets retirement obligations.

3. SIGNIFICANT ACCOUNTING POLICIES:

These consolidated condensed interim financial statements have been prepared following the same accounting policies used in the consolidated audited financial statements for the year ended June 30, 2017, unless otherwise specified hereunder.

Assets Retirement Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration, development or ongoing production of a mineral property. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying value of the assets, as soon as a legal or constructive obligation to incur such costs arises. A pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability is used to calculate the net present value. The related liability is adjusted in each period to reflect the accretion related to the time value of money, changes to the pre-tax discount rate and changes in the amount or timing of the underlying cash flows needed to settle the obligation.

4. INVESTMENTS:

As at September 30, 2017, the Corporation owns 15,849,455 shares in Monarques Gold Corporation ("MQR"), representing 9.39% (12.54% as at June 30, 2017) of the share capital of MQR. The closing price of MQR's shares on the TSX Venture Stock Exchange as at September 30, 2017 was $0.355 ($0.345 as at June 30, 2017), representing a total fair value of $5,626,557 ($5,468,062 as at June 30, 2017).

[Voluntary page break]

5. PROPERTY, PLANT AND EQUIPMENT:

	Land	Vehicle	Office and Computer equipment	Phase 1 Plant in progress	Commercial Project in progress	Mineral Properties	**Total**
	$	$	$	$	$	$	**$**
COST							
Balance at June 30, 2016	100,000	38,810	87,765	2,091,108	4,530,398	-	**6,848,081**
Additions during the year	-	54,601	588,095	30,401,818	51,835,251	4,167,444	**87,047,209**
Grants applied to work in progress	-	-	-	(11,071,878)	-	-	**(11,071,878)**
Capitalized Depreciation (see note a below)	-	-	-	-	7,068,945	-	**7,068,945**
Transfer from mining properties and exploration and evaluation assets (see note b below)	-	-	-	-	-	20,589,541	**20,589,541**
Balance at June 30, 2017	100,000	93,411	675,860	21,421,048	63,434,594	24,756,985	**110,481,898**
Additions during the period	-	-	131,187	7,020,616	9,517,488	2,115	**16,671,406**
Asset Retirement Obligation (see note 13)	-	-	-	-	611,976	-	**611,976**
Capitalized depreciation (see note a below)	-	-	-	-	3,597,902	-	**3,597,902**
Transfer	-	-	-	-	615,805	(615,805)	**-**
Net Additions during the period			131,187	7,020,616	14,343,171	(613,690)	**20,881,284**
Balance at September 30, 2017	**100,000**	**93,411**	**807,047**	**28,441,664**	**77,777,765**	**24,143,295**	**131,363,182**
DEPRECIATION							
Balance at June 30, 2016	-	27,553	71,097	-	-	-	**98,650**
Depreciation for the year	-	5,469	87,056	7,068,945	-	-	**7,161,470**
Balance at June 30, 2017	**-**	**33,022**	**158,153**	**7,068,945**	-	-	**7,260,120**
Depreciation for the period		3,670	61,948	3,597,902			**3,663,520**
Balance at September 30, 2017	**-**	**36,692**	**220,101**	**10,666,847**	**-**	**-**	**10,923,640**
CARRYING AMOUNTS							
At June 30, 2017	**100,000**	**60,389**	**517,707**	**14,352,103**	**63,434,594**	**24,756,985**	**103,221,778**
At September 30, 2017	**100,000**	**56,719**	**586,946**	**17,774,817**	**77,777,765**	**24,143,295**	**120,439,542**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED):

Note a: Depreciation of Phase 1 Plant

The equipment in the Phase 1 Plant will be depreciated over an initial estimated 24-month operation period. The depreciation of the Phase 1 Plant equipment during the period ended September 30, 2017 has been capitalised to the project and will continue to be capitalized until commercial production begin.

Note b: Mineral Properties

At the time of transfer, the carrying value of the cash generating units identified as "Whabouchi" in the Mining Properties (see Note 7) and as "Whabouchi" and "Lithium Chemicals Complex" in the Exploration and Evaluation Assets (see Note 8) was $28.0 million. Also, as at September 30, 2016, the Corporation's market capitalization significantly exceeds the Entity's equity value of $112.7 million. IFRS 6 requires management to make an assessment of impairment before exploration and evaluation assets are reclassified to either tangible or intangible assets. In making such an assessment of the potential impairment of the Corporation's exploration and evaluation assets, management has used the fair value less costs to sell model to estimate fair value based on a discounted cash flow technique generated from a detailed life of mine financial model from the Updated Feasibility Study. As part of the impairment testing undertaken as of September 30, 2016, management considered a "base case" calculation of the net present value ("NPV") using the different data parameters and results of the Updated Feasibility Study and also as part of the impairment analysis, management used as a base case the discount rate of 8% scenario of the Updated Feasibility Study for the project. Following this analysis, management concluded that the exploration and evaluation assets of the Whabouchi Project was not impaired as at September 30, 2016 and consequently reclassified $20.6 million to property, plant and equipment and $7.4 million to intangible assets (see note 6).

6. INTANGIBLE ASSETS:

	Balance as at June 30, 2017	Addition	Reclassification from Exploration and Evaluation assets	**Balance as at September 30, 2017**
	$			**$**
Intellectual property [1]	**8,360,994**	84,542	-	**8,445,536**
Softwares	**628,049**	180,873	-	**808,922**
	8,989,043	**265,415**	**-**	**9,254,458**

	Balance as at June 30, 2016	Addition	Reclassification from Exploration and Evaluation assets	**Balance as at June 30, 2017**
	$			**$**
Intellectual property [1]	–	918,113	7,442,881	**8,360,994**
Softwares	–	628,049	–	**628,049**
		1,546,162	**7,442,881**	**8,989,043**

[1] The Corporation has obtained issuance of United States Patent No. US 9,677,181 and Canadian Patent No. 2,871,092 that describes its proprietary process of preparing lithium hydroxide from spodumene sources using membrane electrolysis. The Corporation has also obtained issuance of 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 Corporation also obtained issuance of Canadian Patents Nos. 2,905,197, 2,928,227 and 2,940,027 that specifically protects improvements of the electrolysis membrane process for preparing lithium hydroxide. The Corporation has also received confirmation of other patent applications covering such processes that have been published. The Corporation also filed additional patent applications which cover optimization and evolution of the technology as a result of the Corporation's ongoing optimization programs. In order to properly reflect this specific work within the assets of the Corporation, these investments were previously recorded under "Lithium Chemicals Complex" (see note 8) as exploration and evaluation asset until its reclassification to intangible assets.

7. MINING PROPERTIES:

Mining properties can be detailed as follows:

Québec	Location	Royalties	Balance as at June 30, 2017	Addition	**Balance as at September 30, 2017**
			$	$	**$**
Sirmac (100%)	SNRC 32J11	%	**439,981**	1,443	**441,424**
			439,981	**1,443**	**441,424**

Québec	Location	Royalties	Balance as at June 30, 2016	Reclassification to Property, Plant and Equipment	**Balance as at June 30, 2017**
			$	$	**$**
Whabouchi (100%)	SNRC 32O12	%	**2,393,845**	(2,393,845)	**–**
Sirmac (100%)	SNRC 32J11	%	**439,981**	-	**439,981**
			2,833,826	**(2,393,845)**	**439,981**

Some properties are subject to royalties in the event they are brought into commercial production.

Whabouchi: See Note 11 A) and B); *Sirmac:* See Note 11 C).

8. EXPLORATION AND EVALUATION ASSETS:

Exploration and evaluation assets by properties can be detailed as follows:

	Balance as at June 30, 2017	Reclassification to Property, Plant and Equipment	Reclassification to Intangible assets	**Balance as at September 30, 2017**
	$	$	$	**$**
Sirmac	**1,447,689**	–	–	**1,447,689**
	1,447,689	–	–	**1,447,689**

8. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

Exploration and evaluation assets by properties can be detailed as follows (continued):

	Balance as at June 30, 2016	Reclassification to Property, Plant and Equipment	Reclassification to Intangible assets	**Balance as at June 30, 2017**
	$	$	$	**$**
Whabouchi	**18,195,696**	(18,195,696)	–	–
Sirmac	**1,447,689**	–	–	**1,447,689**
Lithium Chemicals Complex	**7,442,881**	–	(7,442,881)	–
	27,086,266	**(18,195,696)**	**(7,442,881)**	**1,447,689**

9. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS:

(A) COMMON SHARES AND WARRANTS:

Authorized:

Unlimited number of common shares without par value

Changes in the Corporation's share capital and warrants were as follows:

	Number of warrants	Number of shares	Amount
			$
Balance at June 30, 2016	34,575,298	252,433,755	**68,944,971**
Issuance of warrants and shares	30,000,050	107,620,100	**119,001,115**
Exercise of options	–	1,475,000	**760,106**
Exercise of warrants	(15,457,650)	15,457,650	**3,503,705**
Balance at June 30, 2017	**49,117,698**	**376,986,505**	**192,209,897**
Issuance of shares	-	450,000	268,660
Balance at September 30, 2017	**49,117,698**	**377,436,505**	**192,478,557**

<u>Period ended September 30, 2017:</u>

Between July 1, 2017 and September 30, 2017, 450,000 options were exercised by an officer, an employee and a consultant at prices varying between $0.12 and $0.92 for an aggregate total value of $165,500; this resulted in the Corporation issuing 450,000 common shares. As a result of the options exercises, an amount of $103,160 was reclassified from contributed surplus to the share capital and warrants.

9. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

(A) COMMON SHARES AND WARRANTS (CONTINUED):

Year ended June 30, 2017:

On June 29, 2017, the Corporation completed a brokered short form prospectus offering for gross proceeds of $50,001,000 by the issuance of 47,620,000 shares at a price of $1.05 per share in connection with the short form prospectus of the Corporation dated June 22, 2017.

On July 8, 2016, the Corporation 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 Corporation dated July 4, 2016. Each unit is comprised of one common share of the Corporation 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 Corporation, at a price of $1.50 per common share, up to July 8, 2019. The Corporation may accelerate the warrant expiry date if, before the warrant expiry date and at any time following the closing date of this financing, 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.

Between July 1, 2016 and June 30, 2017, 1,475,000 options were exercised by officers, directors and consultants at prices varying between $0.10 and $0.92 and shareholders exercised 15,457,650 warrants at prices varying between $0.20 and $0.28 for an aggregate total value of $4,006,705; this resulted in the Corporation issuing 16,932,650 common shares. As a result of the options exercises, an amount of $257,106 was reclassified from contributed surplus to the share capital and warrants.

(B) COMMON SHARES PURCHASE OPTIONS:

The shareholders of the Corporation approved a share option plan (the "Plan") whereby the Board of Directors may grant to employees, officers, directors and suppliers of the Corporation share purchase options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board of Directors. The exercise price may not be lower than the market price of the common shares at the time of grant. The acquisition conditions of share purchase options are without restriction, except for grant of share purchase options to some suppliers, namely investors' relation representatives, which are acquired at 25% each quarter.

The Plan provides that the maximum number of common shares of the Corporation that may be reserved for issuance under the Plan shall not be greater than 10% of the issued shares of the Corporation being outstanding from time to time. The aggregate number of share options granted to any one individual cannot exceed 5% of the outstanding common shares at the time of vesting and may not exceed 2% of the outstanding common shares for suppliers, namely consultants and investors relation representatives. These options are non-assignable and non-transferable unless by legacy or inheritance and will expire no later than five years after being granted. In the case an optioned leaves the Corporation, his options normally expire no later than one year following his departure, subject to the conditions established under the common share purchase option plan.

9. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

(B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

The vesting period of the share purchase options varies from immediate up to 36 months, and the life of such options varies from two to five years.

Share-based payments to employees, officers, directors, consultants and investors relation ("I.R.") representatives

The status of the Corporation's share purchase option plan for employees, officers, directors, consultants and I.R. representatives as at September 30, 2017 and June 30, 2016, and changes during the period and year then ended were as follows:

	Period ended September 30, 2017		Year ended June 30, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of period	**16,956,150**	**0.70**	14,506,150	0.53
Granted	**400,000**	**1.36**	4,225,000	1.23
Exercised	**(450,000)** (i)	**0.37**	(1,475,000) (ii)	0.34
Expired or cancelled	**(666,666)**	**1.20**	(300,000)	1.15
Outstanding, end of period	**16,239,484**	**0.65**	16,956,150	0.70
Options exercisable at the end of period	**13,272,825**	**0.54**	13,035,321	0.55

(i) The closing market prices of the shares when the options were exercised on July 31, 2017, September 15, 2017, and September 21, 2017 were $1.25, $1.45 and $1.41, respectively, per share.

(ii) The closing market prices of the shares when the options were exercised on July 21, 2016, August 5, 2016, November 10, 2016, January 12, 2017, January 31, 2017, February 15, 2017, March 2, 2017, March 22, 2017 and May 15, 2017 were $0.96, $1.17, $1.32, $1.46, $1.42, $1.44, $1.35, $1.35 and $1.10, respectively, per share

	Period ended September 30, 2017	Year ended June 30, 2017
	$	$
The weighted average fair value of options granted during the period	**0.81**	0.71

9. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

(B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

***Share-based payments to employees, officers, directors, consultants and investors relation ("I.R.") representatives* (continued)**

The following table summarizes information about share purchase options granted and outstanding as at September 30, 2017:

Number of outstanding options	Number of vested options	Weighted average exercise price ($)	Expiry date
375,000	375,000	0.500	January 2018
390,000	390,000	0.125	October 2018
250,000	250,000	0.120	October 2018
500,000	500,000	0.125	November 2018
250,000	250,000	0.100	May 2019
2,900,000	2,900,000	0.200	March 2020
100,000	100,000	0.200	July 2020
2,325,000	2,325,000	0.400	December 2020
5,391,150	4,828,650	0.920	April 2021
100,000	62,500	1.110	April 2021
400,000	133,336	1.100	July 2021
333,334	333,334	1.200	August 2021
1,275,000	425,004	1.295	September 2021
650,000	108,334	1.276	October 2021
175,000	29,167	1.410	January 2022
75,000	12,500	1.320	March 2022
350,000	250,000	1.110	May 2022
100,000	–	1.190	August 2022
300,000	–	1.410	September 2022
16,239,484	**13,272,825**	**0.654**	

9. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

(B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

***Share-based payments to employees, officers, directors, consultants and investors relation ("I.R.") representatives* (continued)**

The fair value of options granted in accordance with the plan to employees, officers, directors, consultants and I.R. representatives was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Period ended September 30, 2017	Year ended June 30, 2017
Expected life of options	**5 years**	5 years
Expected volatility rate	**76%**	67%
Risk-free interest rate	**1.49%**	0.67%
Expected annual dividend rate	**-**	-

Compensation options to brokers

The status of the Corporation's share purchase option plan for brokers and intermediaries as at September 30, 2017 and June 30, 2017, and changes during the period and year then ended were respectively as follows:

	Period ended September 30, 2017		Year ended June 30, 2017	
	Number of units	**Weighted average exercise price**	Number of options	Weighted average exercise price
				$
Outstanding, beginning of period	**3,600,006**	**1.15**	-	-
Granted	**-**	**-**	3,600,006	1.15
Outstanding and exercisable, end of period	**3,600,006**	**1.15**	3,600,006	1.15

Between July 1, 2016 and June 30, 2017, an aggregate number of 3,600,006 broker warrants were issued, collectively entitling the holders thereof to purchase an aggregate of up to 3,600,006 units of the Corporation, at a price of $1.15 per unit, each being comprised of one common share of the Corporation 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 Corporation at a price of $1.50 per common share. Total issuance costs relating to options granted to brokers amount to $1,823,885 and were recorded in contributed surplus.

9. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

(B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

Compensation options to brokers **(continued)**

The fair value of compensation options to brokers granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Period ended September 30, 2017	Year ended June 30, 2017
Expected life of options	-	3 years
Expected volatility rate	-	57%
Risk-free interest rate	-	0.54%
Expected annual dividend rate	-	-

(C) WARRANTS:

The status of the warrants as at September 30, 2017 and June 30, 2017, and changes during the period and year then ended were as follows. Each warrant can be converted into one common share of the Corporation:

	Period ended September 30, 2017		Year ended June 30, 2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	**49,117,698**	**1.10**	34,575,298	0.36
Granted	-	-	30,000,050	1.50
Exercised	-	-	(15,457,650)[(i)]	0.23
Outstanding, end of period	**49,117,698**	**1.10**	49,117,698	1.10

(i) Between July 1, 2016 and June 30, 2017, a total of 15,457,650 warrants were exercised at exercise prices varying from of $0.20 to $0.28 per common share, while the closing market prices of the shares during the same period was varying between $0.98 and $1.58.

9. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

(C) WARRANTS (CONTINUED):

The following table summarizes the information relating to the outstanding warrants as at September 30, 2017:

Number of outstanding warrants	Weighted average exercise price	Expiry date
	$	
4,411,765	0.48	March 2018
7,352,942	0.48	May 2018
7,352,941	0.48	June 2018
30,000,050	1.50	July 2019
49,117,698	**1.10**	

10. CONTINGENCIES:

(A) The Corporation's operations are governed by governmental laws and regulations regarding environmental protection. Environmental consequences are hardly identifiable, their impact and their duration are difficult to determine. At the present time and to the best knowledge of management, the Corporation is in conformity with the 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 exploration activities performed on the lands, and when it can be reliably estimated. Such obligation has been capitalized to the cost of the related assets at that time.

(B) The Corporation is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Corporation will qualify as Canadian exploration expenses, even if the Corporation 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 Corporation will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Corporation's failure to renounce the qualifying expenditures as agreed.

11. COMMITMENTS:

(A) In September 2009, the Corporation acquired a 100% interest in 16 mining claims included in the Whabouchi property. The vendors kept a 3% Net Smelter Return ("NSR") royalty on the 16 claims and on 4 of the 7 claims acquired by map designation by the Corporation. For an amount of $1,000,000, 1% of this royalty may be purchased.

11. COMMITMENTS (CONTINUED):

(B) 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 Corporation has to pay a 2% NSR royalty on all metals. The Corporation has the option to purchase 1% of this NSR royalty for an amount of $1,000,000.

(C) 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 Corporation for $1,000,000.

(D) The Corporation 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 is $6,062 until January 2020 and will be $6,142 for the remaining term. As at September 30, 2017, the total contractual payments remaining until then, assuming the lease will not be terminated before the end of the term, will amount to $243,419.

12. INCOME AND MINING TAXES:

The income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.75% (2017 - 26.90%) to the loss before taxes for the following reasons:

	Three-month periods ended September 30,	
	2017	2016
	$	$
Operating loss and loss before income taxes	**(2,510,084)**	(1,249,167)
Computed expected tax recovery	**(671,447)**	(336,026)
Increase (decrease) in income taxes resulting from :		
Non-deductible share-based payment	**92,480**	103,326
Change in unrecognized deferred income tax assets	**557,649**	165,141
Mining tax recovery related to current year exploration expenses	**-**	(12,257)
Income tax expense	**(21,318)**	**(79,816)**

The decrease of statutory tax rate is due to the reduction of the Quebec income tax rate from 11,9% to 11,75% for the period.

12. INCOME AND MINING TAXES (CONTINUED):

Movement in temporary differences during the period ended September 30, 2017 and year ended June 30, 2017 are detailed as follows:

	Balance June 30, 2017	Recognized in profit or loss	Recognized in equity	Recognized in OCI [1]	**Balance September 30, 2017**
	$	$	$		**$**
Deferred tax assets:					
Non-capital losses	1,707,583	21,318	-	-	**1,728,901**
Share issuance costs	533,359	-	-	-	**533,359**
Exploration and evaluation assets	3,693,153	-	-	-	**3,693,153**
Mining properties	3,273,364	-	-	-	**3,273,364**
Deferred tax liabilities:					
Deferred mining duties	(2,248,599)	-	-	-	**(2,248,599)**
Property, plant and equipment	(6,105,327)	-	-	-	**(6,105,327)**
Intangible assets	(2,382,096)	-	-	-	**(2,382,096)**
Other unrealized gain	(720,036)	-	-	(21,318)	**(741,354)**
	(2,248,599)	**21,318**	**-**	**(21,318)**	**(2,248,599)**

[1] OCI means "Other Comprehensive Income"

Movement in temporary differences during the year ended June 30, 2017 are detailed as follows:

	Balance June 30, 2016	Recognized in profit or loss	Recognized in equity	**Balance June 30, 2017**
	$	$	$	**$**
Deferred tax assets:				
Non-capital losses	**2,156,021**	(448,438)	**-**	**1,707,583**
Share issuance costs	**-**	-	533,359	**533,359**
Exploration and evaluation assets	**(2,464,467)**	6,157,620	**-**	**3,693,153**
Mining properties	**1,012,977**	2,260,387	**-**	**3,273,364**
Deferred tax liabilities:				
Deferred mining duties	**(2,156,849)**	(91,750)	**-**	**(2,248,599)**
Property, plant and equipment	**15,505**	(6,120,832)	**-**	**(6,105,327)**
Intangible assets	**-**	(2,382,096)	**-**	**(2,382,096)**
Other unrealized gain	**(720,036)**	-	**-**	**(720,036)**
	(2,156,849)	(625,109)	**533,359**	**(2,248,599)**

12. INCOME AND MINING TAXES (CONTINUED):

Deferred tax assets have not been recognized in respect of the following items:

	Period ended September 30, 2017	Year ended June 30, 2017
	$	$
Non-capital losses carry forwards	**6,398,793**	5,717,595
Share issuance costs	**1,450,016**	1,612,954
	7,848,809	7,330,549

Deferred tax assets have not been recognized in respect of these items because of the uncertainties that future taxable profit will be available against which the Corporation can utilise these benefits.

As at June 30, 2017, the Corporation has the following non-capital tax losses, available to reduce future years income for tax purposes:

Fiscal Year incurred	Federal	Provincial	Year of expiry
	$	$	
2009	179,411	–	2029
2010	923,620	894,556	2030
2011	1,759,862	1,756,479	2031
2012	2,280,742	2,274,511	2032
2013	4,058,264	4,042,274	2033
2014	2,599,917	2,584,890	2034
2015	3,010,341	2,996,939	2035
2016	3,850,610	3,414,901	2036
2017	9,564,613	9,564,613	2037
2018 (3 months)	2,005,864	2,005,864	2038
	30,233,244	**29,535,027**	

13. ASSETS RETIREMENT OBLIGATIONS:

Asset retirement obligations represent legal and contractual obligations related to the potential decommissioning of the Company's assets. The laws and regulations are constantly changing and are becoming more restrictive overall. The Company operates its business with a view to protecting public health and the environment.

The Company has recorded an asset retirement obligation for costs associated with mine reclamation and closure activities at the Whabouchi Project, which reflects the present value of the estimated amount of cash flows required to satisfy the asset retirement obligation. The primary component of this obligation is for the decommissioning of facilities and revegetation of the site.

As at September 30, 2017, estimated inflation-adjusted discounted cash flows required asset retirement obligations of $611,976. A 1% discount rate was used and the disbursements should be made in 2045. The undiscounted amount of this liability was estimated using the expected value method which is based on the restoration plan, which included contingency factor and adjusts for normal inflation over time until 2045, for inflation-adjusted costs increasing to $806,587.

The asset retirement obligations changed as follows:

	$
Balance, beginning of period	-
Increase in liability	610,454
Accretion expense	1,522
Balance as at September 30, 2017	611,976

14. EARNINGS PER SHARE:

The warrants and share purchase options were excluded from the diluted weighted average number of common shares calculation since the Corporation incurred loss and that their effect would have been antidilutive.

15. ITEMS NOT AFFECTING CASH FLOWS:

	Three-month period ended September 30,	
	2017	2016
	$	$
Non-cash items:		
Changes in accounts payable and accrued liabilities related to share issuance expenses	**-**	(13,287)
Changes in accounts payable and accrued liabilities related to property, plant and equipment and intangible assets	**688,434**	4,399,906
Changes in accounts payable and accrued liabilities related to intangibles assets	**-**	15,593

16. COMPENSATION:

	Three-month period ended September 30,	
	2017	2016
	$	$
Wages and fringe benefits paid to key management personnel	**763,635**	308,376
Wages and fringe benefits paid to other staff employees	**327,164**	71.182
Fees paid to the members of the Board of Directors	**37,873**	39,981
	1,128,672	419,539

During the period ended September 30, 2017, the Corporation incurred $345,725 ($384,113 in 2016) of share-based payments expenses, of which nil ($92,789 in 2016) were attributed to key management personnel and nil (nil in 2016) were attributed to the members of the Board of Directors in relation with the share purchase options granted.

17. GRANTS:

On February 16, 2015, the Corporation 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 Corporation 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 currently under review and the Corporation expects that the amount should be received before the end of January 2018. The remaining balance of $2,732,198 should be received before the end of the calendar year 2018 while the 10% retention on amounts disbursed amounting to $1,287,000 should be received during the 2019 calendar year. This last amount of $1,287,000 is not yet included in the "Grants and other receivables" in the consolidated condensed interim statements of financial position as at September 30, 2017.

On March 11, 2015, the Corporation signed an agreement with the *Ministère des Ressources Naturelles*, which entitles the Corporation to receive a total of $3,000,000 non-repayable grant as part of the Technoclimat program. The Corporation received the first tranche of $300,000 in May 2015 and a second tranche of $450,000 in March 2016. The next tranche of $900,000 is expected to be received before the end of December 2017, as the file is currently under review. The remaining portion of $1,350,000 should be received during the calendar year 2018. This last amount of $1,350,000 is not yet included in the "Grants and other receivables" in the consolidated condensed interim statements of financial position as at September 30, 2017.

These grants will cover approximately 36% of costs related to the Phase 1 Plant. As at September 30, 2017, an amount of $7,538,650 was recorded as grants receivable ($7,538,650, as at June 30, 2017 was recorded as deferred grants).

18. PURCHASE PRICE BALANCE PAYABLE:

The Corporation has contracted a purchase price balance 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. A first payment of $300,000 was paid in March 2017 and consequently, the balance payable as at September 30, 2017 amounted to $1,700,000 ($1,700,000 as at June 30, 2017). The remaining 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 2017-2018. As such, this amount has been classified as a current liability.

19. DEFERRED REVENUES:

The Corporation has signed an agreement with Johnson Matthey Battery Materials Ltd in the amount of $12,000,000 in exchange for services and products of the same value from the Corporation Phase 1 Plant. As at September 30, 2017, the full amount was received.

On April 3, 2017, the Corporation (via its wholly owned subsidiary Nemaska Lithium Shawinigan Transformation Inc.) received from FMC Corporation an amount of $13,357,987 (US$10,000,000), 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.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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:

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 variable rates that can range during the year anywhere between 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 Corporation as at the consolidated financial statement date do not represent interest risk because they are without interest and are current liabilities. The Corporation does not use financial derivatives to decrease its exposure to interest risk.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED):

***RISK EXPOSURE AND MANAGEMENT* (CONTINUED)**

(I) MARKET RISK (CONTINUED):

Currency risk:

The Corporation 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 $588,768 (US$418,090, 35,932 Euro and ₤ 8,950) as at September 30, 2017 and $291,537 (US$164,111, 35,932 Euro and ₤ 8,950) as at June 30, 2017. Consequently, the Corporation is slightly exposed to foreign exchange fluctuation.

(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 and grants and other receivables 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 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 government.

(iii) LIQUIDITY RISK:

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 as outlined in Note 21. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at September 30, 2017, all of the Corporation’s financial liabilities had contractual maturities of less than one year and the Corporation had enough funds available to meet its current financial liabilities. At the same date, the Corporation had $41,796,002 in cash and cash equivalents ($66,567,210 as at June 30, 2017), $1,881,756 in sales tax receivables ($5,054,044 as at June 30, 2017), $7,723,394 in Grants and other receivables ($7,663,838 as at June 30, 2017) and $379,694 in mining rights and in tax credits receivable ($379,694 as at June 30, 2017) in order to meet its financial liabilities and future financial liabilities from its commitments.

21. CAPITAL MANAGEMENT:

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

As at September 30, 2017, the Corporation's capital consists of shareholders' equity amounting to $152,163,799 ($154,448,766 as at June 30, 2017).

The Corporation'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 Corporation 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 Corporation has no dividend policy.

22. SUBSEQUENT EVENTS:

A) Following the approval of the restauration plan by the *Ministère de l'Énergie et des Ressources Naturelles*, the Company received on November 9, 2017 the mining lease# 1022 (fully executed on October 26, 2017) covering 138 hectares for the Whabouchi mine. Consequently, the Company will have to make the first payment of approximately $4.6M, covering 50% of the restauration estimated costs, within 90 days. The remaining two payments of approximately $2.3M each, covering the remaining 50% of the restauration estimated costs, will be payable during the fiscal year 2018-2019 and 2019-2020.

B) Between October 1, 2017 and November 8, 2017, 15,000 options were exercised by a consultant at a price of $0.125 and brokers exercised 358,065 broker warrants at a price of $1.15 for an aggregate total value of $413,650; which resulted in the Corporation issuing 373,065 common shares.