

CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)



THREE-MONTH PERIOD ENDED
SEPTEMBER 30, 2013
1ST QUARTER

MONARQUES RESOURCES INC.

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Three-month period ended September 30, 2013

Condensed Interim Financial Statements

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MONARQUES RESOURCES INC.

Management's Report

Management's responsibility for financial reporting

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

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

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and is mainly composed of independent outside directors. The Audit Committee meets periodically with management and the independent auditors to review accounting, auditing and internal control matters. These unaudited condensed interim financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The unaudited condensed interim financial statements for the periods ended September 30, 2013 and 2012 have been reviewed 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 financial statements in accordance with IFRS, and that all transactions are being made only in accordance with the authorization of management and/or directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

/s/ Jean-Marc Lacoste
Jean-Marc Lacoste, President and CEO

/s/ Steve Nadeau
Steve Nadeau, Chief Financial Officer

MONARQUES RESOURCES INC.

Condensed Interim Statements of Financial Position
(Unaudited)

September 30, 2013 and June 30, 2013

	Note	September 30, 2013	June 30, 2013
		\$	\$
Assets			
Current assets:			
Cash and cash equivalents	10 H)	1,698,543	2,093,271
Sales tax receivable		20,109	13,871
Investment	6	40,000	-
Other receivables		-	35,000
Prepaid expenses		10,049	8,977
		1,768,701	2,151,119
Non-current assets:			
Mining properties	4	7,896,283	7,803,136
Exploration and evaluation assets	5	4,778,138	4,727,923
		12,674,421	12,531,059
Total assets		14,443,122	14,682,178
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		202,129	191,591
Liability related to flow-through shares	7 (i)	180,171	190,214
		382,300	381,805
Non-current liabilities:			
Deferred income and mining taxes	14	487,141	517,022
Total liabilities		869,441	898,827
Equity:			
Share capital and warrants	7	16,299,618	16,299,618
Contributed surplus		571,387	486,515
Deficit		(3,297,324)	(3,002,782)
		13,573,681	13,783,351
Total liabilities and equity		14,443,122	14,682,178

Contingencies (Note 9); Commitments (Note 10); Subsequent events (Note 16)

The notes on pages 6 to 27 are an integral part of these unaudited condensed interim financial statements.

On behalf of the Board:

Jean-Marc Lacoste, Director

Michel Baril, Director

MONARQUES RESOURCES INC.

Condensed Interim Statements of Comprehensive Loss
(Unaudited)

Three-month period ended September 30, 2013 and 2012

	Note	September 30, 2013	September 30, 2012
		\$	\$
Expenses:			
Compensation	13	109,285	67,676
Share-based payments	8	84,872	32,037
Rent, office expenses and other expenses		10,904	14,625
Registration, listing fees and shareholders' information		3,416	5,594
Promotion and advertising		1,604	620
Representation, missions and trade shows		5,933	68
Consultant fees		7,546	26,279
Professional fees		31,335	12,481
Total expenses		254,895	159,380
Net finance expense (income):			
Finance income		(6,062)	(2,616)
Finance expense		5,633	532
		(429)	(2,084)
Operating loss		254,466	157,296
Other items			
Other income related to flow-through shares	7 (i)	(10,043)	(57,040)
Change in fair value of available-for-sale financial assets		80,000	-
		69,957	(57,040)
Loss before income taxes		324,423	100,256
Deferred income tax (recovery) or expense	14	(29,881)	43,024
Comprehensive loss for the period		294,542	143,280
Basic and diluted loss per share	15	0.006	0.004
Weighted average number of shares outstanding	15	50,760,208	36,660,100

The notes on pages 6 to 27 are an integral part of these unaudited condensed interim financial statements.

MONARQUES RESOURCES INC.

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

Periods ended September 30, 2013 and 2012

	Share capital and warrants	Contributed surplus	Deficit	Total
	\$	\$	\$	\$
Balance as at June 30, 2013	16,299,618	486,515	(3,002,782)	13,783,351
Options: Granted to employees, officers, directors, consultants or I.R. representatives (note 8)	-	84,872	-	84,872
	16,299,618	571,387	(3,002,782)	13,868,223
Loss for the period	-	-	(294,542)	(294,542)
Balance as at September 30, 2013	16,299,618	571,387	3,297,324	13,573,681

	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
Options: Granted to employees, officers, directors, consultants or I.R. representatives (note 8)	-	32,037	-	32,037
	13,432,106	427,626	(2,117,781)	11,741,951
Loss for the period	-	-	(143,280)	(143,280)
Balance as at September 30, 2012	13,432,106	427,626	(2,261,061)	11,598,671

The notes on pages 6 to 27 are an integral part of these unaudited condensed interim financial statements.

MONARQUES RESOURCES INC.

Condensed Interim Statements of Cash Flows
(Unaudited)

Periods ended September 20, 2013 and 2012

	September 30, 2013	September 30, 2012
	\$	\$
Cash flows from operating activities:		
Loss for the period	(294,542)	(143,280)
Adjustments for:		
Share-based payments	84,872	32,037
Other income related to flow-through shares	(10,043)	(57,040)
Change in fair value of available-for-sale financial assets	80,000	-
Deferred income tax (recovery) expense	(29,881)	43,024
Net change in non-cash operating working capital	25,350	(122,236)
	(144,244)	(247,495)
Cash flows from investing activities:		
Addition to mining properties	(93,147)	-
Increase in investment	(120,000)	-
Increase in exploration and evaluation assets	(37,337)	(348,059)
	(250,484)	(348,059)
Net decrease in cash and cash equivalents	(394,728)	(595,554)
Cash and cash equivalents, beginning of period	2,093,271	1,402,713
Cash and cash equivalents, end of period	1,698,543	807,159

Other information related to cash flows (note 12)

The notes on pages 6 to 27 are an integral part of these unaudited condensed interim financial statements.

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements
(Unaudited)

Three-month period ended September 30, 2013

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 31.25% (31.25% as at June 30, 2013) of the share capital of the Company.

The Company has not yet determined if the properties contain ore reserves are economically recoverable.

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

The recoverability of amounts shown for mining properties and related exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. As at the date of the financial statements, management determined that the net carrying value of mining properties represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

Management expects that the funds available to the Company at the end of the period will provide the Company with adequate funding for the remaining of the current fiscal year in order to meet its 2013-2014 budget for general and administrative expenses, to meet its short-term obligations associated with its financial liabilities, and to complete its 2013-2014 exploration budget by December 31, 2013. 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. If the Company is unable to obtain sufficient additional financing, it may have to delay, scale back or eliminate exploration plans which could harm the business, financial condition and results of operations, and could impact the Company's ability to continue as a going concern beyond the current fiscal year.

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and on the assumption of going concern. The application of IFRS under the assumption of going concern may be inappropriate because the above condition 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 condensed interim financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the assumption of going concern proves to be unfounded.

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

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

2. Basis of preparation:

(A) Statement of compliance:

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with those accounting policies followed by the Company in the most recent audited annual financial statements except where noted below. These unaudited condensed interim financial statements have been prepared under IFRS in accordance with IAS 34, Interim Financial Reporting. Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements and the notes thereto for the year ended June 30, 2013. On November 26, 2013, the Board of Directors approved, for issuance, these condensed interim financial statements.

(B) Basis of measurement:

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

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

(D) Use of estimates and judgments:

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

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

In preparing these interim condensed financial statements, the significant judgments made by management applying the Company accounting policies relate to the determination of capitalizable costs as exploration and evaluation assets and accounting for refundable credit for mining duties as described in the Company’s audited annual financial statements for the year ended June 30, 2013.

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

3. Significant accounting policies:

These condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the year ended June 30, 2013, except as noted below:

Financial instruments

Investments 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 an investment is 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 statement of financial position date. Unrealized gains and losses are recorded in other comprehensive income.

Changes in accounting policies

The following new standard and amendment to standards and interpretations has been applied in preparing the condensed interim financial statements as at September 30, 2013. The adoption of this new standard has not had a material impact on the financial statements.

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, which means 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.

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

The Company has included the additional disclosures required by this standard in note 6.

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

4. Mining properties:

Properties ⁽¹⁾	Localization	Royalties ⁽³⁾	June 30, 2013	Acquisition	September 30, 2013
			\$	\$	\$
Amiral	SNRC 32O14, 32B03	-	716	-	716
Arques	SNRC 32O13, 32O14	1.4% to 2%	1,100,865	2,116	1,102,981
Belcourt	SNRC 32C06	-	-	1,042	1,042
Bel-Rive	SNRC 32C03	-	-	609	609
Bourier	SNRC 32O14, 32O15, 33B02, 33B03	1.4%	912,000	597	912,597
Caumont	SNRC 32N07, 32N08, 32N09	1.5% to 2%	240,691	-	240,691
Dumulon	SNRC 32N09	-	3,325	-	3,325
Duval	SNRC 32O12	2%	304,576	380	304,956
Lac Tavernier	SNRC 32C02	-	-	1,396	1,396
Lemare	SNRC 32O11, 32O12, 32O14	1.4% to 2%	846,248	1,007	847,255
Nisk	SNRC 32O11, 32O12, 32O13, 32O14	1.4% to 2%	3,537,829	1,385	3,539,214
Plator I	SNRC 32C03	1%	7,178	-	7,178
Plator II	SNRC 32C03	1%	7,178	-	7,178
Plator III	SNRC 32C03	1%	7,178	-	7,178
Plator IV	SNRC 32C03	1%	7,178	-	7,178
Plator V	SNRC 32C03	1%	7,178	-	7,178
Regcourt	SNRC 32C03	-	64,142	2,608	66,750
Rosebay	SNRC 33B02	-	1,764	-	1,764
Simkar ⁽²⁾	SNRC 32C04	-	-	25,502	25,502
Tex-Sol	SNRC 32C04	-	-	56,234	56,234
Valiquette	SNRC 32N09, 32O12	2%	755,090	271	755,361
			7,803,136	93,147	7,896,283

⁽¹⁾ Except for the Simkar property, the properties are 100% owned by the Company and they are all located in the province of Québec, Canada.

⁽²⁾ The Company owns 50% undivided interest in two (2) mining concessions and eleven (11) mining claims comprised in the Simkar property, located in the province of Québec, Canada.

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

4. Mining properties (continued):

⁽³⁾ See Note 10. 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.

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
Plator I	SNRC 32C03	1%	-	7,178	-	7,178
Plator II	SNRC 32C03	1%	-	7,178	-	7,178
Plator III	SNRC 32C03	1%	-	7,178	-	7,178
Plator IV	SNRC 32C03	1%	-	7,178	-	7,178
Plator V	SNRC 32C03	1%	-	7,178	-	7,178
Regcourt	SNRC 32C03	-	-	64,142	-	64,142
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 100% owned by the Company and they are all located in the province of Québec, Canada.

⁽²⁾ See Note 10. 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.

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

5. Exploration and evaluation assets:

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

	June 30, 2013	Exploration expenses	September 30, 2013
	\$	\$	\$
Amiral	49,142	-	49,142
Arques	338,340	-	338,340
Belcourt	-	2,449	2,449
Bel-Rive	-	1,841	1,841
Bourier	1,184,638	-	1,184,638
Caumont	411,963	600	412,563
Dumulon	216,246	-	216,246
Duval	265,538	-	265,538
Lac Tavernier	-	1,838	1,838
Lemare	1,154,229	600	1,154,829
Nisk	611,455	1,800	613,255
Plator I	-	120	120
Plator II	-	120	120
Plator III	-	120	120
Plator IV	-	120	120
Plator V	-	120	120
Regcourt	28,858	5,427	34,285
Rosebay	16,611	-	16,611
Simkar	-	28,873	28,873
Tex-Sol	-	6,187	6,187
Valiquette	450,903	-	450,903
	4,727,923	50,215	4,778,138

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

5. 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

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

5. Exploration and evaluation assets (continued):

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

	Three-month period ended September 30, 2013	Year ended June 30, 2013
	\$	\$
Exploration expenses:		
Salaries and supervision	32,340	347,625
Geology and geophysics	17,100	341,130
Test, sampling and prospecting	-	179,317
Drilling, equipment rental and other material	775	263,196
Lodging, meals and travel expenses	-	120,135
General exploration expenses	-	28,384
Increase of exploration expenses	50,215	1,279,787
Adjustment on mining duties	-	13,027
Impairment	-	(111,597)
Balance, beginning of period	4,727,923	3,546,706
Balance, end of period	4,778,138	4,727,923

6. Investment

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, representing approximately 12.82% of Eloro's 62,398,480 common shares currently issued and outstanding as of September 30, 2013. 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.

The common shares issued to the Company by Eloro are subject to different holding periods until September 20, 2014, as follows: 1,600,000 shares on January 21, 2014; 1,600,000 shares on March 20, 2014; 2,400,000 shares on June 20, 2014; and 2,400,000 shares on September 20, 2014. The Company also committed to carrying out \$750,000 in exploration work on the Simkar property by June 30, 2014. Between the acquisition date and September 30, 2013, diamond drilling has started on the Simkar property and a total amount of \$28,873 in exploration work was done.

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

6. Investment (continued)

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.

The closing bid price of Eloro's shares on the TSX Venture Stock Exchange as at September 30, 2013 was \$0.005, representing a total fair value of \$40,000. During the three-month period that ended September 30, 2013, an amount of \$80,000 was recorded as change in fair value of available-for-sale financial assets in the statement of comprehensive loss.

7. 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	14,556,790	50,760,208	16,299,618
Balance at September 30, 2013 ⁽ⁱ⁾	14,556,790	50,760,208	16,299,618

(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. An amount of \$10,043 has been recognized as other income related to flow-through shares in the statement of comprehensive loss for the period ended September 30, 2013, 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. As at September 30, 2013, the balance of the liability related to these flow-through shares was \$180,171.

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

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

7. Share capital and warrants (continued):

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

- (iii) A total of 192,308 shares are escrowed 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 months intervals from the Closing date.

(A) 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.

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 Corporation issued (i) 1,200,000 flow-through shares (the "FT Shares") offered at a price of \$0.25 per FT Share for gross proceeds of \$300,000; (ii) 996 flow-through units (the "A Units") offered at a price of \$1,000 per A Unit for gross proceeds of \$996,000, each A Unit being comprised of 3,200 FT Shares, at a price of \$0.25 per FT Share, 1,000 common shares 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").

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

7. Share capital and warrants (continued):

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

(A) *Year ended June 30, 2013 (continued)*

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.

(B) *Warrants:*

Changes in the Company's warrants were as follows:

	Three-month period ended September 30, 2013		Year ended June 30, 2013	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of period	13,861,400	0.27	7,290,000	0.29
Granted	-	-	9,171,400	0.30
Expired	-	-	(2,600,000)	0.45
Outstanding, end of period	13,861,400	0.27	13,861,400	0.27

The following table summarizes the information relating to the warrants:

Number of warrants outstanding as at September 30, 2013	Exercise price \$	Expiry date
4,690,000 (exercisable)	0.20	June 2014
9,171,400 (exercisable)	0.30	December 2015

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

7. Share capital and warrants (continued):

(C) Warrants granted to brokers:

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

	Three-month period ended September 30, 2013		Year ended June 30, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	695,390	0.22	910,000	0.40
Granted	-	-	695,390	0.22
Expired	-	-	(910,000)	0.40
Outstanding, end of period	695,390	0.22	695,390	0.22

	Three-month period ended September 30, 2013	Year ended June 30, 2013
	\$	\$
Weighted average fair value of share purchase warrants granted during the period	-	0.09

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

	Three-month period ended September 30, 2013	Year ended June 30, 2013
Risk-free interest rate	-	1.10%
Expected annual dividend rate	-	0%
Expected annualized volatility	-	75%
Expected life of warrants	-	3 years

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

Number of warrants outstanding as at September 30, 2013	Exercise price	Expiry date
	\$	
329,440 (exercisable)	0.25	December 2015
365,950 (exercisable)	0.20	December 2015

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

8. 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.

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

	Three-month period ended September 30, 2013		Year ended June 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	2,755,000	0.33	2,250,000	0.40
Granted	850,000	0.15	1,080,000	0.20
Expired	(428,750)	0.40	(575,000)	0.38
Outstanding, end of period	3,176,250	0.27	2,755,000	0.33

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

8. Share purchase options (continued):

	Three-month period ended September 30, 2013	Year ended June 30, 2013
	\$	\$
Weighted average fair value of share purchase options granted during the period	0.10	0.09

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

	Three-month period ended September 30, 2013	Year ended June 30, 2013
Risk-free interest rate	1.72%	1.25%
Expected annual dividend rate	0%	0%
Expected annualized volatility	97%	95%
Expected life of options	5 years	5 years

For the three-month period ended September 30, 2013, the application of the fair value model resulted in share-based payments expenses of \$84,872 (\$32,037 for the three-month ended September 30, 2012).

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

Number of options outstanding as at September 30, 2013		Exercise price	Expiry date
Outstanding	Exercisable	\$	
37,500	37,500	0.400	November 2013
37,500	37,500	0.400	December 2013
75,000	75,000	0.250	June 2014
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	700,000	0.150	September 2018
3,176,250	2,988,750		

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

9. Contingencies:

- (A) The Company's operations are governed by laws and regulations regarding environmental protection. Environmental consequences are hardly identifiable, in terms of level, impact or deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. Restoration costs will be accrued in the financial statements only when it can be determined that a present obligation exists, resulting from the environmental consequences of the exploration activities performed on the lands, and when it can be reliably estimated. Such obligation will be capitalized to the cost of the related assets at that time.
- (B) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors.

10. Commitments:

(A) Arques / Bourier / Lemare / Nisk:

Upon the acquisition of the properties, the Company took in charge 100% of an agreement on a group of 396 claims included in the Lac Arques property in the province of Québec. These 396 claims were assigned as follows: 109 claims to the Arques property, 142 claims to the Bourier property, 98 claims to the Lemare property and 47 claims to the Nisk property. During the year that ended June 30, 2012, 47 claims related to the Bourier property were abandoned, resulting in a remaining total of 349 claims related to this commitment.

As part of this agreement, the Company has agreed to pay one of the sellers a maximum of \$1,000,000, conditional on the achievement of certain stages of works and results on the claims acquired, which are defined as follows:

- \$150,000 if and when the Company will have completed exploration work corresponding to a cumulative minimum amount of \$5,000,000 on the properties;
- \$300,000 upon obtaining an independent pre-feasibility study; and
- \$500,000 upon obtaining an independent feasibility study confirming that the property can support commercial production.

As at September 30, 2013, cumulative exploration expenses totalling \$3,095,421 (\$3,095,421 as at June 30, 2013) were done on the properties, of which \$1,911,404 is included in the acquisition costs of the properties. This cumulative amount must be taken into consideration in the calculation of the minimum exploration work to be carried out to reach the trigger level of payments.

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

10 Commitments (continued):

(A) *Arques / Bourier / Lemare / Nisk* (continued):

A 1.4% NSR will be payable to one of the initial sellers on commercial production of all metals extracted from or part of the 396 claims. However, the Company shall have the option at all times and until the expiration of a period of 3 months following the official production statement to repurchase 1% NSR from the remaining seller, proportional to their interest therein subject to the payment of an amount of \$1,000,000 payable in two equal and consecutive instalments; the first instalment being payable upon the date of exercise of the option to repurchase part of the NSR and the second at the latest 90 days following the date of payment of the first instalment.

(B) *Arques / Lemare / Nisk*:

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

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

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

(C) *Caumont / Duval / Valiquette*:

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

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

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

10. Commitments (continued):

(C) *Caumont / Duval / Valiquette* (continued):

Furthermore, pursuant to an acquisition agreement between the Company and Les Ressources Tectonic Inc. finalized on March 29, 2012, 13 claims were added to the Caumont property. In consideration for the claims, the Company paid to the seller \$15,000 in cash and issued 70,000 common shares of the Company having a fair value of \$10,500. The claims are subject to a 1% NSR, which can be repurchased at any time by the Company for an amount of \$1,000,000 to be paid in favor of the seller.

(D) *Arques*:

In 2011, the Company acquired ten (10) mining claims known as “the North Rupert Block” and paid the seller \$5,000 in cash and issued 50,000 common shares of the Company having a fair value of \$12,000, as a consideration for the claims acquired.

Also, the Company has agreed to pay the seller 1.5% NSR if any of the claims comprising the North Rupert Block are brought into production. The Company has the right, at any time, to purchase 0.5% of the NSR by paying the seller the sum of \$500,000 in cash.

These mining claims are located in the Province of Québec and are enclosed in the Arques property owned 100% by the Company.

(E) *Valiquette*:

In 2011, the Company purchased three (3) mining claims located to the west of the Valiquette property. Conditional to reaching a certain number of meters of diamond drilling on the claims, the Company has also agreed to pay the seller \$15,000 and 100,000 units, for every 3,000 meters of diamond drilling carried on the claims, starting after 3,000 meters to a maximum of \$60,000 and a maximum of 500,000 additional units. Each unit is composed of one (1) common share and one (1) warrant.

The exercise price of the warrants at the date of granting will be established as the weighted average price of the common shares on the TSX Venture Exchange during the period of 30 calendar days following the reaching of said number of meters. This commitment is in force as long as the claims remain in good standing.

Also, the Company has agreed to pay the seller a 2% NSR on all metals from the acquired claims. The Company has the right, at any time until the expiration of the 3 month-period following the official production statement, to purchase 1% of the NSR by paying to the seller \$1,000,000 in cash.

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

10. Commitments (continued):

(F) Plator I to Plator V:

On June 12, 2013, the Company purchased a total of one hundred and ninety-two (192) mining claims located on the SNRC sheet 32C03. In consideration for the claims, the Company issued 192,308 common shares of the Company having a fair value of \$25,000. The common shares are subject to an escrowed period and 33% of the Escrow Shares shall be released from escrow at 12 months intervals from June 12, 2013. The mining claims are split as follows between each property: Plator I: 13 claims; Plator II: 63 claims; Plator III: 17 claims; Plator IV: 43 claims and Plator V: 56 claims.

The Company has agreed to pay to the seller a 1% NSR on all metals from the acquired claims and has the right, at any time before commercial production, to purchase this 1% NSR by paying the seller \$1,000,000 in cash.

(G) Simkar

Pursuant to the terms of the Agreement and in consideration of the acquisition of an undivided interest in two (2) mining concessions and eleven (11) mining claims comprised in the Simkar property located in the province of Québec, Canada, the Company committed to carrying out \$750,000 in exploration work on the property by June 30, 2014.

As announced in the news release dated August 8, 2013, the property involved in the transaction consists of a contiguous group of two mining concessions and 11 mineral claims covering an area of 4.05 km², located 20 km east of Val-d'Or in the heart of the Abitibi Greenstone Belt (the "Property"). Once the Company will have fulfilled all its commitment, the Company and Eloro will form a joint venture to manage exploration on the Property, with the Company acting as the project operator.

(H) 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 \$4,000,000 by December 31, 2012, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through share underwriting completed on June 10, 2011. As at December 31, 2012, the Company had fulfilled this commitment. The Company is also committed to incur eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Québec *Taxation Act*, of \$1,647,200 by December 31, 2013, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through share underwriting completed on December 21, 2012. As at September 30, 2013, the Company had incurred a cumulative amount of \$4,746,345 of eligible expenses (\$4,696,130 as at June 30, 2013) and had funds reserved for exploration amounting to \$900,855 (\$951,070 as at June 30, 2013).

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

11. Related party transactions:

During the three-month period that ended on September 30, 2013, the Company incurred \$15,000 (\$14,000 in 2012) as compensation to the members of the Board of Directors and also incurred \$34,949 (\$15,340 in 2012) of share-based payments expense in relation with the share purchase options granted to members of the Board of Directors, excluding compensation and share-based payments to key management personnel (see note 13).

Inter-company transactions carried out during the period between the Company and the entity having significant influence, Nemaska, totalled a net amount of \$35,468 (excluding sales tax), split as follows: Nemaska charged to the Company for the following: \$32,168 of compensation and \$3,300 as general administrative and office expenses.

The transactions are in the normal course of operations and are measured at the exchange amount, which is at cost, and which is the amount of consideration established and agreed to by the related parties. The inter-company balance payable by the Company to Nemaska as at September 30, 2013, totalled \$3,300 (\$nil as at June 30, 2013) and is included in the accounts payable and accrued liabilities.

12. Items not affecting cash and cash equivalents:

	<u>Three-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
Non-cash items:	\$	\$
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	12,878	(62,861)

13. Compensation:

	<u>Three-month periods ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
	\$	\$
Wages and fringe benefits paid to key management personnel	87,187	39,112
Wages and fringe benefits paid to the other staff employees	7,098	14,564
Fees paid to the members of the Board of Directors	15,000	14,000
	109,285	67,676

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

13. Compensation (continued):

During the three-month period ended September 30, 2013, the Company incurred \$84,872 (\$32,037 in 2012) of share-based payments expenses, of which \$35,146 (\$11,061 in 2012) were attributed to key management personnel and \$34,949 (\$15,340 in 2012) were attributed to the members of the Board.

14. Deferred income and mining taxes:

The income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.90% (26.90% in 2012) to the loss before income taxes due to the following:

	<u>Three-month periods ended September 30,</u>	
	2013	2012
	\$	\$
Net loss before income taxes	(324,423)	(100,256)
Expected tax recovery	(87,270)	(26,969)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	22,831	8,618
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	13,508	76,719
Permanent difference arising from the non-deductible income related to flow-through shares	(2,702)	(15,344)
Non deductible capital loss related to the change in faire value of available for sale financial assets	23,752	-
Deferred income tax (recovery) expense	(29,881)	43,024

Movements in temporary differences during the three-month period ended September 30, 2013 and the annual period ended June 30, 2013 are detailed as follows:

	Balance June 30, 2013	Recognized in profit or loss	Recognized directly in equity	Balance September 30, 2013
	\$	\$	\$	\$
Deferred tax assets:				
Operating losses	466,963	62,492	-	529,455
Share issuance costs	229,949	(19,103)	-	210,846
	696,912	43,389	-	740,301

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

14. Future income and mining taxes (continued):

Movements in temporary differences during the three-month period ended September 30, 2013 and the annual period ended June 30, 2013 are detailed as follows (continued):

	Balance June 30, 2013	Recognized in profit or loss	Recognized directly in equity	Balance September 30, 2013
	\$	\$	\$	\$
Reported balance (continued)	696,912	43,389	-	740,301
Deferred tax liabilities:				
Exploration and evaluation assets	(1,230,427)	(13,508)	-	(1,243,935)
Mining properties	16,493	-	-	16,493
	(1,213,934)	(13,508)	-	(1,227,442)
	(517,022)	29,881	-	487,141

	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)

MONARQUES RESOURCES INC.

Notes to Condensed Interim Financial Statements (continued)
(Unaudited)

Three-month period ended September 30, 2013

14. Future income and mining taxes (continued):

As at September 30, 2013, the Company has the following non-capital tax losses, available to reduce future years income for tax purposes:

Year incurred	Federal	Provincial	Expiry
	\$	\$	
2011	150,762	150,762	2031
2012	1,007,197	1,007,197	2032
2013	603,756	603,756	2033
2014 (3 months)	320,607	320,607	2034

15. 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.

16. Subsequent events:

On October 18, 2013, the Company announced in a press release that it had signed an agreement to acquire sole control of X-Ore Resources Inc. ("X-Ore"), a wholly owned subsidiary of Blue Note Mining Inc. ("Blue Note") The proposal submitted by the Company to Blue Note consists in the subscription of 9,999 ordinary shares of X-Ore, which corresponds to 99.99 per cent of all the X-Ore common shares issued and outstanding. This proposal has been accepted by Blue Note. The agreed subscription price for such shares consists in \$110,000 and 1,455,000 common shares of the company. The common shares will be escrowed for a period of six months following the date of closing of the transaction. The agreement is conditional upon the following conditions being satisfied: 1) the termination of all the royalty agreements linked to the Croinor property; 2) creditor approval of the proposal for arrangement which will be submitted to them by PWC as trustee in accordance with the act and which will effectively settle all debts owed by X-Ore; and 3) the approval of the competent regulatory authorities. The Company expects to complete this transaction no later than February 28, 2014. X-Ore owns fifty percent (50%) of the Croinor property for which a positive preliminary economic assessment has been filed on SEDAR and for which X-Ore is the project operator under a joint venture agreement with Critical Element Corp.; and 100 per cent 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. The properties have accumulated over \$7.5-million in work credits with the Ministry of Natural Resources.

On November 21, 2013, 2,000,000 warrants were exercised by shareholders at an exercise price of \$0.11 per share for a total amount of \$220,000. These warrants were part of the warrants having an expiry date of June 2014 (see note 7 (B)). The exercise price was modified from \$0.20 to \$0.11 following the issuance of a bulletin by the TSX Venture Stock Exchange dated November 6, 2013 approving the exercise price change.