CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED
JUNE 30, 2014 AND 2013

MONARQUES RESOURCES INC.

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Years ended June 30, 2014 and 2013

Consolidated Financial Statements

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MONARQUES RESOURCES INC.

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated 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 audited consolidated financial statements and other financial information presented in this Annual Report. Other information included in these audited consolidated financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the audited consolidated financial statements are presented fairly in all material respects.

Systems 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 audited consolidated 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 audited consolidated financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The audited consolidated financial statements for the years ended June 30, 2014 and 2013 have been audited by KPMG LLP, the independent auditors. 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 consolidated 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 consolidated financial statements. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

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

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Monarques Resources Inc.

We have audited the accompanying consolidated financial statements of Monarques Resources Inc., which comprise the consolidated statements of financial position as at June 30, 2014 and June 30, 2013, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Monarques Resources Inc. as at June 30, 2014 and June 30, 2013, and its financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

KPMG LLP*

October 14, 2014

Montréal, Canada

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND JUNE 30, 2013

	NOTE	JUNE 30, 2014	JUNE 30, 2013
		$	$
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	12 (E)	**1,245,702**	2,093,271
Sales tax receivable		**24,251**	13,871
Marketable securities	8	**75,000**	-
Other receivables and deposits		**-**	35,000
Prepaid expenses		**11,850**	8,977
		1,356,803	2,151,119
NON-CURRENT ASSETS:			
Deposits to suppliers for exploration and evaluation expense		**10,838**	-
In trust deposit	5	**105,178**	-
Mining properties	6	**2,695,335**	7,803,136
Exploration and evaluation assets	7	**1,064,432**	4,727,923
		3,875,783	12,531,059
TOTAL ASSETS		**5,232,586**	14,682,178
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		**243,662**	191,591
Liability related to flow-through shares	9 (i) (iv)	**28,523**	190,214
		272,185	381,805
NON-CURRENT LIABILITIES:			
Deferred income taxes and mining taxes	17	**-**	517,022
Assets retirement obligations	13	**105,178**	-
TOTAL LIABILITIES		**377,363**	898,827
EQUITY:			
Share capital and warrants	9	**17,825,872**	16,299,618
Contributed surplus		**611,166**	486,515
Accumulated other comprehensive income		**50,000**	-
Deficit		**(13,631,815)**	(3,002,782)
		4,855,223	13,783,351
TOTAL LIABILITIES AND EQUITY		**5,232,586**	14,682,178

Reporting entity, nature of operations and going concern (Note 1);

Contingencies (Note 11); Commitments (Note 12);

The notes on pages 9 to 44 are an integral part of these consolidated financial statements.

On behalf of the Board:

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

YEARS ENDED JUNE 30, 2014 AND 2013

	NOTE	2014	2013
		$	$
Expenses:			
Compensation	16	**399,998**	366,706
Share-based payments		**124,651**	90,926
Rent, office and other expenses		**52,623**	45,795
Registration, listing fees and shareholders' information		**55,620**	59,901
Promotion and advertising		**31,933**	5,248
Representation, missions and trade shows		**33,900**	17,924
Consultant fees		**38,005**	51,549
Professional fees		**116,537**	76,836
Total expenses		**853,267**	**714,885**
Net finance (income) expense:			
Finance income		**(14,701)**	(17,638)
Finance expense		**12,880**	3,333
		(1,821)	**(14,305)**
Operating loss		**851,446**	700,580
Other items:			
Other income related to flow-through shares		**(212,091)**	(255,914)
Change in fair value of available-for-sale marketable securities		**50,000**	-
Impairment of exploration and evaluation assets		**4,395,437**	111,597
Impairment of mining properties		**5,941,317**	61,312
Profit on the sale of an hypothec		**-**	(288,381)
		10,174,663	**(371,386)**
Loss before income taxes		**11,026,109**	**329,194**
Income tax (recovery) expense	17	**(517,022)**	211,328
Net loss for the year		**10,509,087**	**540,522**
Other comprehensive loss			
Items that are or may be reclassified subsequently to net income or loss:			
Change in fair value of available-for-sale marketable securities		**(50,000)**	-
Comprehensive loss for the year		**10,459,087**	**540,522**
Basic and diluted loss per share		**0.193**	0.012
Weighted average number of shares outstanding		**54,224,684**	44,134,509

The notes on pages 9 to 44 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED JUNE 30, 2014 AND 2013

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME	DEFICIT	TOTAL
	$	$	$	$	$
BALANCE AS AT JUNE 30, 2013	16,299,618	486,515	-	(3,002,782)	**13,783,351**
EQUITY FINANCING:					
Issuance of shares	655,400	-	-	-	**655,400**
Flow-through shares	201,600	-	-	-	**201,600**
Flow-through shares premium	(50,400)	-	-	-	**(50,400)**
Mining properties	200,500	-	-	-	**200,500**
Exercise of warrants	515,900	-	-	-	**515,900**
Share issuance costs	-	-	-	(116,692)	**(116,692)**
OPTIONS:					
Granted to employees, officers, directors, consultants or I.R. representatives (note 10)	-	124,651	-	-	**124,651**
Granted to brokers	3,254	-	-	(3,254)	**-**
	17,825,872	**611,166**	**-**	**(3,122,728)**	**15,314,310**
NET LOSS FOR THE YEAR	-	-	-	(10,509,087)	**(10,509,087)**
OTHER COMPREHENSIVE INCOME:					
Change in fair value of available-for-sale marketable securities	-	-	50,000	-	**50,000**
BALANCE AS AT JUNE 30, 2014	**17,825,872**	**611,166**	**50,000**	**(13,631,815)**	**4,855,223**

The notes on pages 9 to 44 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

	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:				
Issuance of shares	1,463,800	-	-	1,463,800
Flow-through shares	1,647,200	-	-	1,647,200
Flow-through shares premium	(329,440)	-	-	(329,440)
Mining properties	25,000	-	-	25,000
Share issuance costs	-	-	(387,859)	(387,859)
OPTIONS:				
Granted to employees, officers, directors, consultants or I.R. representatives (note 10)	-	90,926	-	90,926
Granted to brokers	60,952	-	(60,952)	-
Recognition of deferred tax assets related to share issuance expenses	-	-	104,332	104,332
	16,299,618	**486,515**	**(2,462,260)**	**14,323,873**
Net loss for the year	-	-	(540,522)	(540,522)
BALANCE AS JUNE 30, 2013	**16,299,618**	**486,515**	**(3,002,782)**	**13,783,351**

The notes on pages 9 to 44 are an integral part of these consolidated financial statements.

	2014	2013
	$	$
Cash flows from operating activities:		
Loss for the year	(10,509,087)	(540,522)
Adjustments for:		
Share-based payments	124,651	90,926
Other income related to flow-through shares	(212,091)	(255,914)
Change in fair value of marketable securities financial assets	50,000	-
Impairment of exploration and evaluation assets (note 7)	4,395,437	111,597
Impairment of mining properties (note 6)	5,941,317	61,312
Deferred income tax (recovery) expense	(517,022)	211,328
Net change in non-cash operating working capital	77,048	(38,786)
	(649,747)	**(360,059)**
Cash flows from financing activities:		
Shares paid in cash	655,400	1,463,800
Flow-through shares	201,600	1,647,200
Exercise of warrants	515,900	-
Share issuance costs	(99,038)	(387,859)
	1,273,862	**2,723,141**
Cash flows from investing activities:		
Addition to mining properties	(326,388)	(132,576)
Deposits to suppliers for exploration and evaluation expense	(10,838)	-
Acquisition of marketable securities	(120,000)	-
Disposal of marketable securities	45,000	-
Increase in exploration and evaluation assets	(1,059,458)	(1,539,948)
	(1,471,684)	**(1,672,524)**
Net (decrease) increase in cash and cash equivalents	**(847,569)**	690,558
Cash and cash equivalents, beginning of year	2,093,271	1,402,713
Cash and cash equivalents, end of year	**1,245,702**	**2,093,271**

The notes on pages 9 to 44 are an integral part of these consolidated financial statements.

1. REPORTING ENTITY, NATURE OF OPERATIONS 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 shares trade 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 symbol NMX and owns 24.54% (31.25% as at June 30, 2013) of the share capital of the Company as at the date of these consolidated financial statements.

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

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 carrying amount of mining properties represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

Management expects that the working capital available to the Company at the end of the year will provide the Company with adequate funding, in order to cover its budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2014 calendar year exploration budget. Since the Company does not generate revenues, the Company will need to periodically obtain new funds to pursue its operations and, despite its ability to obtain funds in the past, there is no guarantee that it will be able to raise financing in the future.

These consolidated 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 indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated 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.

2. BASIS OF PREPARATION:

(A) STATEMENT OF COMPLIANCE:

These consolidated financial statements have been prepared in accordance with IFRS.

The accounting policies applied in these consolidated financial statements are based on IFRS issued and in effect as at the end of the year. On October 16, 2014, the Board of Directors approved, for issuance, these financial statements.

(B) BASIS OF MEASUREMENT:

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

The consolidated financial statements have been prepared on a going concern basis, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

(C) FUNCTIONAL AND PRESENTATION CURRENCY:

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

(D) USE OF ESTIMATES AND JUDGMENTS:

The preparation of 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 years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 3 (C) - determination of capitalizable costs as exploration and evaluation assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3 - assessment of refundable tax credits related to resources and credit on mining duties;
- Notes 3, 6 and 7 - recoverability of mining properties and capitalizable costs as exploration and evaluation assets;
- Notes 3 and 17 - recoverability of deferred income tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(A) Basis of consolidation:

Subsidiary

Subsidiaries are entities controlled by the Company. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company reassesses control on an ongoing basis. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

These consolidated financial statements include the accounts of the Company and the accounts of its subsidiary, X-Ore Resources Inc. ("X-Ore"), from the date X-Ore was acquired and wholly-owned on May 12, 2014 (see Note 4).

Transactions eliminated between the Company and the subsidiary

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated in preparing the consolidated financial statements.

(B) Financial instruments:

(i) Non-derivative financial assets

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents and other receivables and deposits.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(B) Financial instruments (continued):

(ii) Marketable securities:

Marketable securities are classified as available-for-sale financial assets. They are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income.

When marketable securities are derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Investments in publicly traded companies are recorded at fair value based on quoted closing prices at the consolidated statements of financial position date. Unrealized gains and losses are recorded in other comprehensive income.

For an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment. Impairment losses on available-for-sale financial assets are recognized by reclassifying losses accumulated in accumulated other comprehensive income to profit or loss. The cumulative loss that is reclassified from accumulated other comprehensive income is the difference between the acquisition cost and the current fair value, less any impairment losses recognized previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(iii) Non-derivative financial liabilities:

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

(iv) Fair value of financial instruments:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(C) Mining properties and exploration and evaluation assets:

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

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

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

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

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

(D) Impairment:

(i) Financial assets:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) Impairment (continued):

(ii) Non-financial assets:

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(E) Provision:

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

(F) Finance income and finance costs:

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

Interests received are classified under operating activities in the consolidated statements of cash flows as part of the loss for the year.

(G) Share capital and warrants:

Common shares

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

Flow-through shares

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

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

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

When tax deductions are renounced under the general method, the Company records a deferred tax liability with the corresponding charge to income tax expense when the Company has the expectation of renouncing and has capitalized the expenditures. At the same time the liability related to flow-through shares is reduced, with a corresponding increase to other income related to flow-through shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(G) Share capital and warrants (continued):

Flow-through shares **(continued)**

When tax deductions are renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are incurred and capitalized. At the same time, the liability related to flow-through shares would be reduced, with a corresponding increase to other income related to flow-through shares.

Warrants

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

(H) Share-based payments:

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

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

(I) Income tax:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(I) Income tax (continued):

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

Deferred taxes are recognized as income or expense in profit or loss, except to the extent that tax arises from business combinations and transactions recognized in equity.

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

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

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

The Company is eligible for a refundable credit on mining duties under the *Québec Mining Duties Act*. This refundable credit on mining duties is equal to 16% applicable on 50% of the eligible expenses. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

Currently, it is not management's intention to go into production in the future; as such, credit on mining duties are recorded against exploration and evaluation assets.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 38.75% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets. Since the expenses for exploration and evaluation assets have been financed with flow-through shares, the Company is not currently eligible for these tax credits since they have been transferred to investors.

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

(K) Earnings per share:

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

(L) Leases:

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed. Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Company are classified as operating leases. All leases are classified as operating leases and, as such, the leased assets are not recognized in the Company's consolidated statements of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(M) Adoption of new accounting standards:

The adoption of these new standards has not had a material impact on the financial statements.

(i) IFRS 13, Fair Value Measurement:

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

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

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

(ii) Amendments to IAS 1, Presentation of Financial Statements:

The amendments require that an entity present separately the items of other comprehensive income ("OCI") that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories.

The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.

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

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

IFRS 9, *Financial Instruments*:

In November 2009 the IASB issued IFRS 9, *Financial Instruments* (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

IFRS 9, *Financial Instruments* (continued):

In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9, *Financial Instruments* (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized; however, in its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for annual periods beginning on or after January 1, 2018.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

IFRS 9 (2010) introduces additional changes relating to financial liabilities.

IFRS 9 (2013) includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company does not intend to early adopt IFRS 9 (2009), IFRS 9 (2010) or IFRS 9 (2013) in its consolidated financial statements for the annual period beginning on July 1, 2014.

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities*:

In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities*. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively.

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set off if that right is:

- not contingent on a future event; and

- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* (continued):

The Company intends to adopt the amendments to IAS 32 in its financial statements for the annual period beginning July 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

IFRIC 21, *Levies*:

In May 2013, the IASB issued IFRIC 21, *Levies*. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively.

IFRIC 21 provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executor contracts or other contractual arrangements.

The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

The Company intends to adopt IFRIC 21 in its financial statements for the annual period beginning July 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

4. ACQUISITION OF X-ORE RESOURCES INC. (“X-ORE”):

On May 12, 2014, the Company acquired 9,999 or 99.99% of all issued and outstanding common shares of X-Ore pursuant to the proposal of X-Ore under the *Bankruptcy and Insolvency Act*. The agreed subscription price for such shares consisted of $110,000 in cash and 1,455,000 common shares of the Company having a value of $145,500 as at May 12, 2014, for a total purchase price of $255,500.The Company determined that the acquisition was not a business in accordance with the definition in *IFRS 3, Business Combinations*, and therefore it accounted for the acquisition as an asset acquisition rather than a business combination. Therefore, the value attributed to the mining properties is $255,500. Also, the Company recorded a liability of $105,178 under “Assets retirement obligations”, which amount is covered by a deposit in trust for the same value (see Note 5).

4. ACQUISITION OF X-ORE RESOURCES INC. ("X-ORE") (CONTINUED):

Assets acquired	**$**
50% of the Croinor property and 100% of the Croinor-Pershing property (see Note 6)	255,500
In trust deposit (see Note 5)	105,178
	360,678
Liabilities assumed	
Assets retirement obligations (see Note 13)	105,178
Net value of assets acquired	**255,500**
Consideration paid	**$**
Cash	110,000
1,455,000 shares issued by the Company (see Note 9)	145,500
	255,500

5. IN TRUST DEPOSIT:

As at June 30, 2014, the Company has invested $105,178 in term deposits in accordance with the current financial guarantee requirements set forth by the Ministère des Ressources naturelles et de la Faune of the province of Québec for future site restoration costs at the Croinor mining site. As updated mine closure plans submitted to and approved by this government body will be modified, the related financial guarantee will be adjusted accordingly. The term deposit bears interest at 1.10%, maturing on January 19, 2015.

6. MINING PROPERTIES:

Following the Company's decision to focus its time and resources on the acquisition & development of gold assets on the Cadillac Fault located in the Val-d'Or region an impairment was recognized on 10 mining properties located in the Nemaska region.

As a result, during the year ended June 30, 2014, an impairment charge of $5,941,317 was recorded on mining properties in the consolidated statements of loss and comprehensive loss. The recoverable amount was based on fair value less cost to sell which was estimated based on market participant information that management considered reasonable for assessment purposes and also based on other factors such as the current market conditions.

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6. MINING PROPERTIES (CONTINUED):

PROPERTIES [1]	LOCALIZATION	ROYALTIES [3]	JUNE 30, 2013	ACQUISITION (DISPOSITION)	IMPAIRMENT	JUNE 30, 2014
			$	$	$	**$**
Amiral [4]	SNRC 32O14, 32B03	-	716	-	(716)	-
Arques [4]	SNRC 32O13, 32O14	-	1,100,865	2,116	(1,102,981)	**-**
Belcourt Gold	SNRC 32C06	1.5%	-	3,453	-	**3,453**
Bourier [4]	SNRC 32O14, 32O15, 33B02, 33B03	-	912,000	597	(912,597)	-
Caumont [4]	SNRC 32N07, 32N08, 32N09	-	240,691	-	(240,691)	-
Croinor Gold [2 a]	SNRC 32C02, 32C03,	1.5%	-	2,498,252	-	**2,498,252**
Dumulon [4]	SNRC 32N09	-	3,325	-	(3,325)	-
Duval [4]	SNRC 32O12	-	304,576	380	(304,956)	-
Lemare [4]	SNRC 32O11, 32O12, 32O14	-	846,248	3,071	(849,319)	-
Nisk [4]	SNRC 32O11, 32O12, 32O13, 32O14	-	3,537,829	(1,768,222)	(1,769,607)	**-**
Regcourt Gold [2 b]	SNRC 32C03	2.5%	100,032	3,195	-	**103,227**
Rosebay [4]	SNRC 33B02	-	1,764	-	(1,764)	**-**
Simkar Gold [2 c]	SNRC 32C04	1.5%	-	90,403	-	**90,403**
Valiquette [4]	SNRC 32N09, 32O12	-	755,090	271	(755,361)	-
			7,803,136	**833,516**	**(5,941,317)**	**2,695,335**

(1) Properties are all located in the province of Québec, Canada.

(2) The following properties consolidation took place:

- **a.** The Bel-Rive, Lac Tavernier, Croinor and Croinor-Pershing properties were consolidated to now form the Croinor Gold property.
- **b.** The Plator I, Plator II, Plator III, Plator IV, Plator V and the Regcourt properties were consolidated to now form the Regcourt Gold property.
- **c.** The Simkar and Tex-Sol properties were consolidated to now form the Simkar Gold property.

(3) 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. (See Note 12).

(4) These properties were transferred to Critical Element Corporation on May 12, 2014 in exchange of their 50% interest in the Croinor property.

6. MINING PROPERTIES (CONTINUED):

PROPERTIES [1]	LOCALIZATION	ROYALTIES [2]	JUNE 30, 2012	ACQUISITION	IMPAIRMENT	JUNE 30, 2013
			$	$	$	**$**
Amiral	SNRC 32O14, 32B03	-	3,505	434	(3,223)	**716**
Arques	SNRC 32O13, 32O14	1.4% to 2%	1,090,517	15,544	(5,196)	**1,100,865**
Bourier	SNRC 32O14, 32O15, 33B02, 33B03	1.4%	897,595	14,405	-	**912,000**
Caumont	SNRC 32N07, 32N08, 32N09	1.5% to 2%	239,769	922	-	**240,691**
Dumulon	SNRC 32N09	-	1,643	1,682	-	**3,325**
Duval	SNRC 32O12	2%	309,294	1,139	(5,857)	**304,576**
Lemare	SNRC 32O11, 32O12, 32O14	1.4% to 2%	833,102	13,146	-	**846,248**
Nisk	SNRC 32O11, 32O12, 32O13, 32O14	1.4% to 2%	3,569,910	7,458	(39,539)	**3,537,829**
Regcourt Gold [3]	SNRC 32C03	1%	-	100,032	-	**100,032**
Rosebay	SNRC 33B02	-	7,749	1,512	(7,497)	**1,764**
Valiquette	SNRC 32N09, 32O12	2%	753,788	1,302	-	**755,090**
			7,706,872	**157,576**	**(61,312)**	**7,803,136**

[1] Properties are all located in the province of Québec, Canada.

[2] 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.

[3] The following properties consolidation took place: The Plator I, Plator II, Plator III, Plator IV, Plator V and the Regcourt properties were consolidated to now form the Regcourt Gold property.

7. EXPLORATION AND EVALUATION ASSETS:

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

	JUNE 30, 2013	EXPLORATION EXPENSES	IMPAIRMENT	TRANSFERRED	JUNE 30, 2014
	$	$	$	$	$
Amiral [2]	49,142	-	(49,142)	-	**-**
Arques [2]	338,340	-	(338,340)	-	**-**
Belcourt Gold	-	2,449	-	-	**2,449**
Bourier [2]	1,184,638	-	(1,184,638)	-	**-**
Caumont [2]	411,963	600	(412,563)	-	**-**
Croinor Gold [1 a]	-	12,071	-	-	**12,071**
Dumulon [2]	216,246	-	(216,246)	-	**-**
Duval [2]	265,538	-	(265,538)	-	**-**
Lemare [2]	1,154,229	600	(1,154,829)	-	**-**
Nisk [2]	611,455	1,800	(306,627)	(306,628)	**-**
Regcourt Gold [1 b]	28,858	6,027	-	-	**34,885**
Rosebay [2]	16,611	-	(16,611)	-	**-**
Simkar Gold [1 c]	-	1,015,027	-	-	**1,015,027**
Valiquette [2]	450,903	-	(450,903)	-	-
	4,727,923	**1,038,574**	**(4,395,437)**	**(306,628)**	**1,064,432**

(1) The following properties consolidation took place:

- **a.** The Bel-Rive, Lac Tavernier, Croinor and Croinor-Pershing properties were consolidated to now form the Croinor Gold property.
- **b.** The Plator I, Plator II, Plator III, Plator IV, Plator V and the Regcourt properties were consolidated to now form the Regcourt Gold property.
- **c.** The Simkar and Tex-Sol properties were consolidated to now form the Simkar Gold property.

(2) These properties were transferred to Critical Element Corporation on May 12, 2014 in exchange of their 50% interest in the Croinor property.

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

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

	JUNE 30, 2012	EXPLORATION EXPENSES	ADJUSTMENT ON MINING DUTIES	IMPAIRMENT	JUNE 30, 2013
	$	$	$	$	$
Amiral	93,492	3,428	-	(47,778)	49,142
Arques	324,771	10,581	2,988	-	338,340
Bourier	1,154,275	27,572	2,791	-	1,184,638
Caumont	352,444	59,519	-	-	411,963
Dumulon	128,413	87,833	-	-	216,246
Duval	262,475	3,711	-	(648)	265,538
Lemare	188,885	965,344	-	-	1,154,229
Nisk	554,854	54,602	3,778	(1,779)	611,455
Regcourt	-	28,858	-	-	28,858
Rosebay	71,282	6,721	-	(61,392)	16,611
Valiquette	415,815	31,618	3,470	-	450,903
	3,546,706	**1,279,787**	**13,027**	**(111,597)**	**4,727,923**

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

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

	YEAR ENDED JUNE 30, 2014	YEAR ENDED JUNE 30, 2013
	$	$
Exploration expenses:		
Salaries, supervision and consultants	**104,206**	347,625
Geology and geophysics	**69,179**	341,130
Test, sampling and prospecting	**87,495**	179,317
Drilling, equipment rental and other material	**771,369**	263,196
Lodging, meals and travel expenses	**6,325**	120,135
General exploration expenses	**-**	28,384
Increase of exploration expenses	**1,038,574**	1,279,787
Adjustment on mining duties	-	13,027
Impairment	(4,395,437)	(111,597)
Properties transferred to another company	(306,628)	-
Balance, beginning of period	4,727,923	3,546,706
Balance, end of year	**1,064,432**	4,727,923

Following the Company’s decision to focus its time and resources on the acquisition & development of gold assets on the Cadillac Fault located in the Val-d'Or region an impairment was recognized on 10 mining properties located in the Nemaska region.

As a result, during the year ended June 30, 2014, an impairment charge of $4,395,437 was recorded on exploration and evaluation assets in the consolidated statements of loss and comprehensive loss. The recoverable amount was based on fair value less cost to sell which was estimated based on market participant information that management considered reasonable for assessment purposes and also based on other factors such as the current market conditions.

8. MARKETABLE SECURITIES:

On September 23, 2013, the Company acquired a 50% undivided interest in the Simkar gold mining property owned by Eloro Resources Ltd. (“Eloro”) pursuant to a Conditional Asset Purchase Agreement entered into between the Company and Eloro.

Pursuant to the terms of the Agreement and in consideration of the acquisition, the Company committed to invest $120,000 as a private placement in the share capital of Eloro, at a price of $0.015 per common share, for a total of 8,000,000 common shares of Eloro.

Aside from the 8,000,000 common shares it acquired under the Offering, which are listed on the TSX Venture Exchange, the Company does not own any other securities of Eloro.

8. MARKETABLE SECURITIES (CONTINUED):

The common shares issued to the Company by Eloro are subject to different holding periods as follows: 1,600,000 shares on January 21, 2014; 1,600,000 shares until March 20, 2014; 2,400,000 shares until June 20, 2014; and 2,400,000 shares until September 20, 2014. As at June 30, 2014, a total of 5,600,000 shares have been released from escrow. The Company was also committed to carry out $750,000 in exploration work on the Simkar property, such amount was reached in November 2013.

In addition, the Company has undertaken to vote the common shares issued by Eloro in favour of the election of the individuals nominated by current members of Eloro's Board of directors, up until 18 months from the September 23, 2013 closing date of the transaction, or until the Company ceases to be the beneficial owner of the shares issued under this placement, whichever occurs first.

During the year, a loss in value of $80,000 was recorded as change in fair value of available-for-sale financial assets in the consolidated statements of loss and comprehensive loss due to the change in the market price of Eloro's shares from $0.015 to $0.005. On June 16, 2014, the Company sold 3,000,000 of Eloro's shares at a market price of $0.015 per share for a total fair value of $45,000, resulting in a gain of $30,000. This gain was recorded against the loss as change in fair value of available-for-sale financial assets in the consolidated statements of loss and comprehensive loss, resulting to a net loss of $50,000 during the year.

As at June 30, 2014, the Company still has 5,000,000 shares of Eloro and the closing price of Eloro's shares on the TSX Venture Stock Exchange was $0.015, for a total fair value of $75,000 and representing approximately 8.01% of Eloro's 62,398,480 common shares currently issued and outstanding as of June 30, 2014. During the year ended June 30, 2014, the significant decline in the fair value of Eloro's shares was recorded as a loss in the consolidated statements of loss and the increase in Eloro's shares was recorded in the consolidated statements of loss and comprehensive loss.

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9. 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	8,200,000	36,660,100	13,432,106
Paid in cash (ii)	6,842,950	7,319,000	1,497,727
Issued for mining properties (iii)	-	192,308	25,000
Flow-through shares (i) (ii)	3,023,840	6,588,800	1,344,785
Expired warrants	(3,510,000)	-	-
Balance at June 30, 2013 (i)	**14,556,790**	**50,760,208**	**16,299,618**
Paid in cash (v)	5,730,996	5,919,996	656,214
Flow-through shares (iv) (v)	693,000	1,260,000	153,640
Issued for mining properties (vi)	-	1,955,000	200,500
Exercise of warrants	(4,690,000)	4,690,000	515,900
Balance at June 30, 2014	**16,290,786**	**64,585,204**	**17,825,872**

(i) The carrying amount 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 June 30, 2013, the balance of the liability related to these flow-through shares was $190,214. A total amount of $190,214 has been fully recognized as other income related to flow-through shares in the consolidated statement of loss and comprehensive loss during the year ended June 30, 2014, representing the portion of the liability related to the increase in the exploration and evaluation assets during the year in relation with the total flow-through shares financing. Therefore, the balance of the liability related to these flow-through shares is nil as at June 30, 2014.

(ii) The fair value of $60,952 related to the warrants issued to brokers during the financing that occurred in December 2012 was added to the value of the share capital, with the counterpart to deficit, as disclosed in the consolidated statements of changes in shareholders' equity for the year ended June 30, 2013.

(iii) A total of 128,205 shares are escrowed as at June 30, 2014 (192,308 as at June 30, 2013). The common shares will be escrowed for a period of three years from the Closing Date, which was June 12, 2013, pursuant to the terms and conditions of an escrow agreement to be entered into between the Vendor and the Escrow Agent on the Closing Date (the "Escrow Agreement"). A proportion of 33% of the Escrow Shares shall be released from escrow at 12-month intervals from the Closing Date.

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

(iv) The carrying amount of these flow-through shares is presented net of the liability related to flow-through shares of $50,400 that was recorded when the flow-through shares were issued during the financing that occurred on December 23, 2013. As at June 30, 2014, the balance of the liability related to these flow-through shares was $28,523. An amount of $21,877 has been recognized as other income related to flow-through shares in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2014, 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.

(v) The fair value of $3,254 related to the warrants issued to brokers during the financing that occurred in December 2013 was added to the value of the share capital, with the counterpart to deficit, as disclosed in the consolidated statements of changes in shareholders' equity for the year ended June 30, 2014.

(vi) The common shares held by Critical Elements Corporation ("CEC") are subject to voluntary hold periods as follows: 250,000 common shares to be released six months after the closing of the transaction with CEC, which is November 12, 2014; and 250,000 common shares to be released 12 months after the closing of the CEC Transaction, which is May 12, 2015.

(A) YEAR ENDED JUNE 30, 2014:

On June 30, 2014, the Company closed a private placement for an aggregate gross proceeds of $405,000. Pursuant to this placement, the Company issued a total of 3,681,815 units offered at a price of $0.11 per unit. Each unit being comprised of 1 common share and 1 warrant. Each warrant entitles its holder thereof to purchase one common share at a price of $0.14 per common share, until June 30, 2016. All the securities are subject to a hold period of four (4) months and one day ending on October 31, 2014.

On June 11, 2014, a total of 1,490,000 warrants were exercised at a price of $0.11 per common share, following an approved warrants exercise price change from $0.20 to $0.11. The Company then issued a total of 1,490,000 common shares upon these exercises.

On May 16, 2014, a total of 400,000 warrants were exercised at a price of $0.11 per common share, following an approved warrants exercise price change from $0.20 to $0.11. The Company then issued a total of 400,000 common shares upon these exercises.

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

(A) YEAR ENDED JUNE 30, 2014 (CONTINUED):

On May 12, 2014, the Company acquired 9,999 or 99.99% of all issued and outstanding common shares of X-Ore Resources Inc. ("X-Ore") pursuant to the proposal of X-Ore under the *Bankruptcy and Insolvency Act*. The agreed subscription price for such shares consisted of $110,000 in cash and 1,455,000 common shares of the Company having a fair value of $145,500. The common shares issued by the Company upon the completion of the transaction are escrowed for a period of six months following the closing of the transaction, and in accordance with the applicable securities regulations, will be subject to a hold period of four months and one day which expired on September 13, 2014. On May 12, 2014, X-Ore owned fifty percent (50%) of the Croinor property and 100% of the Croinor-Pershing property. The mining properties are located approximately 70 kilometres east of Val-d'Or by road. They cover a total area of 55 square kilometres and comprise 212 mining claims and one mining lease.

On May 12, 2014, in parallel with the transaction with X-Ore, the Company completed the acquisition of the other undivided 50% interest in the Croinor property from Critical Elements Corporation (“CEC”), which was initially announced on December 17, 2013. In consideration of this acquisition, the Company issued 500,000 common shares of its share capital to CEC having a fair value of $0.11 per common share, and transferred its interest in 10 mineral properties in the James Bay area to CEC: the Amiral, Arques, Bourier, Caumont, Dumulon, Duval, Lemare, Nisk, Rosebay and Valiquette (see Notes 6 and 7). The common shares held by CEC will be subject to voluntary hold periods as follows: 250,000 common shares to be released six months after the closing of the CEC Transaction and 250,000 common shares to be released 12 months after the closing of the CEC Transaction.

On February 10, 2014, a total of 800,000 warrants were exercised at a price of $0.11 per common share, following an approved warrants exercise price change from $0.20 to $0.11. The Company then issued a total of 800,000 common shares upon these exercises.

On February 7, 2014, the Company closed a private placement for an aggregate gross proceeds of $200,000. Pursuant to this placement, the Company issued a total of 1,818,181 units offered at a price of $0.11 per unit. Each unit being comprised of 1 common share and 1 warrant. Each warrant entitles its holder thereof to purchase one common share at a price of $0.14 per common share, until February 7, 2016.

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

(A) YEAR ENDED JUNE 30, 2014 (CONTINUED):

On December 23, 2013, the Company closed a brokered private placement for an aggregate gross proceeds of $252,000. Pursuant to this placement, the Company issued a total of 210 flow-through units offered at a price of $1,200 per unit. Each unit being comprised of 6,000 flow-through shares at a price of $0.16 per flow-through share, 2,000 common shares at a price of $0.12 per common share, and 4,000 warrants. Each warrant entitles its holder thereof to purchase one common share at a price of $0.20 per common share, until December 23, 2015. In consideration for its services, the agent received a cash commission of $25,200 and 84,000 agent's compensation warrants to purchase, until December 23, 2015, a total of 84,000 common shares at a price of $0.12 per common share.

On November 21, 2013, a total of 2,000,000 warrants were exercised at a price of $0.11 per common share, following an approved warrants exercise price change from $0.20 to $0.11. The Company then issued a total of 2,000,000 common shares upon these exercises.

(B) YEAR ENDED JUNE 30, 2013

On June 12, 2013 the Company issued, to Plato Gold Corp., 192,308 common shares at a price of $0.13 per share for a value of $25,000 in relation to the acquisition of 192 mining claims composing the Plator I, Plator II, Plator III, Plator IV and Plator V mining properties.

On December 21, 2012, the Company closed the second tranche of its brokered private placement for an aggregate gross proceeds of $940,000. Pursuant to this placement, the Company 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, 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 warrants related to this financing were listed on the TSX Venture Exchange on May 2, 2013. In consideration for its services, the Agent received a cash commission of $70,500 and 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 this placement, 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.

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

(B) YEAR ENDED JUNE 30, 2013 (CONTINUED):

On December 14, 2012, the Company closed the first tranche of its brokered private placement for an aggregate amount of $2,171,000. Pursuant to this first tranche of the placement, the Company 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 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 this placement. The warrants related to this financing were listed on the TSX Venture Exchange on May 2, 2013. In consideration for its services, the Agent received a cash commission of $162,825 and 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 this placement, 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.

(C) WARRANTS GRANTED TO OTHERS THAN THE BROKERS:

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

	YEAR ENDED JUNE 30, 2014		YEAR ENDED JUNE 30, 2013	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of year	**13,861,400**	**0.27**	7,290,000	0.29
Granted	**6,339,996**	**0.15**	9,171,400	0.30
Exercised	**(4,690,000)**	[1] **0.11**	-	-
Expired	**-**	**-**	(2,600,000)	0.45
Outstanding, end of year	**15,511,396**	**0.25**	13,861,400	0.27

[1] Exercise price changed from $0.20 to $0.11 was approved by the shareholders at the Annual General Meeting held on November 29, 2013.

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

(C) WARRANTS GRANTED TO OTHERS THAN THE BROKERS (CONTINUED):

The following table summarizes the information relating to the warrants:

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2014	EXERCISE PRICE	EXPIRY DATE
	$	
9,171,400 (exercisable)	0.30	December 2015
840,000 (exercisable)	0.20	December 2015
1,818,181 (exercisable)	0.14	February 2016
3,681,815 (exercisable)	0.14	June 2016

(D) WARRANTS GRANTED TO BROKERS:

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

	YEAR ENDED JUNE 30, 2014		YEAR ENDED JUNE 30, 2013	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of year	695,390	0.22	910,000	0.40
Granted	84,000	0.12	695,390	0.22
Expired	-	-	(910,000)	0.40
Outstanding, end of year	**779,390**	**0.21**	695,390	0.22

	YEAR ENDED JUNE 30, 2014	YEAR ENDED JUNE 30, 2013
	$	$
Weighted average fair value of share purchase warrants granted during the year	0.04	0.09

9. 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:

	YEAR ENDED JUNE 30, 2014	YEAR ENDED JUNE 30, 2013
Risk-free interest rate	1.07%	1.10%
Expected annual dividend rate	0%	0%
Expected annualized volatility	95%	75%
Expected life of warrants	**2 years**	3 years

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

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2014	EXERCISE PRICE	EXPIRY DATE
	$	
329,440 (exercisable)	0.25	December 2015
365,950 (exercisable)	0.20	December 2015
84,000 (exercisable)	0.12	December 2015

10. 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 of the Company that may be reserved for issuance under the Plan shall not be greater than 10% of the issued shares 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 two to five years.

10. SHARE PURCHASE OPTIONS (CONTINUED):

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

	YEAR ENDED JUNE 30, 2014		YEAR ENDED JUNE 30, 2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	2,755,000	0.33	2,250,000	0.40
Granted	1,520,000	0.15	1,080,000	0.20
Expired	(578,750)	0.32	(575,000)	0.38
Outstanding, end of year	**3,696,250**	**0.25**	2,755,000	0.33
Exercisable, end of year	**3,506,250**	**0.25**	2,627,500	0.33

	YEAR ENDED JUNE 30, 2014	YEAR ENDED JUNE 30, 2013
	$	$
Weighted average fair value of share purchase options granted during the year	**0.08**	0.09

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

	YEAR ENDED JUNE 30, 2014	YEAR ENDED JUNE 30, 2013
Risk-free interest rate	1.54%	1.25%
Expected annual dividend rate	0%	0%
Expected annualized volatility	91%	95%
Expected life of options	5 years	5 years

For the year ended June 30, 2014, the application of the fair value model resulted in share-based payments expenses of $124,651 ($90,926 in 2013).

10. SHARE PURCHASE OPTIONS (CONTINUED):

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

NUMBER OF OPTIONS OUTSTANDING AS AT JUNE 30, 2014		EXERCISE PRICE	EXPIRY DATE
Outstanding	Exercisable	$	
11,250	11,250	0.250	August 2014
1,250,000	1,250,000	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
165,000	127,500	0.250	January 2018
850,000	750,000	0.150	September 2018
670,000	617,500	0.140	June 2019
3,696,250	**3,506,250**		

11. 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 obligations 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.

12. COMMITMENTS:

(A) REGCOURT GOLD

The Company has agreed to pay to Plato Gold Inc. a 1% Net Smelter Return (“NSR”) on all metals on some of the claims forming the property and has the right, at any time before commercial production, to purchase this 1% NSR by paying the seller $1,000,000 in cash. Also, the Company has agreed to pay to Eloro Resources Inc. a 1.5% Net Smelter Return (“NSR”) on all metals from the claims and has the right, at any time before commercial production, to purchase 1/3 of this NSR by paying Eloro Resources Inc. $1,000,000 in cash.

12. COMMITMENTS (CONTINUED):

(B) SIMKAR GOLD

The Company has agreed to pay to Eloro Resources Inc. a royalty equal to 1.5% Net Smelter Return ("NSR") on all metals on the claims acquired and has the right, at any time before commercial production, to purchase 1/3 of this NSR by paying the beneficiary a total of $1,000,000 in cash. This buyback clause does not apply to 11 of the claims forming the property.

(C) BELCOURT GOLD

The Company has agreed to pay to Eloro Resources Inc. a royalty equal to 1.5% Net Smelter Return ("NSR") on all metals on the claims acquired and has the right, at any time before commercial production, to purchase 1/3 of this NSR by paying the beneficiary a total of $1,000,000 in cash.

(D) CROINOR GOLD

The Company has agreed to pay to the beneficiaries a total royalty of 1.5% Net Smelter Return ("NSR") on all metals on some of the claims acquired and has the right, at any time before commercial production, to purchase 50% of this NSR by paying the beneficiaries a total of $500,000 in cash.

(E) FLOW-THROUGH SHARES

The Company was 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. The Company has fulfilled this commitment since it incurred a cumulative amount of $1,647,200 of eligible expenses as at December 31, 2013 ($696,130 as at June 30, 2013) and has no funds reserved for exploration ($951,070 as at June 30, 2013) related to 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 $201,600 by December 31, 2014, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through share completed on December 23, 2013. Related to this committed amount, the Company incurred a cumulative amount of $87,505 of eligible expenses as at June 30, 2014 and has funds reserved for exploration amounting to $114,095.

13. ASSETS RETIREMENT OBLIGATIONS:

The Company's provision consist primarily of assets retirement obligations for costs associated with mine reclamation and closure activities at the Croinor property, following the acquisition of "X-Ore". In determining the estimated costs, the Company considers such factors as changes in laws and regulations and requirements under existing permits. Since there is no mining activity actually on the mining site, the amount of $105,178 set aside as in trust deposits is considered acceptable by the government authorities and also represents the management best estimate based on the information available. The Company is currently preparing an updated mine closure plan which will be submitted to the government authorities before the end of fiscal 2015 and the provision will be adjusted accordingly as required. Any adjustment in the future to this provision will affect the Company's results.

14. RELATED PARTY TRANSACTIONS:

The Company has no ultimate parent.

Inter-company transactions carried out during the year ended June 30, 2014 between the Company and Nemaska (entity having significant influence over the Company), totalled a net amount of $120,968 ($73,133 in 2013) as follows: Nemaska charged to the Company for the following: $107,768 ($138,796 in 2013) of compensation and $13,200 ($18,228 in 2013) as general administrative and office expenses, while nil ($230,157 in 2013) of exploration and evaluation costs was charged to Nemaska by the Company.

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. There is no inter-company balance payable by the Company to Nemaska as at June 30, 2014 and as at June 30, 2013.

15. ITEMS NOT AFFECTING CASH AND CASH EQUIVALENTS:

	June 30, 2014	June 30, 2013
	$	$
Non-cash items:		
Acquisition of mining properties by issuance of shares and warrants	**200,500**	25,000
Acquisition of mining properties by transfer of mining properties	**2,074,850**	-
Change in estimates related to credit for mining duties added back to exploration and evaluation assets	**-**	(13,027)
Share issuance costs not yet disbursed at the end of the year	**17,654**	-
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	**(20,884)**	(260,161)

16. COMPENSATION:

	June 30, 2014	June 30, 2013
	$	$
Wages and fringe benefits paid to key management personnel	**312,265**	259,631
Wages and fringe benefits paid to the other staff employees	**32,634**	39,544
Fees paid to the members of the Board of Directors	**55,099**	67,531
	399,998	**366,706**

During the year ended June 30, 2014, the Company incurred $124,651 ($90,926 in 2013) of share-based payments expenses, of which $53,738 ($56,571 in 2013) were attributed to key management personnel and $56,297 ($22,271 in 2013) were attributed to the members of the Board of directors in relation with the share purchase options granted.

17. INCOME TAXES 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% (26.90% in 2013) to the loss before income taxes due to the following:

	June 30, 2014	June 30, 2013
	$	$
Loss before income taxes	**(11,026,109)**	(329,194)
Expected tax recovery	**(2,966,023)**	(88,553)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	**33,531**	24,459
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	**279,376**	344,263
Current year losses for which no deferred tax assets recognised	**1,675,189**	-
Permanent difference arising from the non-taxable income related to flow-through shares	**(57,052)**	(68,841)
Permanent difference arising from the write down of mineral properties	**2,003,891**	-
Non deductible capital loss related to change in fair value of marketable securities financial assets	**20,713**	-
Acquisition of X-Ore Resources Inc.	**(1,506,647)**	-
Income tax (recovery) expense	**(517,022)**	**211,328**

17. INCOME TAXES AND MINING TAXES (CONTINUED):

Movements in temporary differences during the year ended June 30, 2014 and June 30, 2013 are detailed as follows:

	BALANCE JUNE 30, 2013	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED DIRECTLY IN EQUITY	BALANCE JUNE 30, 2014
	$	$	$	**$**
Deferred tax assets:				
Operating losses	466,963	(359,039)	-	**107,924**
Share issuance costs	229,949	(80,405)	-	**149,544**
	696,912	(439,444)	-	**257,468**
Deferred tax liabilities:				
Exploration and evaluation assets	(1,230,427)	903,467	-	**(326,960)**
Mining properties	16,493	52,999	-	**69,492**
	(1,213,934)	956,466	-	**(257,468)**
	(517,022)	**517,022**	**-**	**-**

	BALANCE JUNE 30, 2012	RECOGNIZED IN PROFIT OR LOSS	RECOGNIZED DIRECTLY IN EQUITY	BALANCE JUNE 30, 2013
	$	$	$	$
Deferred tax assets:				
Operating losses	304,553	162,410	-	466,963
Share issuance costs	201,604	(75,987)	104,332	229,949
	506,157	86,423	104,332	696,912
Deferred tax liabilities:				
Exploration and evaluation assets	(916,183)	(314,244)	-	(1,230,427)
Mining properties	-	16,493	-	16,493
	(916,183)	(297,751)	-	1,213,934
	(410,026)	**(211,328)**	**104,332**	**(517,022)**

17. INCOME TAXES AND MINING TAXES (CONTINUED):

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

	June 30, 2014	June 30, 2013
	$	$
Non-capital losses carry forwards	**1,545,838**	-
Share issuance costs	**160,741**	-
	1,706,579	**-**

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

As at June 30, 2014, the Company has the following non-capital tax losses, available to reduce future years income for tax purposes:

YEAR INCURRED	FEDERAL	PROVINCIAL	EXPIRY
	$	$	
2007	480,017	420,695	2027
2008	566,242	563,958	2028
2009	187,288	186,829	2029
2010	-	-	2030
2011	212,153	212,153	2031
2012	1,019,747	1,019,747	2032
2013	801,250	801,250	2033
2014	1,027,187	1,027,187	2034
	4,293,884	**4,231,819**	

Following the acquisition by the Company of X-Ore Resources on May 12, 2014, the Company has acquired deferred tax assets relating to non-capital tax losses incurred from 2007 to 2014, which were not recognised in the balance sheet. These tax losses are available to reduce the subsidiary future years income taxes.

18. 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.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT:

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of short-term financial assets and liabilities, which include cash and cash equivalents, sales tax receivable, term deposit, other receivables and deposits and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these financial instruments.

RISK EXPOSURE AND MANAGEMENT

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

(i) MARKET RISK:

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

Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash equivalents bear interest at a fixed rate of 1.25% per year. In relation with those items, there is no exposure to fair value variation due to the fact that they are redeemable at any time. The other financial assets and liabilities of the Company as at the financial statement date do not represent interest risk because they are without interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

Currency risk:

The Company is not exposed to currency fluctuations as all transactions up to now have occurred in Canadian dollars, which is the functional currency of the Company.

(ii) CREDIT RISK:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash and cash equivalents, other receivables and the carrying amount of these financial assets represents the Company's maximum exposure to credit risk as at the date of the financial statements. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED):

RISK EXPOSURE AND MANAGEMENT (CONTINUED)

(iii) **LIQUIDITY RISK:**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities as they fall due.

The Company manages liquidity risk through the management of its capital structure as outlined in Note 20. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at June 30, 2014, all of the Company's financial liabilities had contractual maturities of less than one year and the Company had enough funds available to meet its current financial liabilities. At the same date, the Company had $1,131,607 in cash and cash equivalents not reserved for exploration ($1,142,202 as at June 30, 2013) plus $24,251 in sales tax receivables ($13,871 as at June 30, 2013) to meet its financial liabilities and future financial liabilities from its commitments. The Company also had $114,095 ($951,069 as at June 30, 2013) of funds reserved for exploration as at June 30, 2014.

20. CAPITAL MANAGEMENT:

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

As at June 30, 2014, the Company's capital consists of shareholders' equity amounting to $4,855,223 ($13,783,351 as at June 30, 2013).

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

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

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

The Company is subject to regulatory requirements related to the use of funds obtained by flow-through shares financing. These funds have to be incurred for eligible exploration expenses in accordance with the Canada *Income Tax Act* and Québec *Taxation Act* (see Note 12 (E)). During the year, the Company complied with all of its regulatory requirements. The Company has a no dividend policy.