

CONSOLIDATED FINANCIAL STATEMENTS



(Formerly Monarques Resources Inc.)

**YEARS ENDED
JUNE 30, 2015 AND 2014**

MONARQUES GOLD CORPORATION

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(Formerly Monarques Resources Inc.)

Years ended June 30, 2015 and 2014

Consolidated Financial Statements

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MONARQUES GOLD CORPORATION

(Formerly 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 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.

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 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 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, 2015 and 2014 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 financial statements in accordance with IFRS, and that all transactions are being made only in accordance with the authorizations 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
Jean-Marc Lacoste, President and CEO

/s/ Steve Nadeau
Steve Nadeau, Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Monarques Gold Corporation (formerly Monarques Resources Inc.)

We have audited the accompanying consolidated financial statements of Monarques Gold Corporation, which comprise the consolidated statements of financial position as at June 30, 2015 and June 30, 2014, 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.



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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Monarques Gold Corporation as at June 30, 2015 and June 30, 2014, and its financial performance and its 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 Gold Corporation is still in exploration stage and, as such, no revenue has been yet generated from its operating activities. Accordingly, Monarques Gold Corporation 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 Gold Corporation's ability to continue as a going concern.

KPMG LLP

October 27, 2015

Montréal, Canada

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30 2015 AND JUNE 30, 2014

	NOTE	JUNE 30, 2015	JUNE 30, 2014
		\$	\$
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	12 (E)	1,378,648	1,245,702
Sales tax receivable		136,936	24,251
Marketable securities	8	14,500	75,000
Tax credits and mining rights receivable		70,147	-
Prepaid expenses		38,678	11,850
		1,638,909	1,356,803
NON-CURRENT ASSETS:			
Deposits to suppliers for exploration and evaluation expense		20,000	10,838
In trust deposit	5	208,078	105,178
Mining properties	6	3,022,255	2,695,335
Exploration and evaluation assets	7	2,304,556	1,064,432
		5,554,889	3,875,783
TOTAL ASSETS		7,193,798	5,232,586
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		404,968	243,662
Liability related to flow-through shares	9 (i) (iv)	121,685	28,523
		526,653	272,185
NON-CURRENT LIABILITIES:			
Deferred income taxes and mining taxes	17	190,771	-
Asset retirement obligations	13	416,155	105,178
		606,926	105,178
TOTAL LIABILITIES		1,133,579	377,363
EQUITY:			
Share capital and warrants	9	20,274,089	17,825,872
Contributed surplus		698,643	611,166
Accumulated other comprehensive income		11,500	50,000
Deficit		(14,924,013)	(13,631,815)
		6,060,219	4,855,223
TOTAL LIABILITIES AND EQUITY		7,193,798	5,232,586

Reporting entity, nature of operations and going concern (Note 1); Contingencies (Note 11);
Commitments (Note 12);

The notes on pages 9 to 43 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, 2015 AND 2014

	NOTE	2015	2014
		\$	\$
Expenses:			
Compensation	16	450,737	399,998
Share-based payments		87,477	124,651
Rent, office and other expenses		42,507	52,623
Registration, listing fees and shareholders' information		52,751	55,620
Promotion and advertising		40,376	31,933
Representation, missions and trade shows		26,658	33,900
Consultant fees		61,222	38,005
Professional fees		108,817	116,537
Total expenses		870,545	853,267
Net finance (income) expense:			
Finance income		(16,287)	(14,701)
Finance expense		3,956	12,880
		(12,331)	(1,821)
Operating loss		858,214	851,446
Other items:			
Other income related to flow-through shares	9 (ii) (v)	(222,701)	(212,091)
Other revenue		(14,511)	-
Realised gain on disposal of marketable securities		(42,687)	-
Change in fair value of available-for-sale marketable securities		-	50,000
Impairment of exploration and evaluation assets		-	4,395,437
Impairment of mining properties		-	5,941,317
		(279,899)	10,174,663
Loss before income taxes		578,315	11,026,109
Current income tax recovery	17	(7,500)	(517,022)
Deferred income and mining taxes	17	190,771	-
		183,271	(517,022)
Net loss for the year		761,586	10,509,087
Other comprehensive loss			
Items that are or may be reclassified subsequently to net income or loss:			
Available-for-sale marketable securities - Change in fair value		81,187	-
Available-for-sale marketable securities - Reclassified to statement of loss		(42,687)	(50,000)
Comprehensive loss for the year		800,086	10,459,087
Basic and diluted loss per share		0.011	0.193
Weighted average number of shares outstanding		73,308,473	54,224,684

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED JUNE 30, 2015 AND 2014

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME	DEFICIT	TOTAL
	\$	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2014	17,825,872	611,166	50,000	(13,631,815)	4,855,223
Equity financing:					
Issuance of shares	1,018,560	-	-	-	1,018,560
Flow-through shares	1,684,600	-	-	-	1,684,600
Flow-through shares premium	(315,863)	-	-	-	(315,863)
Share issuance costs	-	-	-	(469,692)	(469,692)
<u>OPTIONS:</u>					
Granted to employees, officers, directors, consultants or I.R. representatives (note 10)	-	87,477	-	-	87,477
Granted to brokers (note 9)	60,920	-	-	(60,920)	-
	20,274,089	698,643	50,000	(14,162,427)	6,860,305
<u>NET LOSS FOR THE YEAR</u>	-	-	-	(761,586)	(761,586)
<u>OTHER COMPREHENSIVE LOSS:</u>					
Change in fair value of available-for-sale marketable securities	-	-	(38,500)	-	(38,500)
BALANCE AS AT JUNE 30, 2015	20,274,089	698,643	11,500	(14,924,013)	6,060,219

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

	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)
<u>Options:</u>					
Granted to employees, officers, directors, consultants or I.R. representatives (note 10)	-	124,651	-	-	124,651
Granted to brokers (note 9)	3,254	-	-	(3,254)	-
	17,825,872	611,166	-	(3,122,728)	15,314,310
<u>NET LOSS FOR THE YEAR</u>	-	-	-	(10,509,087)	(10,509,087)
<u>OTHER COMPREHENSIVE INCOME:</u>					
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 43 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	\$	\$
Cash flows from operating activities:		
Loss for the year	(761,586)	(10,509,087)
Adjustments for:		
Share-based payments	87,477	124,651
Other income related to flow-through shares	(222,701)	(212,091)
Change in fair value of marketable securities financial assets	-	50,000
Realised gain on disposal of marketable securities	(42,687)	-
Impairment of mining properties (note 6)	-	5,941,317
Impairment of exploration and evaluation assets (note 7)	-	4,395,437
Current income tax recovery	(7,500)	(517,022)
Deferred income and mining taxes	190,771	-
Net change in non-cash operating working capital	(194,909)	77,048
	(951,135)	(649,747)
Cash flows from financing activities:		
Shares paid in cash	1,018,560	655,400
Flow-through shares	1,684,600	201,600
Exercise of warrants	-	515,900
Share issuance costs	(482,400)	(99,038)
	2,220,760	1,273,862
Cash flows from investing activities:		
Addition to mining properties	(15,943)	(326,388)
Deposits to suppliers for exploration and evaluation expense	(9,162)	(10,838)
Acquisition of marketable securities	-	(120,000)
Disposal of marketable securities	64,687	45,000
Increase in in trust deposit (note 13)	(102,900)	-
Increase in exploration and evaluation assets	(1,073,361)	(1,059,458)
	(1,136,679)	(1,471,684)
Net increase (decrease) in cash and cash equivalents	132,946	(847,569)
Cash and cash equivalents, beginning of year	1,245,702	2,093,271
Cash and cash equivalents, end of year	1,378,648	1,245,702

Additional information relating to statements of cash flows (Note 15)

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

1. REPORTING ENTITY, NATURE OF OPERATIONS AND GOING CONCERN:

Monarques Gold Corporation (formerly 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 18.90% (24.54% as at June 30, 2014) of the share capital of the Company as at the date of these audited consolidated financial statements.

On January 14, 2015, the Company changed its name from Monarques Resources Inc. to Monarques Gold Corporation.

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.monarquesgold.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 audited consolidated 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 fiscal year will provide the Company with adequate funding in order to cover its 2015 calendar year budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2015 calendar year exploration budget. However, the Company will need to raise funds before the end of the first quarter of the calendar year 2016 in order to cover part or all of its 2016 calendar year budget for general and administrative expenses. 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 27, 2015, the Board of Directors approved, for issuance, these consolidated financial statements.

(B) BASIS OF MEASUREMENT:

The consolidated financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets which are measured at fair value through other comprehensive income.

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 until June 4, 2014 and up to 31% for eligible expenses incurred thereafter 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:

Certain pronouncements issued by the International Accounting Standards Board (“IASB”) became mandatory for accounting periods beginning on or after January 1, 2014. The following new standards and amendments have been adopted by the Company in preparing these consolidated financial statements.

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.

The adoption of the amendments did not have a significant impact on the Company’s consolidated 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 adoption of the amendments did not have a significant impact on the Company’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(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:

Business combination accounting for interests in a joint operation (Amendments to IFRS 11)

On May 6, 2014 the IASB issued *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on July 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

Disclosure Initiative: Amendments to IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the “Disclosure Initiative”). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on July 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 9, Financial Instruments

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)).

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(N) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED):

IFRS 9 Financial Instruments (continued)

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns 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 intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Annual Improvements to IFRS (2012-2014) Cycle

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process.

The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case the related consequential amendments to other IFRS would also apply.

Each of the amendments has its own specific transition requirements.

Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- "Continuing involvement" for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7, *Financial Instruments: Disclosures*;
- Discount rate in a regional market sharing the same currency under IAS 19, *Employee Benefits*;
- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 *Interim Financial Reporting*.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on July 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

4. ACQUISITION OF 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 "Asset retirement obligations", which amount is covered by a deposit held in trust for the same value (see Note 5).

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

5. IN TRUST DEPOSIT:

The Company's provision consists primarily of assets retirement obligations for costs associated with mine reclamation and closure activities at the Croinor property, following the acquisition of "X-Ore". Following the restoration plan submitted in 2014 by the Company to the Ministère des Ressources Naturelles et de la Faune of the province of Québec ("MRNF"), the MRNF advised the Company on January 23, 2015 that the total amount of the financial guarantee for the restoration of the mining site would be \$416,155. As at June 30, 2015, the Company has investments totaling \$208,078 (\$105,178 as at June 30, 2014) in term deposits in accordance with the current financial guarantee requirements set forth by the MRNF for future site restoration costs at the Croinor mining site. These term deposits bears interest ranging from 1.50% to 1.55%, maturing between March 28, 2016 and September 7, 2018. The remaining amount of \$208,078, will need to be deposited in a trust account on the following dates: i) \$104,039 on January 23, 2016 and; ii) \$104,039 on January 23, 2017. The change in the value of the asset retirement obligation was treated as a change in estimate and the amount of \$310,977 was recorded as an increase in the cost of the Croinor Gold property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

6. MINING PROPERTIES:

PROPERTIES ⁽¹⁾	LOCALIZATION	ROYALTIES ⁽³⁾	JUNE 30, 2014	ACQUISITION	ASSET RETIREMENT	JUNE 30, 2015
			\$	\$	\$	\$
Belcourt Gold	SNRC 32C06	1.5%	3,453	-	-	3,453
Croinor Gold ^(2 a)	SNRC 32C02, 32C03,	1.5%	2,498,252	13,259	310,977	2,822,488
Regcourt Gold ^(2 b)	SNRC 32C03	2.5%	103,227	2,684	-	105,911
Simkar Gold ^(2 c)	SNRC 32C04	1.5%	90,403	-	-	90,403
			2,695,335	15,943	310,977	3,022,255

(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 specific agreements as the case may be (see Note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

7. EXPLORATION AND EVALUATION ASSETS:

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

	JUNE 30, 2014	EXPLORATION EXPENSES	TAX CREDITS FOR RESOURCES	JUNE 30, 2015
	\$	\$	\$	\$
Belcourt Gold	2,449	-	-	2,449
Croinor Gold ^(1 a)	12,071	1,272,837	(62,646)	1,222,262
Regcourt Gold ^(1 b)	34,885	6,627	-	41,512
Simkar Gold ^(1 c)	1,015,027	23,306	-	1,038,333
	1,064,432	1,302,770	(62,646)	2,304,556

(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.

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

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

	YEAR ENDED JUNE 30, 2015	YEAR ENDED JUNE 30, 2014
	\$	\$
Exploration expenses:		
Salaries, supervision and consultants	261,651	104,206
Geology and geophysics	409,623	69,179
Test, sampling and prospecting	32,302	87,495
Drilling, equipment rental and other material	564,945	771,369
Lodging, meals and travel expenses	34,249	6,325
Increase of exploration expenses	1,302,770	1,038,574
Tax credits for resources	(62,646)	-
Impairment	-	(4,395,437)
Properties transferred to another company	-	(306,628)
Balance, beginning of year	1,064,432	4,727,923
Balance, end of year	2,304,556	1,064,432

Following the Company's decision to focus its time and resources on the acquisition and development of gold assets on the Cadillac Fault located in the Val-d'Or region, an impairment was recognized on 10 mining properties that were located in the Nemaska region for the year ended June 30, 2014. This impairment was recorded prior to the transfer of the 10 properties to Critical Element Corporation on May 12, 2014 in exchange of their 50% interest in the Croinor property.

8. MARKETABLE SECURITIES:

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

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 Eoro, at a price of \$0.015 per common share, for a total of 8,000,000 common shares of Eoro.

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 Eoro.

During the year ended June 30, 2014, 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 due to the significant decrease in the market price of Eoro's shares from \$0.015 to \$0.005. On June 16, 2014, the Company sold 3,000,000 of Eoro'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, also recorded as change in fair value of available-for-sale financial assets in the consolidated statements of loss. As at June 30, 2014, the net impact of these transactions was a change in fair value of \$50,000 recorded in the consolidated statement of loss and comprehensive loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

8. MARKETABLE SECURITIES (CONTINUED):

Effective October 1, 2014, Eloro proceeded with a share rollback on the basis of 10 old shares for one new share. During the year, the Company sold 400,000 shares (post-rollback) for a gross proceed of \$64,687 and resulting in a realized gain of \$42,687. The number of Eloro's shares held by the Company as at June 30, 2015 was 100,000 shares (5,000,000 pre-rollback shares as at June 30, 2014) and the closing price of Eloro's shares on the TSX Venture Stock Exchange was \$0.145 (\$0.015 as at June 30, 2014), for a total fair value of \$14,500 (\$75,000 as at June 30, 2014) and representing approximately 0.74% (8.01% at as June 30, 2014) of Eloro's 13,549,779 common shares currently issued and outstanding as of June 30, 2015.

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, 2013 ⁽ⁱ⁾	14,556,790	50,760,208	16,299,618
Paid in cash ⁽ⁱⁱⁱ⁾	5,730,996	5,919,996	656,214
Flow-through shares ⁽ⁱⁱ⁾	693,000	1,260,000	153,640
Issued for mining properties ^(iv)	-	1,955,000	200,500
Exercise of warrants	(4,690,000)	4,690,000	515,900
Balance at June 30, 2014 ⁽ⁱ⁾	16,290,786	64,585,204	17,825,872
Paid in cash ^(iv)	8,372,456	8,757,811	1,034,921
Flow-through shares ^{(ii) (v)}	5,992,482	10,528,750	1,413,296
Balance at June 30, 2015 ⁽ⁱ⁾	30,655,724	83,871,765	20,274,089

⁽ⁱ⁾ A total of 64,102 shares are escrowed as at June 30, 2015 (128,205 as at June 30, 2014) related to the acquisition of mining properties. 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 between the Vendor and the Escrow Agent on the Closing Date (the "Escrow Agreement"). A proportion of 33% of the Escrow Shares is released from escrow at 12-month intervals from the Closing Date.

⁽ⁱⁱ⁾ 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, 2015, the balance of the liability related to these flow-through shares is nil (\$28,523 as at June 30, 2014). During the year ended June 30, 2015, an amount of \$28,523 has been recognized as other income related to flow-through shares in the consolidated statements of loss and comprehensive loss, 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.

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

- (iii) 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 statement of changes in shareholders' equity for the year ended June 30, 2014.
- (iv) The fair value of \$60,920 related to the warrants issued to brokers during the financing that occurred in December 2014 was added to the value of the share capital, with the counterpart to deficit, as disclosed in the consolidated statement of changes in shareholders' equity for the year ended June 30, 2015.
- (v) The carrying amount of these flow-through shares is presented net of the liability related to flow-through shares of \$315,863 that was recorded when the flow-through shares were issued during the financing that occurred on December 15, 2014 and December 23, 2014. As at June 30, 2015, the balance of the liability related to these flow-through shares is \$121,685. During the year ended June 30, 2015, an amount of \$194,178 has been recognized as other income related to flow-through shares in the consolidated statements of loss and comprehensive loss, 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.

(A) YEAR ENDED JUNE 30, 2015:

On May 4, 2015, the Company closed a non-brokered private placement of an aggregate of 4,000,000 units at a price of \$0.10 per unit. Each unit is comprised of: (i) one common share in the capital of the Company at a price of \$0.10 per share; and (ii) one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of \$0.14 for a period of 24 months following the closing of the private placement.

On December 15 and 23, 2014, the Company closed two tranches of a brokered short-form prospectus placement for an aggregate gross proceeds of \$2,303,160. Pursuant to these placements, the Company issued a total of 3,608,925 of "A units" at a price of \$0.13 per unit, 747 of "B units" at a price of \$1,000 per unit, and 6,793,750 of "C units" at a price of \$0.16 per unit. Each "A unit" consists of one common share in the capital of the Company at a price of \$0.13 per common share and one common share purchase warrant. Each "B unit" consists of 5,000 common shares to be issued as flow-through shares at a price of \$0.16 per flow-through share, 1,538 common shares at a price of \$0.13 per common share and 3,269 warrants. Each "C unit" consists of one flow-through share at a price of \$0.16 per flow-through share and one-half of one warrant. Each warrant entitles its holder thereof to purchase one common share at a price of \$0.18 per common share, until December 15, 2017. In consideration for its services, the agent received a cash commission of \$230,316 and 917,195 agent's compensation warrants to purchase, until December 15, 2017, a total of 917,195 common shares at a price of \$0.13 per common share. The warrants issued to the shareholders related to this financing were listed on the TSX Venture Exchange on January 23, 2015 under the trading symbol "MQR.WT.A".

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

(B) 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 one common share and one 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 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.

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 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 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.

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

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

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 one common share and one 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.

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, for a gross proceeds of \$220,000. These warrants were part of the warrants expiring in June 2014. The exercise price was modified from \$0.20 to \$0.11 following the approval of the TSX Venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

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:

Changes in the Company's warrants granted to others than the brokers were as follows. Each warrant can be converted into one common share of the Company:

	YEAR ENDED JUNE 30, 2015		YEAR ENDED JUNE 30, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of the year	15,511,396	0.25	13,861,400	0.27
Granted	13,447,743	0.17	6,339,996	0.15
Exercised	-	-	(4,690,000)	⁽¹⁾ 0.11
Outstanding, end of year	28,959,139	0.21	15,511,396	0.25

⁽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.

The following table summarizes the information relating to the warrants:

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2015	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
9,447,743 (exercisable)	0.18	December 2017
4,000,000 (exercisable)	0.14	May 2017
28,959,139		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

(D) WARRANTS GRANTED TO BROKERS:

Changes in the Company's warrants granted to brokers were as follows. Each warrant can be converted into one common share of the Company:

	YEAR ENDED JUNE 30, 2015	YEAR ENDED JUNE 30, 2014
Number of warrants	Weighted average exercise price	Weighted average exercise price
	\$	\$
Outstanding, beginning of the year	779,390	0.21
Granted	917,195	0.13
Outstanding, end of year	1,696,585	0.17

	YEAR ENDED JUNE 30, 2015	YEAR ENDED JUNE 30, 2014
	\$	\$
Weighted average fair value of share purchase warrants granted to brokers during the year	0.07	0.04

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, 2015	YEAR ENDED JUNE 30, 2014
Risk-free interest rate	1.02%	1.07%
Expected annual dividend rate	0%	0%
Expected annualized volatility	90%	95%
Expected life of warrants	3 years	2 years

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

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2015	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
917,195 (exercisable)	0.13	December 2017
1,696,585		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

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. In the case an optionee leaves the Company, his options normally expires no later than one year following his departure, subject to the conditions established under the common share purchase option plan. The vesting period for the share purchase options and warrants to brokers varies from immediate vesting up to 36 months 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:

	YEAR ENDED JUNE 30, 2015		YEAR ENDED JUNE 30, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	3,696,250	0.25	2,755,000	0.33
Granted	1,450,000	0.12	1,520,000	0.15
Expired	(51,250)	0.16	(578,750)	0.32
Outstanding, end of year	5,095,000	0.22	3,696,250	0.25
Exercisable, end of year	4,982,500	0.22	3,506,250	0.25

	YEAR ENDED JUNE 30, 2015	YEAR ENDED JUNE 30, 2014
	\$	\$
Weighted average fair value of share purchase options granted during the year	0.06	0.08

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

10. SHARE PURCHASE OPTIONS (CONTINUED):

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, 2015	YEAR ENDED JUNE 30, 2014
Risk-free interest rate	0.94%	1.54%
Expected annual dividend rate	0%	0%
Expected annualized volatility	87%	91%
Expected life of options	5 years	5 years

For the year ended June 30, 2015, the application of the fair value model resulted in share-based payments expenses of \$87,477 (\$124,651 in 2014).

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

NUMBER OF OPTIONS OUTSTANDING AS AT JUNE 30, 2015		EXERCISE PRICE	EXPIRY DATE
Outstanding	Exercisable	\$	
5,000	5,000	0.140	August 2015
15,000	15,000	0.250	August 2015
25,000	25,000	0.400	August 2015
150,000	150,000	0.250	March 2016
50,000	50,000	0.150	March 2016
25,000	25,000	0.140	March 2016
75,000	75,000	0.130	March 2016
1,225,000	1,225,000	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
800,000	800,000	0.150	September 2018
600,000	600,000	0.140	June 2019
425,000	312,500	0.130	January 2020
950,000	950,000	0.120	May 2020
5,095,000	4,982,500		

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. Asset retirement obligations are 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 could have negative tax consequences for investors or the Company. In such an event, the Company will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

12. COMMITMENTS:**(A) REGCOURT GOLD**

The Company has agreed to pay 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 Eoro Resources Inc. a 1.5% 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 Eoro Resources Inc. \$1,000,000 in cash.

(B) SIMKAR GOLD

The Company has agreed to pay Eoro Resources Inc. a royalty equal to 1.5% 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 Eoro Resources Inc. a royalty equal to 1.5% 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 the beneficiaries a total royalty of 1.5% 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.

12. COMMITMENTS (CONTINUED):**(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 \$201,600 by December 31, 2014, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on December 23, 2013. The Company has fulfilled this commitment since it incurred a cumulative amount of \$201,600 of eligible expenses prior to December 31, 2014 (\$87,505 as at June 30, 2014) and has no funds reserved for exploration (\$114,095 as at June 30, 2014) 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 \$1,684,600 by December 31, 2015, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on December 15, 2014 and December 23, 2014. In relation to this commitment, the Company has incurred a cumulative amount of \$1,035,619 of eligible expenses as at June 30, 2015 and has \$648,981 of funds reserved for exploration.

(F) LEASE

The Company signed a lease in December 2014 to rent office space for a monthly amount of \$875 until May 31, 2015. The Company is also renting storage space for an annual amount of \$2,420. The office space lease was renewed for an additional period of 1 year, from June 1, 2015 to May 31, 2016 for a monthly amount of \$925. The Company also renewed for the storage space for an annual amount of \$3,134. As at June 30, 2015, the total contractual payments remaining until May 31, 2016, assuming the lease will not be terminated before the end of the term, will amount to \$13,309.

13. ASSET RETIREMENT OBLIGATIONS:

The Company has recorded an asset retirement obligations for costs associated with mine reclamation and closure activities at the Croinor property, which reflects the present value of the estimated amount of cash flows required to satisfy the asset retirement obligation. The primary component of this obligation is for the revegetation of the site including waste piles and overburden, infilled area, and polishing pond. Following the restoration plan submitted in 2014 by the Company to the MRNF, the MRNF advised the Company on January 23, 2015 that to cover the asset retirement obligation of \$416,155 a financial guarantee for the full amount would be required.

As at June 30, 2015, the Company has invested \$208,078 (\$105,178 as at June 30, 2014) in term deposits in accordance with the current financial guarantee requirements set forth by the MRNF for future site restoration costs at the Croinor mining site. The remaining amount of \$208,078 will need to be deposited in a trust account on the following dates: i) \$104,039 on January 23, 2016 and; ii) \$104,039 on January 23, 2017.

In the event the Company has no intention of operating the mine, it will be required to restore the mining site. However, in the case that the Company goes into production on the Croinor property, it will be required to provide a new closure plan to the MRNF in order to re-assess the asset retirement obligation related to the operation on the site.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

14. RELATED PARTY TRANSACTIONS:

The Company has no ultimate parent.

Inter-company transactions carried out during the year ended June 30, 2015 between the Company and Nemaska (entity having significant influence over the Company) totalled an amount of \$104,000 (\$120,968 in 2014) as follows: Nemaska charged to the Company for the following: \$104,000 (\$107,768 in 2014) of compensation and nil (\$13,200 in 2014) as general administrative and office expenses.

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There is no inter-company balance payable or receivable by the Company to or from Nemaska as at June 30, 2015 and as at June 30, 2014.

15. ITEMS NOT AFFECTING CASH AND CASH EQUIVALENTS:

	YEAR ENDED JUNE 30, 2015	YEAR ENDED JUNE 30, 2014
	\$	\$
<u>Non-cash items:</u>		
Acquisition of mining properties by the issuance of shares and warrants	-	200,500
Acquisition of mining properties by transfer of mining properties	-	2,074,850
Changes in accounts payable and accrued liabilities related to share issuance costs	(12,708)	17,654
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	229,409	(20,884)
Change in asset retirement obligation capitalized to the cost of mining properties	310,977	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

16. COMPENSATION:

	June 30, 2015	June 30, 2014
	\$	\$
Wages and fringe benefits paid to key management personnel	352,857	312,265
Wages and fringe benefits paid to the other staff employees	32,429	32,634
Fees paid to the members of the Board of Directors	65,451	55,099
	450,737	399,998

During the year ended June 30, 2015, the Company incurred \$87,477 (\$124,651 in 2014) of share-based payments expenses, of which \$49,544 (\$53,738 in 2014) were attributed to key management personnel and \$30,239 (\$56,297 in 2014) 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 2014) to the loss before income taxes due to the following:

	June 30, 2015	June 30, 2014
	\$	\$
Loss before income taxes	(578,315)	(11,026,109)
Expected tax recovery	(155,568)	(2,966,023)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	23,531	33,531
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	309,273	279,376
Non-deductible expenses and other	289,462	-
Change in unrecognized tax assets	(359,941)	-
Deductibility of mining tax recovery	(46,850)	-
Current year losses for which no deferred tax assets recognized	-	1,675,189
Permanent difference arising from the non-taxable income related to flow-through shares	(59,907)	(57,052)
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)
Mining tax expense	183,271	-
Income tax expense (recovery)	183,271	(517,022)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

17. INCOME TAXES AND MINING TAXES (CONTINUED):

Movements in temporary differences during the years ended June 30, 2015 and June 30, 2014 are detailed as follows:

	BALANCE JUNE 30, 2014 \$	RECOGNIZED IN PROFIT OR LOSS \$	BALANCE JUNE 30, 2015 \$
Deferred tax assets:			
Operating losses	107,924	108,727	216,651
Assets retirement obligations	-	111,946	111,946
Property plant and equipment	-	29,305	29,305
Share issuance costs	149,544	(72,372)	77,172
Exploration and evaluation assets	(326,960)	392,231	65,271
	(69,492)	569,837	500,345
Deferred tax liabilities:			
Deferred mining duties	-	(190,771)	(190,771)
Mining properties	69,492	(569,837)	(500,345)
	69,492	(760,608)	(691,116)
	-	(190,771)	(190,771)

	BALANCE JUNE 30, 2013 \$	RECOGNIZED IN PROFIT OR LOSS \$	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	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2015 AND 2014

17. INCOME TAXES AND MINING TAXES (CONTINUED):

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

	BALANCE JUNE 30, 2015	BALANCE JUNE 30, 2014
Non-capital losses carry forwards	1,295,869	1,545,838
Share issuance costs	176,823	160,741
Capital losses	3,551	-
	1,476,243	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, 2015, the Company has the following non-capital tax losses, available to reduce future years income for tax purposes:

YEAR INCURRED	FEDERAL	PROVINCIAL	EXPIRY
	\$	\$	
2007	569,407	511,578	2027
2008	566,242	563,958	2028
2009	187,288	186,829	2029
2010	-	-	2030
2011	61,391	61,391	2030
2011	174,690	174,690	2031
2012	1,152,397	1,152,397	2032
2013	644,585	644,585	2033
2014	1,029,279	1,024,668	2034
2015	1,258,293	1,258,293	2035
	5,643,572	5,578,389	

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.

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, 2015, 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 \$729,667 in cash and cash equivalents not reserved for exploration (\$1,131,607 as at June 30, 2014) plus \$136,936 in sales tax receivables (\$24,251 as at June 30, 2014) plus \$70,147 in tax credits and mining rights (nil as at June 30, 2014) plus \$14,500 in marketable securities (\$75,000 as at June 30, 2014) to meet its financial liabilities and future financial liabilities from its commitments. The Company also had \$648,981 (\$114,095 as at June 30, 2014) of funds reserved for exploration as at June 30, 2015.

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, 2015, the Company's capital consists of shareholders' equity amounting to \$6,060,219 (\$4,855,223 as at June 30, 2014).

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.