Management Discussion and Analysis

RESSOURCES MONARQUES RESOURCES

Period ended

December 31, 2011

Second quarter

MONARQUES RESOURCES INC.

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The following management's discussion and analysis (the "MD&A") objective is to help the reader better understand the activities of the Company and the highlights of its financial situation. It explains the financial situation and the results for the quarter and six month period ended December 31, 2011 and the comparison of the Company's balance sheets as of December 31, 2011 and June 30th, 2011.

The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with the condensed interim unaudited financial statements of the Company for the quarter ended December 31, 2011 and the related notes thereto.

The Company's unaudited financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee. These interim unaudited financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Company's Board of Directors. Unless otherwise indicated, all the amounts in this MD&A are in Canadian dollars.

Forward looking statements

Some statements contained in this MD&A, specially the opinions, the projects, the objectives, the strategies, the estimates the intent and the expectations of the Company that are not historical data, are forward looking statements. Such statements can be recognized by the terms "forecast", "anticipate", "consider", "foresee" and other terms and similar expressions. These statements are based on information available at the time they are made, on hypothesis established by the management and on the management expectation, acting in good faith, concerning future events and concerning, by their nature, known and unknown risks and uncertainties mentioned herein (see the section Risks and uncertainties). The real results for the Company could differ in an important way of those which state or that these forward looking statements show the possibility for. Consequently it is recommended not to trust unduly these statements. These statements do not reflect the potential incidence of special events which could be announced or take place after the date of this MD&A. Except if the applicable legislation requires it, the Company does not intend to update these prospective statements to reflect, in particular, new information or future events, and it is by no means committed doing so.

Reporting entity and going concern

Monarques Resources Inc. ("The Company"), incorporated on February 16, 2011 under the *Canada Business Corporations Act*, is engaged in the acquisition and exploration of mining properties. Its shares are listed on the TSX Venture Stock Exchange under the symbol MQR. Its activities are in the Province of Quebec, Canada.

The Company has not yet determined if any of its mining properties contain ore reserves that are economically recoverable.

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

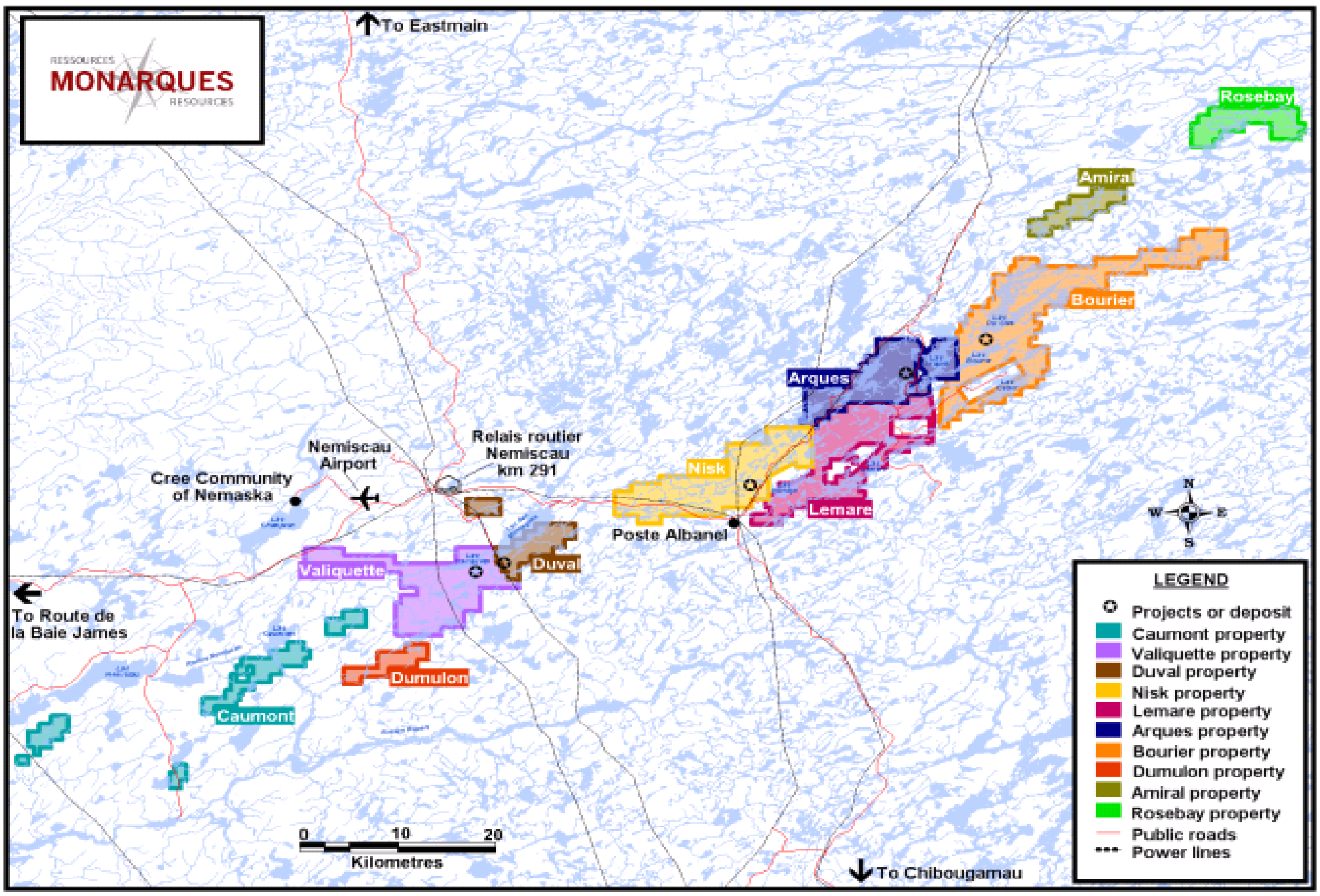
The recoverability of amounts shown for mining properties and related exploration and evaluation assets is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. As at the date of the financial statements, management determined that the net carrying value of mining properties represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

Highlights for the quarter, scope of activities and next steps

During the quarter ended December 31, 2011, the Company has completed diamond drilling surveys for a total of 38 holes (7,095 meters) on the following mining properties: 15 holes (2,214 meters) on the Bourier property, 9 holes (1,852 meters) on the Nisk property, 6 holes (1,338 meters) on the Duval property, 6 holes (1,197 meters) on the Valiquette property and 2 holes (494 meters) on the Lemare property.

Furthermore, the Company has also acquired 5 claims by map stacking which were strategically located within the Caumont property.

As at the date of this report, the Company now owns 10 properties (1,313 claims), as shown in the following map:



Highlights for the quarter, scope of activities and next steps (continued)

In summary, the main exploration works realized on the Company's properties are as follows, being understood that all work carried out before June 10, 2011, were conducted by the previous owner, Nemaska Exploration Inc.:

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Amiral	Heliborne geophysics survey (346 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	A high-resolution heliborne Mag-EM survey covering the entire property was conducted by Prospectair Geosurveys inc. The final report outlines multiple anomalies.
Arques	Diamond drilling (5 holes totalling 1,004 meters), January 2012	Test radiometric anomalies to identify economic mineralization	Rocks from the syenodiorite intrusive complex were recovered. The results are pending.
	Track-etching radiometric survey covering the entire intrusive complex (749 reading stations), June 2011	Distinguish Rare Earth Elements, Niobium and Tantalum enriched lithologies.	The results have provided multiple high contrast anomalies.
	Diamond drilling (5 holes totalling 1,496 meters), March 2011	Test magnetic anomalies to identify economic mineralization	Rocks associated with a syenodiorite intrusive complex with anomalies in TREO (values of 0.77% over 2.1 meters, 0.80% over 3.8 meters and 0.59% over 3.1 meters) were encountered.
Bourier	Diamond drilling (15 holes totalling 2,214 meters), September 2011	Confirm the interpretation of mineralized zones at depth.	Massive sulphide units associated with the known prospective horizon were intersected. The analytical results do not indicate economic mineralization.
	Heliborne geophysics (164 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	A high-resolution heliborne Mag-EM survey covering the 25 newly acquired claims was conducted by Prospectair Geosurveys inc. The final report highlights the continuity of the main high-mag/conductive anomaly.
	Geological surveys and prospection, August 2011	Confirm the geology and identify on the ground the source of numerous magnetic and electro magnetic anomalies.	Areas of interest were covered in the North-East extension of the massive sulphide zone outlined during field work conducted in the summer of 2010 by Nemaska Exploration. The results highlight a zinc and silver prospective trend of Sedex deposit type.

MAIN WORKS DONE

Property	Works	Objective	Results
Caumont	Mechanical trenching (five trenches from which 245 rock samples were collected, including 187 channels), September 2011 Heliborne geophysics (482 linear km), September 2011	Confirm the interpretation of geophysics at surface and characterize mineralization from historic grab samples. Identify mineralized zones at surface and depict the geology.	The results confirm magmatic Cu-Ni-PGE mineralization. Prospectair Geosurveys inc. conducted a high-resolution heliborne Mag-EM survey covering the entire property. The final report highlights a high-contrast main anomaly.
Dumulon	Heliborne geophysics (376 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	A high-resolution heliborne Mag-EM survey covering the entire property was conducted by Prospectair Geosurveys inc. The final report outlines multiple anomalies.
Duval	Diamond drilling (6 holes totalling 1,338 meters), October 2011 Ground geophysics (Magnetometry, 21 linear km), September 2011	Confirm the continuity of mineralized zones at depth. Define the geology and identify mineralized zones at surface.	Best results are 1.62% Cu, 0.45% Ni, 0.53 g/t Au and 9.85 g/t Ag over 1.0 meter. Results highlight a main high-contrast anomaly.
Lemare	Diamond drilling (2 holes totalling 498 meters), September 2011 Heliborne geophysics (453 linear km), September 2011	Confirm the interpretation of mineralized zones at depth. Identify mineralized zones at surface and depict the geology.	Two exploration diamond drill holes for a total of 498 meters were drilled on two targets identified in the field work carried out in 2009 and 2010 by Nemaska Exploration. Iron formations were encountered on both targets. Analytical results do not indicate economic mineralization. A high-resolution heliborne Mag-EM survey covering the South sector of the property was conducted by Prospectair Geosurveys inc., The final report outline multiples anomalies.
Nisk *West sector*	Mechanical trenching, two mechanical trenches have stripped approximately 600 m^2 of outcrops on a high mag anomaly, July 2011	Confirm the interpretation of geophysics at surface and identify mineralization.	The stripped outcrops have been cleaned up but will only be sampled during the summer of 2012

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Nisk *West sector (continued)*	Ground geophysics (Magnetometry), July 2011	Define the geology and identify mineralized zones at surface.	During the summer of 2011, a ground magnetometric survey covering 60 linear km was carried out to define a heliborne anomaly.
	Diamond drilling One (1) hole (153 meters), June 2011	Test a positive high contrast magnetic anomaly.	The anomaly has been explained by the presence of magnetite.
Nisk *Nisk-1 deposit*	Diamond drilling (9 holes totalling 1,852 meters), November 2011	Characterize potential extension of the main zone and test two new IP axes.	The best results reported are 0.25% Ni over 7.2 meters in the hole TF-79-11; 0.40% Ni over 8.4 meters in the hole TF-80-11; and 0.19% Ni over 16.7 meters in the hole TF-81-11.
	Ground geophysics (Induced Polarization - IP), July 2011	Identify mineralization at depth.	An IP survey covered the entire 3.5 km long magnetic anomaly associated with the Nisk-1 deposit was completed. The results outline the continuity of the IP conductor associated with the deposit and two new axes parallel to it.
	Borehole geophysics (Pulse EM), February *2011 by Nemaska Exploration*	Identify mineralized zones at depth	The interpretation of a "Pulse EM" survey conducted in one hole on the Nisk-1 deposit indicates a conductivity anomaly within 50m from it.
	Diamond drilling (2 holes totalling 1,032 meters), February 2011 *by Nemaska Exploration* .	Test geophysical anomalies	The results reported are 0.34% Ni and 0.13% Cu over 7.75 m in the hole TF-72-11 on a zone containing 5-40% of sulphide.
Rosebay	Heliborne geophysics (585 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	Prospectair Geosurveys inc. conducted a high-resolution heliborne Mag-EM survey covering the entire property. The final report outlines multiple anomalies.
Valiquette	Diamond drilling (5 holes totalling 1,197 meters), October 2011	Confirm the interpretation of mineralized zones at depth.	The best intersections are 0.15% Ni over 25 meters (including 0.20% Ni and 0.27 g/t Pd over 9.5 meters) in the hole VAL-11-13 and 0.20% Ni over 41 meters in the hole VAL-11-12.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Valiquette *(continued)*	Ground geophysics (Magnetometry, 34 linear km), September 2011	Define the geology and identify mineralized zones at surface.	A ground magnetometric survey covering the main anomaly associated with the mineralized trend drilled in winter 2011, was carried out. It has delineated this high-contrast anomaly.
	Heliborne geophysics (214 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	Prospectair Geosurveys inc. conducted a high-resolution heliborne Mag-EM survey covering 24 newly acquired claims. The final report highlights the continuity of the key anomaly.
	Borehole geophysics (Pulse EM), March 2011 *by Nemaska Exploration*	Confirm the interpretation of mineralized zones at depth.	The results interpretation outlines Ni-Cu mineralization within 50m of the hole VAL-11-07 and an iron formation in hole VAL-11-09.
	Diamond drilling (9 holes totalling 1,475 meters), March 2011 *by Nemaska Exploration*	Confirm the interpretation of mineralized zones at depth.	The results outlined a Cu-Ni-PGE mineralization. The best intersection reported is 2.66% Ni and 0.71% Cu over 3.2 meters.

The foreseen main works on the properties are as follows:

MAIN WORKS PLANNED	
Property	**Work**
Amiral	Geological survey and prospection to confirm the geology and identify on the ground the source of numerous magnetic and electro magnetic anomalies (summer 2012).
Arques	Analysis and compilation of the results from 5 holes (1,004 m) drilled in January 2012 (winter 2012).
Bourier	Compilation of the 2011 summer field campaigns results and the results from 15 holes (2,214 m) drilled in fall 2011 (winter 2012). Geological survey and prospection to confirm the geology and identify on the ground the source of numerous geophysical anomalies (summer 2012). Mapping and sampling of four excavated mechanical trenches (summer 2012). Diamond drilling survey to test geological and geophysical anomalies (fall 2012).

MAIN WORKS PLANNED	
Property	**Work**
Caumont	Structural interpretation and compilation of the 2011 trenching campaign results (winter 2012). Diamond drilling survey to test geophysical anomalies and verify potential extensions of the newly identified magmatic Cu-Ni-PGE mineralization (fall 2012).
Dumulon	Geological survey and prospection to confirm the geology and identify on the ground the source of numerous geophysical anomalies (summer 2012).
Duval	Compilation of the results from 6 holes (1,338 m) drilled in fall 2011 (winter 2012). Geological survey and prospection to confirm the geology and identify on the ground the source of geophysical anomalies (summer 2012).
Lemare	Compilation of the results from 2 holes (498 m) drilled in fall 2011 (winter 2012). Geological survey and prospection to confirm the geology and identify on the ground the source of geophysical anomalies and known mineralizations (summer 2012). Diamond drilling survey to test geological and geophysical anomalies (fall 2012).
Nisk *(Nisk-1 deposit)* ***Nisk*** *(West sector)*	Compilation of the results from 9 holes (1,852 m) drilled in fall 2011 (winter 2012). Geological survey and prospection to confirm the structural interpretation at the surface and potential targets for trenching (summer 2012). Mapping and sampling of two excavated trenches (summer 2012). Diamond drilling survey to test geological and geophysical anomalies (fall 2012).
Rosebay	Geological survey and prospection to confirm the geology and identify on the ground the source of numerous geophysical anomalies (summer 2012).
Valiquette	Compilation and reporting of the results from 5 holes (1,197 m) drilled in October 2011 (winter 2012). Diamond drilling survey to test geological and geophysical anomalies (fall 2012).

Selected Financial Information

The following table summarizes selected key financial data for the quarter and six months period that ended December 31, 2011 and the Company's balance sheets as of December 31, 2011 and June 30th, 2011:

Condensed Interim Statements of Comprehensive Loss selected financial information		
	Second quarter $	**Six Months $**
Interest Income	9,800	20,401
Loss (profit) before income taxes	(79,977)	181,141
Net loss and comprehensive loss	243,023	775,141
Loss per share – basic and diluted	0.008	0.024
Condensed Interim Statements of Financial Position selected financial information		
	December 31, 2011 $	**June 30, 2011 $**
Cash and cash equivalents (1)	1,694,678	5,092,699
Total assets	12,667,469	12,988,762
Total liabilities	1,154,105	1,371,447
Shareholder's equity	11,513,364	11,617,315

(1): The cash and cash equivalents includes $1,388,355 ($4,000,000 as at June 30th, 2011) of cash reserved for exploration expenses.

Operating results for the quarter ended December 31, 2011

Cash and Financing sources

As at December 31, 2011, the total assets of the Company were at $12,667,469, a decrease of $731,166 compared to September 30, 2011. This decrease is mainly due to a decrease in the accounts payable and accrued liabilities for an amount of $566,275 while the remaining decrease of $164,891 was mainly attributable to the operating expenses.

The funds available to the Company at the end of the quarter are sufficient to complete its exploration budget planned for the current fiscal year of 2011-2012. However, the Company will have to seek additional funds before the end of the current fiscal year in order to secure the funds needed for its 2012-2013 budgets for exploration and for general and administrative expenses.

The Company's short term liabilities in the amount of $553,434 (excluding the liability related to flow-through shares of $277,671) represent a decrease of $566,275 in the quarter. This total is mainly composed of payables related to exploration expenses in the amount of $286,111, other payables and accrued liabilities such as compensation, audit fees and office and general administration expenses in the amount of $217,323 and also $50,000 for the payment of the commitment related to the Arques property milestone.

Operating results for the quarter ended December 31, 2011

The results for the quarter show a net loss and comprehensive loss of $243,023 or a loss per share of $0.008. Aside from interest revenues of $9,800, the Company has no revenues from operations. Its main expenses are: i) compensation and share-based payments totalling $117,257, of which $36,580 is a non-cash expense related to the issued share-based purchase options; ii) office and general administrative expenses totalling $31,012 mainly to cover rent, insurance, telecommunications, claims renewals and training / inscription; iii) fees for professional services and consultants for an amount of $672; iv) advertising / promotion / representation and exposition totalling $17,614 and v) expenses related to the stock exchange, shareholders communications and the annual shareholders' meeting totalling $43,959.

Operating activities for the quarter ended December 31, 2011

During the quarter, the cash flow used by operating activities amounted to $632,599. The operating activities were financed by the working capital available upon the completion of the IPO in June 2011.

Financing activities for the quarter ended December 31, 2011

During the quarter, the Company hasn't completed any additional financing.

Investing activities for the quarter ended December 31, 2011

During the quarter, the cash flow used by the investing activities totalling $1,652,004 were for exploration and evaluation expenses assets work done on all the properties of the Company. The details for the total exploration and evaluation expenses done in the period on each property are presented in the following table:

Operating results for the quarter ended December 31, 2011 (continued)

PROPERTIES	Exploration work
	Second quarter $
Balance as at September 30, 2011	**1,365,048**
Amiral	540
Arques	37,109
Bourier	373,323
Caumont	55,121
Dumulon	342
Duval	209,779
Lemare	89,523
Nisk	383,489
Rosebay	318
Valiquette	257,696
Increase for the period	**1,407,240**
Balance as at December 31, 2011	**2,772,288**

Exploration and evaluation assets for the quarter ended December 31, 2011

Exploration and evaluation assets by property					
	Amiral ($)	Arques ($)	Bourier ($)	Caumont ($)	Dumulon ($)
Balance as of Sept. 30th, 2011	**52,747**	**53,222**	**690,678**	**205,770**	**33,389**
Supervision, salaries and fringe benefits	-	7,871	13,382	7,224	-
Geology and geophysics	-	2,977	848	14,611	-
Test, sampling and prospecting	540	4,367	89,563	17,588	342
Drilling, equipment rental and other material	-	14,250	264,785	14,838	-
Lodging and meals	-	3,255	3,974	502	-
General exploration expenses	-	4,389	771	358	-
Increase for the quarter	**540**	**37,109**	**373,323**	**55,121**	**342**
Balance as of Dec. 31, 2011	**53,287**	**90,331**	**1,064,001**	**260,891**	**33,731**

Operating results for the quarter ended December 31, 2011 (continued)

	Duval ($)	Lemare ($)	Nisk ($)	Rosebay ($)	Valiquette ($)
Balance as of Sept. 30th, 2011	**22,304**	**61,514**	**137,238**	**31,043**	**77,143**
Supervision, salaries and fringe benefits	17,935	6,720	40,049	-	18,278
Geology and geophysics	7,946	758	38,549	-	23,899
Test, sampling and prospecting	18	6,243	20,218	318	9,306
Drilling, equipment rental and other material	157,495	66,806	255,682	-	169,813
Lodging and meals	15,397	2,707	27,152	-	17,448
General exploration expenses	10,988	6,289	1,839	-	18,952
Increase for the quarter	**209,779**	**89,523**	**383,489**	**318**	**257,696**
Balance as of Dec. 31, 2011	**232,083**	**151,037**	**520,727**	**31,361**	**334,839**

Operating results for the six-month period December 31, 2011

Cash and Financing sources

As at December 31, 2011, the total assets of the Company were at $12,667,469, a decrease of $321,293 compared to June 30th, 2011. This decrease is directly related to the operating expenses.

The funds available to the Company at the end of the quarter are sufficient to complete its exploration budget planned for the current fiscal year of 2011-2012. However, the Company will have to seek additional funds before the end of the current fiscal year in order to secure the funds needed for its 2012-2013 budgets for exploration and for general and administrative expenses.

The Company's short term liabilities in the amount of $553,434 (excluding the liability related to flow-through shares of $277,671) represent a decrease of $18,013 during the six month period. This amount is mainly composed of payables related to exploration expenses in the amount of $286,111, other payables and accrued liabilities such as compensation, audit fees and office and general administrative expenses in the amount of $217,323 and also $50,000 for the payment of the commitment related to the Arques property milestone.

Operating results for the six-month period ended December 31, 2011 (continued)

The results for the six-month period show a net loss and comprehensive loss of $775,141 or a loss per share of $0.024. Aside from interest revenues of $20,401, the Company has no revenues from operations. Its main expenses are: i) compensation and share-based payments totalling $522,221, of which $375,290 is a non-cash expense related to the issuance of share-based purchase options; ii) office and general administrative expenses totalling $60,368 mainly to cover rent, insurance, telecommunications, claims renewals and training / inscription; iii) fees for professional services and consultants for an amount of $44,840; iv) advertising / promotion / representation and exposition totalling $43,049 and v) expenses related to the stock exchange, shareholders communications and the annual shareholders' meeting totalling $51,929.

Operating activities for the six-month period ended December 31, 2011

During the six-month period, the cash flow used by operating activities totalled $1,024,317. The operating activities were financed by the working capital available upon the completion of the IPO in June 2011.

Financing activities for the six-month period ended December 31, 2011

During the six-month period, the Company hasn't completed any additional financing.

Investing activities for the six-month period ended December 31, 2011

During the six-month period, the cash flow used by the investing activities were mainly related to the acquisition of mining properties for an amount of $35,070 and for exploration and evaluation expenses assets work done on all the properties of the Company for a total amount of $2,325,534 (net of $286,111 related to exploration and evaluation assets that is still in the accounts payable and accrued liabilities). The details for the total exploration and evaluation expenses done in the period on each property are presented in the following table:

PROPERTIES	Exploration work
	2011 $
Balance as at June 30, 2011	**160,643**
Amiral	53,287
Arques	53,478
Bourier	1,029,568
Caumont	260,891
Dumulon	33,731
Duval	232,083
Lemare	151,037
Nisk	474,136
Rosebay	31,361
Valiquette	292,073
Increase for the period	**2,611,645**
Balance as at December 31, 2011	**2,772,288**

Operating results for the six-month period December 31, 2011 (continued)

Exploration and evaluation assets by property					
	Amiral ($)	Arques ($)	Bourier ($)	Caumont ($)	Dumulon ($)
Balance as of June 30th, 2011	**-**	**36,853**	**34,433**	**-**	**-**
Supervision, salaries and fringe benefits	784	14,503	202,123	38,397	504
Geology and geophysics	51,238	3,173	129,119	129,384	32,452
Test, sampling and prospecting	540	8,897	92,465	17,587	342
Drilling, equipment rental and other material	61	15,733	507,074	55,888	39
Lodging and meals	547	5,952	60,766	18,744	319
General exploration expenses	117	5,220	38,021	891	75
Increase for the six month period	**53,287**	**53,478**	**1,029,568**	**260,891**	**33,731**
Balance as of Dec. 31, 2011	**53,287**	**90,331**	**1,064,001**	**260,891**	**33,731**

	Duval ($)	Lemare ($)	Nisk ($)	Rosebay ($)	Valiquette ($)
Balance as of June 30th, 2011	**-**	**-**	**46,591**	**-**	**42,766**
Supervision, salaries and fringe benefits	19,717	7,654	45,952	467	18,782
Geology and geophysics	13,073	44,655	93,993	30,174	51,829
Test, sampling and prospecting	1,536	6,813	28,909	318	11,501
Drilling, equipment rental and other material	166,951	75,285	266,876	36	170,627
Lodging and meals	17,950	7,903	36,358	297	18,488
General exploration expenses	12,856	8,727	2,048	69	20,846
Increase for the six month period	**232,083**	**151,037**	**474,136**	**31,361**	**292,073**
Balance as of Dec. 31, 2011	**232,083**	**151,037**	**520,727**	**31,361**	**334,839**

Outstanding shares information (as of February 27, 2012)

	February 27, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Common shares outstanding	31,900,100	31,900,100	31,900,100	31,750,100	-

Outstanding share purchase options (as of February 27, 2012)

	February 27, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Share purchase options issued	2,250,000	2,250,000	2,000,000	-	-
Share purchase options exercisable	1,362,500	1,362,500	1,362,500	-	-
Average strike price	0.40	0.40	0.40	-	-

As at December 31, 2011, the Company had granted 2,250,000 options to purchase Common Shares subject to the conditions established under the Common Share Purchase Option Plan.

Outstanding warrants (as of February 27, 2012)

	February 27, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Warrants issued	2,600,000	2,600,000	2,600,000	2,500,000	-
Warrants exercisable	2,600,000	2,600,000	2,500,000	2,500,000	-
Average strike price	0.45	0.45	0.45	0.45	-
Warrants issued to brokers	910,000	910,000	910,000	910,000	-
Warrants issued to brokers that are exercisable	910,000	910,000	910,000	910,000	-
Average strike price	0.40	0.40	0.40	0.40	-

As of December 31, 2011, the Company had issued 2,600,000 warrants to shareholders and 910,000 warrants to brokers. Each warrant allows its holder to subscribe 1 common share at a price varying between $0.40 per share to $0.45 per share for a period of 18 months following their issue date.

Related Party Transactions and Commercial Objectives

During the period that ended December 31, 2011, the Company incurred expenses for services rendered by executive officers of the Company. These services were rendered in the normal course of operations and were measured at the exchange amounts, being the amount agreed between the parties.

Period ended December 31, 2011	Second quarter	Six months
President salary	26,399	51,399
President share-based payments	-	115,128
Professional fees towards the Chairman of the Board and the other members of the board	21,167	33,250
Share-based payments towards the Chairman of the Board and the other members of the board	-	186,420
Chief Financial Officer salary	16,489	32,114
Chief Financial Officer share-based payments	6,812	22,891

Inter-company transactions carried out during the three-month period between the Company and the company having significant influence, Nemaska Lithium Inc. ("Nemaska"), totalled $212,138 (excluding sales tax), including $134,601 of exploration and evaluation assets expenses, $59,613 of compensation, of which $42,888 represents wages paid to the president and the chief financial officer, $14,060 as representation / promotion / missions / expositions and $25,837 as general administrative and office expenses, less $21,973 for credits applied against the consultants and professionals fees. These amounts reimbursed by the Company to Nemaska were paid by Nemaska on behalf of the Company.

Inter-company transactions carried out during the six-month period between the Company and the company having significant influence, Nemaska Lithium Inc. ("Nemaska"), totalled $616,988 (excluding sales tax), including $411,816 of exploration and evaluation assets expenses, $113,784 of compensation, of which $83,513 represents wages paid to the president and the chief financial officer, $2,177 paid for consultants and professionals, $28,643 as representation / promotion / missions / expositions and $45,497 as general administrative and office expenses. These amounts reimbursed by the Company to Nemaska were paid by Nemaska on behalf of the Company.

Off Balance sheet agreements

The Company hasn't concluded any off balance sheet agreements.

Obligations and contractual commitments

The Company had the following commitments as of February 27, 2012:

Obligations and contractual commitments (continued)

Arques, Bourier, Lemare and Nisk properties (previously Lac Arques)

Upon the acquisition of the properties the Company took in charge 100% of an agreement on a group of 396 claims included in the Lac Arques property in the province of Quebec. Upon the properties restructuration in June 2011, these 396 claims related to this commitment were assigned as follows: 109 claims to the Arques property, 142 claims to the Bourier, 98 claims to the Lemare property and 47 claims to the Nisk property.

As part of this agreement, the Company has agreed to pay to one of the seller a maximum of $1,000,000, conditional on the achievement of certain stages of works and results on the claims acquired under the Lac Arques Purchase and Sale Agreement, which are defined as follows:

- $50,000 if and when the Company will have completed exploration work corresponding to a minimum amount of $2,500,000 on the claims subject to the Lac Arques Purchase and Sale Agreement;
- $150,000 if and when the Company will have completed exploration work corresponding to a cumulative minimum amount of $5,000,000 on the claims subject to the Lac Arques Purchase and Sale Agreement;
- $300,000 upon obtaining an independent pre-feasibility study; and
- $500,000 upon obtaining of an independent feasibility study confirming that any of the claims subject to the Lac Arques Purchase and Sale Agreement can support commercial production.

As at December 31, 2011, cumulative exploration expenses totalling $2,715,951 ($2,037,224 as at June 30th, 2011) were done on the properties, of which, $1,911,404 is included in the acquisition costs of the properties. This cumulative amount must be taken into consideration in the calculation of the minimum exploration work to be carried out to reach the trigger level of payments. During the period, an amount of $50,000 was recorded in the accrued liabilities in relation to the Company reaching the $2,500,000 milestone in exploration work for this commitment.

The payment of a 3% NSR to the initial sellers under the Lac Arques Purchase and Sale Agreement in case of a commercial production of all metals extracted from the or part of the 396 claims. However, the Company shall have the option at all time and until the expiration of a period of 3 months following the official production statement, to repurchase 1% NSR from the vendors, proportional to their interest therein subject to the payment of an amount of $1,000,000 payable in two equal and consecutive instalments, the first instalment being payable upon the date of exercise of the option to repurchase part of the NSR and the second at the latest 90 days following the date of payment of the first instalment.

Arques / Lemare / Nisk (previously Lac Levac):

Upon the properties restructuration in June 2011, 150 claims related to this commitment of the Lac Levac property were assigned as follows: 1 claim to the Arques property, 83 claims to the Lemare property and 66 claims to the Nisk property. Pursuant to a net smelter return agreement dated January 15, 2010 (the “Net Smelter Return Agreement”); the initial seller has retained a 2% NSR, of which a 1% NSR can be repurchased by the Company for an amount of $1,000,000 within the first three years.

In addition, the Company has undertaken, should it receive a good-faith offer from a third-party for any of the Nisk property claims, not to dispose of any such Nisk claims without having entitled the initial seller to purchase such Nisk claims at the price of such offer, pursuant to a right of first refusal agreement dated January 15, 2010 (the “Right of First Refusal Agreement”).

Obligations and contractual commitments (continued)

Arques

On September 28, 2011, the Company accounted the acquisition of ten (10) mining claims known as “the North Rupert Block”, which were held by Eloro Resources Ltd. (“Eloro”). These mining claims are located in the Province of Québec and are enclosed in the Arques property 100% owned by the Company. On October 12, 2011, the Company paid to Eloro $5,000 in cash and issued 50,000 common shares in the capital of the Company. These common shares are subject to a 4-month hold period. Also, the Company has agreed to pay Eloro 1.5% NSR if any of the claims comprising the North Rupert Block are brought into production. The Company has the right, at any time, to purchase 0.5% of the NSR by paying Eloro the sum of $500,000 in cash.

Caumont, Duval and Valiquette properties (previously Lac des Montagnes)

From the 279 claims forming the Lac des Montagnes property, 197 of them have been designated before November 2008 as being subject to a 2% NSR, of which a 1% NSR can be repurchased by the Company for an amount of $1,000,000 within the first three years to be paid in favor of the initial seller. Upon the properties restructuration, these 197 claims related to this commitment were assigned as follows: 19 claims to the Caumont property, 56 claims to the Duval property and 122 claims to the Valiquette property. Furthermore, the initial seller keeps a right of first refusal should the Company receive a good-faith offer from a third-party for any of the 197 claims to purchase such claims at the price of such offer.

Caumont (previously Lac des Montagnes)

In addition, pursuant to an acquisition agreement dated October 28, 2010 for 24 claims forming part of the Lac des Montagnes Property (part of the Caumont West block) these claims are subject to a 1.5% NSR payable in favor of the initial seller. 1% of that NSR can be repurchased at all time and until the expiration of a period of 3 months following the official production statement, subject to the payment of an amount of $1,000,000 payable in two equal and consecutive instalments, the first instalment being payable upon the date of exercise of the option to repurchase part of the NSR and the second at the latest 90 days following the date of payment of the first instalment.

Valiquette

On July 14th, 2011, the Company purchased three (3) mining claims located to the west of the Valiquette property. Conditional to reaching a certain number of meters of diamond drilling on the claims, the Company has also agreed to pay an additional amount of a maximum of $60,000 and to issue a maximum of 500,000 additional units, in equal portions of $15,000 and 100,000 units, every 3,000 meters of diamond drilling on the claims, starting from 3,000 meters. The exercise price of the warrants at the date of granting will be established as the weighted average price of the common shares on the TSX Venture Exchange, during the period of 30 calendar days following the reaching of said number of meters. This commitment is in force as long as the claims remain in good standing. Also, the Company has agreed to pay to the seller a 2% NSR on all metals from the acquired claims. The Company has the right, at any time until the expiration of the 3 months period following the official production statement, to purchase 1% of the NSR by paying Mr. Alain Champagne the sum of $1,000,000 in cash.

Flow-through shares

The Company is committed to incur exploration expenses of $4,000,000 by December 31, 2012 and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through share underwriting completed on June 10th, 2011. As at December 31, 2011, the Company had funds reserved for exploration amounting to $1,388,355 ($4,000,000 as at June 30th, 2011).

Additional information required from junior issuers with no significant income

The Company reports the information on its exploration and evaluation assets in note 5 of its unaudited interim financial statements for the quarter ended December 31, 2011.

The Company has no research and development expenses.

The Company has no other deferred expenses than those related to its mining properties and explorations expenses.

The office and general administration expenses for the quarter and six months period ended December 31, 2011 are made of the following expenses:

Office and general administration expenses for the periods ended December 31, 2011		
	Second quarter	**Six months $**
Mining claims	5,948	11,623
Office supplies and mailing	2,949	4,396
Insurances, taxes and permits	3,941	7,570
Office and equipment lease and maintenance	12,175	21,187
Telecommunications	1,896	3,670
Training, HR activities and other expenses	4,103	11,922
Total	**31,012**	**60,368**

Financing sources

The financing sources since March 31st, 2011 up to the date of this report are listed in the following table:

Date	**Type**	**Financings**	**Amount ($)**	**Use of proceeds**
June 10, 2011	Prospectus, Initial public offering	Common shares	2,000,000	General administrative expenses and mining properties acquisition
		Flow-through shares	4,000,000	Exploration work on the properties owned by the Company.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

(a) Statement of compliance:

These condensed interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34, *Interim Financial Reporting*, as published by the International Accounting Standards Board ("IASB").

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation (continued)

(a) Statement of compliance (continued):

The accounting policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of February 27, 2011, the date on which the Board of Directors approved the condensed interim financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the period ending June 30, 2012 could result in restatement of these condensed interim financial statements.

These condensed interim financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2011.

Significant accounting policies:

The condensed interim financial statements have been prepared following the same accounting policies used in the condensed interim financial statements for the period ended September 30, 2011.

The accounting policies have been applied consistently to all periods presented in these condensed interim financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by the Company.

FINANCIAL RISK, MANAGEMENT OBJECTIVES AND POLICIES

Risks and Uncertainties

The acquisition of securities of the Company should be considered highly speculative with important risks of which, but not limited to:

The Company’s activities are exposed to financial risks: market risk, credit risk and liquidity risk.

Fair value of financial instruments

The carrying amounts of short-term financial assets and liabilities, which include cash and cash equivalent and taxes receivables approximate their fair values due to the immediate or short-term maturities of these financial instruments.

Risk exposure and management

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

Risks and Uncertainties (continued)

Risk exposure and management (continued)

(i) Market risk:

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

Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash equivalents bear interest at fixed rate to 1.30% per year. In relation with those items, there is no exposure to fair value variation due to the fact that they are redeemable at any time. The other financial assets and liabilities of the Company do not represent interest risk because they are without interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

Currency risk:

The Company is not exposed to currency fluctuations as all transactions up to now have occurred in Canadian dollars.

(ii) Liquidity risk:

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

The Company manages liquidity risk through the management of its capital structure, as outlined in note 16. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

At the end of the six-month period ended December 31, 2011, all of the Company's financial liabilities had contractual maturities of less than one year. As at December 31, 2011, the Company had $306,323 in cash and cash equivalents not reserved for exploration ($1,092,699 as at June 30, 2011) plus $419,015 in sales taxes receivables ($93,882 as at June 30, 2011) to meet its financial liabilities and future financial liabilities from its commitments; and also had $1,388,355 ($4,000,000 as at June 30, 2011) of funds reserved for exploration.

(iii) Credit risk:

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents. Financial instruments which potentially expose the Company to credit risk mainly consist of cash and cash equivalents. The credit risk on cash and term deposit is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Also, as the majority of its receivables are from the governments of Quebec and Canada in the form of sales taxes receivable, the credit risk is minimal.

Properties titles

According to the mining law and regulations of the Province of Quebec, the Company, to renew its claims, must do a minimum of exploration expenditures and pay to the Quebec government, a rent per claim, for every 2 year renewal period. The next renewals to come between the date of this MD&A and June 30th, 2012 cover 297 claims. While the required exploration expenditures in the amount of $197,200 has already been done for the renewal of most of these claims for an additional 2 year period, mining rights in the amount of $14,987 will have to be paid.

Additional financing

In the future, additional funds will be required to finance the exploration or development work on the Company's properties, to pay for the renewal of the claims forming the properties and to cover the costs of managing the Company. The main sources of funds available to the Company are the issuance of additional shares, the borrowing of money or the sale of interests in its properties. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

Conditions of the industry in general

The exploration and development of mineral resources involves significant risks that even an allied neat evaluation with experiment and know-how cannot avoid. Although the discovery of a deposit can prove extremely lucrative, few properties where exploration and development work are carried out become producing mines thereafter. Important expenditures are necessary to establish ore reserves, to work out the metallurgical processes and to build the mining plant on a particular site. It is impossible to provide assurance to the effect that the exploration and development programs contemplated by the Company will generate a profitable mine.

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

The mining activities comprise a high level of risks. The activities of the Company are subject to all the dangers and the risks usually dependent on the exploration and the development, including the unusual and unforeseen geological formations, explosions, collapses, floods and other situations which can occur during drilling and the removal of material and of which any could cause physical or material or environmental injuries and, possibly, legal responsibility.

Governmental regulation

The activities of the Company are subject to various federal, provincial and local laws, which relate to the exploration and development, taxes, standards of work, diseases and the occupational safety, the safety in mines, toxic substances, the protection of the environment and others. The exploration and the development are subject to legislative measures and lawful with the federal, provincial and local levels relating to the protection of the environment.

Governmental regulation (continued)

These laws impose high standards on the mining industry, in order to control the rejects of waste water and to force the participants to account for such controls to the lawful authorities, to reduce or eliminate the impact that are generated by certain production activities; extraction and of treatment and which are later on deposited on the ground or are rejected into the air or the water, to complete work of restoration of the mining properties, to control dangerous waste and materials and to reduce the risk of industrial accidents. The defect to conform to the above-mentioned legislative measures can involve important fines and other penalties.

Risks of lawsuits and no insurable risks

The Company could be held responsible for pollution or for other risks against which it could not be insured or against which it could choose not to be insured, being given the high cost of the premiums or for other reasons. The payment of sums in this respect could involve the loss of the assets of the Company.

Conflicts of Interest

Some of the directors and officers of the Company are engaged as directors or officers of other corporations involved in the exploration and development of mineral resources. Such engagement could result in conflict of interest. Any decision taken by these directors and officers and involving the Company will be in conformity with their duties and obligations to compromise in an equitable way and in good faith with the Company and these other corporations. Moreover, these directors and officers will declare their interest and will abstain to vote on any question which could give place to a conflict of interest.

Permits, licences and authorizations

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

Dependence on the management

The Company is dependent towards certain persons of its management. The loss of their services could have an unfavourable impact on the Company.

Territorial claims

The properties in which the Company holds an interest are not currently subject to territorial claims on behalf of first nations. No insurance can however be provided to the effect that such will not be the case in the future.

Price of metals

The price of the common shares, financial results of the Company like its exploration and development activities; could undergo in the future, important negative effects because of the fall of the prices of metals, resulting in an impact on the capacity of the Company to finance its activities. The prices of metals fluctuate in an important way and are tributary to various factors which are independent of the will of the Company, such as the sale or the purchase of metals by various brokers, central banks and financial institutions, the rates of interest, foreign exchange rates, the rates of inflation, of deflation, the fluctuations in the value of the Canadian dollar and the currencies, the regional and world offer and demand, the economic conjuncture and policy which prevails in the countries of the world which are large metal producers. The prices of metals largely fluctuated these last years and any serious fall could prevent the continuation of the development activities of the properties of the Company.

Additional Information and Continuous Disclosure

This MD&A was prepared as of February 27, 2012. Additional information, including the technical reports mentioned herein, can be found on the website www.sedar.com.

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