FINANCIAL STATEMENTS

RESSOURCES MONARQUES RESOURCES

YEARS ENDED
JUNE 30, 2012 AND 2011

MONARQUES RESOURCES INC.

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MONARQUES RESOURCES INC.

Financial Statements

Years ended June 30, 2012 and 2011

Financial Statements

MONARQUES RESOURCES INC.

Management's Report

Management's responsibility for financial reporting

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

A system of administrative, internal accounting and disclosure controls have been developed and are maintained by management to provide reasonable assurance that assets are safeguarded and that financial information is accurate and reliable.

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 carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and is mainly composed of independent outside directors. The Audit Committee meets periodically with management and the independent auditors to review accounting, auditing and internal control matters. These financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The financial statements for the years ended June 30, 2012 and 2011 have been audited by KPMG LLP and Price Waterhouse Coopers LLP respectively, the independent auditors, in accordance with the Canadian generally accepted auditing standards. The independent auditors have full and free access to the Audit Committee.

Internal control over financial reporting

The Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company'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 Company'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) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that all transactions are being made only in accordance with the authorization of management and/or directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

/s/ *Jean-Marc Lacoste*	/s/ *Steve Nadeau*
Jean-Marc Lacoste, President and CEO	Steve Nadeau, Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Monarques Resources Inc.

We have audited the accompanying financial statements of Monarques Resources Inc., which comprise the statement of financial position as at June 30, 2012, the statements of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Monarques Resources Inc. as at June 30, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that Monarques Resources Inc. is still in exploration stage and, as such, no revenue has been yet generated from its operating activities. Accordingly, Monarques Resources Inc. depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business for the next financial year. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about Monarques Resources Inc.'s ability to continue as a going concern.

Other Matter

The financial statements of Monarques Resources Inc. as at and for the year ended June 30, 2011 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 14, 2011.

KPMG LLP*

October 23, 2012

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A115894

MONARQUES RESOURCES INC.

Statements of Financial Position
June 30, 2012 and June 30, 2011

	Note	June 30, 2012	June 30, 2011
		$	$
Assets			
Current assets:			
Cash and cash equivalents	9 f)	1,402,713	5,092,699
Sales tax receivable		56,889	93,882
Prepaid expenses		12,239	-
Tax credits related to resources and mining rights receivable		13,027	122,896
		1,484,868	**5,309,477**
Mining properties	4	7,706,872	7,518,642
Exploration and evaluation assets	5	3,546,706	160,643
Total assets		**12,738,446**	**12,988,762**

	Note	June 30, 2012	June 30, 2011
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		501,818	571,447
Liability related to flow-through shares	6 i)	116,688	800,000
		618,506	**1,371,447**
Non-current liabilities:			
Deferred income and mining taxes	13	410,026	-
Total liabilities		**1,028,532**	**1,371,447**
Equity:			
Share capital and warrants	6	13,432,106	12,797,356
Contributed surplus	7	395,589	-
Deficit		(2,117,781)	(1,180,041)
		11,709,914	**11,617,315**
Total liabilities and equity		**12,738,446**	**12,988,762**

Contingencies (Note 8); Commitments (Note 9);

The notes on pages 8 to 36 are an integral part of these audited financial statements.

On behalf of the Board:

'Jean-Marc Lacoste, Director　　　　*'Michel Baril'*, Director

MONARQUES RESOURCES INC.

Statements of Comprehensive Loss

Year ended June 30, 2012 and 3 months ended June 30, 2011

	Note	Year ended June 30, 2012	3 months ended June 30, 2011
		$	$
Expenses:			
Compensation	12	409,277	32,216
Share-based payments	7	395,589	-
Rent, office expenses and other expenses		86,463	7,849
Registration, listing fees and shareholders' information		73,448	6,161
Promotion and advertising		24,893	4,523
Representation, missions and trade shows		32,890	5,069
Consultant fees		74,084	1,430
Professional fees		81,675	20,000
Total expenses		**1,178,319**	**77,248**
Net finance expense (income):			
Finance income		(26,276)	(926)
Finance expense		2,603	94
		(23,673)	**(832)**
Loss before income taxes and following items		**1,154,646**	**76,416**
Other income related to flow-through shares	6 i)	(683,312)	-
Impairment of exploration and evaluation assets		30,280	-
		(653,032)	**-**
Loss before income taxes		**501,614**	**76,416**
Deferred income tax expense	13	681,026	-
Comprehensive loss for the year		**1,182,640**	**76,416**
Basic and diluted loss per share	14	0.037	0.011
Weighted average number of shares outstanding	14	32,029,718	6,902,274

The notes on pages 8 to 36 are an integral part of these audited financial statements.

MONARQUES RESOURCES INC.

Statements of Changes in Shareholders' Equity

Year ended June 30, 2012 and 3 months ended June 30, 2011

	Share capital and warrants	Contributed surplus	Deficit	Total
	$	$	$	$
Balance as at March 31, 2011	40	-	-	40
Equity financing:				
Paid in cash	2,000,000	-	-	2,000,000
Flow-through shares	4,000,000	-	-	4,000,000
Flow-through shares premium	(800,000)	-	-	(800,000)
Mining properties (note 6)	7,500,000	-	-	7,500,000
Warrants granted to brokers	97,316	-	-	97,316
Share issuance costs	-	-	(1,103,625)	(1,103,625)
Loss for the year	-	-	(76,416)	(76,416)
Balance as at June 30, 2011	**12,797,356**	**-**	**(1,180,041)**	**11,617,315**

	Share capital and warrants	Contributed surplus	Deficit	Total
	$	$	$	$
Balance as at June 30, 2011	12,797,356	-	(1,180,041)	11,617,315
Equity financing:				
Paid in cash	586,250	-	-	586,250
Mining properties (note 6)	48,500	-	-	48,500
Options:				
Granted to employees, officers, directors, consultants or I.R. representatives (note 7)	-	395,589	-	395,589
Share issuance costs	-	-	(26,100)	(26,100)
Recognition of deferred tax assets related to share issuance costs (note 13)	-	-	271,000	271,000
Loss for the year	-	-	(1,182,640)	(1,182,640)
Balance as at June 30, 2012	**13,432,106**	**395,589**	**(2,117,781)**	**11,709,914**

The notes on pages 8 to 36 are an integral part of these audited financial statements.

MONARQUES RESOURCES INC.

Statements of Cash Flows

Year ended June 30, 2012 and 3 months ended June 30, 2011

	Year ended June 30, 2012	3 months ended June 30, 2011
	$	$
Cash flows from operating activities:		
Loss for the year	(1,182,640)	(76,416)
Adjustments for:		
Deferred income tax expense	681,026	-
Share-based payments	395,589	-
Other income related to flow-through shares	(683,312)	-
Impairment of exploration and evaluation assets	30,280	-
Net change in non-cash operating working capital items:		
Sales taxes receivable	36,993	(93,882)
Tax credits and mining rights receivable	109,869	-
Prepaid expenses	(12,239)	-
Accounts payable and accrued liabilities	68,689	147,341
	(555,745)	(22,957)
Cash flows from financing activities:		
Shares paid in cash	586,250	6,000,000
Share issuance costs	(268,411)	(763,998)
	317,839	5,236,002
Cash flows from investing activities:		
Addition to mining properties	(139,730)	(18,642)
Increase in exploration and evaluation assets	(3,312,350)	(101,744)
	(3,452,080)	(120,386)
(Decrease) Increase in cash and cash equivalents	(3,689,986)	5,092,659
Cash and cash equivalents, beginning of year	5,092,699	40
Cash and cash equivalents, end of periods	**1,402,713**	**5,092,699**

Other information related to cash flows (note 11)

The notes on pages 8 to 36 are an integral part of these audited 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 43.27% (47.4% as at June 30, 2011) 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 year are sufficient to complete its 2011-2012 exploration budget which is expected to be wrapped-up by December 31, 2012. Even though the Company successfully completed in June 2012 a non-brokered private placement amounting to $586,250, the Company will have to seek additional funds during the second half of the fiscal year 2012-2013 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. Despite 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 financial statements have been prepared in accordance with IFRS.

The accounting policies applied in these financial statements are based on IFRS issued and in effect as of October 23, 2012, the date on which the Board of Directors approved these financial statements.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

The preparation of the 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 periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3 - assessment of refundable tax credits related to resources and credit on mining duties;
- Notes 4 and 5 - recoverability of mining properties and exploration and evaluation assets;
- Note 7 - fair value of share-based payment and warrants;
- Note 13 - recoverability of deferred income tax assets.

3. Significant accounting policies:

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

(a) Financial instruments:

(i) Non-derivative financial assets

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents.

Cash and cash equivalents comprise cash balances and short-term investments with original maturities of three months or less from the acquisition date or that can be cashed at any time.

Cash and cash equivalents include proceeds of flow-through financing not yet expensed. The Company must use these funds for exploration of mining properties in accordance with restrictions imposed by those financing. For the purpose of the cash flow statements, proceeds from flow-through financing are incorporated as part of the investment activities.

(ii) Non-derivative financial liabilities:

The Company classifies its accounts payable and accrued liabilities as financial liabilities, which are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Fair value of financial instruments:

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices (unadjusted) in active markets.
- Level 2: defined as inputs other than quoted prices included in Level 1, that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring entities to develop its own assumptions.

3. Significant accounting policies (continued):

(b) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining exploration permits/claims which include the rights to explore for mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized on the basis of specific claim blocks or areas of geological interest until the mining properties to which they relate are placed into production, sold or abandoned.

Costs incurred include appropriate technical and administrative overheads as well as borrowing costs related to the financing of exploration activities. Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

(c) Impairment:

(i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. **Significant accounting policies (continued):**

(c) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant accounting policies (continued):

(d) Provision:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance costs.

(e) Finance income and finance costs:

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Interests received and interests paid are classified under operating activities in the statement of cash flows.

(f) Share capital and warrants:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, share options and warrants are recognized as an increase to deficit, net of any tax effects.

Flow-through shares

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through share issues.

At the time of the share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares obligation. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing announcement.

A company may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “look-back” method.

When tax deductions are renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge to income tax expense. The obligation is reduced to zero, with a corresponding income recorded.

3. Significant accounting policies (continued):

(f) Share capital and warrants (continued):

Flow-through shares (continued)

When tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced to zero, with a corresponding income recorded.

Warrants

Warrants are classified as equity when they are derivatives over the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments; otherwise they are classified as liabilities.

(g) Share-based payments:

The grant date fair value of share-based payment awards granted to employees, directors and consultants is recognized as an expense, with a corresponding increase in contributed surplus, over the period during which the participants unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

(h) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3. Significant accounting policies (continued):

(h) Income tax (continued):

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred taxes are recognized as income or expense in profit or loss, except to the extent that tax arises from business combinations and transactions recognized in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in unrecognized tax assets) that should be recorded in equity. For this purpose, the accounting policy of the Company is to first allocate changes in the recognition of deferred tax assets based on their expected maturity date.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Refundable credit on mining duties and refundable tax credit related to resources:

The Company is eligible for a refundable credit on mining duties under the *Quebec Mining Duties Act*. This refundable credit on mining duties is equal to 8% (7.5% before January 1, 2012) of expenses incurred for mining activities in Quebec. The accounting treatment for refundable credit on mining duties depends on management’s intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

3. Significant accounting policies (continued):

(i) Refundable credit on mining duties and refundable tax credit related to resources (continued):

In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12 *Income Taxes*, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit.

In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

Currently, it is not management's intention to go into production in the future, as such, credit on mining duties are recorded in compliance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 38.75% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits for mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. They are recognized in profit or loss on a systematic basis over the useful life of the related assets.

(j) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares, which also include flow-through shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise warrants and share options granted.

3. Significant accounting policies (continued):

(k) New standards, interpretations and amendments issued but not yet effective:

Annual improvements to IFRS:

In May 2012, the IASB published Annual Improvements to IFRS – 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS.

These amendments are effective for annual periods beginning on or after January 1, 2013 with retrospective application.

The Company intends to adopt the amendments to the standards in its financial statements for the annual period beginning on July 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

The following new standards, interpretations and amendments have been issued but are not yet effective and therefore have not been applied in preparing these financial statements:

(i) IFRS 7, *Financial Instruments: Disclosures*:

In October 2010, the IASB issued amendments to IFRS 7 *Disclosures - Transfers of Financial Assets* which will be effective for annual periods beginning on or after January 1, 2012.

These amendments clarify the disclosures in regards to the transfer of financial assets not derecognized in their entirety and for which there is continuing involvement. The extent of the impact of adoption of this new standard has not yet been determined.

(ii) IFRS 9, *Financial instruments*:

IFRS 9 (2010) is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

3. Significant accounting policies (continued):

(k) New standards, interpretations and amendments issued but not yet effective (continued):

(ii) IFRS 9, *Financial instruments* (continued):

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on July 1, 2015. The extent of the impact of adoption of this new standard has not yet been determined.

(iii) IFRS 10, *Consolidated Financial Statements*

Effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. If an entity applies this standard earlier, it shall also apply IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements.

The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on July 1, 2013. The extent of the impact of adoption of IFRS 10 has not yet been determined.

(iv) IFRS 11, *Joint Arrangements*:

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this standard earlier, it shall also apply IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.

IFRS 11 replaces the guidance in IAS 31, *Interests in Joint Ventures*.

Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

3. Significant accounting policies (continued):

(k) New standards, interpretations and amendments issued but not yet effective (continued):

(iv) IFRS 11, *Joint Arrangements* (continued):

The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on July 1, 2013. The extent of the impact of adoption of IFRS 11 has not yet been determined.

(v) IFRS 13, *Fair Value Measurement*:

In May 2011, the IASB published IFRS 13, *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

IFRS 13 explains how to measure fair value when it is required or permitted by other IFRS. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on July 1, 2013. The Company does not believe the amendments to have a material impact on the financial statements, because of the nature of the Company’s interests in other entities.

4. Mining properties:

Properties [1]	Localization	Royalties [2]	June 30, 2011	Acquisition	June 30, 2012
			$	$	$
Amiral	SNRC 32O14, 32B03	-	-	3,505	3,505
Arques	SNRC 32O13, 32O14	2% to 3%	1,020,663	69,854	1,090,517
Bourier	SNRC 32O14, 32O15, 33B02, 33B03	3%	885,078	12,517	897,595
Caumont	SNRC 32N07, 32N08, 32N09	1.5% to 2%	208,350	31,419	239,769
Dumulon	SNRC 32N09	-	-	1,643	1,643
Duval	SNRC 32O12	2%	306,731	2,563	309,294
Lemare	SNRC 32O11, 32O12, 32O14	2% to 3%	826,015	7,087	833,102
Nisk	SNRC 32O11, 32O12, 32O13, 32O14	2% to 3%	3,566,914	2,996	3,569,910
Rosebay	SNRC 33B02	-	-	7,749	7,749
Valiquette	SNRC 32N09, 32O12	2%	704,891	48,897	753,788
			7,518,642	**188,230**	**7,706,872**

(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	Impairment	June 30, 2012
	$	$	$	$
Amiral	-	93,492		93,492
Arques	36,853	287,918		324,771
Bourier	34,433	1,148,014	(28,172)	1,154,275
Caumont	-	352,444		352,444
Dumulon	-	128,413		128,413
Duval	-	262,475		262,475
Lemare	-	190,498	(1,613)	188,885
Nisk	46,591	508,263		554,854
Rosebay	-	71,282		71,282
Valiquette	42,766	373,544	(495)	415,815
	160,643	**3,416,343**	**(30,280)**	**3,546,706**

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

	June 30, 2012	June 30, 2011
	$	$
Exploration expenses:		
Salaries and fringe benefits	589,290	43,588
Geology and geophysics	923,344	49,505
Test, sampling and prospecting	174,606	42,255
Drilling, equipment rental and other material	1,445,708	120,531
Lodging, meals and travel expenses	242,085	11,095
General exploration expenses	41,310	16,565
Increase of exploration expenses	**3,416,343**	**283,539**
Tax credit for resources and credit for mining duties	-	(122,896)
Balance, beginning of year	160,643	-
Balance, end of year	**3,576,986**	**160,643**

6. Share capital and warrants:

Authorized:

Unlimited number of common shares without par value.

Changes in the Company share capital and warrants were as follows:

	Number of warrants	Number of shares	Amount
			$
Balance at June 30, 2011[(i)]	3,410,000	31,750,100	12,797,356
Paid in cash	4,690,000	4,690,000	586,250
Mining properties	100,000	220,000	48,500
Balance at June 30, 2012	**8,200,000**	**36,660,100**	**13,432,106**

(i) 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 year. As at June 30, 2012, the balance of the liability related to flow-through shares was $116,688. An amount of $683,312 has been recognized as other income related to flow-through shares in the statement of comprehensive loss for the year ended June 30, 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.

(a) Year ended June 30, 2012

On June 20, 2012, the Company closed a non-brokered private placement of an aggregate of 4,690,000 units at a price of $0.125 per unit (the "Units"). Each Unit is comprised of (i) one common share in the capital of the Company at a price of $0.125 per share and (ii) one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $0.20 for a period of 24 months following the closing of the private placement (the "Offering"). The aggregate gross proceeds of the Offering amounts to $586,250 and the net proceeds will be used by the Company for the purposes of maintaining its ongoing business for the next year as well as to continue the exploration work on its properties. 690,000 Units were issued to Mr. Jean-Marc Lacoste, a director of the Company, and 800 000 Units were issued to Nemaska Lithium Inc., a holder of more than 10% of the outstanding common shares of the Company, which constitute "related parties transactions".

6. Share capital and warrants (continued):

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

(a) Year ended June 30, 2012 (continued)

On July 14, 2011, 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. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $0.40 for a period of 18 months. The common shares and warrants issued proceed is evaluated at $26,000.

On September 28, 2011, the Company also issued 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.

On March 30, 2012, the Company issued 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.

(b) Year ended June 30, 2011

On June 10, 2011, the Company finalised an initial public offering (IPO) by issuing 8,000,000 flow-through shares and 5,000,000 units. The price of each flow-thorough share was $0.50 and the price of each unit was $0.40, and was composed of 1 common share and one-half warrant. Each full warrant allows the holder to purchase one common share at a price of $0.45 per share for an 18 month period after the closing of the investment. Following this IPO, the Company has issued 5,000,000 common shares, 8,000,000 flow-through shares and 3,410,000 warrants, including 910,000 warrants issued as compensation to brokers.

Pursuant to the Conditional Asset Purchase Agreement, the Company purchased from Nemaska all rights, titles and interests in 1,090 mining claims forming the Lac Arques Property, the Lac des Montagnes Property and the Lac Levac Property. The Company paid $7,500,000 by issuing 18,750,000 common shares at a price of $0.40 per common share. In addition, the Company has undertaken to assume Nemaska's obligations to pay any net smelter return (NSR) royalty in connection with each of the Lac Arques Property, the Lac des Montagnes Property and the Lac Levac Property and to release Nemaska of such obligations.

6. Share capital and warrants (continued):

(c) Warrants:

Changes in the Company's warrants were as follows:

	June 30, 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	4,790,000	0.20	2,500,000	0.45
Outstanding, end of year	**7,290,000**	**0.29**	**2,500,000**	**0.45**

The following table summarizes the information relating to the warrants:

Number of warrants outstanding as at June 30, 2012	Exercise price	Expiry date
	$	
2,500,000 (exercisable)	0.45	December 2012
100,000 (exercisable)	0.40	February 2013
4,690,000 (exercisable)	0.20	June 2014

6. Share capital and warrants (continued):

(d) Warrants granted to brokers:

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

	June 30, 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 year	**910,000**	**0.40**	**910,000**	**0.40**

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

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

Number of warrants outstanding as at June 30, 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:

	June 30, 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:

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.

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 to brokers varies from immediate vesting up to 24-month vesting periods and the life of the options varies from 2 years to 5 years.

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

	June 30, 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 year	**2,250,000**	**0.40**		**-**

	June 30, 2012	June 30, 2011
	$	$
Weighted average fair value of share purchase options granted during the year	0.19	-

7. Share purchase options (continued):

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

	June 30, 2012	June 30, 2011
Risk-free interest rate	1.96%	-
Expected annual dividend rate	0%	-
Expected annualized volatility	86%	-
Expected life of options	4.5 years	-

For the year ended June 30, 2012, the application of the fair value model resulted in a share-based payments expense of $395,589.

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

Number of options outstanding as at June 30, 2012		Exercise price	Expiry date
Outstanding	Exercisable		
		$	
100,000	50,000	0.40	July 2013
250,000	62,500	0.40	November 2013
1,900,000	1,525,000	0.40	July 2016

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 it can be determined that a present obligation exists, resulting from the environmental consequences of the exploration activities performed on the lands, and when it can be reliably estimated. Such obligation 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 with Nemaska. 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:

(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. During the year that ended June 30, 2012, 47 claims related to the Bourier property in relation to this commitment were abandoned, resulting in a remaining total of 349 claims related to this commitment.

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 June 30, 2012, cumulative exploration expenses totalling $2,818,306 ($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.

9. Commitments (continued):

(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.

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 for an amount of $10,500. 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 for an amount of $12,000, as a consideration for the claims acquired.

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 eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Québec *Taxation Act*, 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 June 30, 2012, the Company had incurred $3,416,343 of eligible expenses (nil as at June 30, 2011) and had funds reserved for exploration amounting to $583,657 ($4,000,000 as at June 30, 2011).

10. Related party transactions:

During the year that ended on June 30, 2012, the Company incurred $60,529 as compensation to the members of the Board of Directors and also incurred $137,287 of share-based payments expense in relation with the share purchase options granted to members of the Board of Directors, excluding compensation and share-based payments to key management personnel (see note 12).

Inter-company transactions carried out during the year between the Company and the entity having significant influence, Nemaska, totalled a net amount of $799,030 charged by Nemaska (excluding sales tax), split as follows: $386,298 of exploration and evaluation assets, $294,974 of compensation, $3,331 paid for consultants and professionals, $35,364 as representation/promotion/missions/trade shows and $79,063 as general administrative and office expenses.

The transactions are in the normal course of operations and are measured at the exchange amount, which is at cost, and which is the amount of consideration established and agreed to by the related parties. The inter-company balance payable by the Company to Nemaska as at June 30, 2012, totalled $71,982 ($190,527 as at June 30, 2011) and is included in the accounts payable and accrued liabilities.

11. Items not affecting cash and cash equivalents:

	June 30, 2012	June 30, 2011
	$	$
Non-cash items:		
Acquisition of mining properties by issuance of shares and warrants	48,500	7,500,000
Share issuance costs included in the accounts payable and accrued liabilities	-	242,311
Share issuance costs for warrants issued to brokers	-	97,316
Credit on duties refundable for loss and refundable tax credit for resources related to exploration costs applied against these exploration costs	-	122,896
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	103,993	181,795

12. Compensation:

	June 30, 2012	June 30, 2011
	$	$
Wages and fringe benefits paid to key management personnel	255,212	15,573
Wages and fringe benefits paid to the other staff employees	93,536	2,060
Fees paid to the members of the Board of Directors	60,529	14,583
	409,277	**32,216**

For the 3 months ended June 30, 2011, the wages and fringe benefits paid to key management personnel and to the other staff employees were representing only 1 month of the expenses related to such wages.

For the year ended June 30, 2012, the Company incurred $395,589 of share-based payment expenses, of which $206,710 were attributed to key management personnel and $137,287 were attributed to the members of the board.

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% (29.15% at June 30, 2011) to the loss before income taxes due to the following:

	June 30, 2012	June 30, 2011
	$	$
Profit (loss) before income taxes	(510,994)	(76,416)
Computed (expected) tax recovery	(141,289)	(22,000)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	109,380	-
Income taxes at future rate	5,991	2,000
Current year losses unrecognized	-	20,000
Change in unrecognized deferred income tax assets	(20,303)	-
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	916,183	-
Permanent difference arising from the non-deductible income related to flow-through shares	(188,936)	-
Deferred income tax expense	**681,026**	**-**

13. Future income and mining taxes (continued):

Movements in temporary differences during the period ended June 30, 2012, are detailed as follows:

	Balance June 30, 2011	Recognized in profit or loss	Recognized directly in equity	Balance June 30, 2012
	$	$	$	$
Deferred tax assets:				
Operating losses	-	285,039	19,514	304,553
Share issuance costs	-	(49,882)	251,486	201,604
	-	235,157	271,000	506,157
Deferred tax liabilities:				
Exploration and evaluation assets	-	(916,183)	-	(916,183)
	-	**(681,026)**	**271,000**	**(410,026)**

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

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

As at June 30, 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	150,762	150,762	2031
2012	1,007,197	1,007,197	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 and accounts payable and accrued liabilities, approximate their fair value due to the immediate or short-term maturity of these financial instruments.

Risk exposure and management

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

(i) Market risk:

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

Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate 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.

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

Risk exposure and management (continued):

(ii) Liquidity risk (continued):

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 June 30, 2012, all of the Company's financial liabilities had contractual maturities of less than one year. At the same date, the Company had $819,056 in cash and cash equivalents not reserved for exploration ($1,092,699 as at June 30, 2011) plus $56,889 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 $583,657 ($4,000,000 as at June 30, 2011) of funds reserved for exploration as at June 30, 2012. The Company successfully completed in June 2012 a non-brokered private placement amounting to $586,250. However, despite this private placement, the Company will have to seek additional funds during the second half of the fiscal year 2012-2013 in order to secure the funds needed to sustain its 2012-2013 budget for general and administrative expenses and to meet its short term obligations associated with its financial liabilities.

(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. The carrying amount of these financial assets represents the Company maximum exposure to credit risk as of the date of these financial statements. 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 June 30, 2012, the capital of the Company consists of shareholders' equity amounting to $11,709,914 ($11,617,315 as at June 30, 2011).

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

16. Capital management (continued):

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

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

The Company is subject to regulatory 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 Canada *Income Tax Act* and Québec *Taxation Act* (see note 9 f)). The Company has no dividend policy.