CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

RESSOURCES MONARQUES RESOURCES

PERIODS ENDED

MARCH 31, 2012

3RD QUARTER

MONARQUES RESOURCES INC.

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MONARQUES RESOURCES INC.

Condensed Interim Financial Statements
(Unaudited)

Periods ended March 31, 2012

Condensed Interim Financial Statements

MONARQUES RESOURCES INC.

Condensed Interim Balance Sheets
(Unaudited)

March 31, 2012 and June 30, 2011

	Note	March 31, 2012	June 30, 2011
			(Audited)
		$	$
Assets			
Current assets:			
Cash and cash equivalents	9 f)	1,222,525	5,092,699
Sales tax receivable		67,390	93,882
Prepaid expenses		31,454	-
Tax credits and mining rights receivable		122,896	122,896
		1,444,265	5,309,477
Mining properties	4	7,667,212	7,518,642
Exploration and evaluation assets	5	3,176,190	160,643
Total assets		**12,287,667**	**12,988,762**
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		403,716	571,447
Liability related to flow-through shares	6 ii)	198,033	800,000
		601,749	1,371,447
Non-current liabilities:			
Deferred income and mining taxes	13	365,000	-
Total liabilities		966,749	1,371,447
Equity:			
Share capital	6	12,508,489	12,465,373
Warrants	7 a-b)	337,367	331,983
Contributed surplus	7 c)	414,255	-
Deficit		(1,939,193)	(1,180,041)
		11,320,918	11,617,315
Contingencies	8		
Commitments	9		
Subsequent event	17		
Total liabilities and equity		**12,287,667**	**12,988,762**

The notes on pages 5 to 23 are an integral part of these unaudited condensed interim financial statements.

MONARQUES RESOURCES INC.

Condensed Interim Statement of Comprehensive Loss
(Unaudited)

Periods ended March 31, 2012

	Note	Three months ended March 31, 2012	Nine months ended March 31, 2012
		$	$
Expenses:			
Compensation	12	139,366	286,297
Share-based payments	7 c)	38,965	414,255
Office and general administration expenses		35,272	95,640
Promotion and advertising		3,480	21,701
Representation, missions and trade shows		5,983	30,811
Registration, listing fees and shareholders' information		11,392	63,321
Professional and consultants fees		46,796	91,636
Total expenses		**281,254**	**1,003,661**
Net finance expense (income):			
Finance income		(2,270)	(22,671)
Finance expense		565	2,029
		(1,705)	**(20,642)**
Loss before income taxes and following items		**279,549**	**983,019**
Other income related to flow-through shares	6 ii)	(79,638)	(601,967)
Loss before income taxes for the period		**199,911**	**381,052**
Deferred income tax expense	13	42,000	636,000
Comprehensive loss for the period		**241,911**	**1,017,052**
Basic and diluted loss per share	14	0.008	0.032
Weighted average number of shares outstanding		31,900,869	31,878,900

The notes on pages 5 to 23 are an integral part of these unaudited condensed interim financial statements.

MONARQUES RESOURCES INC.

Condensed Interim Statement of Changes in Shareholders' Equity
(Unaudited)

Periods ended March 31, 2012

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
	$	$	$	$	$
Balance as at June 30, 2011	12,465,373	331,983	-	(1,180,041)	11,617,315
Shares issued for the acquisition of mining properties (note 6)	43,116	-	-	-	43,116
Warrants on common shares issued (note 7 a))	-	5,384	-	-	5,384
Share-based payments (note 7 c))	-	-	414,255	-	414,255
Share issuance expenses	-	-	-	(13,100)	(13,100)
Recognition of deferred tax assets related to share issuance expenses (note 13)	-	-	-	271,000	271,000
Loss for the period	-	-	-	(1,017,052)	(1,017,052)
Balance as at March 31, 2012	**12,508,489**	**337,367**	**414,255**	**(1,939,193)**	**11,320,918**

The notes on pages 5 to 23 are an integral part of these unaudited condensed interim financial statements.

MONARQUES RESOURCES INC.

Condensed Interim Statement of Cash Flows
(Unaudited)

Periods ended March 31, 2012

	Three months ended March 31, 2012	Nine months ended March 31, 2012
	$	$
Cash flows from operating activities:		
Loss for the period	(241,911)	(1,017,052)
Adjustments for:		
Deferred income tax expense	42,000	636,000
Share-based payments	38,965	414,255
Other income related to flow-through shares	(79,638)	(601,967)
Net change in non-cash operating working capital items:		
Taxes receivable	351,625	26,492
Prepaid expenses	(3,359)	(20,239)
Accounts payable and accrued liabilities	1,203	(171,126)
	108,885	(733,637)
Cash flows from financing activities:		
Share issuance expenses	-	(13,100)
	-	(13,100)
Cash flows from investing activities:		
Addition to mining properties	(15,000)	(50,070)
Prepaid exploration expenses	(10,000)	(10,000)
Increase in exploration and evaluation assets	(556,038)	(3,063,367)
	(581,038)	(3,123,437)
Decrease in cash and cash equivalents	(472,153)	(3,870,174)
Cash and cash equivalents, beginning of period	1,694,678	5,092,699
Cash and cash equivalents, end of period	**1,222,525**	**1,222,525**

Other information related to cash flows (note 11)

The notes on pages 5 to 23 are an integral part of these unaudited condensed interim financial statements.

1. 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 stock is trading on the TSX Venture Stock Exchange under the symbol MQR. Its activities are in Canada. The Company is an associate of Nemaska Lithium Inc. (Nemaska) (formerly Nemaska Exploration Inc.), a company that trades on the TSX Venture under the ticker NMX and owns 47.12% of the share capital of the Company.

The Company has not yet determined if the 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 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.

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 has to seek additional funds before the end of the current fiscal year in order to secure the funds needed for its 2012-2013 budget for general and administrative expenses and to meet its short term financial obligations. Despites the Company’s ability to obtain funds in the past, there is no guarantee for the future.

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) and on the assumption of going concern. The application of IFRS under the assumption of going concern may be inappropriate because the above condition indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the assumption of going concern proves to be unfounded.

The address of the head office of the Company is 450, rue de la Gare-du-Palais, 1st floor, Québec (Québec), Canada, G1K 3X2.

2. Basis of preparation:

(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").

The accounting policies applied in these condensed interim financial statements are based on IFRS issued and in effect as of May 28, 2012, 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 year 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.

3. Significant accounting policies:

These 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.

4. Mining properties:

Properties (1)	Localization	Royalties (2)	June 30, 2011	Acquisition	March 31, 2012
			$	$	$
Amiral	SNRC 32O14, 32B03	-	-	3,505	3,505
Arques	SNRC 32O13, 32O14	2% to 3%	1,020,663	67,000	1,087,663
Bourier	SNRC 32O14, 32O15, 33B02, 33B03	3%	885,078	-	885,078
Caumont	SNRC 32N07, 32N08, 32N09	1.5% to 2%	208,350	26,136	234,486
Dumulon	SNRC 32N09	-	-	1,643	1,643
Duval	SNRC 32O12	2%	306,731	-	306,731
Lemare	SNRC 32O11, 32O12, 32O14	2% to 3%	826,015	318	826,333

4. Mining properties (continued):

Properties [1]	Localization	Royalties [2]	June 30, 2011	Acquisition	March 31, 2012
			$	$	$
Nisk	SNRC 32O11, 32O12, 32O13, 32O14	2% to 3%	3,566,914	-	3,566,914
Rosebay	SNRC 33B02	-	-	7,749	7,749
Valiquette	SNRC 32N09, 32O12	2%	704,891	42,219	747,110
			7,518,642	**148,570**	**7,667,212**

[1]: Properties are owned at 100% by the Company and they are all located in the province of Québec, Canada.

[2]: See note 9.

5. Exploration and evaluation assets:

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

	June 30, 2011	Exploration expenses	March 31, 2012
	$	$	$
Amiral	-	56,615	56,615
Arques	36,853	287,892	324,745
Bourier	34,433	1,070,329	1,104,762
Caumont	-	284,889	284,889
Dumulon	-	37,739	37,739
Duval	-	244,302	244,302
Lemare	-	167,186	167,186
Nisk	46,591	505,616	552,207
Rosebay	-	35,170	35,170
Valiquette	42,766	325,809	368,575
	160,643	**3,015,547**	**3,176,190**

5. Exploration and evaluation assets (continued):

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

	March 31, 2012	June 30, 2011
	$	$
Exploration expenses:		
Salaries and fringe benefits	435,927	43,588
Geology and geophysics	742,976	49,505
Test, sampling and prospecting	168,740	42,255
Drilling, equipment rental and other material	1,443,300	120,531
Lodging, meals and travel expenses	191,599	11,095
General exploration expenses	33,005	16,565
Increase of exploration expenses	**3,015,547**	**283,539**
Tax credit for resources and credit for mining duties	-	(122,896)
Balance, beginning of year	160,643	-
Balance, end of period	**3,176,190**	**160,643**

6. Share capital:

Authorized:

Unlimited number of common shares without par value.

Changes in the Company share capital were as follows:

	March 31, 2012		June 30, 2011	
	Number	Amount	Number	Amount
		$		$
Balance, beginning of year	31,750,100	12,465,373	-	-
Paid in cash (i)	-	-	5,000,100	1,765,373
Flow-through shares (ii)	-	-	8,000,000	3,200,000
Mining properties (i)	220,000	43,116	18,750,000	7,500,000
Balance, end of period	**31,970,100**	**12,508,489**	**31,750,100**	**12,465,373**

6. Share capital (continued):

Changes in the Company share capital were as follows (continued):

(i) The net book value of the shares issued for mining properties is presented net of the fair value of warrants amounting to $5,384 ($297,192 as at June 30, 2011 and netted against the share capital paid in cash).

(ii) The net book value of the flow-through shares is presented net of the liability related to flow-through shares of $800,000 that was recorded when the flow-through shares were issued during the initial three-month period ended June 30, 2011. No additional flow-through shares financing occurred during the current period. As at March 31, 2012, the balance of the liability related to flow-through shares was $198,033. An amount of $601,967 has been recognized as other income related to flow-through shares in the condensed interim statement of comprehensive loss for the nine-month period ended March 31, 2012, representing the portion of the liability related to the increase in the exploration and evaluation assets during the period in relation with the total flow-through shares financing.

During the period, the Company issued 100,000 units consisting in 100,000 common shares and 100,000 warrants as part of the consideration for the acquisition of three (3) mining claims assigned to the Valiquette property. The proceeds of the common shares and warrants issued is evaluated at $26,000, of which, $20,616 was attributed to the common shares and $5,384 to the warrants.

The Company also issued during the period 50,000 common shares evaluated at $12,000 as part of the consideration for the acquisition of ten (10) mining claims assigned to the Arques property.

Furthermore, the Company issued, during the period, 70,000 common shares evaluated at $10,500 as part of the consideration for the acquisition of thirteen (13) mining claims assigned to the Caumont property.

7. Share-based payments and warrants:

The shareholders of the Company approved a share purchase option plan (the "plan") whereby the Board of Directors may grant to employees, officers, directors and consultants of the Company 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 plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance under the plan shall not be greater than 10% of the issued shares in the capital of the Company being outstanding from time to time.

7. Share purchase options and warrants (continued):

The maximum number of common shares which may be reserved for issuance to any optionee may not exceed 5% of the outstanding common shares at the time of vesting and may not exceed 2% of the outstanding common shares for consultants and investors relation representative. These options are non-assignable and non-transferable unless by legacy or inheritance and will expire no later than five years after being granted. The vesting period for the share purchase options and warrants varies from an immediate grant up to 24-month vesting period.

(a) Warrants, other than those granted to brokers:

Changes in the Company's warrants, other than those granted to brokers, were as follows:

	March 31, 2012		June 30, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of year	2,500,000	0.45	-	-
Granted	100,000	0.40	2,500,000	0.45
Outstanding, end of period	**2,600,000**	**0.45**	**2,500,000**	**0.45**

For the nine-month period ended March 31, 2012, the application of the fair value model resulted in an increase of $5,384 in the warrants on common shares issued.

	March 31, 2012	June 30, 2011
	$	$
Weighted average fair value of warrants granted during the period	0.06	0.09

7. Share purchase options and warrants (continued):

(a) Warrants, other than those granted to brokers (continued):

The following table summarizes the information relating to the warrants:

Number of warrants outstanding as at March 31, 2012	Exercise price	Expiry date
	$	
2,500,000 (exercisable)	0.45	December 2012
100,000 (exercisable)	0.40	February 2013

The fair value of the warrants granted, other than to brokers, is established according to the Black & Scholes pricing model using the following assumptions:

	March 31, 2012	June 30, 2011
Risk-free interest rate:	1.47%	1.57%
Expected annual dividend rate	0%	0%
Expected annualized volatility	74%	71%
Expected life of warrants	1.5 years	1.5 years

(b) Warrants granted to brokers:

Changes in the Company's warrants granted to brokers were as follows:

	March 31, 2012		June 30, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of year	910,000	0.40	-	-
Granted	-	-	910,000	0.40
Outstanding, end of period	**910,000**	**0.40**	**910,000**	**0.40**

7. Share purchase options and warrants (continued):

(b) Warrants granted to brokers (continued):

Changes in the Company's warrants granted to brokers were as follows (continued):

	March 31, 2012	June 30, 2011
	$	$
Weighted average fair value of warrants granted to brokers during the period	-	0.11

The following table summarizes the information relating to the warrants granted to brokers:

Number of warrants outstanding as at March 31, 2012	Exercise price	Expiry date
	$	
910,000	0.40	December 2012

The fair value of the warrants granted was established according to the Black & Scholes pricing model using the following assumptions:

	March 31, 2012	June 30, 2011
Risk-free interest rate	-	1.57%
Expected annual dividend rate	-	0%
Expected annualized volatility	-	71%
Expected life of warrants	-	1.5 years

7. Share purchase options and warrants (continued):

(c) Share purchase options:

Changes in the Company's share purchase options granted to directors, officers, employees and consultants were as follows:

	March 31, 2012		June 30, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	-	-	-	-
Granted	2,250,000	0.40	-	-
Outstanding, end of period	**2,250,000**	**0.40**		**-**

Changes in the Company's share purchase options granted to directors, officers, employees and consultants were as follows (continued):

	March 31, 2012	June 30, 2011
	$	$
Weighted average fair value of share purchase options granted during the period	0.21	-

The fair value of the options granted is established according to the Black & Scholes pricing model using the following weighted average assumptions:

	March 31, 2012	June 30, 2011
Risk-free interest rate	1.96%	-
Expected annual dividend rate	0%	-
Expected annualized volatility	96%	-
Expected life of options	4.5 years	-

7. Share purchase options and warrants (continued):

(c) Share purchase options (continued):

For the three-month and nine-month periods ended March 31, 2012, the application of the fair value model resulted in a share-based payments expense of $38,965 and $414,255, respectively.

The following table summarizes the information relating to the share purchase options:

Number of options outstanding as at March 31, 2012		Exercise price	Expiry date
Outstanding	Exercisable		
		$	
1,900,000	1,525,000	0.40	July 2016
100,000	50,000	0.40	July 2013
250,000	62,500	0.40	November 2013

8. Contingencies:

(a) The Company's operations are governed by laws and regulations regarding environmental protection. Environmental consequences are hardly identifiable, in terms of level, impact or deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. Restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be capitalized to the cost of the related assets at that time.

(b) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors.

9. Commitments:

Monarques' 100% owned properties of Lac Levac, Lac des Montagnes and Lac Arques have been restructured after the spin-off transaction. The Company restructured these three properties into seven (7) properties to reflect upon different geological settings found on them and to facilitate future reporting requirements that will comply with the updated National Instrument 43-101 rules. These changes are being reflected in the following commitments:

9. Commitments (continued):

(a) Arques / Bourier / Lemare / Nisk (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 Québec. Upon the properties restructuration, these 396 claims related to this commitment were assigned as follows: 109 claims to the Arques property, 142 claims to the Bourier property, 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:

- $150,000 if and when the Company will have completed exploration work corresponding to a cumulative minimum amount of $5,000,000 on the property;
- $300,000 upon obtaining an independent pre-feasibility study; and
- $500,000 upon obtaining an independent feasibility study confirming that the property can support commercial production.

As at March 31, 2012, cumulative exploration expenses totalling $2,764,081 ($2,037,224 as at June 30, 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.

A 3% NSR will be payable 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.

(b) Arques / Lemare / Nisk (previously Lac Levac):

Upon the properties restructuration, 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.

9. Commitments (continued):

(b) Arques / Lemare / Nisk (previously Lac Levac) (continued):

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”).

(c) Caumont / Duval / Valiquette (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.

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.

Furthermore, pursuant to an acquisition agreement between the Company and Les Ressources Tectonic Inc. finalized on March 29, 2012, 13 claims were added to the Caumont property. In consideration for the claims, the Company paid to the seller $15,000 in cash and issued 70,000 common shares in the capital of the Company. These common shares are subject to a 4-month hold period. The claims are subject to a 1% NSR, which can be repurchased at any time by the Company for an amount of $1,000,000 to be paid in favor of the seller.

9. Commitments (continued):

(d) Arques:

On September 28, 2011, the Company acquired ten (10) mining claims known as “the North Rupert Block”, which were held by the seller. These mining claims are located in the Province of Québec and are enclosed in the Arques property owned at 100% by the Company.

On October 12, 2011, the Company paid to the seller $5,000 in cash and issued 50,000 common shares in the capital of the Company as a consideration for the claims acquired. These common shares are subject to a 4-month hold period.

Also, the Company has agreed to pay the seller 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 the seller the sum of $500,000 in cash.

(e) Valiquette:

On July 14, 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 to the seller 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 month-period following the official production statement, to purchase 1% of the NSR by paying to the seller the sum of $1,000,000 in cash.

(f) Flow-through shares:

The Company is committed to incur exploration and evaluation 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 10, 2011. As at March 31, 2012, the Company had funds reserved for exploration amounting to $984,453 ($4,000,000 as at June 30, 2011).

10. Related party transactions:

During the three-month period ended on March 31, 2012, the Company incurred $15,000 as compensation to the members of the Board of Directors, excluding compensation to key management personnel (see note 12).

Inter-company transactions carried out during the three-month period between the Company and the entity having significant influence, Nemaska Lithium Inc. ("Nemaska"), totalled a net amount of $113,632 (excluding sales tax), split as follows: $10,698 of exploration and evaluation assets expenses, $76,303 of compensation, of which $61,303 represents wages paid to key management personnel, $6,009 as representation / promotion / missions / trade shows and $20,622 as general administrative and office expenses.

During the nine-month period ended on March 31, 2012, the Company incurred $48,250 as compensation to the members of the Board of Directors and also incurred $149,666 of share-based payments expense in relation with the share purchase options granted to members of the Board of Directors, excluding compensation to key management personnel (see note 12).

Inter-company transactions carried out during the nine-month period between the Company and the entity having significant influence, Nemaska, totalled a net amount of $730,619 (excluding sales tax), split as follows: $425,873 of exploration and evaluation assets expenses, $201,798 of compensation, of which $144,816 represents wages paid to key management personnel, $2,177 paid for consultants and professionals, $34,653 as representation / promotion / missions / trade shows and $66,118 as general administrative and office expenses.

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The inter-company balance between the Company and Nemaska as at March 31, 2012 totalled $69,525 ($199,109 as at June 30, 2011) and is included in the accounts payable and accrued liabilities.

11. Items not affecting cash and cash equivalents:

	Three months ended March 31, 2012	Nine months ended March 31, 2012
	$	$
Non-cash items:		
Acquisition of mining properties by issuance of shares and warrants	10,500	48,500
Changes in accounts payable and accrued liabilities related to mining properties	-	50,000
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	(152,136)	(47,820)

12. Compensation:

	Three months ended March 31, 2012	Nine months ended March 31, 2012
	$	$
Wages and fringe benefits paid to key management personnel	98,051	181,564
Wages and fringe benefits paid to the other staff employees	26,315	56,483
Fees paid to the members of the Board of Directors	15,000	48,250
	139,366	**286,297**

For the three-month and nine-month periods ended March 31, 2012, the Company incurred $38,965 and $414,255 of share-based payments expense respectively, of which $23,660 and $214,002 were respectively attributed to key management personnel.

13. Future income and mining taxes:

The income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate of 27.65% to the loss before income taxes due to the following:

	Three months ended March 31, 2012	Nine months ended March 31, 2012
	$	$
Profit (loss) before income taxes	(199,911)	(381,052)
Computed (expected) tax recovery	(55,275)	(105,360)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	10,774	114,541
Income tax at future rate	1,804	4,266
Change in unrecognized deferred income tax assets	-	(20,000)
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	106,717	809,265
Permanent difference arising from the non-deductible income related to flow-through shares	(22,020)	(166,712)
Deferred income tax expense	**42,000**	**636,000**

Movements in temporary differences during the period ended March 31, 2012 are detailed as follows:

	Balance June 30, 2011	Recognized in profit or loss	Recognized directly in equity	Balance March 31, 2012
	$	$	$	$
Deferred tax assets:				
Operating losses	-	201,000	26,000	227,000
Share issuance costs	-	(27,000)	245,000	218,000
	-	174,000	271,000	445,000
Deferred tax liabilities:				
Exploration and evaluation assets	-	(810,000)	-	(810,000)
	-	**(636,000)**	**271,000**	**(365,000)**

13. Future income and mining taxes (continued):

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

	March 31, 2012	June 30, 2011
	$	$
Losses carried forward	-	33,000
Share issuance expenses	-	258,000
Total of deferred tax assets not recognized	**-**	**291,000**

As at March 31, 2012, the Company has the following non-capital tax losses, available to reduce future years income for tax purposes:

Year incurred	Federal	Provincial	Expiry
	$	$	
2011	123,744	123,670	2031
2012 (for 9 months)	568,764	568,764	2032

14. Earnings per share:

The warrants and share purchase options were excluded from the diluted weighted average number of common shares calculation since the Company is at loss and therefore, their effect would have been antidilutive.

15. Financial instruments and financial risk management:

Fair value of financial instruments

The carrying amounts of short-term financial assets and liabilities, which include cash and cash equivalents, taxes receivables and accounts payable and accrued liabilities, 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.

15. Financial instruments and financial risk management (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 a fixed rate of 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, which is the functional currency of the Company.

(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.

As at March 31, 2012, all of the Company’s financial liabilities had contractual maturities of less than one year. At the same date, the Company had $238,073 in cash and cash equivalents not reserved for exploration ($1,092,699 as at June 30, 2011) plus $67,390 in sales tax receivables ($93,882 as at June 30, 2011) to meet its financial liabilities and future financial liabilities from its commitments. The Company also had $984,453 ($4,000,000 as at June 30, 2011) of funds reserved for exploration as at March 31, 2012. 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 budget for general and administrative expenses and to meet its short term obligations associated with its financial liabilities.

15. Financial instruments and financial risk management (continued):

Risk exposure and management (continued):

(iii) Credit risk:

Credit risk is the risk of financial loss to the Company if a 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.

16. Capital management:

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

As at March 31, 2012, the capital of the Company consists of shareholders' equity amounting to $11,320,918 ($11,617,315 as at June 30, 2011).

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

The Company is subject to contractual requirements related to the use of funds obtained by flow-through shares financing. These funds have to be incurred for eligible exploration expenses as per the Canadian tax rules and regulations. The Company has no dividend policy.