Consolidated Condensed Interim Financial Statements (unaudited)

THREE-MONTH & NINE-MONTH PERIODS ENDED

MARCH 31, 2020

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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. 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

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 interim filings deposited on SEDAR along with these unaudited consolidated condensed interim financial statements.

/s/ Steve Nadeau

Steve Nadeau, Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(expressed in thousand - unaudited)

	Note	As at March 31, 2020	As at June 30, 2019
ASSETS		$	$
Current Assets:			
Cash and cash equivalents		**42,053**	128,133
Restricted cash and in-trust deposits	5	**33,002**	516,722
Inventory		**378**	1,299
Sales tax receivable		**2,896**	8,410
Grants and other receivables	4	**1,236**	2,423
Investments	6	**2,668**	—
Mining rights and tax credits receivable related to resources		**462**	—
Prepaid and deferred expenses		**837**	2,818
		83,532	659,805
Non-current Assets:			
Restricted cash and in-trust deposits	5	**9,206**	9,206
Deposits to suppliers		**516**	540
Investments	6	**—**	4,937
Mining rights and tax credits receivable related to resources		**1,038**	1,648
Property, plant and equipment	7	**363,750**	536,447
Intangible assets	8	**11,179**	11,202
		385,689	563,980
TOTAL ASSETS		**469,221**	1,223,785
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	9	**2,200**	46,042
Current portion of long-term debt	10	**—**	556,135
Current portion of lease liabilities	11	**2,043**	—
Liabilities subject to compromise	1, 10, 13	**320,747**	—
		324,990	602,177
Non-current liabilities:			
Long-term debt	10	**—**	21,398
Lease liabilities	11	**6,956**	—
Derivative financial instrument		**—**	397
Deferred income and mining taxes		**3,516**	3,516
Asset retirement obligations	12	**3,359**	2,965
Contract liabilities	13	**—**	16,010
		13,831	44,286
Total liabilities		**338,821**	646,463
Equity:			
Share capital and warrants	14	**662,708**	662,708
Contributed surplus		**22,335**	21,104
Deficit		**(554,643)**	(106,490)
Total equity		**130,400**	577,322
TOTAL LIABILITIES AND EQUITY		**469,221**	1,223,785

Reporting entity, nature of operations and basis of presentation (Note 1)

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

On behalf of the Board,

'*Vanessa Laplante*', Director　　'*Jacques Mallette*', Director

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(expressed in thousands except for loss per share - unaudited)

	Note	Three - month periods ended March 31		Nine - month periods ended March 31	
		2020	2019	2020	2019
		$	$	$	$
EXPENSES:					
Compensation	15	4,511	1,050	9,662	2,801
Share-based expenses	15	176	1,393	1,231	4,079
Rent, office expense and other expenses		(157)	414	897	687
Depreciation and amortization expense		742	150	2,135	521
Registration, listing fees and shareholders' information		(5)	79	72	430
Promotion and advertising		21	19	64	98
Representation, missions and trade shows		41	213	329	641
Consultants fees		1,296	463	5,106	1,581
Professional fees		1,730	1,834	6,959	2,293
Care and maintenance and other costs		4,017	—	4,017	—
Operating loss		12,372	5,615	30,472	13,131
OTHER ITEMS:					
Finance income		(462)	(2,000)	(1,766)	(6,555)
Finance expense		(757)	264	5,419	285
Secured bonds settlement, termination cost of contract liabilities and provisions	4, 9, 10	98,170	10,414	137,134	10,414
Loss on foreign exchange		8,026	(239)	7,385	932
Change in fair value of the investments		1,351	(964)	2,272	3,412
Change in fair value of the derivative financial instrument		—	—	(397)	—
Impairment charge related to property, plant and equipment and intangible assets	7, 8	—	—	267,634	—
		106,328	7,475	417,681	8,488
Net loss and comprehensive loss for the period		118,700	13,090	448,153	21,619
Basic and diluted loss per share		0.140	0.015	0.529	0.026
Basic and diluted weighted average number of shares outstanding		847,634	847,514	847,634	847,584

The accompanying notes are an integral part of these unaudited consolidated condensed interim financial statements

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in thousands - unaudited)

	Share capital and warrants	Contributed surplus	Deficit	Total
	$	$	$	$
Balance, as at June 30, 2019	**662,708**	**21,104**	**(106,490)**	**577,322**
OPTIONS AND WARRANTS:				
Granted to employees, officers, directors, consultants or I.R. representatives (Note 15)	—	1,231	—	**1,231**
	662,708	**22,335**	**(106,490)**	**578,553**
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**—**	**—**	**(448,153)**	**(448,153)**
Balance , as at March 31, 2020	**662,708**	**22,335**	**(554,643)**	**130,400**

	Share capital and warrants	Contributed surplus	Deficit	Total
	$	$	$	$
Balance, as at June 30, 2018	**662,300**	**16,377**	**(78,709)**	**599,968**
EQUITY FINANCING:				
Exercise of options	400	(132)	—	**268**
Share issuance costs	—	—	(34)	**(34)**
OPTIONS AND WARRANTS:				
Granted to employees, officers, directors, consultants or I.R. representatives (Note 15)	—	4,079	—	**4,079**
	662,700	**20,324**	**(78,743)**	**604,281**
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**—**	**—**	**(21,619)**	**(21,619)**
Balance, as at March 31, 2019	**662,700**	**20,324**	**(100,362)**	**582,662**

The accompanying notes are an integral part of these unaudited consolidated condensed interim financial statements

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(expressed in thousands - unaudited)

	Three-month periods ended March 31		Nine-month periods ended March 31	
	2020	2019	**2020**	2019
CASH FLOWS USED IN OPERATING ACTIVITIES:	**$**	$	**$**	$
Net loss and comprehensive loss for the period	**(118,700)**	(13,090)	**(448,153)**	(21,619)
Adjustments for:				
Share-based expenses	**176**	1,393	**1,231**	4,079
Depreciation and amortization expense	**742**	150	**2,135**	521
Impairment charge (Notes 7 and 8)	**—**	—	**267,634**	—
Financing costs (Note 10)	**(1,269)**	—	**4,438**	—
Change in fair value of the investments	**1,351**	(964)	**2,272**	3,412
Loss (gain) on foreign exchange	**9,890**	(101)	**9,152**	1,012
Change in fair value of the financial derivative instrument	**—**	—	**(397)**	—
Net change in non-cash operating working capital (Note 17)	**59,298**	(18,921)	**108,588**	(28,657)
	(48,512)	**(31,533)**	**(53,100)**	**(41,252)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of shares	**—**	135	**—**	268
Proceeds from Stream Facility Agreement	**—**	—	**—**	97,620
Financing cost related to credit facilities	**—**	(31)	**—**	(4,193)
Proceeds from secured bonds credit facility	**—**	—	**—**	454,300
Lease financing repayment	**(499)**	—	**(1,461)**	—
Share issuance expenses	**—**	—	**—**	(34)
Payment of unsecured obligation	**(854)**	(854)	**(2,563)**	(1,145)
Proceeds from grant	**—**	1,250	**—**	7,382
Payment of purchase price balance payable	**—**	—	**—**	(1,700)
Mining rights and taxes credit	**—**	—	**148**	—
Release from Secured bonds in-trust deposit	**13,767**	—	**13,767**	—
Release from project cost overrun account	**40,000**	—	**40,000**	—
	52,414	**500**	**49,891**	**552,498**
CASH FLOWS USED IN INVESTING ACTIVITIES:				
Change in deposit to suppliers for property, plant and equipment	**71**	—	**26**	—
Addition to restricted cash and in-trust deposit	**—**	—	**—**	(456,602)
Addition to property, plant and equipment	**—**	(60,293)	**(72,768)**	(139,589)
Interest paid and capitalized to property, plant and equipment	**—**	(12,769)	**(8,980)**	(26,067)
Addition to intangible assets	**(796)**	(186)	**(1,146)**	(688)
	(725)	**(73,248)**	**(82,868)**	**(622,946)**
Net variation in cash and cash equivalents	**3,177**	**(104,281)**	**(86,077)**	**(111,700)**
Unrealized foreign exchange (loss) gain on cash held in foreign currencies	**—**	(1,859)	**(3)**	2,836
Cash and cash equivalents, beginning of the period	**38,876**	368,469	**128,133**	371,193
Cash and cash equivalents, end of the period	**42,053**	262,329	**42,053**	262,329

Additional information related to cash flows (Note 17).

The accompanying notes are an integral part of these unaudited consolidated condensed interim financial statements

(expressed in thousands, unless otherwise stated - unaudited)

1. REPORTING ENTITY, NATURE OF OPERATIONS AND BASIS OF PRESENTATION:

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

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

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

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

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

(expressed in thousands, unless otherwise stated - unaudited)

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

As at March 31, 2020, the Corporation was not able to meet certain conditions in order to have access to the second tranche of US$75 million relating to the US$150 million **Purchase and Sale Agreement (Lithium Products)** (or sometimes referred to as the "**Stream Agreement"**) with OMF Fund II (K) Ltd. and OMF Fund II (N) Ltd. (collectively, "**Orion"**). There are no guarantees that the Corporation will be able to negotiate an amended agreement with Orion in order to potentially keep in place the first tranche of US$75 million already received in August 2018 or to have access, when required, to the second tranche on revised terms that Orion may request in the Stream Agreement. There also exist a possibility that the Stream Agreement could be cancelled or repudiated during the CCAA proceedings. (Note 10 (B) Long-Term Debt Stream Facility Agreement and Note 21 (D) Subsequent Events).

On January 29, 2020, the Corporation announced that it reached an agreement in principle with the Nordic Trustee (the "**Trustee**") to settle the dispute which arose with the bondholders. The settlement provides that the Corporation is released of its obligations towards the Trustee and the bondholders and obtains the discharge of the security which secured the bonds, in exchange for a lump sum payment of US$30,000 ($41,235). The settlement was approved on February 12, 2020 by bondholders holding in excess of two thirds of the principal amount of the Secured Bonds and on February 13, 2020 by the Court. The required funds were transferred to the bondholders' paying agent on March 11, 2020 such that, on March 13, 2020, the settlement had been fully implemented and was then confirmed on March 17, 2020 by the settlement officer stating that the payments to the bondholders had been fully executed. The first-ranking security held by the bondholders under the Bond Terms is currently in the process of being discharged. (Note 10 (A) Long Term Debt - Secured Bonds).

On January 29, 2020, the Corporation obtained two orders from the Court: i) approving the Corporation's proposed Sale and Investor Solicitation Process (the "**SISP**"); and ii) establishing a claims procedure for the review and assessment of the claims against the Corporation, the Subsidiaries and their directors and officers for voting under a potential plan of arrangement and distribution thereunder (the "**Claims Process**"). For the purpose of the SISP, the Corporation is assisted by its financial advisors National Bank Financial Inc. and Clarksons Platou Securities AS, which have significant knowledge of the Corporation's affairs as well as relevant expertise regarding the SISP. The SISP is intended to generate interest in either a recapitalization of the Corporation, or in the Commercial Project or its assets, with the goal of maximizing return in respect of the Corporation's assets and potentially creating the foundation of a plan of compromise or arrangement for all stakeholders of the Corporation. The SISP was launched as expected on February 28, 2020 with the transmission of an introductory letter or "teaser" to potentially interested parties, followed by the transmission of a confidential information memorandum on March 9, 2020. The Corporation received 13 non-binding letters of intent (the "**LOIs"**) on or prior to the April 17, 2020 deadline, with a target closing date for a transaction in mid-August 2020. (Note 21 (A) Subsequent Events).

Considering the financing required to complete the Commercial Project, the filing for creditor protection under the CCAA and the delisting of the shares of the Corporation, management re-assessed the recoverability of the assets related to the Commercial Project in the second quarter of the fiscal year 2020. Management concluded that an impairment of approximately $267.6 million was deemed necessary and this was recorded in the statement of net loss and comprehensive loss as impairment charge in the second quarter of the fiscal year 2020. This impairment, which was allocated to several assets is mainly due to the increase in the discount rate, the additional delays and associated costs related to completing the required financing, which in turn entail delays in resuming the construction and its impact on the Stream Facility Agreement economics. The Corporation also performed an impairment test for the third quarter ended March 31, 2020, which did not result in any adjustment to the impairment charge recorded in the second quarter. This assessment may have to be revalued in the future based on the then facts and circumstances. (Note 7 - Impairment of non-financial assets).

(expressed in thousands, unless otherwise stated - unaudited)

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

During the SISP and the Claims Process, the Corporation proceeded, with the help of its financial and legal advisers as well as of the Monitor, to estimate the potential overall liabilities when taking into account all the various claims received. Based on the information available to the management of the Corporation, it is estimated that the secured claims filed represents a cumulative total amount of approximately $157 million; while the unsecured claims could represent a cumulative total amount of between approximately $135 million and up to $349 million. At the date of the issuance of these unaudited consolidated condensed interim financial statements for the three-month and nine-month periods ended March 31, 2020 and since a high level of uncertainty exists, the amounts that could be paid, if any, to the secured and unsecured creditors is unknown. Based on management and the Corporation's consultants' assessment as well as information available, an amount of approximately $93 million has been provisioned for obligations relating to past events that could likely result in a potential payment in relation with the Claims Process. This provisioned amount, in conjunction with the other balances included in the liabilities subject to compromise, is the best estimate of what could be expected to be considered as the potential foundation of a plan of compromise or arrangement to the Corporation's creditors. (Note 9 Accounts Payables and Accrued Liabilities and Note 18 (C) Contingencies).

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

	Notes	$
Secured obligation - Stream Agreement	10 (B)	134,500
Secured - Other liabilities	13 (A)	12,000
Unsecured and secured guaranteed fixed amount obligation	10 (C)	15,937
Unsecured accounts payable & accruals		38,551
Unsecured claims provision		93,032
Unsecured other accruals		26,727
Total liabilities subject to compromise		**320,747**

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

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

(expressed in thousands, unless otherwise stated - unaudited)

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

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

2. BASIS OF PRESENTATION:

(A) STATEMENT OF COMPLIANCE:

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

These unaudited consolidated condensed interim financial statements, dated June 23, 2020, were approved for issuance by the Board of Directors.

(B) BASIS OF MEASUREMENT:

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

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

(C) FUNCTIONAL AND PRESENTATION CURRENCY:

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

(D) USE OF ESTIMATES AND JUDGMENTS:

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 7 - property, plant and equipment, Note 9 - accounts payable and accrued liabilities, Note 10 - long-term debt and Note 12 - asset retirement obligation.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 1 - the use of the going concern assumption, Note 7 - capitalized costs and recoverability of property, plant and equipment, Note 8 - capitalized costs and recoverability of intangible assets, Note 9 - accounts payable and accrued liabilities and Note 18 - contingencies. It also includes the following critical judgment:

(expressed in thousands, unless otherwise stated - unaudited)

2. BASIS OF PRESENTATION (CONTINUED):

Impairment of non-financial assets

Key sources of estimation uncertainty

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

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

Judgments made in relation to accounting policies

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

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

Commercial production

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

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

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

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

(expressed in thousands, unless otherwise stated - unaudited)

2. BASIS OF PRESENTATION (CONTINUED):

Commercial production (Continued)

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.

Fair value of financial instruments

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

Going concern

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

3. SIGNIFICANT ACCOUNTING POLICIES:

These unaudited 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, 2019, unless otherwise specified hereunder.

IFRS 16 *Leases*

The Corporation has initially adopted IFRS 16, *Leases* on July 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. Lessor accounting remains similar to previous accounting policies. The Corporation has applied IFRS 16 using the modified retrospective approach on transition. Accordingly, the comparative information presented for 2019 has not been restated, and it is presented, as previously reported, under IAS 17 and related interpretations.

The Corporation leases properties, office and computer which were previously classified as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. .

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate, for similar secured assets, as at July 1, 2019 of 5.00%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

(expressed in thousands, unless otherwise stated - unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

IFRS 16 *Leases (Continued)*

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For office and computer leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at July 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

On transition to IFRS 16, the Corporation recognized right-of-use assets and lease liabilities. The impact on transition is summarized below :

	$
Operating lease commitment at June 30, 2019 as disclosed in the Corporation's consolidated financial statements	144
Discounted using the incremental borrowing rate at July 1, 2019	(3)
Lease with less than 12 months of lease term excluded from IFRS 16 application	(28)
Extension option reasonably certain to be exercised	38
Subtotal - Lease liabilities recognized at July 1, 2019	**151**
Add: finance lease liabilities recognized as per IAS 17 as at June 30, 2019	7,751
Total - Lease liabilities as at July 1, 2019	**7,902**

The Corporation recognized a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain reassessments of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(expressed in thousands, unless otherwise stated - unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

IFRIC 23 *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*.

The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The interpretation was applicable for the annual period beginning on or after July 1, 2019. Earlier application was permitted.

The Interpretation requires an entity to:

- contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- reflect an uncertainty in the amount of income tax payable (recoverable) if it is probable that it will pay (or recover) an amount for the uncertainty; and
- measure a tax uncertainty based on the most likely amount or expected value depending on whichever method better predicts the amount payable (recoverable).

The Corporation adopted the Interpretation in its financial statements for the period that began on July 1, 2019, and concluded that there was no impact on its financial statements upon its adoption.

4. GRANTS AND OTHER RECEIVABLES:

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

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

(expressed in thousands, unless otherwise stated - unaudited)

4. GRANTS AND OTHER RECEIVABLES (CONTINUED):

As at the date of the issuance of the unaudited consolidated condensed interim financial statements for the nine-month period ending March 31, 2020, SDTC has communicated to the Corporation that due to the fact that the Corporation is currently under the creditor protection under the CCAA, SDTC would no longer make any payments to the Corporation. The Corporation strongly believes that it has fulfilled all of its obligations towards SDTC under the agreement up to now and is of the view that the remaining amount owing from SDTC of $1,287 is still receivable as at March 31, 2020. Pending the resolution of this matter, the Corporation recorded a provision over the balance receivable in the unaudited consolidated condensed interim statement of loss and comprehensive loss. (Note 18 (D) Contingencies).

During the Claims Process initiated on January 29, 2020, the Corporation received a claim from TEQ for the amount previously received by the Corporation totaling $3,750. As at March 31, 2020 the Corporation had not yet fulfilled the conditions required to receive the remaining balance of $1,250 from financial assistance in the amount of $5,000 that was granted to the Corporation under the terms of the agreement with TEQ. No provision was necessary on the amount of $1,250 as it was not yet included in the Grants and other receivable. (Note 18 (C) Contingencies).

5. RESTRICTED CASH AND IN-TRUST DEPOSITS:

	As at March 31, 2020	As at June 30, 2019
	$	$
Project cost overrun account	—	40,000
Other in-trust deposit and restricted cash	4,489	8,793
In-trust deposit related to restoration cost (Note 12)	9,206	9,206
Other in-trust deposit related to the Claims Process	28,513	—
In-trust deposit related to Secured Bonds (350MUSD) (Note 10)	—	454,300
Foreign exchange impact	—	3,745
Interest receivable related to the in-trust deposit related to Secured Bonds which was recorded against capitalized interest and financing cost to property, plant and equipment. (note 7)	—	9,884
	42,208	525,928
Current portion of Restricted cash and In-trust deposit	**33,002**	516,722
Non-current portion of Restricted cash and In-trust deposit	**9,206**	9,206

The Other in-trust deposit and restricted cash represents commitments mainly related to key employee retention plans or severance liabilities.

As a result of the settlement of the dispute with the bondholders (Note 10), the restrictions relating to the use of the Project cost overrun account were lifted on March 13, 2020. The Corporation was then able to, in combination with the accumulated interest of US$10,628 ($14,608) that was in the escrow account held by the Trustee, pay the lump sum (as described in Note 1) of US$30,000 ($41,235). The remaining funds in the Project cost overrun account, after settlement, were released to cash and cash equivalent. The settlement provides that the Corporation is released of all of its obligations towards the bondholders and the Trustee, and that the first-ranking security held by the bondholders under the Bond Terms is to be discharged.

(expressed in thousands, unless otherwise stated - unaudited)

6. INVESTMENTS:

Issuer	Symbol	Number of shares	Closing price		Fair value		Change in fair value	
			March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019	March 31, 2020	June 30, 2019
			$	$	$	$	$	$
Monarch Gold Corporation	MQR	15,849,455	0.135	0.250	2,139	3,962	(1,822)	(397)
Vision Lithium Inc.	VLI	15,000,000	0.035	0.065	525	975	(450)	(5,025)
Aurora Lithium		25,000			4	—	—	—
Total					2,668	4,937	(2,272)	(5,422)
Current portion					2,668	—		
Non-current portion					—	4,937		

Based on the filing by the Corporation for protection from creditors under the CCAA and the fact that it is not possible to predict the outcome of the matters involved in the CCAA proceedings, the Corporation reclassified all of the investments from non-current assets to current assets in the unaudited consolidated condensed interim statements of financial position as at March 31, 2020. On May 14, 2020, the Corporation proceeded with the Court approved sale of all of the shares of Monarch Gold Corporation. (Note 21 (C) Subsequent Events).

Northvolth Promissory Note

On August 20, 2018, the Corporation signed an agreement providing for the supply of up to 5,000 metric tonnes but no less than 3,500 metric tonnes per year of lithium hydroxide to Northvolt AB (subsequently transferred to their wholly owned subsidiary Northvolt Ett AB) ("Northvolt") for an initial five-year supply period upon the start of commercial production at both the Shawinigan Plant and Northvolt's projected Skellefteå factory in Sweden (the "N Factory"). Under this agreement, Northvolt has delivered to the Corporation a €10 million promissory note. During the ongoing SISP and Claims Processes, the supply agreement between the Corporation and Northvolt was repudiated and no claim has been filed nor will be filled by Northvolt in regards to this termination. Both parties also mutually agreed that the €10 million promissory note issued by Northvolt to the Corporation is cancelled and since the fair value of this promissory note was previously assessed to be nil, no gain or loss was recognized upon its cancellation.

Aurora Lithium AB ("Aurora Lithium"), incorporated in Sweden in March 2019, was a joint venture which was detained at 50% by the Corporations' subsidiary Nemaska Lithium Innovation Inc. and at 50% by Northvolt. The main purpose of Aurora Lithium was to carry research and development activities relating to the eventual construction of a flexible and robust lithium electrochemical plant in Europe to directly convert various spodumene sources from Europe into high purity lithium hydroxide monohydrate ($LiOH.H_2O$). The Aurora Lithium business relationship was terminated in April 2020 by mutual agreement between the Corporation and Northvolt (Note 21 (B) Subsequent Events).

(expressed in thousands, unless otherwise stated - unaudited)

7. PROPERTY, PLANT AND EQUIPMENT:

	Land	Vehicle and mining equipment	Office and computer	Phase 1 Plant	UNDER CONSTRUCTION Whabouchi mine and concentrator	UNDER CONSTRUCTION Shawinigan site	Mineral property (Note a)	**Total**
	$	$	$	$	$	$	$	**$**
Cost								
Balance as at June 30, 2018	100	93	1,019	36,560	85,677	49,955	24,143	**197,547**
Additions during the year	—	8,009	66	10,003	155,463	103,487	—	**277,028**
Asset retirement obligations (Note 12)	—	—	—	—	1,912	—	—	**1,912**
Unsecured obligation	—	—	—	—	—	—	20,499	**20,499**
Grants applied to work in progress	—	—	—	(1,737)	—	—	—	**(1,737)**
Capitalized depreciation (Note b below)	—	—	—	—	—	14,949	—	**14,949**
Capitalized interest and financing cost, net of interest income on in-trust deposit	—	—	—	—	21,002	38,487	772	**60,261**
Capitalized finance expenses on contract liabilities (Note 13)	—	—	—	—	—	2,668	—	**2,668**
Balance as at June 30, 2019	**100**	**8,102**	**1,085**	**44,826**	**264,054**	**209,546**	**45,414**	**573,127**
Additions during the period	—	1,276	3	5,820	39,209	17,985	—	**64,293**
Addition to right-of-use assets (Note 3)	—	2,558	151	—	—	—	—	**2,709**
Asset retirement obligations (Note 12)	—	—	—	—	394	—	—	**394**
Capitalized depreciation (Note b below)	—	—	—	—	—	14,620	—	**14,620**
Capitalized interest and financing cost (net of interest income on in-trust deposit)	—	—	—	—	10,068	17,595	409	**28,072**
Capitalized finance expenses on contract liabilities (Note 13)	—	—	—	—	—	435	—	**435**
Balance as at March 31, 2020	**100**	**11,936**	**1,239**	**50,646**	**313,725**	**260,181**	**45,823**	**683,650**
Depreciation and impairment								
Balance as at June 30, 2018	—	53	357	21,077	—	—	—	**21,487**
Depreciation for the period (Note b below)	—	35	209	14,949	—	—	—	**15,193**
Balance as at June 30, 2019	**—**	**88**	**566**	**36,026**	**—**	**—**	**—**	**36,680**
Depreciation for the period	—	28	147	14,620	—	—	—	**14,795**
Depreciation of right-of-use assets	—	1,601	64	—	—	—	—	**1,665**
Impairment	—	—	263	—	145,680	120,817	—	**266,760**
Balance as at March 31, 2020	**—**	**1,717**	**1,040**	**50,646**	**145,680**	**120,817**	**—**	**319,900**
Carrying amounts								
As at June 30, 2019	**100**	**8,014**	**519**	**8,800**	**264,054**	**209,546**	**45,414**	**536,447**
As at March 31, 2020	**100**	**10,219**	**199**	**—**	**168,045**	**139,364**	**45,823**	**363,750**

(expressed in thousands, unless otherwise stated - unaudited)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED):

	Vehicle and mining equipment	Office and computer	Total
Summary of right-of-use assets	$	$	$
at beginning of the period	7,897	—	7,897
addition of the period	2,558	151	2,709
less : depreciation of right-of-use assets	1,601	64	1,665
Net value at the end of the period	**8,854**	**87**	**8,941**

Note a: Mineral Property

The Whabouchi lithium mine is subject to royalty payments once the project starts commercial production (Note 19 (A)).

Note b: Depreciation of Phase 1 Plant

The equipment in the Phase 1 Plant was depreciated over an estimated life of approximately 36 months of operation that ended on December 31, 2019. The depreciation of the Phase 1 Plant equipment has been capitalized to the Shawinigan site commercial plant project.

Impairment of non-financial assets

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

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

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

(expressed in thousands, unless otherwise stated - unaudited)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED):

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

8. INTANGIBLE ASSETS:

	Intellectual property	Software	**Total**
	$	$	**$**
Cost			
Balance as at June 30, 2018	8,800	2,133	**10,933**
Additions during the year	562	221	**783**
Balance as at June 30, 2019	9,362	2,354	**11,716**
Additions during the period	1,016	130	**1,146**
Balance as at March 31, 2020	**10,378**	**2,484**	**12,862**
Depreciation			
Balance as at June 30, 2018	—	80	**80**
Depreciation for the year	—	434	**434**
Balance as at June 30, 2019	—	514	**514**
Depreciation for the period	—	295	**295**
Impairment	—	874	**874**
Balance as at March 31, 2020	**—**	**1,683**	**1,683**
Carrying amounts			
As at June 30, 2019	**9,362**	**1,840**	**11,202**
Balance as at March 31, 2020	**10,378**	**801**	**11,179**

Based on management's assessment under the circumstances that existed as at March 31, 2020, it was estimated that the recoverable amount of the *Intellectual property* was not below the carrying value. The management estimated that the *Intellectual property* is a key asset and that it has the potential to be useful in other future investment, in due time if there is an opportunity, that the Corporation could be interested to invest in; it was then determined at this point that no impairment needed to be recognized. On the other hand, an impairment of $874 was recognized on the *Software* to bring its carrying value at its estimated recoverable amount.

Following the impairment charge recognized on the *Software*, the recoverable amount is equal to the carrying amount. Therefore, any adverse change in a key assumptions may result in further impairment.

(expressed in thousands, unless otherwise stated - unaudited)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	As at March 31, 2020	As at June 30, 2019
	$	$
Accounts payable and accruals	1,306	39,088
Accrued payroll and fringe benefits	660	2,440
Interest and others	234	4,514
	2,200	46,042

10. LONG-TERM DEBT:

	As at March 31, 2020	As at June 30, 2019
	$	$
Secured Bonds (Note 10 (A))	—	444,056
Stream Facility Agreement (Note 10 (B))	134,500	107,226
Unsecured obligation (Note 10 (C))	15,937	18,500
Financing lease (Note 10 (D))	—	7,751
	150,437	577,533
Current portion of long-term debt	—	556,135
Non-current portion of long-term debt	—	21,398
Liabilities subject to compromise	150,437	—

(A) SECURED BONDS:

	As at March 31, 2020	As at June 30, 2019
	$	$
Balance, at inception (US$350 million)	454,300	454,300
Foreign exchange impact	9,695	3,745
	463,995	458,045
Financing costs	(16,794)	(16,794)
Amortized financing costs capitalized to property, plant and equipment	16,794	2,805
Secured Bonds extinguishment	(463,995)	—
Balance, end of period	—	444,056
Current portion of the Secured Bonds	—	444,056
Non-current portion of the Secured Bonds	—	—

(expressed in thousands, unless otherwise stated - unaudited)

10. LONG-TERM DEBT (CONTINUED):

(A) SECURED BONDS (CONTINUED):

	Period Ended March 31, 2020	Year Ended June 30, 2019
	$	$
Balance - beginning of period	444,056	—
Secure Bonds at inception	—	454,300
Foreign exchange impact	5,950	3,745
Financing costs	—	(16,794)
Amortized financing costs capitalized to property, plant and equipment	13,989	2,805
Secured Bonds extinguishment	(463,995)	—
Balance - end of period	—	444,056

The Secured Bonds issued in May 2018 in the aggregate principal amount of US$350 million (about $454,3 million) were USD-denominated with a maturity date of May 30, 2023, unless called by the Corporation prior to maturity, and bore interest at a rate of 11.25% per annum. Interest was payable quarterly and in arrears on the relevant interest payment dates in February, May, August and November of each year, commencing on August 30, 2018.

On August 29, 2018, the Corporation confirmed that it had satisfied the conditions required before August 30, 2018 pursuant to its Secured Bonds and recorded a long-term debt of $454,300 (US$350,000) in its statement of financial position and an in-trust deposit of the same amount because there were no more legal obligation to repurchase the bonds and to compensate them with the cash in the in-trust account.

The Secured Bonds were secured by the universality of the Corporation’s tangible and intangible assets, present and future, and also by the universality of its subsidiaries’ tangible and intangible assets, present and future, subject to certain exceptions.

In relation to the Secured Bonds, the Corporation incurred financing costs amounting to $16,794 and recorded them against the Secured Bonds in the consolidated statements of financial position. The interest expense in relation with the Secured Bonds were capitalized to property, plant and equipment as they were part of the financing that was obtained in order to finance the construction of the Commercial Project and amounted to $8,571 for the nine-month period ended March 31, 2020 (March 31, 2019 was $26,318).

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

(expressed in thousands, unless otherwise stated - unaudited)

10. LONG-TERM DEBT (CONTINUED):

(B) STREAM FACILITY AGREEMENT:

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

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

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

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

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

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

(expressed in thousands, unless otherwise stated - unaudited)

10. LONG-TERM DEBT (CONTINUED):

(B) STREAM FACILITY AGREEMENT (CONTINUED):

The second US$75 million tranche was payable by Orion upon the satisfaction of certain technical and other conditions that are in the Stream Agreement which needed to be satisfied before December 31, 2019. Following the issuance in August 2019 of the 2019 Technical Report, the Corporation needed to renegotiate and obtain some modifications to various covenants and requirements contained in the Stream Agreement to avoid having to possibly repay the first tranche plus damages. Also, as the Corporation was not able to obtain the required financing in a timely manner and that it had to seek creditor protection under CCAA, the Corporation was not in a position to access this second payment tranche before December 31, 2019. Consequently, the payment of the second tranche could not be obtained by the Corporation and the first tranche, together with damages, could have to be repaid by the Corporation to Orion depending on the outcome of the CCAA proceedings. Such potential repayment raises a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. In connection with the CCAA procedures, Orion and the Corporation entered into a settlement to determine the amount of Orion's secured claim at $134.5 million, which was confirmed by an order of the Court as at June 5, 2020. (Note 1 Reporting Entity, Nature of Operations and Basis of Presentation and Note 21 (D) Subsequent Events).

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

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

For the nine-month period ended March 31, 2020, the Corporation capitalized $14,412 (June 30, 2019 was $97,620) of interest to Whabouchi Mine and the Concentrator and Shawinigan site as a borrowing cost incurred during the development of the Commercial project. Based on the fact that the Commercial Project is on care and maintenance mode pending the outcome of the CCAA proceedings, there will be no additional interest capitalized to the Commercial Project.

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

As of March 31, 2020, the US$75 million first tranche received, plus the accumulated assumed interest, has been accounted for as current liabilities because the Corporation does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. On June 5, 2020, following an agreement between the Corporation and Orion, the Court declared the secured claim amount in relation with the proof of claim filed by Orion to the Monitor to be $134.5 million. (Note 21 (D) Subsequent Events).

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

(expressed in thousands, unless otherwise stated - unaudited)

10. LONG-TERM DEBT (CONTINUED):

(C) UNSECURED AND SECURED OBLIGATIONS (RELATING TO THE CHINUCHI AGREEMENT):

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

The official date for the commencement of construction was established to be August 30, 2018 (the "**Official Start of Construction**"), which triggered a liability of $20,499 pursuant to the terms of the Chinuchi Agreement. As at March 31, 2020, the balance of the liability is $17,646.Under the terms of the Chinuchi Agreement, the Corporation pays interest at a rate of 4.75% per annum quarterly in arrears on the principal balance amount of the liability. Based on certain terms contained in the Chinuchi Agreement and circumstances following the filing for protection under the CCAA, the full carrying amount is presented in the current liabilities as at March 31, 2020.

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

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

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

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

(expressed in thousands, unless otherwise stated - unaudited)

10. LONG-TERM DEBT (CONTINUED):

(C) UNSECURED AND SECURED OBLIGATION (CONTINUED):

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

(D) FINANCING LEASE ON MINING EQUIPMENT:

	As at March 31, 2020	As at June 30, 2019
	$	$
Financing lease on mining equipment	—	7,751
Current portion	—	1,438
Non-current portion	—	6,313
	—	7,751

	Period ended March 31, 2020	Year ended June 30, 2019
	$	$
Balance, beginning of period	7,751	—
Financing lease previously recognized as per IAS 17 as at June 30, 2019 reclassed to Lease liabilities as at July 1, 2019 on adoption of IFRS 16 (Notes 3 and 11)	(7,751)	—
Addition during period	—	7,751
New balance at the end of the period	—	7,751

(expressed in thousands, unless otherwise stated - unaudited)

11. LEASE LIABILITIES:

Lease liabilities consist of the following:

	Period ended March 31, 2020	Year EndedJune 30, 2019
	$	$
Balance - beginning of the year	—	—
Financial leases previously presented in long-term debt under IAS 17 (Note 3)	7,751	—
Addition as at July 1, 2019 from the transition to IFRS 16 (note 3)	151	—
Adjusted opening balance, lease liabilities as per IFRS 16	7,902	—
New leases	2,558	—
Payments during the period	(1,461)	—
Balance - end of period	8,999	—
Current portion of lease liabilities	2,043	—
Non-current portion of lease liabilities	6,956	—

Leases are payables as follows:	As at March 31, 2020		
	Payment	Interest	Capital
	$	$	$
Less than one year	2,424	381	2,043
Between one and five years	7,883	926	6,956
More than five years	—	—	—
	10,307	1,307	8,999

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using a weighted average rate of 4.73%.

There are no restrictions or covenants imposed by the leases.

12. ASSETS RETIREMENT OBLIGATIONS:

Asset retirement obligations represent legal and contractual obligations related to the potential decommissioning of the Corporation's assets. The Corporation operates its business with a view to protecting public health and the environment.

The Corporation's has recorded asset retirement obligation for costs associated with mine reclamation and closure activities at the Whabouchi mine and concentrator site, on the basis of best estimates of future costs, based on information available on the reporting date. Best estimates of future costs are the amount the Corporation would reasonably pay to settle its obligation on the site closing date. Future costs are discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability. Such estimates are subject to change based on amendments to laws and regulations or as new events occur.

(expressed in thousands, unless otherwise stated - unaudited)

12. ASSETS RETIREMENT OBLIGATIONS (CONTINUED):

As at March 31, 2020, estimated inflation-adjusted discounted cash flows required asset retirement obligations of $3,359 ($2,965 as at June 30, 2019), using a 2.0% (2.0% as at June 30, 2019) inflation rate and a 2.0% (2.0% as at June 30, 2019) discount rate and assuming that the disbursements would be made in 2055. The undiscounted amount of this liability was estimated using the expected value method which is based on the restoration plan, which included contingency factor, for inflation-adjusted costs increasing to $3,359 ($2,965 as at June 30, 2019). This amount reflects the estimate of the costs related to the decommissioning of the actual assets at the Whabouchi Mine site, which is based on the approved restoration plan for a total expected cost of $9,206.

Following the approval of the restoration plan by the Ministère de l'Énergie et des Ressources Naturelles, the Corporation received on November 9, 2017 the mining lease #1022 (fully executed on October 26, 2017) covering 138 hectares for the Whabouchi mine. Consequently, as at March 31, 2020, the Corporation has made payments totaling $9,206 covering for 100% of the restoration estimated costs.

The asset retirement obligations changed as follows:

	Period Ended March 31, 2020	Year Ended June 30, 2019
	$	$
Balance, beginning of period	**2,965**	1,053
Increase in liability	**374**	1,825
Accretion expense	**20**	87
	3,359	2,965

13. CONTRACT LIABILITIES and OTHER LIABILITIES:

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

13. CONTRACT LIABILITIES and OTHER LIABILITIES (CONTINUED):

(A) In May 2016, the Corporation signed an agreement with a subsidiary of Johnson Matthey Plc ("JMBM") in the amount of $12,000 in exchange for services and products of the same value from the Corporation's Phase 1 Plant. As at March 31, 2020, the full amount had been received ($12,000 as at June 30, 2019). During the Claims Process, JMBM filed a secured claim amounting to $12,000 in relation with the deposit agreement which lead to the contract liability. As the supply agreement was terminated by the Corporation, IFRS 15 no longer applies and thus, the cumulative financial expense as at March 31, 2020, amounting to $4,667 ($4,010 as at June 30, 2019) was reversed in the unaudited consolidated condensed interim financial statement of net loss and comprehensive loss for the three-month and nine-month periods ended March 31, 2020 and reclassified under *Other liabilities* in the consolidated condensed interim financial statement of financial position as at March 31, 2020 (Note 18 (C) Contingencies).

On March 27, 2019, the Corporation signed a modified and expanded existing long-term supply agreement for battery grade lithium hydroxide with JMBM. Under this amended agreement, the Corporation had agreed to supply JMBM, on a take-or-pay basis, a total of 61,000 tonnes of lithium hydroxide to be produced at the Commercial Electrochemical Plant, for an initial 10-year supply period scheduled to start in 2021. During the CCAA Claims Process, the Corporation terminated this long-term supply agreement and, as a result of same, JMBM filed a unsecured claim in the amount of approximately $86.4 million in relation with the termination by the Corporation of this long-term supply agreement. The Corporation and the Monitor have not yet finalized their review of the claim presented by JMBM. (Note 18 (C) Contingencies).

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

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

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

During the Claims Process, Livent filed secured and unsecured claims of approximately $26 million against the Corporation or its Subsidiaries. Following a review of those claims by the Corporation and the Monitor, the latter issued a notice of revision to Livent, establishing its claim at an unsecured amount of approximately $26 million. As at the issuance of the unaudited consolidated condensed interim financial statement for the three-month and nine-month periods ended March 31, 2020, there still exist a high level of uncertainty on the outcomes of the SISP and Claims Process and as to what amount could be payable to Livent, if any. (Note 18 (C) Contingencies).

(expressed in thousands, unless otherwise stated - unaudited)

14. SHARE CAPITAL, WARRANTS AND SHARE-BASED EXPENSES:

(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 as at June 30, 2018	29,274,823	846,059,338	662,300
Exercise of options	—	1,575,000	408
Balance as at June 30, 2019	**29,274,823**	**847,634,338**	**662,708**
Warrants expiry	(29,274,823)	—	—
Balance as at March 31, 2020	**—**	**847,634,338**	**662,708**

Period ended March 31, 2020:

Between July 1, 2019 and March 31, 2020, no options were exercised by employees, consultants or directors.

Year ended June 30, 2019:

Between July 1, 2018 and June 30, 2019, 1,575,000 options were exercised by employees, consultants and a former board member at prices per share varying between $0.100 and $0.400 for a total amount of $273, which resulted in the issuance of 1,575,000 common shares. As a result of the options exercised, an amount of $135 was reclassified from contributed surplus to the share capital.

(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 investor relations 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 investor relations 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 optionee 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.

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

(expressed in thousands, unless otherwise stated - unaudited)

14. SHARE CAPITAL, WARRANTS AND SHARE-BASED EXPENSES (CONTINUED):

(B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

Share-based expenses 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 March 31, 2020 and June 30, 2019, and changes during the periods then ended were as follows:

	Period Ended March 31, 2020		Year Ended June 30, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of period	37,114,902	0.948	34,512,734	0.920
Granted	592,082	1.040	6,100,000	1.051
Exercised	—	—	(1,575,000) (i)	0.174
Expired or canceled	(8,881,083)	0.788	(1,922,832)	1.411
Outstanding, end of period	28,825,901	0.999	37,114,902	0.948
Options exercisable at the end of period	25,509,239	0.993	24,669,074	0.894

The total number of outstanding options represents 3.40% of the issued outstanding shares of the Corporation as at March 31, 2020 (4.38% as at June 30, 2019).

(i) The closing market price of the shares when the options were exercised on September 14, October 11, October 15, October 19, November 20, 2018, January 14 and May 27 2019 was \$0.68, \$0.73, \$0.78, \$0.73, \$0.80, \$0.70 and \$0.31 per share.

	Period Ended March 31, 2020	Year Ended June 30, 2019
	$	$
The weighted average fair value of options granted during the period	0.02	0.30

(expressed in thousands, unless otherwise stated - unaudited)

14. SHARE CAPITAL, WARRANTS AND SHARE-BASED EXPENSES (CONTINUED):

(B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

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

The following table summarizes information about share purchase options granted and outstanding as at March 31, 2020:

Number of outstanding options	Number of vested options	Weighted average exercise price ($)	Expiry date
436,668	436,668	0.856	April 2020
250,000	250,000	1.040	May 2020
100,000	100,000	0.200	July 2020
312,500	312,500	1.192	August 2020
12,500	12,500	1.040	September 2020
75,000	75,000	1.315	October 2020
1,366,666	1,366,666	0.882	November 2020
1,912,916	1,912,916	0.551	December 2020
1,985,833	1,985,833	1.008	January 2021
5,033,668	5,033,668	1.022	February 2021
112,500	112,500	1.040	March 2021
2,227,650	2,227,650	0.929	April 2021
200,000	200,000	1.100	July 2021
575,000	575,000	1.384	September 2021
575,000	575,000	1.270	October 2021
100,000	100,000	1.440	January 2022
150,000	150,000	1.110	May 2022
100,000	83,334	1.430	October 2022
75,000	50,000	1.340	March 2023
9,250,000	8,300,000	1.040	May 2023
75,000	37,500	1.030	June 2023
75,000	37,500	0.850	July 2023
1,700,000	850,001	1.040	August 2023
100,000	50,001	1.040	October 2023
75,000	25,000	1.400	November 2023
1,150,000	383,334	1.040	January 2024
250,000	83,334	1.040	February 2024
100,000	33,334	1.040	March 2024
450,000	150,000	1.040	April 2024
28,825,901	**25,509,239**	**0.999**	

(expressed in thousands, unless otherwise stated - unaudited)

14. SHARE CAPITAL, WARRANTS AND SHARE-BASED EXPENSES (CONTINUED):

(B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

Share-based expenses 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 March 31, 2020	Year Ended June 30, 2019
Expected life of options	**5 years**	5 years
Expected volatility rate	**81%**	67%
Risk-free interest rate	**1.55%**	1.90%
Expected annual dividend rate	—	—

Compensation options to brokers

The status of the Corporation's share purchase option plan for brokers and intermediaries as at March 31, 2020 and June 30, 2019, and changes during the years then ended were respectively as follows:

	Period Ended March 31, 2020			Year Ended June 30, 2019	
	Number of units		Weighted average exercise price	Number of options	Weighted average exercise price
			$		$
Outstanding, beginning of period	735,488	(i)	1.15	**735,488**	**1.15**
Expiry	(735,488)	(ii)	1.15		
Outstanding and exercisable, end of period	—		—	**735,488** (i)	**1.15**

Between July 1, 2016 and June 30, 2017, an aggregate number of 3,600,006 broker units 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 having an exercise price of $1.50 per common share. 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. During the six-month period ended March 31, 2020 no options were granted or exercised.

(i) As at Jun 30, 2019, in addition to the outstanding and exercisable broker units, a total of 447,580 broker warrants allowing the holders to purchase 447,580 common shares are still outstanding at an exercise price of $1.50 per share and having an expiry date of July 8, 2019.

(ii) As at March 31, 2020, all outstanding options to brokers had expired.

(expressed in thousands, unless otherwise stated - unaudited)

14. SHARE CAPITAL, WARRANTS AND SHARE-BASED EXPENSES (CONTINUED):

(C) WARRANTS:

The status of the warrants as at March 31, 2020 and June 30, 2019, and changes during the periods then ended were as follows :

	Period Ended March 31, 2020		Year Ended June 30, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	29,274,823	1.50	29,274,823	1.50
Expiry	(29,274,823)	1.50 [(i)]		
Outstanding, end of period	—	—	29,274,823	1.50

(i) As at March 31, 2020, all outstanding warrants had expired.

15. COMPENSATION:

	Three - month periods ended March 31		Nine - month periods ended March 31	
Wages and fringe benefits expensed:	2020	2019	2020	2019
	$	$	$	$
Key management personnel	523	393	2,654	945
Other staff employees	1,792	514	4,565	1,576
Wages and fringe benefits related to care and maintenance and owner's costs that were previously capitalized to property, plant and equipment	2,096	—	2,096	—
Directors	100	143	347	280
	4,511	1,050	9,662	2,801
Other informations:				
Wages and fringe benefits capitalized to property, plant and equipment	—	3,161	9,242	7,408
Share-based expenses				
Share-based expenses key personnel	104	624	731	2,547
Share-based expenses to other staff employees	72	769	500	1,532
	176	1,393	1,231	4,079

16. 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 a net loss and that their effect would have been anti-dilutive.

(expressed in thousands, unless otherwise stated - unaudited)

17. ADDITIONAL INFORMATION RELATED TO CASH FLOWS:

	Three - month periods ended March 31		Nine - month periods ended March 31	
	2020	2019	2020	2019
Non-cash items:	$	$	$	$
Changes in accounts payable and accrued liabilities related to property, plant and equipment	—	37,076	(8,475)	64,154
Changes in accounts payable and accrued liabilities related to interest on the secured bonds	—	4,385	—	4,385
Changes in accounts payable and accrued liabilities related to interest on the unsecured obligation	(10)	230	(30)	230
Change in account payables related to in-trust deposit	—	—	(26,727)	—
Changes in accounts payable and accrued liabilities related to financing cost	—	(1)	—	(900)
	(10)	41,690	(35,232)	67,869
Net change in non-cash operating working capital:				
Change in Restricted cash and in-trust deposits	(1,148)	—	2,794	—
Change in inventory	—	23	921	(607)
Change in sales tax receivable	25	111	5,514	(7,923)
Change in other receivables	1,009	(691)	1,187	7,378
Change in prepaid expenses	549	229	1,981	(2,638)
Change in account payables and accrued liabilities	58,863	(18,593)	96,191	(24,867)
	59,298	(18,921)	108,588	(28,657)

18. CONTINGENCIES:

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

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

(expressed in thousands, unless otherwise stated - unaudited)

18. CONTINGENCIES (CONTINUED):

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

(C) During the SISP and the Claims Process, the Corporation proceeded, with the help of its financial and legal advisers as well as of the Monitor, to estimate the potential overall liabilities when taking into account all the various claims received. Based on the information available to the management of the Corporation, it is estimated that the secured claims filed represents a cumulative total amount of approximately $157 million; while the unsecured claims could represent a cumulative total amount of between approximately $135 million and up to $349 million. At the date of the issuance of these unaudited consolidated condensed interim financial statements for the three-month and nine-month periods ended March 31, 2020 and since a high level of uncertainty exists, the amounts that could be paid, if any, to the secured and unsecured creditors is unknown. Based on management and the Corporation's consultants' assessment as well as information available, an amount of approximately $93 million has been provisioned for obligations relating to past events that could likely result in a potential payment in relation with the Claims Process. This provisioned amount, in conjunction with the other balances included in the liabilities subject to compromise, is the best estimate of what could be expected to be considered as the potential foundation of a plan of compromise or arrangement to the Corporation's creditors. (Note 9 Accounts Payables and Accrued Liabilities).

Through the Claims Process and as part of the CCAA proceedings, Livent is claiming that an amount of US$20 million currently in the *Other in-trust deposit related to the Claims Process* (Note 5 Restricted Cash and In-Trust Deposits) belongs to it and should be released to it by the Corporation. The Corporation and the Monitor are of the view that the amount belongs to the Corporation, such that during the Claims Process a notice of revision was issued to Livent, establishing its claim at an unsecured amount of approximately $26 million. (Note 13 (B) Contract Liabilities and Other Liabilities).

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

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

(expressed in thousands, unless otherwise stated - unaudited)

18. CONTINGENCIES (CONTINUED):

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

19. COMMITMENTS:

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

(B) The Corporation was also committed to pay a 2% NSR royalty on 10 claims included in the Whabouchi property, but such royalty was disclaimed as part of the CCAA proceedings.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

(expressed in thousands, unless otherwise stated - unaudited)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Valuation techniques

Derivative financial instrument

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

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

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

RISK EXPOSURE AND MANAGEMENT

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

(i) **MARKET RISK:**

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

Interest rate risk:

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

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

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

Currency risk:

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

(expressed in thousands, unless otherwise stated - unaudited)

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

RISK EXPOSURE AND MANAGEMENT (CONTINUED)

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

(ii) **CREDIT RISK:**

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

(iii) **LIQUIDITY RISK AND CASH RESTRICTIONS:**

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

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

As at March 31, 2020, mainly due to the Claims Process and SISP, most of the Corporation's financial liabilities had contractual maturities of less than one year and the Corporation did not have enough funds available to meet its current financial liabilities. At the same date, the Corporation mainly had $42,053 in non-restricted cash and cash equivalents ($128,133 as at June 30, 2019), $26,727 in other in-trust deposit related to the Claims Process ($nil as at June 30, 2020), $2,896 in sales tax receivables ($8,410 as at June 30, 2019) and $1,236 in grants and other receivables ($2,423 as at June 30, 2019) in order to partially meet its financial liabilities and future financial liabilities from its commitments.

(expressed in thousands, unless otherwise stated - unaudited)

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

RISK EXPOSURE AND MANAGEMENT (CONTINUED)

LIQUIDITY RISK AND CASH RESTRICTIONS (CONTINUED):

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

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

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

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

(IV) COMMODITY PRICE RISK:

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

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

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

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

(expressed in thousands, unless otherwise stated - unaudited)

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

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

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

21. SUBSEQUENT EVENTS:

(A) Between the SISP start date of February 28, 2020 and the submission deadline date of April 17, 2020, thirteen (13) LOIs were received, of which eight (8) were identified as qualified bidders and five (5) were declined. The Corporation, along with its financial advisers, is working with the qualified bidders through their respective due diligence processes for the submission of a qualified bid before the deadline of June 30, 2020. The estimated deadline for an application to the Court for the approval of a proposed transaction is July 20, 2020 with a target closing date of August 14, 2020.

(B) On April 21, 2020, mainly due to the CCAA proceedings, the Corporation and Northvolt mutually agreed to terminate the joint venture in Aurora Lithium, by signing the termination of the shareholders' agreement. An amount of approximately $73 was returned to the Corporation for the shares it held in Aurora Lithium and for the reimbursement of a portion of the funds that the Corporation had advance to same.

(C) On May 14, 2020, the Corporation proceeded with the Court approved sale of all of the shares of Monarch Gold Corporation at an average price of $0.225 for total proceeds of approximately $3.5 million.

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