CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

RESSOURCES MONARQUES RESOURCES

PERIODS ENDED

DECEMBER 31, 2012 AND 2011

2ND QUARTER

MONARQUES RESOURCES INC.

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MONARQUES RESOURCES INC.

Condensed Interim Financial Statements

Periods ended December 31, 2012 and 2011

Financial Statements

MONARQUES RESOURCES INC.

Management's Report

Management's responsibility for financial reporting

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

The unaudited condensed interim financial statements for the periods ended December 31, 2012 and 2011 have been reviewed by KPMG LLP, 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

MONARQUES RESOURCES INC.

Condensed Interim Statements of Financial Position
(Unaudited)

December 31, 2012 and June 30, 2012

	Note	December 31, 2012	June 30, 2012
		$	$
Assets			
Current assets:			
Cash and cash equivalents	9 f)	2,871,951	1,402,713
Sales tax receivable		53,225	56,889
Other receivables	9 g)	100,000	-
Prepaid expenses		18,930	12,239
Tax credits related to resources and mining rights receivable		13,027	13,027
		3,057,133	**1,484,868**
Non-current assets:			
Deposit to suppliers for exploration and evaluation expenses		50,000	-
Mining properties	4	7,746,872	7,706,872
Exploration and evaluation assets	5	4,185,232	3,546,706
		11,982,104	**11,253,578**
Total assets		**15,039,237**	**12,738,446**

	Note	December 31, 2012	June 30, 2012
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		383,665	501,818
Liability related to flow-through shares	6 i)	318,466	116,688
		702,131	**618,506**
Non-current liabilities:			
Deferred income and mining taxes	13	399,154	410,026
Total liabilities		**1,101,285**	**1,028,532**
Equity:			
Share capital and warrants	6	16,274,618	13,432,106
Contributed surplus	7	468,544	395,589
Deficit		(2,805,210)	(2,117,781)
		13,937,952	**11,709,914**
Total liabilities and equity		**15,039,237**	**12,738,446**

Contingencies (Note 8); Commitments (Note 9)

The notes on pages 6 to 24 are an integral part of these unaudited condensed interim financial statements.

On behalf of the Board:

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

MONARQUES RESOURCES INC.

Condensed Interim Statements of Comprehensive Loss
(Unaudited)

Periods ended December 31, 2012 and 2011

	Note	Three months ended December 31, 2012	Three months ended December 31, 2011	Six months ended December 31, 2012	Six months ended December 31, 2011
		$	$	$	$
Expenses:					
Compensation	12	91,202	80,677	158,878	146,931
Share-based payments	7 c)	40,918	36,580	72,955	375,290
Rent, office expense and other expenses		10,482	31,012	25,108	60,368
Registration, listing fees and shareholders' information		37,365	43,959	42,959	51,929
Promotion and advertising		720	6,028	1,340	18,221
Representation, missions and trade shows		4,209	11,586	4,276	24,828
Consultant fees		4,166	(4,234)	30,445	20,206
Professional fees		30,670	4,906	43,150	24,634
Total expenses		**219,732**	**210,514**	**379,111**	**722,407**
Net finance expense (income):					
Finance income		(1,688)	(9,800)	(4,304)	(20,401)
Finance expense		638	757	1,171	1,464
		(1,050)	**(9,043)**	**(3,133)**	**(18,937)**
Loss before other income related to flow-through shares		**218,682**	**201,471**	**375,978**	**703,470**
Others:					
Other income related to flow-through shares	6i)	(70,622)	(281,448)	(127,662)	(522,329)
Loss (profit) before income taxes		**148,060**	**(79,977)**	**248,316**	**181,141**
Deferred income and mining taxes	13	47,227	323,000	90,251	594,000
Comprehensive loss for the period		**195,287**	**243,023**	**338,567**	**775,141**
Basic and diluted loss per share	14	0.005	0.008	0.009	0.024
Weighted average number of shares outstanding		38,914,288	31,900,100	37,797,195	31,847,383

The notes on pages 6 to 24 are an integral part of these unaudited condensed interim financial statements.

MONARQUES RESOURCES INC.

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

Periods ended December 31, 2012 and 2011

	Share capital and warrants	Contributed surplus	Deficit	Total
	$	$	$	$
Balance as at June 30, 2012	13,432,106	395,589	(2,117,781)	11,709,914
Equity financing:				
Paid in cash	1,463,800	-	-	1,463,800
Flow-through shares	1,647,200	-	-	1,647,200
Flow-through shares premium	(329,440)	-	-	(329,440)
Share issuance costs	-	-	(389,033)	(389,033)
Options:				
Granted to employees, officers, directors,consultants or I.R. representatives (note 7)	-	72,955	-	72,955
Granted to brokers (note 6)	60,952	-	(60,952)	-
Recognition of deferred tax assets related to share issuance expenses (note 13)	-	-	101,123	101,123
Loss for the period	-	-	(338,567)	(338,567)
Balance as at December 31, 2012	**16,274,618**	**468,544**	**(2,805,210)**	**13,937,952**

	Share capital and warrants	Contributed surplus	Deficit	Total
	$	$	$	$
Balance as at June 30, 2011	12,797,356	-	(1,180,041)	11,617,315
Share issued for the acquisition of mining properties (note 6)	32,616	-	-	32,616
Warrants on common shares issued (note 7)	5,384	-	-	5,384
Options:				
Granted to employees, officers, directors, consultants or I.R. representatives (note 7)	-	375,290	-	375,290
Share issuance expenses	-	-	(13,100)	(13,100)
Recognition of deferred tax assets related to share issuance expenses (note 13)	-	-	271,000	271,000
Loss for the period	-	-	(775,141)	(775,141)
Balance as at December 31, 2011	**12,835,356**	**375,290**	**(1,697,282)**	**11,513,364**

The notes on pages 6 to 24 are an integral part of these unaudited condensed interim financial statements.

MONARQUES RESOURCES INC.

Condensed Interim Statements of Cash Flows
(Unaudited)

Periods ended December 31, 2012 and 2011

	Three months ended December 31,		Six months ended December 31,	
	2012	2011	2012	2011
	$	$	$	$
Cash flows from operating activities:				
Loss for the period	(195,287)	(243,023)	(338,567)	(775,141)
Adjustments for:				
Share-based payments	40,918	36,580	72,955	375,290
Other income related to flow-through shares	(70,622)	(281,448)	(127,662)	(522,329)
Deferred income tax expense	47,227	323,000	90,251	594,000
Net change in non-cash operating working capital items:				
Other receivable	(8,946)	-	(50,000)	-
Taxes receivable	(25,647)	(129,317)	3,664	(325,133)
Prepaid expenses	(10,964)	(16,880)	(6,691)	(16,880)
Accounts payable and accrued liabilities	(173,151)	(321,511)	(287,917)	(354,124)
	(396,472)	**(632,599)**	**(643,967)**	**(1,024,317)**
Cash flows from financing activities:				
Shares paid in cash	1,463,800	-	1,463,800	-
Flow-through shares	1,647,200	-	1,647,200	-
Share issuance expenses	(269,592)	-	(269,592)	(13,100)
	2,841,408	**-**	**2,841,408**	**(13,100)**
Cash flows from investing activities:				
Advances on exploration and evaluation expenses	(50,000)	50,000	(50,000)	-
Addition to mining properties	(40,000)	-	(40,000)	(35,070)
Increase in exploration and evaluation assets	(290,144)	(1,702,004)	(638,203)	(2,325,534)
	(380,144)	**(1,652,004)**	**(728,203)**	**(2,360,604)**
Net increase (decrease) in cash and cash equivalents	2,064,792	(2,284,603)	1,469,238	(3,398,021)
Cash and cash equivalents, beginning of the period	807,159	3,979,281	1,402,713	5,092,699
Cash and cash equivalents, end of the period	**2,871,951**	**1,694,678**	**2,871,951**	**1,694,678**

Items not affecting cash flows: See note 11

The notes on pages 6 to 24 are an integral part of these unaudited condensed interim financial statements

1. Reporting entity and going concern:

Monarques Resources Inc. ("the Company"), incorporated on February 16, 2011, under the *Canada Business Corporations Act*, is engaged in the acquisition and exploration of mining properties. Its stock is trading on the TSX Venture Stock Exchange under the symbol MQR. Its activities are in Canada. The Company is an associate of Nemaska Lithium Inc. (Nemaska), a company that trades on the TSX Venture under the ticker NMX and owns 31.37% (43.27% as at June 30, 2012) 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.

These condensed interim 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 condensed interim 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, Quebec (Quebec), Canada G1K 3X2.

2. Basis of preparation:

(a) Statement of compliance:

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

The accounting policies applied in these condensed interim financial statements are based on IFRS issued and in effect as of February 26, 2013, the date on which the Board of Directors approved the condensed interim financial statements.

2. Basis of preparation (continued):

(a) Statement of compliance (continued):

Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year to be ended June 30, 2013 could result in restatement of these condensed interim financial statements.

These condensed interim financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2012.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

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

In preparing these Interim condensed financial statements, the significant judgments made by management applying the Company accounting policies relate to refundable credit on mining duties as explained in note 3 i) of the annual financial statements. The key sources of estimation uncertainty are the same as those applied and described in the Company's 2012 annual financial statements.

3. Significant accounting policies:

These condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the year ended June 30, 2012.

4. Mining properties:

Properties [1]	Localization	Royalties [2]	June 30, 2012	Acquisition	December 31, 2012
			$	$	$
Amiral	SNRC 32O14, 32B03	-	3,505	-	3,505
Arques	SNRC 32O13, 32O14	1.4% to 2%	1,090,517	11,200	1,101,717
Bourier	SNRC 32O14, 32O15, 33B02, 33B03	1.4%	897,595	14,000	911,595
Caumont	SNRC 32N07, 32N08, 32N09	1.5% to 2%	239,769	-	239,769
Dumulon	SNRC 32N09	-	1,643	-	1,643
Duval	SNRC 32O12	2%	309,294	-	309,294
Lemare	SNRC 32O11, 32O12, 32O14	1.4% to 2%	833,102	10,000	843,102
Nisk	SNRC 32O11, 32O12, 32O13, 32O14	1.4% to 2%	3,569,910	4,800	3,574,710
Rosebay	SNRC 33B02	-	7,749	-	7,749
Valiquette	SNRC 32N09, 32O12	2%	753,788	-	753,788
			7,706,872	**40,000**	**7,746,872**

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

[2] See note 9. The claims comprising the properties have either been acquired with different agreements or by map designation and therefore, royalties applicable, if any, are covered under the specific agreements as the case may be. The Company bought back from Mr. Alain Champagne and Mr. Guy Bourassa a 1% and 0.6% NSR royalty, respectively, for and in consideration of the sum of $25,000 and $15,000, respectively, and was allocated to the Arques, Bourier, Lemare and Nisk properties.

5. Exploration and evaluation assets:

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

	June 30, 2012	Exploration expenses	Write-off	December 31, 2012
	$	$	$	$
Amiral	93,492	471	-	93,963
Arques	324,771	9,033	-	333,804
Bourier	1,154,275	23,226	-	1,177,501
Caumont	352,444	56,212	-	408,656
Dumulon	128,413	83,089	-	211,502
Duval	262,475	3,409	-	265,884
Lemare	188,885	399,401	-	588,286
Nisk	554,854	40,975	-	595,829
Rosebay	71,282	3,119	-	74,401
Valiquette	415,815	19,591	-	435,406
	3,546,706	**638,526**	**-**	**4,185,232**

	June 30, 2011	Exploration expenses	Write-off	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**

5. Exploration and evaluation assets (continued):

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

	December 31, 2012	June 30, 2012
	$	$
Exploration expenses:		
Salaries and fringe benefits	197,514	589,290
Geology and geophysics	208,166	923,344
Test, sampling and prospecting	133,310	174,606
Drilling, equipment rental and other material	6,982	1,445,708
Lodging, meals and travel expenses	70,656	242,085
General exploration expenses	21,898	41,310
Increase of exploration expenses	**638,526**	**3,416,343**
Write-off	-	(30,280)
Balance, beginning of period	3,546,706	160,643
Balance, end of period	**4,185,232**	**3,546,706**

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, 2012 (i)	8,200,000	36,660,100	13,432,106
Paid in cash (iii)	6,842,950	7,319,000	1,497,727
Flow-through shares (ii) (iii)	3,023,840	6,588,800	1,344,785
Expired warrants	(3,410,000)	-	-
Balance at December 31, 2012	**14,656,790**	**50,567,900**	**16,274,618**

(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. As at December 31, 2012, the balance of the liability related to these flow-through shares was $ nil. An amount of $59,648 and $116,688 has been recognized as other income related to flow-through shares in the statement of comprehensive loss for the three month and six-month period ended December 31, 2012, respectively, 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.

6. Share capital and warrants (continued):

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

(ii) The net book value of these flow-through shares is presented net of the liability related to flow-through shares of $329,440 that was recorded when the flow-through shares were issued during the financing that occurred in December 2012. As at December 31, 2012, the balance of the liability related to these flow-through shares was $318,466. An amount of $10,974 has been recognized as other income related to flow-through shares in the statement of comprehensive loss for the three month period that ended December 31, 2012, representing the portion of the liability related to the increase in the exploration and evaluation assets during the period in relation with the total flow-through shares financing.

(iii) The fair value of the warrants issued to brokers during the financing that occurred in December 2012 was added to the value of the share capital, $33,927 was related to common shares paid in cash and $27,025 was related to the flow-through shares.

(a) Six-month period ended December 31, 2012

On December 21, 2012, the Company closed the second tranche of its brokered private placements for an aggregate gross proceeds of $940,000 (the "Offering"). Pursuant to the Offering, the Corporation issued a total of (i) 688 flow-through units (the "FT Units"), offered at a price of $1,000 per FT Unit, for gross proceeds of $688,000, each FT Unit being comprised of 3,200 flow-through shares (the "FT Shares"), at a price of $0.25 per FT Share, 1,000 common shares (the "Common Shares"), at a price of $0.20 per Common Share, and 2,100 warrants (the "FT Unit Warrants") and of (ii) 1,260,000 units (the "Units"), offered at a price of $0.20 per Unit, for gross proceeds of $252,000, each Unit being comprised of one Common Share, at a price of $0.20 per Common Share, and one warrant (the "Unit Warrant"). Each FT Unit Warrant and Unit Warrant (the "Warrants") entitles its holder thereof to purchase one Common Share, at a price of $0.30 per Common Share, until December 14, 2015. The Corporation intends to have the warrants listed, which could occur during the month of April 2013, subject to the approval of the TSX Venture Exchange. In consideration for its services, the Agent received a cash commission of $70,500 and agent's warrants (the "Agent's Warrants") to purchase, until December 21, 2015, a number of Common Shares equal to 5% of the total number of FT Shares and Common Shares issued pursuant to the Offering, namely 110,080 Common Shares at a price of $0.25 per Common Share and 97,400 Common Shares at a price of $0.20 per Common Share.

6. Share capital and warrants (continued):

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

(a) Six-month period ended December 31, 2012 (continued)

On December 14, 2012, the Company closed the first tranche of its brokered private placements for an aggregate amount of $2,171,000 (the “Offering”). Pursuant to the Offering, the Corporation issued (i) 1,200,000 flow-through shares (the “FT Shares”) offered at a price of $0.25 per FT Share for gross proceeds of $300,000, (ii) 996 flow-through units (the “A Units”) offered at a price of $1,000 per A Unit for gross proceeds of $996,000, each A Unit being comprised of 3,200 FT Shares, at a price of $0.25 per FT Share, 1,000 common shares (the “Common Shares”) at a price of $0.20 per Common Share and 2,100 warrants (the “A Unit Warrants”); and (iii) 4,375,000 units (the “B Units”) offered at a price of $0.20 per B Unit for gross proceeds of $875,000, each B Unit being comprised of one Common Share, at a price of $0.20 per Common Share, and one warrant (the “B Unit Warrant”). Each A Unit Warrant and B Unit Warrant entitles its holder to purchase one Common Share, at a price of $0.30 per Common Share, for a period of 36 months following the closing of the Offering. The Corporation intends to have the warrants listed, which could occur during the month of April 2013, subject to the approval of the TSX Venture Exchange. In consideration for its services, the Agent received a cash commission of $162,825 and agent’s warrants (the “Agent’s Warrants”) to purchase, until December 14, 2015, a number of Common Shares equal to 5% of the total number of FT Shares and Common Shares issued pursuant to the Offering, namely 219,360 Common Shares at a price of $0.25 per Common Share and 268,550 Common Shares at a price of $0.20 per Common Share.

(b) 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.

6. Share capital and warrants (continued):

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

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

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.

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 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.

(c) Warrants:

Changes in the Company's warrants were as follows:

	December 31, 2012		June 30, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	7,290,000	0.29	2,500,000	0.45
Granted	9,171,400	0.30	4,790,000	0.20
Expired	(2,500,000)	0.45	-	-
Outstanding, end of period	**13,961,400**	**0.27**	**7,290,000**	**0.29**

6. Share capital and warrants (continued):

(c) Warrants (continued):

The following table summarizes the information relating to the warrants:

Number of warrants outstanding as at December 31, 2012	Exercise price	Expiry date
	$	
100,000 (exercisable)	0.40	February 2013
4,690,000 (exercisable)	0.20	June 2014
9,171,400 (exercisable)	0.30	December 2015

(d) Warrants granted to brokers:

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

	December 31, 2012		June 30, 2012	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	910,000	0.40	910,000	0.40
Granted	695,390	0.22	-	-
Expired	(910,000)	0.40	-	-
Outstanding, end of period	**695,390**	**0.22**	**910,000**	**0.40**

	December 31, 2012	June 30, 2012
	$	$
Weighted average fair value of share purchase warrants granted during the period	0.09	-

6. Share capital and warrants (continued):

(d) Warrants granted to brokers (continued):

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

	December 31, 2012	June 30, 2012
Risk-free interest rate	1.10%	-
Expected annual dividend rate	0%	-
Expected annualized volatility	75%	-
Expected life of warrants	3 years	-

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

Number of warrants outstanding as at December 31, 2012	Exercise price	Expiry date
	$	
329,440	0.25	December 2015
365,950	0.20	December 2015

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 36-month vesting periods and the life of the options varies from 2 years to 5 years.

7. Share purchase options (continued):

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

	December 31, 2012		June 30, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of period	2,250,000	0.40	-	-
Granted	750,000	0.20	2,250,000	0.40
Expired	(350,000)	0.40	-	-
Outstanding, end of period	**2,650,000**	**0.34**	**2,250,000**	**0.40**

	December 31, 2012	June 30, 2012
	$	$
Weighted average fair value of share purchase options granted during the period	0.08	0.19

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

	December 31, 2012	June 30, 2012
Risk-free interest rate	1.22%	1.96%
Expected annual dividend rate	0%	0%
Expected annualized volatility	95%	86%
Expected life of options	5 years	4.5 years

For the three-month and six-month periods ended December 31, 2012, the application of the fair value model resulted in share-based payments expenses of $40,918 ($36,580 in 2011) and $72,955 ($375,290 in 2011), respectively.

7. Share purchase options (continued):

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

Number of options outstanding as at December 31, 2012		Exercise price	Expiry date
Outstanding	Exercisable	$	
25,000	25,000	0.400	March 2013
100,000	100,000	0.400	April 2013
425,000	425,000	0.400	July 2013
1,350,000	1,350,000	0.400	July 2016
300,000	300,000	0.125	July 2017
400,000	400,000	0.250	October 2017
50,000	50,000	0.250	December 2017
2,650,000	**2,650,000**		

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:

9. Commitments (continued):

(a) Arques / Bourier / Lemare / Nisk (previously Lac Arques):

Upon the acquisition of the properties, the Company took in charge 100% of an agreement on a group of 396 claims included in the Lac Arques property in the province of Québec. Upon the properties restructuration, these 396 claims related to this commitment were assigned as follows: 109 claims to the Arques property, 142 claims to the Bourier property, 98 claims to the Lemare property and 47 claims to the Nisk property. 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 December 31, 2012, cumulative exploration expenses totalling $2,963,125 ($2,818,306 as at June 30, 2012) 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 1.4% NSR will be payable to one of the initial seller under the Lac Arques Purchase and Sale Agreement in case of a commercial production of all metals extracted from the or part of the 396 claims. However, the Company shall have the option at all time and until the expiration of a period of 3 months following the official production statement to repurchase 1% NSR from the vendors, proportional to their interest therein subject to the payment of an amount of $1,000,000 payable in two equal and consecutive instalments; the first instalment being payable upon the date of exercise of the option to repurchase part of the NSR and the second at the latest 90 days following the date of payment of the first instalment.

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

Upon the properties restructuration, 150 claims related to this commitment of the Lac Levac property were assigned as follows: 1 claim to the Arques property, 83 claims to the Lemare property and 66 claims to the Nisk property.

9. Commitments (continued):

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

Pursuant to a net smelter return agreement dated January 15, 2010 (the "Net Smelter Return Agreement"); the initial seller has retained a 2% NSR, of which a 1% NSR can be repurchased by the Company for an amount of $1,000,000 within the first three years.

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

(c) Caumont / Duval / Valiquette (previously Lac des Montagnes):

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

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

Furthermore, pursuant to an acquisition agreement between the Company and Les Ressources Tectonic Inc. finalized on March 29, 2012, 13 claims were added to the Caumont property. In consideration for the claims, the Company paid to the seller $15,000 in cash and issued 70,000 common shares in the capital of the Company 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 December 31, 2012, the Company had fulfilled this commitment. The Company is also committed to incur eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Québec *Taxation Act*, of $1,647,200 by December 31, 2013, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through share underwriting completed on December 21, 2012. As at December 31, 2012, the Company had incurred $4,054,869 of eligible expenses ($3,416,343 as at June 30, 2012) and had funds reserved for exploration amounting to $1,592,331 ($583,657 as at June 30, 2012).

9. Commitments (continued):

(g) On December 19, 2012, the Company signed a notarised debt purchase agreement (the “Agreement”) with 9192-8481 Québec Inc. doing business under Forage Dibar (“Dibar”). This Agreement gives force to the cession of a legal hypothec, resulting from a court order dated August 23, 2012 and registered on September 12, 2010. On October 12, 2012, Dibar served to Upper Canyon Minerals Corp.(“UCMC”) a notice, which was registered and duly published on October 26, 2012 , in order to have the Hypothec executed. Once the conditions of the Hypothec and the Agreement are fulfilled, that would allow the Company to either: i) take possession of the 18 claims registered to UCMC and located on SNRC CL915 or ii) receive a payment of $380,858 plus accrued interest since April 26, 2012. Under the Agreement, the Company has the obligation to pay $100,000 to Dibar, of which $50,000 was paid on December 19, 2012 and the remaining $50,000 is due on March 19, 2012 which is 90 days from the signature date.

10. Related party transactions:

During the three-month and six-month periods that ended on December 31, 2012, the Company incurred $18,399 (21,667 in 2011) and $32,399 ($33,750 in 2011), respectively, as compensation to the members of the Board of Directors and also incurred $6,931 ($nil in 2011) and $22,271 ($186,420 in 2011), respectively, 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). Also, during this three-month and six-month periods, the Company bought back from Mr. Guy Bourassa, who is a director of the Company, a 0.6% NSR royalty on claims belonging to its mining properties, for and in consideration of the sum of $15,000.

Inter-company transactions carried out during the three-month period between the Company and the entity having significant influence, Nemaska, totalled a net amount of $31,912 (excluding sales tax), charged to the Company by Nemaska and split as follows: $1,811 as exploration and evaluation assets; $24,208 as compensation while the balance of $5,893 was mainly as general administrative and office expenses.

Inter-company transactions carried out during the six-month period between the Company and the entity having significant influence, Nemaska, totalled a net amount of $141,690 (excluding sales tax), split as follows: $225,398 of exploration and evaluation assets charged by the Company to Nemaska, while Nemaska charged to the Company for the following: $70,542 as compensation while the balance of $13,166 was mainly as general administrative and office expenses.

10. Related party transactions (continued):

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 December 31, 2012, totalled $1,165 ($71,982 as at June 30, 2012) and is included in the accounts payable and accrued liabilities.

11. Items not affecting cash and cash equivalents:

	Three months ended December 31,		Six months ended December 31,	
	2012	2011	2012	2011
	$	$	$	$
Non-cash items:				
Acquisition of mining properties by issuance of shares and warrants	-	50,000	-	88,000
Accounts payable and accrued liabilities related to the acquisition of mining properties	-	(5,000)	-	-
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	63,184	(476,559)	323	104,316

12. Compensation:

	Three months ended December 31,		Six months ended December 31,	
	2012	2011	2012	2011
	$	$	$	$
Wages and fringe benefits paid to key management personnel	53,725	42,888	92,837	83,513
Wages and fringe benefits paid to other staff employees	17,946	16,622	32,510	30,168
Fees paid to the members of the board of directors	19,531	21,167	33,531	33,250
	91,202	**80,677**	**158,878**	**146,931**

During the three-month and nine-month periods ended December 31, 2012, the Company incurred $40,918 ($36,580 in 2011) and $72,955 ($375,290 in 2011) of share-based payments expenses respectively, of which $33,809 ($6,812 in 2011) and $44,870 ($138,019 in 2011) were respectively attributed to key management personnel and $6,931 ($ nil in 2011) and $22,271 ($149,666 in 2011) were respectively attributed to the members of the board.

13. Deferred income and mining taxes:

The income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.90% (27.65% in 2011) to the loss before income taxes due to the following:

	Three months ended December 31,		Six months ended December 31,	
	2012	2011	2012	2011
	$	$	$	$
Profit (loss) before income taxes	(148,060)	79,977	(248,316)	(181,141)
Computed expected tax expense (recovery)	(39,828)	22,114	(66,797)	(50,085)
Increase (decrease) in income taxes resulting from:				
Non-deductible share-based payment	11,007	10,114	19,625	103,767
Income taxes at future rate	-	1,237	-	2,462
Change in unrecognized deferred income tax assets	-	(10,940)	-	(20,000)
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	95,045	378,548	171,764	702,548
Permanent difference arising from the non-taxable income related to flow-through shares	(18,997)	(78,073)	(34,341)	(144,692)
Deferred income tax expense	**47,227**	**323,000**	**90,251**	**594,000**

Movements in temporary differences during the periods ended December 31, 2012 and 2011, are detailed as follows:

	Balance June 30, 2012	Recognized in profit or loss	Recognized directly in equity	Balance December 31, 2012
	$	$	$	$
Deferred tax assets:				
Operating losses	304,553	119,398	-	423,951
Share issuance costs	201,604	(37,885)	101,123	264,842
	506,157	81,515	101,123	688,793
Deferred tax liabilities:				
Exploration and evaluation assets	(916,183)	(171,764)	-	(1,087,947)
	(410,026)	**(90,251)**	**101,123**	**(399,154)**

13. Future income and mining taxes (continued):

Movements in temporary differences during the periods ended December 31, 2012 and 2011, are detailed as follows (continued):

	Balance June 30, 2011	Recognized in profit or loss	Recognized directly in equity	Balance December 31, 2011
	$	$	$	$
Deferred tax assets:				
Operating losses	-	122,000	26,000	148,000
Share issuance costs	-	(14,000)	245,000	231,000
	-	108,000	271,000	379,000
Deferred tax liabilities:				
Exploration and evaluation assets	-	(702,000)	-	(702,000)
	-	(594,000)	271,000	(323,000)

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

Year incurred	Federal	Provincial	Expiry
	$	$	
2011	150,762	150,762	2031
2012	1,007,197	1,007,197	2032
2013 (6 months)	443,856	443,856	2033

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.