MANAGEMENT DISCUSSION AND ANALYSIS

RESSOURCES MONARQUES RESOURCES

PERIOD ENDED
DECEMBER 31, 2012
2ND 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 three-month and six-month periods ended December 31, 2012 and the comparison of the Company's statement of financial position as at December 31, 2012, 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.

These unaudited condensed interim financial statements and this MD&A have been reviewed by the Audit Committee and approved by the Company's Board of Directors on February 26, 2013. 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), 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 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.

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.

Highlights for the three-month and six-month periods ended December 31, 2012, scope of activities and next steps

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.

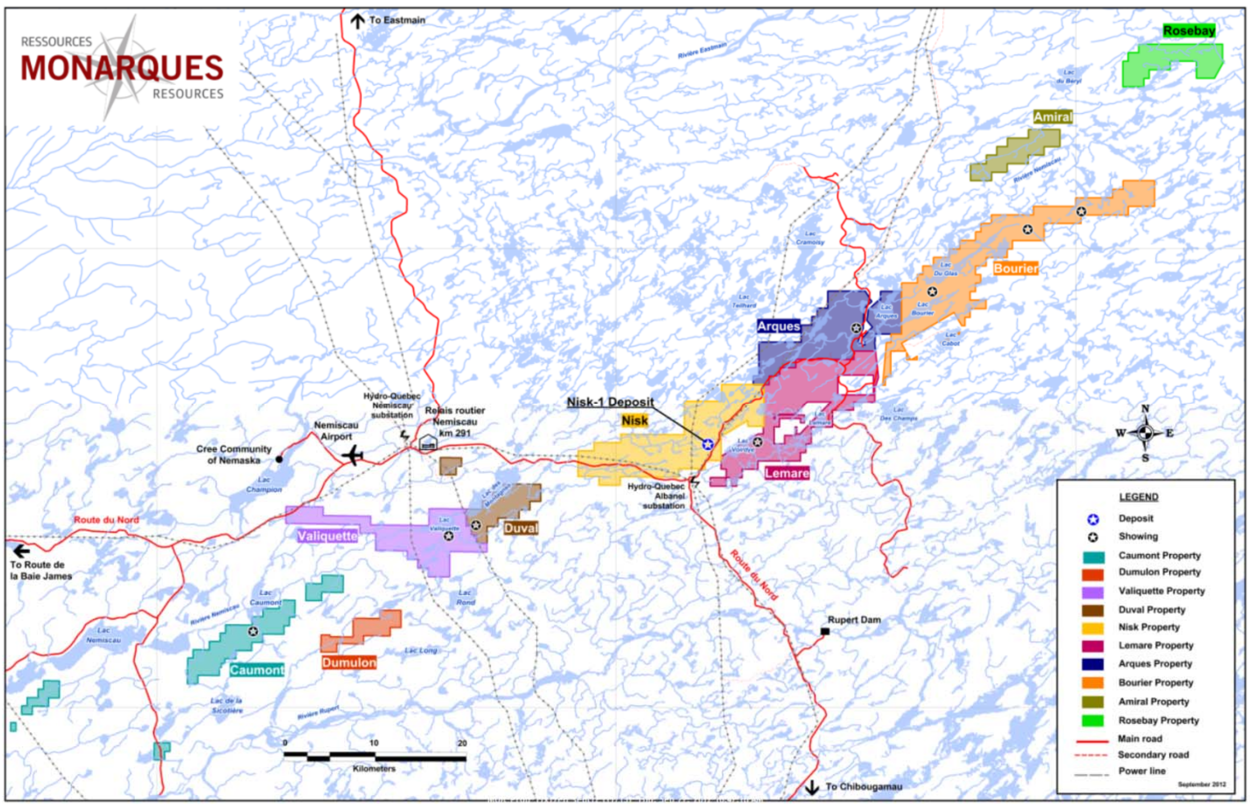
On December 14, 2012, the Company closed the first tranche of its brokered private placements for an aggregate amount of $2,171,000 (the "Offering"). Pursuant to the Offering, the Corporation issued (i) 1,200,000 flow-through shares (the "FT Shares") offered at a price of $0.25 per FT Share for gross 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.

Highlights for the three-month and six-month periods ended December 31, 2012, scope of activities and next steps (continued)

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.

Also, during the three-month and six-month periods, the Company continued exploration works mostly on the Caumont, Dumulon and the Lemare properties which resulted in identifying gold bearing structures on the Lemare property. The total exploration expenses during the three-month and six-month periods totalled $353,328 and $638,526, respectively (see note 5 of the audited financial statements for details by properties).

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



Highlights for the three-month and six-month periods ended December 31, 2012, scope of activities and next steps (continued)

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

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Bourier (continued)	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.
	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.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
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.
	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	Diamond drilling (8 holes totalling approximately 1,200 meters were drilled by February 22, out of the 2,000 meters planed for the current drilling campaign) February 2013	Confirm the continuity of Lac de la Chlorite and Lac de la Sillimanite showing mineralization zones at depth and test other geochemistry and IP anomalies.	Current campaign, analytical results to come.
	Induced polarization and resistivity (60 linear km), January 2013	Detects disseminated sulphides often associated with gold deposits.	An induced polarization survey covering the area of the Lac de la Chlorite and Lac de la Sillimanite showing was conducted by Abitibi Géophysique inc. Results outlines multiples anomalies.
	Stripping and humus geochemistry survey (1,072 stations), October 2012	Identify a gold bearing structures.	48 grab and channel samples over 100ppb (0.1 g/t), with 12 samples over 1 g/t. The highest grade assayed was 4.76 g/t. Nine (9) areas showing anomalous levels of gold associated elements (Au, Sb, As, W, Mo, etc.)
	Geological surveys and prospection, July-August 2012	Confirm the geology and identify on the ground the source of magnetic and electromagnetic anomalies.	Lac de la Chlorite showing returning 1.6 g/t Au and the Lac de la Sillimanite showing returning 4.7 g/t Au.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Lemare (continued)	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 outlines 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.
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.

MAIN WORKS DONE			
Property	**Works**	**Objective**	**Results**
Nisk *(Nisk-1 deposit)* (continued)	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.
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.

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

Highlights for the three-month and six-month periods ended December 31, 2012, 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 reporting.
Bourier	Data compilation and reporting.
Caumont	Data compilation and reporting. Geophysics, geological surveys, prospecting, trenching and diamond drilling campaign.
Dumulon	Data compilation and reporting.
Duval	Data compilation and reporting.
Lemare	Diamond drilling campaign (in progress). Data compilation and reporting.
Nisk	Data compilation and reporting.
Rosebay	Data compilation and reporting.
Valiquette	Data compilation and reporting.

Selected Financial Information

The following table summarizes the Company's selected key financial data taken from the statement of comprehensive loss for the three-month and six-month periods ended December 31, 2012 and 2011 as well as the statement of financial position as at December 31, 2012, June 30, 2012 and June 30, 2011.

Statements of comprehensive loss selected financial information				
	Three-month periods ended December 31		Six-month periods ended December 31	
Earnings and comprehensive loss	2012 ($)	2011 ($)	2012 ($)	2011 ($)
Interest income	1,688	9,800	4,304	20,401
Loss (profit) before income taxes	148,060	(79,977)	248,316	181,141
Net loss and comprehensive loss	195,287	243,023	338,567	775,141
Loss per share, basic and diluted	0.005	0.008	0.009	0.024

Statements of Financial Position selected financial information			
	As at		
Earnings and comprehensive loss	December 31, 2012 ($)	June 30, 2012 ($)	June 30, 2011 ($)
Cash and cash equivalents [1]	2,871,951	1,402,713	5,092,699
Working capital [2]	1,081,137	399,393	738,030
Total assets	15,039,237	12,738,446	12,988,762
Total liabilities	1,101,285	1,028,532	1,371,447
Shareholder's Equity	13,937,952	11,709,914	11,617,315

[1] The cash and cash equivalents includes $1,592,331 ($583,657 as at June 30, 2012 and $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 and subscriptions receivable, less the current liabilities excluding the liability related to flow-through shares.

Selected Financial Information (continued)

Statement of financial position as at December 31, 2012

As at December 31, 2012, the total assets of the Company totalled $15,039,237, representing a net increase of $2,603,677 and $2,300,791 compared to September 30, 2012 and June 30, 2012, respectively. These increases are directly related to the financing that occurred during the month of December 2012 for cash proceeds totalling $3,111,000, less the share issuance expenses paid during the quarter in the amount of $269,592, leaving a net cash flow balance of $2,841,408. The differences of $237,731 and $540,617 between this net cash flow and the net increase in the total asset as at September 30, 2012 and June 30, 2012, respectively, are mainly due to the cash flow used by the operations and the Company's short term liabilities movement (excluding the liability related to flow-through shares). The total accounts payable and accrued liabilities amounting to $383,665 are mainly composed of payables related to exploration expenses in the amount of $51,264, payables related to the financing for a total of $119,441, a commitment payable under a debt purchase agreement signed with 9192-8481 Québec Inc. doing business under Forage Dibar (see note 9 (g) of the financial statement) for $50,000; while the remaining balance of $162,960 are attributable to other payables and accrued liabilities such as compensation and professional fees and fees related to the annual general assembly.

Operating results for the three-month period ended December 31, 2012

Condensed Interim Statements of Comprehensive Loss
(Unaudited)

Three-month period ended December 31, 2012 and 2011

	2012	2011
	$	$
Expenses:		
Compensation	91,202	80,677
Share-based payments	40,918	36,580
Rent, office expense and other expenses	10,482	31,012
Registration, listing fees and shareholders' information	37,365	43,959
Promotion and advertising	720	6,028
Representation, missions and trade shows	4,209	11,586
Consultant fees	4,166	(4,234)
Professional fees	30,670	4,906
Total expenses	**219,732**	**210,514**
Net finance expense (income):		
Finance income	(1,688)	(9,800)
Finance expense	638	757
	(1,050)	**(9,043)**
Loss before other income related to flow-through shares	**218,682**	**201,471**
Other income related to flow-through shares	(70,622)	(281,448)
Loss (profit) before income taxes	**148,060**	**(79,977)**
Deferred income and mining taxes	47,227	323,000
Comprehensive loss for the three-month period	**195,287**	**243,023**
Basic and diluted loss per share	0.005	0.008
Weighted average number of shares outstanding	38,914,288	31,900,100

Operating results for the three-month period ended December 31, 2012 (continued)

The results for the quarter show a loss of $218,682 ($201,471 for the same period in the previous year) before income tax and other income related to flow-through shares as seen in the previous table. Aside from interest revenues of $1,688, the Company has no revenues from operations.

As seen in the previous statement of comprehensive loss, the main variations between the current three-month period and the previous year comparative figures are: i) Compensation increased by $10,525 due to a change in the key management personnel; ii) rent, office expense and other expenses decreased by $20,530 mainly due to a decrease in the shared expenses between the Company and Nemaska, a associate company having a significant influence; iii) a decrease of $12,685 in promotion/advertising/representation/missions and trade shows which is directly related to almost a halt of activities in these expense items; and iv) the professional fees have increased by $25,764 mainly due to legal fees amounting to $8,523 associated with the debt purchase agreement (see note 9 (g) of the condensed interim financial statements related to this report) combined with late invoicing by the auditors amounting to $8,803 only recorded during the second half of last year and not shown in the comparative figures.

During the quarter, the cash flow used by the operating activities amounted to $396,472, mainly related to the operating expenses.

Financing activities for the three-month ended December 31, 2012

During the quarter, the Company has completed a financing resulting in a gross proceed of $3,111,000, of which $1,647,200 was of flow-through shares financing and $1,463,800 of common shares financing for general administrative expenses purposes and mining properties acquisition. A cash commission totalling $233,325 was paid to the agents while a total of $155,708 was paid or is payable, mostly in relation to legal fees and stock market listing fees. For more details on the transactions, please refer to the "Highlights for the three-month and six-month periods ended December 31, 2012, scope of activities and next steps" section at the beginning of this document and also to the condensed interim financial statements for the three-month and six-month periods ending December 31, 2012.

Investing activities for the three-month ended December 31, 2012

During the quarter, the cash flow used by the investing activities totalling $380,144 was for: i) exploration and evaluation assets amounting to $290,144 (net of the variation during the period in the accounts payables and accrued liabilities amounting to $63,184); ii) pre-payment deposit of $50,000 for the drilling campaign that started in February 2013; and iii) buy-back of royalties amounting to $40,000 (see note 4 (2) of the interim financial statements for more details).

The details for the total exploration and evaluation expenses done during the three-month period that ended on December 31, 2012 on each property are presented in the following table:

PROPERTIES	Exploration work
	Three-month period ($)
Balance as at September 30, 2012	**3,831,904**
Amiral	-
Arques	5,662

PROPERTIES	Exploration work
	Three-month period ($)
Bourier	369
Caumont	30,706
Dumulon	4,525
Duval	-
Lemare	310,173
Nisk	1,136
Rosebay	757
Valiquette	-
Increase for the period	**353,328**
Balance as at December 31, 2012	**4,185,232**

Exploration and evaluation assets for the three-month period					
	Amiral ($)	Arques ($)	Bourier ($)	Caumont ($)	Dumulon ($)
Balance as at September 30, 2012	**93,963**	**328,142**	**1,177,132**	**377,950**	**206,977**
Supervision, salaries and fringe benefits	-	996	375	15,222	4,415
Geology and geophysics	-	-	(6)	15,563	(92)
Test, sampling and prospecting	-	-	-	53	42
Drilling, equipment rental and other material	-	5,000	-	-	-
Lodging and meals	-	-	-	8	191
General exploration expenses	-	(334)	-	(140)	(31)
Increase for the period	**-**	**5,662**	**369**	**30,706**	**4,525**
Balance as at December 31, 2012	**93,963**	**333,804**	**1,177,501**	**408,656**	**211,502**

Investing activities for the three-month period ended December 31, 2012 (continued)

Exploration and evaluation assets for the three-month period					
	Duval ($)	Lemare ($)	Nisk ($)	Rosebay ($)	Valiquette ($)
Balance as at September 30, 2012	**265,884**	**278,113**	**594,693**	**73,644**	**435,406**
Supervision, salaries and fringe benefits	-	94,434	1,195	754	-
Geology and geophysics	-	110,628	938	20	-
Test, sampling and prospecting	-	75,796	-	-	-
Drilling, equipment rental and other material	-	177	(25)	-	-
Lodging and meals	-	30,291	-	-	-
General exploration expenses	-	(1,153)	(972)	(17)	-
Increase for the period	**-**	**310,173**	**1,136**	**757**	**-**
Balance as at December 31, 2012	**265,884**	**588,286**	**595,829**	**74,401**	**435,406**

Operating results for the six-month period ended December 31, 2012

Condensed Interim Statements of Comprehensive Loss
(Unaudited)

Six-month periods ended December 31, 2012 and 2011

	2012	2011
	$	$
Expenses:		
Compensation	158,878	146,931
Share-based payments	72,955	375,290
Rent, office expense and other expenses	25,108	60,368
Registration, listing fees and shareholders' information	42,959	51,929
Promotion and advertising	1,340	18,221
Representation, missions and trade shows	4,276	24,828
Consultant fees	30,445	20,206
Professional fees	43,150	24,634
Total expenses	**379,111**	**722,407**
Net finance expense (income):		
Finance income	(4,304)	(20,401)
Finance expense	1,171	1,464
	(3,133)	**(18,937)**
Loss before other income related to flow-through shares	**375,978**	**703,470**

Operating results for the six-month period ended December 31, 2012 (continued)

Condensed Interim Statements of Comprehensive Loss (continued)
(Unaudited)

Six-month periods ended December 31, 2012 and 2011 (continued)

	2012	2011
	$	$
Loss before other income related to flow-through shares (continued)	**375,978**	**703,470**
Others:		
Other income related to flow-through shares	(127,662)	(522,329)
Loss (profit) before income taxes	**248,316**	**181,141**
Deferred income and mining taxes	90,251	594,000
Comprehensive loss for the period	**338,567**	**775,141**
Basic and diluted loss per share	0.009	0.024
Weighted average number of shares outstanding	37,797,195	31,847,383

The results for the six-month period show a loss of $375,978 ($703,470 for the same period in the previous year) before income tax and other income related to flow-through shares as seen in the previous table. Aside from interest revenues of $4,304, the Company has no revenues from operations.

As seen in the previous statement of comprehensive loss, the main variations between the current six-month period and the previous year comparative figures are: i) Compensation increased by $11,947 due to a change in the key management personnel; ii) share-based payments, a non-cash item, decreased by $302,335 due to less options issued this year compared to last year; iii) rent, office expense and other expenses decreased by $35,260 mainly due to a decrease in the shared expenses between the Company and Nemaska, a associate company having a significant influence; iv) a decrease of $37,433 in promotion/advertising/representation/missions and trade shows which is directly related to almost a halt of activities in these expense items; and v) the professional fees have increased by $18,516 mainly due to legal fees amounting to $8,523 associated with the debt purchase agreement (see note 9 (g) of the condensed interim financial statements related to this report) combined with late invoicing by the auditors amounting to $8,803 only recorded during the second half of last year and not shown in the comparative figures.

During the six-month period, the cash flow used by the operating activities amounted to $643,967, mainly due to the decrease of $118,153 in the accounts payables and accrued liabilities and to cover the operating expenses.

Financing activities for the six-month period ended December 31, 2012

During the six-month period, the Company has completed a financing resulting in a gross proceed of $3,111,000, of which $1,647,200 was of flow-through shares financing and $1,463,800 of common shares financing for general administrative expenses purposes and mining properties acquisition. A cash commission totalling $233,325 was paid to the agents while a total of $155,708 was paid or is payable, mostly in relation to legal fees and stock market listing fees. For more details on the transactions, please refer to the “Highlights for the three-month and six-month periods ended December 31, 2012, scope of activities and next steps” section at the beginning of this document and also to the condensed interim financial statements for the three-month and six-month periods ending December 31, 2012.

Operating results for the six-month period ended December 31, 2012 (continued)

Investing activities for the six-month period ended December 31, 2012

During the six-month period, the cash flow used by the investing activities totalling $728,203 was for: i) exploration and evaluation assets amounting to $638,203 (net of the variation during the period in the accounts payables and accrued liabilities amounting to $323); ii) pre-payment deposit of $50,000 for the drilling campaign that started in February 2013; and iii) buy-back of royalties amounting to $40,000 (see note 4 (2) of the interim financial statements for more details).

The details for the total exploration and evaluation expenses done during the six-month period that ended on December 31, 2012 on each property are presented in the following table:

PROPERTIES	Exploration work
	Six-month period ($)
Balance as at June 30, 2012	**3,546,706**
Amiral	471
Arques	9,033
Bourier	23,226
Caumont	56,212
Dumulon	83,089
Duval	3,409
Lemare	399,401
Nisk	40,975
Rosebay	3,119
Valiquette	19,591
Increase for the period	**638,526**
Balance as at December 31, 2012	**4,185,232**

Exploration and evaluation assets for the six-month period					
	Amiral ($)	Arques ($)	Bourier ($)	Caumont ($)	Dumulon ($)
Balance as at June 30, 2012	**93,492**	**324,771**	**1,154,275**	**352,444**	**128,413**
Supervision, salaries and fringe benefits	-	996	7,267	21,223	17,854
Geology and geophysics	(2,225)	151	7,232	24,148	41,911

Exploration and evaluation assets for the six-month period					
	Amiral ($)	Arques ($)	Bourier ($)	Caumont ($)	Dumulon ($)
Test, sampling and prospecting	2,460	-	1,504	5,908	14,698
Drilling, equipment rental and other material	-	5,127	-	-	-
Lodging and meals	16	-	2,755	3,773	8,361
General exploration expenses	220	2,759	4,468	1,160	265
Increase for the period	**471**	**9,033**	**23,226**	**56,212**	**83,089**
Balance as at December 31, 2012	**93,963**	**333,804**	**1,177,501**	**408,656**	**211,502**

Exploration and evaluation assets for the six-month period					
	Duval ($)	Lemare ($)	Nisk ($)	Rosebay ($)	Valiquette ($)
Balance as at June 30, 2012	**262,475**	**188,885**	**554,854**	**71,282**	**415,815**
Supervision, salaries and fringe benefits	2,137	130,844	11,417	754	5,022
Geology and geophysics	-	132,196	4,305	2,190	(1,742)
Test, sampling and prospecting	-	86,043	11,937	-	10,760
Drilling, equipment rental and other material	-	177	897	-	781
Lodging and meals	21	49,059	4,383	21	2,267
General exploration expenses	1,251	1,082	8,036	154	2,503
Increase for the period	**3,409**	**399,401**	**40,975**	**3,119**	**19,591**
Balance as at December 31, 2012	**265,884**	**588,286**	**595,829**	**74,401**	**435,406**

Selected quarterly data

Operating results for each of the last 7 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.

Operating results as at:	Finance income ($)	Loss (profit) before income taxes ($)	Comprehensive loss ($)	Loss per share – basic and diluted ($)
December 31, 2012	1,688	148,060	195,287	0.005
September 30, 2012	2,616	100,256	143,280	0.004
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

Common shares:

Outstanding shares information as at:	Common shares outstanding	Number of weighted average Common shares outstanding
As at the date of this report	50,567,900	39,213,039
December 31, 2012	50,567,900	37,797,195
September 30, 2012	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

Selected quarterly data (continued)

Share purchase options:

Outstanding share purchase options as at:	Options issued	Options exercisable	Average exercise strike price ($)
As at the date of this report	2,955,000	2,625,000	0.33
December 31, 2012	2,650,000	2,650,000	0.34
September 30, 2012	2,200,000	2,100,000	0.37
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 December 31, 2012, the Company had 2,650,000 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 January 1, 2013 and the date of this report, the Company issued 150,000 options to Vincent Janelle upon being appointed as Vice President Investors relation of the Company, allowing him to subscribe, after a holding period of 4 months, Common Shares at a price of $0.25 per Common Share for a period of 60 months from the issue date. Furthermore, the Company also issued 180,000 options to other employees, allow their holders to subscribe, after a holding period of 4 months, Common Shares at a price of $0.25 per Common Share for a period of 60 months from the issue date.

Warrants:

Outstanding warrants to shareholders as at:	Warrants issued to shareholders	Warrants exercisable	Average strike price ($)
As at the date of this report	13,861,400	13,861,400	0.27
December 31, 2012	13,961,400	13,961,400	0.27
September 30, 2012	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

Outstanding warrants to shareholders as at:	Warrants issued to shareholders	Warrants exercisable	Average strike price ($)
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	695,390	695,390	0.22
December 31, 2012	695,390	695,390	0.22
September 30, 2012	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 December 31, 2012, the Company had issued 13,961,400 exercisable warrants to shareholders and 695,390 exercisable warrants to brokers. Each warrant allows its holder to subscribe 1 common share at a price varying between $0.20 per share to $0.30 per share for a period varying between 24 and 36 months following their issue date.

Related Party Transactions and Commercial Objectives

During the three-month and six-month periods that ended December 31, 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.

Related Party Transactions and Commercial Objectives (continued)

Three-month period ended December 31	2012 ($)	2011 ($)
Salary and fringe benefits paid to key management personnel	53,725	42,888
Share-based payments paid to key management personnel	33,809	6,812
Fees and expenses towards the external directors	19,531	21,167
Share-based payments towards the directors	6,931	-

Six-month period ended December 31	2012 ($)	2011 ($)
Salary and fringe benefits paid to key management personnel	92,837	83,513
Share-based payments paid to key management personnel	44,870	138,019
Fees and expenses towards the external directors	33,531	33,250
Share-based payments towards the directors	22,271	149,666

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.

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.

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.

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.

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 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.

Obligations and contractual commitments (continued)

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

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.

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.

Obligations and contractual commitments (continued)

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 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).

Debt purchase agreement

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.

Additional information required from junior issuers with no significant income

The Company reports the information on its exploration and evaluation assets in note 5 of its unaudited condensed interim financial statements for the period that ended December 31, 2012.

Additional information required from junior issuers with no significant income (continued)

The Company has no research and development expenses.

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

The office and general administrative expenses for the three-month and six-month periods ended December 31, 2012 as well as the same period for the previous year are composed of the following expenses:

Rent, office and other expenses for the three-month period ended December 31		
	2012 ($)	**2011 ($)**
Mining claims [1]	-	5,948
Office supplies and mailing	1,354	2,949
Insurances, taxes and permits	4,856	3,941
Office and equipment lease and maintenance	2,367	12,174
Telecommunications	496	1,896
Training, HR activities and other expenses	1,409	4,104
Total	**10,482**	**31,012**

(1) The comparative amount was re-classed to the mining properties in the statement of financial position as at June 30, 2012.

Rent, office and other expenses for the six-month period ended December 31		
	2012 ($)	**2011 ($)**
Mining claims [1]	-	11,623
Office supplies and mailing	4,974	4,396
Insurances, taxes and permits	10,053	7,570
Office and equipment lease and maintenance	6,763	21,185
Telecommunications	1,909	3,670
Training, HR activities and other expenses	1,409	11,924
Total	**25,108**	**60,368**

(2) The comparative amount was re-classed to the mining properties in the statement of financial position as at June 30, 2012.

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
December 14 and 20, 2012	Brokered private placement	Common shares	1,463,800	**Purpose:** General administrative expenses and mining properties acquisition. **Use of funds:** As at December 31, 2012, an amount of $389,033 will be used to pay the financing costs related to this financing, of which a total of $269,592 was already disbursed as at December 31, 2012.
		Flow-through shares	1,647,200	**Purpose:** Exploration work on the properties owned by the Company. **Use of funds:** Between December 14 and December 31, 2012, a total amount of $54,869 was used for exploration work. The balance of $1,592,331 will be used by the Company for exploration work during the calendar year 2013. This is in line with the expected use of funds.
June 20, 2012	Private placement	Common shares	586,250	**Purpose:** General administrative expenses and mining properties acquisition. **Use of funds:** Between July 1, 2012 and December 31, 2012, a total of $307,327 was used for general administrative expenses, which is in line with the budget approved by the Board of Directors. Furthermore, an amount of $40,000 was used to buy back a 1.6% royalty that was attached to the Arques, Bourier, Lemare and Nisk properties.

Financing sources (continued)

Date	Type	Financings	Amount ($)	Use of proceeds
June 10, 2011	Prospectus, Initial public offering	Common shares	2,000,000	**Purpose:** General administrative expenses and mining properties acquisition. **Use of funds:** A total of $1,032,409 was used to pay the financing costs related to this IPO, leaving a net balance of $967,591. Between the start of operations of the Company and June 30, 2012, a total of $835,473 of the net balance was used for general administrative expenses and a total of $139,730 was used for the acquisition of mining properties. In addition, a total amount of $173,670 (net of the $109,869 tax credit reimbursed) of this funding was used for prospecting and exploration work.
		Flow-through shares	4,000,000	**Purpose:** Exploration work on the properties owned by the Company. **Use of funds:** Between July 1, 2011 and December 31, 2012, exploration work has been done on the properties owned by the Company. The full amount of this financing was used for exploration work on the Company's properties, as detailed in note 5 of the financial statements for the period covered by this report. The use of funds is in line with the expected use of proceeds indicated in the final prospectus.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

(a) Statement of compliance:

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

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.

SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

Basis of presentation (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.

Significant accounting policies:

The condensed interim financial statements for the three-month and six-month periods ending December 31, 2012 have been prepared following the same accounting policies used in the audited financial statements for the years ended June 30, 2012.

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 287 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 $20,750 will have to be filed with the "Ministère des Ressources Naturelles et de la Faune", and mining rights in the amount of $20,898 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 Proxy Circular can be found on the website www.sedar.com and on our website at www.monarquesresources.com.

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