MANAGEMENT DISCUSSION AND ANALYSIS

RESSOURCES MONARQUES RESOURCES

YEAR ENDED
JUNE 30, 2012
AND 4TH QUARTER

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The following management's discussion and analysis (the "MD&A") objective is to help the reader better understand the activities of the Company and the highlights of its financial situation. It explains the financial situation and the results for the fourth quarter and year ended June 30, 2012 and the comparison of the Company's balance sheets as at June 30, 2012 and June 30, 2011.

The MD&A has been prepared in accordance with Regulation 51-102 and should be read in conjunction with the audited financial statements of the Company for the fiscal year ended June 30, 2012 and the related notes thereto.

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

Forward looking statements

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

Reporting entity and going concern

Monarques Resources Inc. ("The Company"), incorporated on February 16, 2011 under the *Canada Business Corporations Act*, is engaged in the acquisition and exploration of mining properties. Its 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 any of its mining properties contain ore reserves that are economically recoverable.

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

Reporting entity and going concern (continued)

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.

Highlights for the year ended June 30, 2012, scope of activities and next steps

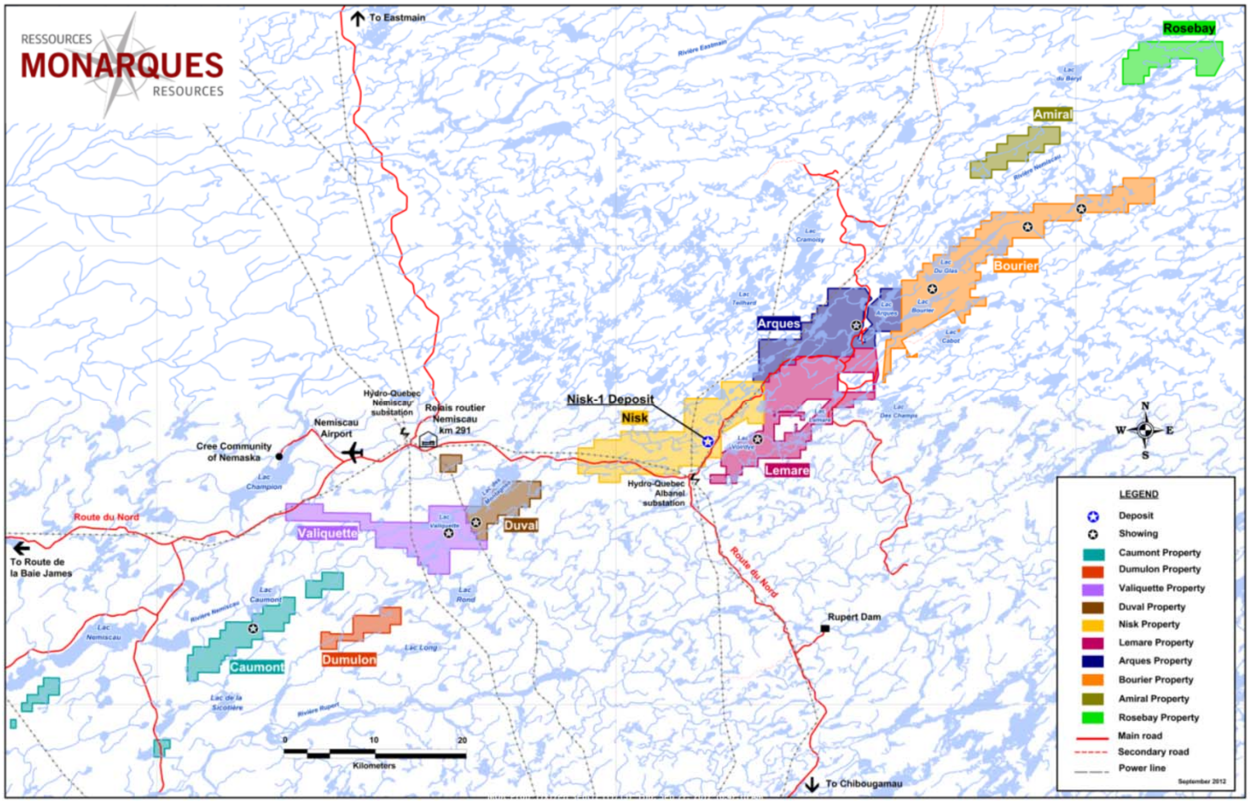
Since July 1, 2011, the Company has done an important number of exploration works on all of its properties for a total value of $3,416,343 (see note 5 of the audited financial statements for details by properties). Also during the year, the Company acquired new claims, either by map stacking or by direct acquisition from third parties, for a total value of $188,230 (see note 4 of the audited financial statements for details by properties), resulting in part in the addition of 3 new properties (Amiral, Dumulon and Rosebay).

Since July 1, 2011, the number of claims owned by the Company went from 1,090 claims on 7 properties to 1,176 claims on 10 properties as at the date of this report, showing a net increase of 86 claims in the total number of claims owned by the Company.

In June 2012, the Company successfully completed 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").

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

As at the date of this report, the Company owns 10 properties, totalling 1,176 claims, as shown in the following map:



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

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Amiral	Geological surveys and prospection, June 2012	Confirm the geology and identify on the ground the source of magnetic and electromagnetic anomalies.	Area is mainly composed of metasediment and migmatite. A horizon of massive sulphides may be the source of electromagnetic anomalies. Analytical results to come.
	Heliborne geophysics survey (346 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	A high-resolution heliborne Mag-EM survey covering the entire property was conducted by Prospectair Geosurveys inc. The final report outlines multiple anomalies.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Arques	Diamond drilling (5 holes totalling 1,004 meters), January 2012	Test radiometric anomalies to identify Rare Earth Elements (REE) mineralization	Rocks from the syenodiorite intrusive complex were recovered. The best REE results are 0.56% Total Rare Earth Oxydes (TREO) over 5.2 meters (hole RUP-12-11).
	Core resampling	Infill gap in mineralized section	The best TREO intersection is from the hole RUP-11-05 and grading 0.75 % over 15.0 meters.
	Track-etching radiometric survey covering the entire intrusive complex (749 reading stations), June 2011	Distinguish Rare Earth Elements, Niobium and Tantalum enriched lithologies.	The results have provided multiple high contrast anomalies.
	Diamond drilling (5 holes totalling 1,496 meters), March 2011	Test magnetic anomalies to identify economic mineralization	Rocks associated with a syenodiorite intrusive complex with anomalies in TREO (values of 0.77% over 2.1 meters, 0.80% over 3.8 meters and 0.59% over 3.1 meters) were encountered.
Bourier	Geological surveys and prospection, June-August 2012	Confirm the geology and identify on the ground the source of numerous magnetic and electromagnetic anomalies.	Area in the North-East extension was covered and sampled. Analytical results to come.
	Mapping and sampling of excavated mechanical trenches, June 2012	Identify mineralized zones.	Two trenches were sampled and mapped. Analytical results to come.
	Diamond drilling (15 holes totalling 2,214 meters), September 2011	Confirm the interpretation of mineralized zones at depth.	Massive sulphide units associated with the known prospective horizon were intersected. The analytical results do not indicate economic mineralization.
	Heliborne geophysics (164 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	A high-resolution heliborne Mag-EM survey covering the 25 newly acquired claims was conducted by Prospectair Geosurveys inc. The final report highlights the continuity of the main high-mag/conductive anomaly.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Bourier (continued)	Geological surveys and prospection, August 2011	Confirm the geology and identify on the ground the source of numerous magnetic and electromagnetic anomalies.	Areas of interest were covered in the North-East extension of the massive sulphide zone outlined during field work conducted in the summer of 2010 by Nemaska Exploration. The results highlight a zinc and silver prospective trend of Sedex deposit type.
Caumont	Geological surveys and prospection, June-August 2012	Confirm the geology and identify on the ground the source of numerous magnetic and electromagnetic anomalies.	Geological surveys confirm the potential for magmatic Ni-Cu-PGE mineralization and for gold-arsenic mineralization. Analytical results to come.
	Mechanical trenching (five trenches from which 321 rock samples were collected, including 248 channel samples), September 2011	Confirm the interpretation of geophysics at surface and characterize mineralization from historic grab samples.	The results confirm magmatic Cu-Ni-PGE mineralization. Best results from a grab sample are 1.08% Cu, 0.76% Ni, 0.51 g/t Pd. . Best results from channel sampling are 0.63% Cu, 0.43% Ni, 0.06 g/t Pt, 0.58 g/t Pd over 2.5m.
	Heliborne geophysics (482 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	Prospectair Geosurveys inc. conducted a high-resolution heliborne Mag-EM survey covering the entire property. The final report highlights a high-contrast main anomaly.
Dumulon	Geological surveys and prospection, June-August 2012	Confirm the geology and identify on the ground the source of numerous electromagnetic anomalies.	A plurikilometric horizon of massive sulphides in graphitic metasediment may be the source of electromagnetic anomalies. Analytical results to come.
	Heliborne geophysics (376 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	A high-resolution heliborne Mag-EM survey covering the entire property was conducted by Prospectair Geosurveys inc. The final report outlines multiple anomalies.
Duval	Diamond drilling (6 holes totalling 1,338 meters), October 2011	Confirm the continuity of mineralized zones at depth.	Best results are 1.62% Cu, 0.45% Ni, 0.53 g/t Au and 9.85 g/t Ag over 1.0 meter.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Duval (continued)	Ground geophysics (Magnetometry, 21 linear km), September 2011	Define the geology and identify mineralized zones at surface.	Results highlight a main high-contrast anomaly.
Lemare	Geological surveys and prospection, July-August 2012	Confirm the geology and identify on the ground the source of magnetic and electromagnetic anomalies.	Many targets showed a potential for gold-arsenic mineralization. Analytical results to come.
	Diamond drilling (2 holes totalling 498 meters), September 2011	Confirm the interpretation of mineralized zones at depth.	Two exploration diamond drill holes for a total of 498 meters were drilled on two targets identified in the field work carried out in 2009 and 2010 by Nemaska Exploration. Horizons of massive to semi-massive sulfide were encountered on both targets. Analytical results do not indicate economic mineralization.
	Heliborne geophysics (453 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	A high-resolution heliborne Mag-EM survey covering the South sector of the property was conducted by Prospectair Geosurveys inc. The final report outline multiples anomalies.
Nisk *(West sector)*	Geological surveys and prospection, July-August 2012	Confirm the geology and identify on the ground the source of magnetic and electromagnetic anomalies.	Analytical results to come.
	Mapping and sampling of two excavated trenches, July 2012	Identify mineralized zones.	Analytical results to come.
	Mechanical trenching, two mechanical trenches have stripped approximately 600 m^2 of outcrops on a high mag anomaly, July 2011	Confirm the interpretation of geophysics at surface and identify mineralization.	The stripped outcrops have been cleaned up but will only be sampled during the summer of 2012.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Nisk *(Nisk-1 deposit)*	Ground geophysics (Magnetometry), July 2011	Define the geology and identify mineralized zones at surface.	During the summer of 2011, a ground magnetometric survey covering 60 linear km was carried out to define a heliborne anomaly.
	Diamond drilling One (1) hole (153 meters), June 2011	Test a positive high contrast magnetic anomaly.	The anomaly has been explained by the presence of magnetite.
	Borehole geophysics (Pulse-EM), November 2011	Identify mineralized zones at depth.	The survey has identified moderate to strong in-hole/edge and/or off-hole responses which indicate the presence of semi-massive to massive mineralization.
	Diamond drilling (9 holes totalling 1,852 meters), November 2011	Characterize potential extension of the main zone and test two new IP axes.	The best results reported are 0.25% Ni over 7.2 meters in the hole TF-79-11; 0.40% Ni over 8.4 meters in the hole TF-80-11; and 0.19% Ni over 16.7 meters in the hole TF-81-11.
	Ground geophysics (Induced Polarization - IP), July 2011	Identify mineralization at depth.	An IP survey covered the entire 3.5 km long magnetic anomaly associated with the Nisk-1 deposit was completed. The results outline the continuity of the IP conductor associated with the deposit and two new axes parallel to it.
	Diamond drilling (2 holes totalling 1,032 meters), February 2011 *by Nemaska Lithium (formerly Nemaska Exploration)*	Test geophysical anomalies	The results reported are 0.34% Ni and 0.13% Cu over 7.75 m in the hole TF-72-11 on a zone containing 5-40% of sulphide.
	Borehole geophysics (Pulse EM), March *2011 by Nemaska Lithium (formerly Nemaska Exploration)*	Identify mineralized zones at depth	The interpretation of a "Pulse EM" survey conducted in one hole on the Nisk-1 deposit indicates a conductivity anomaly within 50m from it.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Rosebay	Geological surveys and prospection, June 2012	Confirm the geology and identify on the ground the source of numerous magnetic anomalies.	Geological surveys reported the presence of banded iron formation. Analytical results to come.
	Heliborne geophysics (585 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	Prospectair Geosurveys inc. conducted a high-resolution heliborne Mag-EM survey covering the entire property. The final report outlines multiple anomalies.
Valiquette	Geological surveys and prospection, June 2012	Confirm the geology and identify on the ground the source of numerous magnetic and electromagnetic anomalies in the North-West area.	Analytical results to come.
	Borehole geophysics (Pulse EM), November 2011	Identify mineralized zones at depth.	In tree holes, the survey has detected in-hole/edge and off-hole positive responses indicating the presence of strong, but rather moderate to small-size, conductive zones.
	Diamond drilling (5 holes totalling 1,197 meters), October 2011	Confirm the interpretation of mineralized zones at depth.	The best intersections are 0.15% Ni over 25 meters (including 0.20% Ni and 0.27 g/t Pd over 9.5 meters) in the hole VAL-11-13 and 0.20% Ni over 41 meters in the hole VAL-11-12.
	Ground geophysics (Magnetometry, 34 linear km), September 2011	Define the geology and identify mineralized zones at surface.	A ground magnetometric survey covering the main anomaly associated with the mineralized trend drilled in winter 2011, was carried out. It has delineated this high-contrast anomaly.
	Heliborne geophysics (214 linear km), September 2011	Identify mineralized zones at surface and depict the geology.	Prospectair Geosurveys inc. conducted a high-resolution heliborne Mag-EM survey covering 24 newly acquired claims. The final report highlights the continuity of the key anomaly.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Valiquette (continued)	Borehole geophysics (Pulse EM), March 2011 *by Nemaska Lithium (formerly Nemaska Exploration)* Diamond drilling (9 holes totalling 1,475 meters), March 2011 *by Nemaska Lithium (formerly Nemaska Exploration)*	Confirm the interpretation of mineralized zones at depth. Confirm the interpretation of mineralized zones at depth.	The results interpretation outlines Ni-Cu mineralization within 50m of the hole VAL-11-07 and an iron formation in hole VAL-11-09. The results outlined a Cu-Ni-PGE mineralization. The best intersection reported is 2.66% Ni and 0.71% Cu over 3.2 meters.

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

The foreseen main works on the properties are as follows:

MAIN WORKS PLANNED	
Property	**Work**
Amiral	Data compilation and reports redaction.
Bourier	Data compilation and reports redaction.
Caumont	Mapping and channel sampling of excavated mechanical trenches. Geological survey and prospection to confirm the geology and identify on the ground the source of numerous geophysical anomalies and known mineralization. Data compilation and reports redaction.
Dumulon	Data compilation and reports redaction.
Duval	Data compilation and reports redaction.
Lemare	Mapping and channel sampling of excavated mechanical trenches. Geological survey and prospection to confirm the geology and identify on the ground the source of geophysical anomalies and known mineralizations. Data compilation and reports redaction.
Nisk	Data compilation and reports redaction.
Rosebay	Data compilation and reports redaction.
Valiquette	Data compilation and reports redaction.

Selected Financial Information

The following table summarizes the Company's selected key financial data taken from the statement of comprehensive loss and the statement of financial position as at and for the years ended June 30, 2012 and June 30, 2011:

Statements of comprehensive loss selected financial information		
Earnings and comprehensive loss	**Year ended June 30, 2012 ($)**	**3 months ended June 30, 2011 ($)**
Interest income	26,276	926
Loss before income taxes	501,614	76,416
Net loss and comprehensive loss	1,182,640	76,416
Loss per share, basic and diluted	0.037	0.011
Statements of Financial Position selected financial information		
	As at June 30	
	2012 ($)	**2011 ($)**
Cash and cash equivalents [1]	1,402,713	5,092,699
Working capital [2]	399,393	738,030
Total assets	12,738,446	12,988,762
Total liabilities	1,028,532	1,371,447
Shareholder's Equity	11,709,914	11,617,315

[1] The cash and cash equivalents includes $583,657 ($4,000,000 as at June 30, 2011) of cash reserved for exploration expenses.

[2] This is a non GAAP measure defined as the current assets excluding the cash reserved for exploration, less the current liabilities excluding the liability related to flow-through shares.

Selected Financial Information (continued)

The following table summarizes the Company's selected key financial data taken from the statement of comprehensive loss and the statement of financial position as at and for the quarters ended June 30, 2012 and June 30, 2011:

Statements of comprehensive loss selected financial information		
	Fourth quarter	
Period ended June 30	**2012 $**	**2011 $**
Interest Income	3,605	926
Loss before income taxes	120,562	76,416
Net loss and comprehensive loss	165,588	76,416
Loss per share, basic and diluted	0.005	0.011

Operating results for the fourth quarter ended June 30, 2012

Statement of Comprehensive Loss

Quarters ended June 30, 2012 and June 30, 2011

	3 months ended June 30, 2012	3 months ended June 30, 2011
	$	$
Expenses:		
Compensation	122,980	32,216
Share-based payments	(18,666)	-
Rent, office expenses and other expenses	(9,177)	7,849
Registration, listing fees and shareholders' information	10,127	6,161
Promotion and advertising	3,192	4,523
Representation, missions and trade shows	2,079	5,069
Consultant fees	27,384	1,430
Professional fees	36,739	20,000
Total expenses	**174,658**	**77,248**
Net finance expense (income):		
Finance income	(3,605)	(926)
Finance expense	574	94
	(3,031)	**(832)**
Loss before income taxes and following items	**171,627**	**76,416**

Operating results for the fourth quarter ended June 30, 2012 (continued)

Statement of Comprehensive Loss (continued)

Quarters ended June 30, 2012 and June 30, 2011

	3 months ended June 30, 2012	3 months ended June 30, 2011
	$	$
Loss before income taxes and following items (continued)	**171,627**	**76,416**
Other income related to flow-through shares	(81,345)	-
Impairment of exploration and evaluation assets	30,280	-
	(51,065)	**-**
Loss before income taxes	**120,562**	**76,416**
Deferred income tax expense	45,026	-
Comprehensive loss for the fourth quarter	**165,588**	**76,416**
Basic and diluted loss per share	0.005	0.011
Weighted average number of shares outstanding	32,485,484	6,978,122

The results for the quarter show a loss before income tax and other items of $171,627 ($76,416 for the same period in the previous year) as seen in the above table. Aside from interest revenues of $3,605, the Company has no revenues from operations. Its main expenses are: i) compensation and fringe benefits totalling $122,980 paid to employees and external directors, ii) share-based payments adjustment totalling $(18,666) which is a non-cash expense related to the issued share-based purchase options; and; iii) office and general administrative expenses showing a negative amount of $(9,177) in the quarter due to an annual adjustment of $39,660 related to claims renewal that are capitalised to the mining properties, while the remaining expenses of $19,235 are mainly to cover rent, insurance, telecommunications and training/registration fees; iv) fees for professional services and consultants for an amount of $64,123 which are mainly for auditors, legal counsel, I.R. representatives and mining claims management; and v) expenses related to the stock exchange and shareholders communications totalling $10,127.

Operating activities for the fourth quarter ended June 30, 2012

During the quarter, the cash flow generated by the operating activities amounted to $177,892, mainly due to the fact that the tax credits and mining rights receivable as at March 31, 2012 were received during the quarter for an amount of $109,869.

Operating results for the fourth quarter ended June 30, 2012 (continued)

Financing activities for the fourth quarter ended June 30, 2012

During the quarter, the Company successfully completed 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. The share issuance costs related to this private placement were $26,100.

Investing activities for the fourth quarter ended June 30, 2012

During the quarter, the cash flow used by the investing activities totalling $328,643 was mainly for: i) settlement of the $50,000 commitment related to the Arques property milestone; ii) acquisition of mining claims in the amount of $11,248 and iii) exploration and evaluation expenses assets work done on all the properties totalling $248,983 (net of the capitalized variation during the quarter in the accounts payables and accrued liabilities amounting to $151,813 that are related to exploration and evaluation assets).

Operating results for the year ended June 30, 2012

Statement of financial position

As at June 30, 2012, the total assets of the Company totalled $12,738,446 ($12,988,762 in 2011), representing a decrease of $250,316 compared to June 30, 2011. This decrease was mitigated by the completion of a private placement on June 20, 2012 for a total amount of $586,250 (see note 6 (a) of the audited financial statements) less share issuance costs of $26,100.

Despite the June 20, 2012 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.

The Company's short term liabilities in the amount of $501,818 (excluding the liability related to flow-through shares of $116,688) represent a decrease of $69,629 during the year, which contributed to the decrease in the total assets of the Company. These liabilities are mainly composed of payables related to exploration expenses in the amount of $285,788, while the remaining balance of $216,030 are attributable to other payables and accrued liabilities such as compensation, audit fees, legal fees, investors relation and office and general administration expenses.

Operating results for the year ended June 30, 2012 (continued)

Statement of Comprehensive Loss

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

	Year ended June 30, 2012	3 months ended June 30, 2011
	$	$
Expenses:		
Compensation	409,277	32,216
Share-based payments	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	(683,312)	-
Impairment of exploration and evaluation assets	30,280	-
	(653,032)	**-**
Loss before income taxes	**501,614**	**76,416**
Deferred income tax expense	681,026	-
Comprehensive loss for the year	**1,182,640**	**76,416**
Basic and diluted loss per share	0.037	0.011
Weighted average number of shares outstanding	32,029,718	6,902,274

Operating results for the year ended June 30, 2012 (continued)

The results for the year show a loss before income tax and other items of $1,154,646 ($76,416 for the 3 months year in the previous year) as seen in the above table. Aside from interest revenues of $26,276, the Company has no revenues from operations. Its main expenses are: i) compensation and fringe benefits totalling $409,277 paid to employees and external directors, which also includes a bonus payment to the CEO and CFO for a total amount of $30,875 ii) share-based payments totalling $395,589 which is a non-cash expense related to the issued share-based purchase options; iii) office and general administrative expenses totalling $86,463 mainly to cover rent, insurance, telecommunications and training/registration fees; iv) fees for professional services and consultants for an amount of $155,759 which are mainly for auditors, legal counsel, I.R. representatives and mining claims management; v) advertising / promotion / representation and trade shows totalling $57,783 and vi) expenses related to the stock exchange, shareholders communications and the annual shareholders' meeting totalling $73,448.

Operating activities for the year ended June 30, 2012

During the year, the cash flow used by operating activities totalled $555,745, which was financed by the working capital available upon the completion of the IPO in June 2011 and upon the completion of the private financing of June 2012.

Financing activities for the year ended June 30, 2012

During the year, the Company successfully completed 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. The share issuance costs related to this private placement were $26,100.

Investing activities for the year ended June 30, 2012

During the year, the cash flow used by the investing activities were mainly related to the acquisition of mining properties for an amount of $139,730 and for exploration and evaluation expenses assets work done on all the properties of the Company for a total amount of $3,312,350 (net of the capitalized variation during the year in the accounts payables and accrued liabilities amounting to $103,993 that are related to exploration and evaluation assets.).

The details for the total exploration and evaluation expenses done during the year on each property are presented in the following table:

PROPERTIES	Exploration work
	2011-2012 ($)
Balance as at June 30, 2011	**160,643**
Amiral	93,492
Arques	287,918

PROPERTIES	Exploration work
	2011-2012 ($)
Bourier	1,148,014
Caumont	352,444
Dumulon	128,413
Duval	262,475
Lemare	190,498
Nisk	508,263
Rosebay	71,282
Valiquette	373,544
Increase for the year	**3,416,343**
Less: impairment	(30,280)
Balance as at June 30, 2012	**3,546,706**

Exploration and evaluation assets by property for the year ended June 30, 2012					
	Amiral ($)	Arques ($)	Bourier ($)	Caumont ($)	Dumulon ($)
Balance as of June 30, 2011	**-**	**36,853**	**34,433**	**-**	**-**
Supervision, salaries and fringe benefits	13,905	50,418	242,305	72,640	30,889
Geology and geophysics	72,792	8,876	247,110	228,547	80,534
Test, sampling and prospecting	182	12,136	96,511	17,325	1,300
Drilling, equipment rental and other material	132	191,428	475,469	270	-
Lodging and meals	5,969	21,982	70,956	28,277	14,714
General exploration expenses	512	3,078	15,663	5,385	976
Increase for the year	**93,492**	**287,918**	**1,148,014**	**352,444**	**128,413**
Less: impairment	-	-	(28,172)	-	-
Balance as at June 30, 2012	**93,492**	**324,771**	**1,154,275**	**352,444**	**128,413**

Operating results for the year ended June 30, 2012 (continued)

Exploration and evaluation assets by property for the year ended June 30, 2012					
	Duval ($)	Lemare ($)	Nisk ($)	Rosebay ($)	Valiquette ($)
Balance as of June 30, 2011	**-**	**-**	**46,591**	**-**	**42,766**
Supervision, salaries and fringe benefits	35,558	21,265	65,639	13,246	43,425
Geology and geophysics	7,306	57,115	95,559	50,016	75,489
Test, sampling and prospecting	10,067	5,967	19,827	1,524	9,767
Drilling, equipment rental and other material	185,002	94,571	282,378	-	216,458
Lodging and meals	19,769	10,791	38,155	5,978	25,494
General exploration expenses	4,773	789	6,705	518	2,911
Increase for the year	**262,475**	**190,498**	**508,263**	**71,282**	**373,544**
Less: impairment	-	(1,613)	-	-	(495)
Balance as at June 30, 2012	**262,475**	**188,885**	**554,854**	**71,282**	**415,815**

Selected quarterly data

Operating results for each of the last 5 quarters are presented in the table below. The Company's management is of the opinion that the data related to these quarters were prepared in the same manner as that of the audited financial statements for the fiscal year ended June 30, 2012 and the 3 months ended June 30, 2011.

Operating results as at:	Finance income ($)	Loss (profit) before income taxes ($)	Comprehensive loss ($)	Loss per share – basic and diluted ($)
June 30, 2012	3,605	120,562	165,588	0.005
March 31, 2012	2,270	199,911	241,911	0.008
December 31, 2011	9,800	(79,977)	243,023	0.008
September 30, 2011	10,601	261,118	532,118	0.017
June 30, 2011	926	76,416	76,416	0.011

Selected quarterly data (continued)

Common shares:

Outstanding shares information as at:	Common shares outstanding	Number of weighted average Common shares outstanding
As at the date of this report	36,660,100	36,660,100
June 30, 2012	36,660,100	32,485,484
March 31, 2012	31,970,100	31,900,869
December 31, 2011	31,900,100	31,900,100
September 30, 2011	31,900,100	31,835,970
June 30, 2011	31,750,100	6,978,122
March 31, 2011	100	1

Share purchase options:

Outstanding share purchase options as at:	Options issued	Options exercisable	Average exercise strike price ($)
As at the date of this report	2,950,000	2,575,000	0.35
June 30, 2012	2,250,000	1,637,500	0.40
March 31, 2012	2,250,000	1,637,500	0.40
December 31, 2011	2,250,000	1,362,500	0.40
September 30, 2011	2,000,000	1,362,500	0.40
June 30, 2011	-	-	-
March 31, 2011	-	-	-

As at June 30, 2012, the Company had 2,250,000 outstanding options to purchase Common Shares. These options allow their holder to subscribe Common Shares at a price varying between $0.125 and $0.40 per Common Share for a period varying from 24 months to 60 months from the issue date, subject to the conditions established under the Common Share Purchase Option Plan. Between July 1, 2012 and the date of this report, the Company issued 250,000 options to the members of the Board of Directors and 50,000 options to the CFO as part of the compensation plan. The Company also issued 400,000 options to Jean-Marc Lacoste upon being appointed as President and CEO of the Company.

Selected quarterly data (continued):

Warrants:

Outstanding warrants to shareholders as at:	Warrants issued to shareholders	Warrants exercisable	Average strike price ($)
As at the date of this report	7,290,000	7,290,000	0.29
June 30, 2012	7,290,000	7,290,000	0.29
March 31, 2012	2,600,000	2,600,000	0.45
December 31, 2011	2,600,000	2,600,000	0.45
September 30, 2011	2,600,000	2,500,000	0.45
June 30, 2011	2,500,000	2,500,000	0.45
March 31, 2011	-	-	-

Outstanding warrants to brokers as at:	Warrants issued to brokers	Warrants exercisable	Average exercise strike price ($)
As at the date of this report	910,000	910,000	0.40
June 30, 2012	910,000	910,000	0.40
March 31, 2012	910,000	910,000	0.40
December 31, 2011	910,000	910,000	0.40
September 30, 2011	910,000	910,000	0.40
June 30, 2011	910,000	910,000	0.40
March 31, 2011	-	-	-

As at June 30, 2012, the Company had issued 7,290,000 exercisable warrants to shareholders and 910,000 exercisable warrants to brokers. Each warrant allows its holder to subscribe 1 common share at a price varying between $0.20 per share to $0.45 per share for a period of 24 months following their issue date.

Related Party Transactions and Commercial Objectives

During the fourth quarter that ended and fiscal year that ended June 30, 2012, the Company incurred expenses for services rendered by executive officers of the Company. These services were rendered in the normal course of operations and are measured at the exchange amount, which is at cost, and which is the amount agreed between the parties.

	Fourth quarter ($)	Twelve months ($)
Salary and fringe benefits paid to key management personnel	87,127	322,335
Share-based payments paid to key management personnel	(7,292)	206,710
Fees and expenses towards the external directors	12,279	60,529
Share-based payments towards the directors	(12,379)	137,287

During the fourth quarter that ended on June 30, 2012, the Company incurred $12,279 as compensation to the members of the Board of Directors and also incurred an adjustment of ($19,671) in share-based payments expense, of which ($12,379) is in relation with the share purchase options granted to members of the Board of Directors and ($7,292) is in relation to share purchase options granted to key management personnel.

Inter-company transactions carried out during the fourth quarter between the Company and the entity having significant influence, Nemaska, totalled a net amount of $68,411 charged by Nemaska (excluding sales tax), split as follows: ($39,575) of exploration and evaluation assets, $93,176 of compensation, $1,154 paid for consultants and professionals, $711 as representation/promotion/missions/trade shows and $12,945 as general administrative and office expenses.

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 a total of $395,589 of share-based payments expense, of which $137,287 is in relation with the share purchase options granted to members of the Board of Directors and $206,710 is in relation to share purchase options granted to key management personnel.

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.

Related Party Transactions and Commercial Objectives (continued)

The expenses for services rendered by executive officers of the Company for the year that ended June 30, 2012 as well as the 3 months period for the previous year are made of the following expenses:

	Year ended June 30, 2012 ($)	3 months ended June 30, 2011 ($)
Salary and fringe benefits paid to key management personnel	322,335	22,136
Share-based payments paid to key management personnel	206,710	-
Fees and expenses towards the external directors	60,529	14,583
Share-based payments towards the directors	207,621	-

Off Balance sheet agreements

The Company has not concluded any off balance sheet agreements.

Obligations and contractual commitments

The Company had the following commitments as at the date of this report:

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

Upon the acquisition of the properties, the Company took in charge 100% of an agreement on a group of 396 claims included in the Lac Arques property in the province of 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.

Obligations and contractual commitments (continued)

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

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.

Arques / Lemare / Nisk (previously Lac Levac):

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

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

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

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

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.

Obligations and contractual commitments (continued)

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

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.

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.

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.

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).

Additional information required from junior issuers with no significant income

The Company reports the information on its exploration and evaluation assets in note 5 of its audited financial statements for the year ended June 30, 2012.

The Company has no research and development expenses.

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

The office and general administration expenses for the fourth quarter and year ended June 30, 2012 are composed of the following expenses:

Rent, office and other expenses		
	Fourth quarter ($)	**Twelve months ($)**
Office supplies and mailing	2,693	9,973
Insurances, taxes and permits	6,466	18,440
Office and equipment lease and maintenance	6,515	31,552
Telecommunications	1,774	7,108
Training, HR activities and other expenses	1,787	19,390
Total	**19,235**	**86,463**

The office and general administrative expenses for the year that ended June 30, 2012 as well as the same period for the previous year are made of the following expenses:

Rent, office and other expenses		
	Year ended June 30, 2012 ($)	**3 months ended June 30, 2011 ($)**
Office supplies and mailing	9,973	1,012
Insurances, taxes and permits	18,440	3,447
Office and equipment lease and maintenance	31,552	2,312
Telecommunications	7,108	662
Training, HR activities and other expenses	19,390	416
Total	**86,463**	**7,849**

Financing sources

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

Date	Type	Financings	Amount ($)	Use of proceeds
June 20, 2012	Private placement	Common shares	586,250	General administrative expenses and mining properties acquisition.
June 10, 2011	Prospectus, Initial public offering	Common shares	2,000,000	General administrative expenses and mining properties acquisition.
		Flow-through shares	4,000,000	Exploration work on the properties owned by the Company.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

(a) Statement of compliance:

These 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.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

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) 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.

(b) 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.

(ii) Non-financial assets:

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

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Significant accounting policies (continued):

(b) Impairment (continued):

(ii) Non-financial assets (continued):

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.

(c) 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.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Significant accounting policies (continued):

(c) Share capital and warrants (continued):

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.

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.

(d) 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.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Significant accounting policies (continued):

(d) Share-based payments (continued):

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.

(e) 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.

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.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Significant accounting policies (continued):

(f) 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.

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.

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

Refer to the year ended June 30, 2012 audited financial statements note 3 (k) for details on the improvements to IFRS on the referred topic.

FINANCIAL RISK, MANAGEMENT OBJECTIVES AND POLICIES

Risks and Uncertainties

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

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

Fair value of financial instruments

The carrying amounts of short-term financial assets and liabilities, which include cash and cash equivalents and accounts payable and accrued liabilities, approximate their fair values 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.

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.

FINANCIAL RISK, MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risks and Uncertainties (continued)

Risk exposure and management (continued)

(ii) Liquidity risk (continued):

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.

Properties titles

According to the mining law and regulations of the Province of Quebec, the Company, to renew its claims, must do a minimum of exploration expenditures and pay to the Quebec government, a rent per claim, for every 2 year renewal period. The next renewals to come between the date of this MD&A and June 30, 2013 covers 442 claims. While most of the required exploration expenditures as already been done for the renewal of most of these claims for an additional 2 year period, an amount of $26,850 will have to be filed with the "Ministère des Ressources Naturelles et de la Faune", and mining rights in the amount of $28,467 will have to be paid.

Additional financing

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

Conditions of the industry in general

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

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

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

Governmental regulation

The activities of the Company are subject to various federal, provincial and local laws, which relate to the exploration and development, taxes, standards of work, diseases and the occupational safety, the safety in mines, toxic substances, the protection of the environment and others. The exploration and the development are subject to legislative measures and lawful with the federal, provincial and local levels relating to the protection of the environment. These laws impose high standards on the mining industry, in order to control the rejects of waste water and to force the participants to account for such controls to the lawful authorities, to reduce or eliminate the impact that are generated by certain production activities; extraction and of treatment and which are later on deposited on the ground or are rejected into the air or the water, to complete work of restoration of the mining properties, to control dangerous waste and materials and to reduce the risk of industrial accidents. The defect to conform to the above-mentioned legislative measures can involve important fines and other penalties.

Risks of lawsuits and no insurable risks

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

Conflicts of Interest

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

Permits, licences and authorizations

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

Dependence on the management

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

Territorial claims

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

Price of metals

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

Additional Information and Continuous Disclosure

This MD&A was prepared as of the date shown in the header of this document. Additional information relating to the Company, including the technical reports mentioned herein and the Company's Annual Information Form, can be found on the website www.sedar.com and on our website at www.monarquesresources.com.

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