

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS



**THREE-MONTH PERIOD ENDED
SEPTEMBER 30, 2014**

MONARQUES RESOURCES INC.

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Three-month period ended September 30, 2014

Consolidated Condensed Interim Financial Statements

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MONARQUES RESOURCES INC.

MANAGEMENT'S REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The unaudited condensed interim financial statements for the three-month period ended September 30, 2014 and 2013 have been reviewed by KPMG LLP, the independent auditors. The independent auditors have full and free access to the Audit Committee.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that all transactions are being made only in accordance with the 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 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

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

SEPTEMBER 30, 2014 AND JUNE 30, 2014

	NOTE	SEPTEMBER 30, 2014	JUNE 30, 2014
		\$	\$
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	12 (E)	917,054	1,245,702
Sales tax receivable		30,769	24,251
Marketable securities	8	32,000	75,000
Tax credits and mining rights receivable		38,976	-
Prepaid expenses		14,403	11,850
		1,033,202	1,356,803
NON-CURRENT ASSETS:			
Deposits to suppliers for exploration and evaluation expense		-	10,838
In trust deposit	5	105,178	105,178
Mining properties	6	2,698,879	2,695,335
Exploration and evaluation assets	7	1,233,221	1,064,432
		4,037,278	3,875,783
TOTAL ASSETS		5,070,480	5,232,586
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		290,253	243,662
Liability related to flow-through shares	9 (i) (iii)	-	28,523
		290,253	272,185
NON-CURRENT LIABILITIES:			
Deferred income taxes and mining taxes	17	21,947	-
Assets retirement obligations	13	105,178	105,178
TOTAL LIABILITIES		417,378	377,363
EQUITY:			
Share capital and warrants	9	17,825,872	17,825,872
Contributed surplus		612,067	611,166
Accumulated other comprehensive income		34,000	50,000
Deficit		(13,818,837)	(13,631,815)
		4,653,102	4,855,223
TOTAL LIABILITIES AND EQUITY		5,070,480	5,232,586

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

Contingencies (Note 11); Commitments (Note 12); Subsequent events (Note 19)

The notes on pages 7 to 30 are an integral part of these consolidated condensed interim financial statements.

On behalf of the Board:

'Jean-Marc Lacoste', Director

'Michel Baril', Director

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

	NOTE	2014	2013
		\$	\$
Expenses:			
Compensation	16	123,674	109,285
Share-based payments	10	901	84,872
Rent, office and other expenses		9,368	10,904
Registration, listing fees and shareholders' information		9,463	3,416
Promotion and advertising		1,155	1,604
Representation, missions and trade shows		8,240	5,933
Consultant fees		19,505	7,546
Professional fees		31,745	31,335
Total expenses		204,051	254,895
Net finance (income) expense:			
Finance income		(3,052)	(6,062)
Finance expense		974	5,633
		(2,078)	(429)
Operating loss		201,973	254,466
Other items:			
Other income related to flow-through shares		(28,523)	(10,043)
Change in fair value of available-for-sale marketable securities		-	80,000
Realised gain on disposal of marketable securities		(4,000)	-
		(32,523)	69,957
Loss before income taxes		169,450	324,423
Income tax expense (recovery)	17	17,572	(29,881)
Net loss for the period		187,022	294,542
Other comprehensive loss			
Items that are or may be reclassified subsequently to net income or loss:			
Change in fair value of available-for-sale marketable securities		16,000	-
Comprehensive loss for the year		203,022	294,542
Basic and diluted loss per share		0.003	0.006
Weighted average number of shares outstanding		64,585,204	50,760,208

The notes on pages 7 to 30 are an integral part of these consolidated condensed interim financial statements.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

	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
<u>OPTIONS:</u>					
Granted to employees, officers, directors, consultants or I.R. representatives (note 10)	-	901	-	-	901
	17,825,872	612,067	50,000	(13,631,815)	4,856,124
<u>NET LOSS FOR THE PERIOD</u>	-	-	-	(187,022)	(187,022)
<u>OTHER COMPREHENSIVE INCOME:</u>					
Change in fair value of available-for-sale marketable securities	-	-	(16,000)	-	(16,000)
BALANCE AS AT SEPTEMBER 30, 2014	17,825,872	612,067	34,000	(13,818,837)	4,653,102

The notes on pages 7 to 30 are an integral part of these consolidated condensed financial statements.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(CONTINUED)
(UNAUDITED)
THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	\$	\$	\$	\$
BALANCE AS AT JUNE 30, 2013	16,299,618	486,515	(3,002,782)	13,783,351
<u>OPTIONS:</u>				
Granted to employees, officers, directors, consultants or I.R. representatives (note 10)	-	84,872	-	84,872
	16,299,618	571,387	(3,002,782)	13,868,223
<u>NET LOSS FOR THE PERIOD</u>	-	-	(294,542)	(294,542)
BALANCE AS AT SEPTEMBER 30, 2013	16,299,618	571,387	(3,297,324)	13,573,681

The notes on pages 7 to 30 are an integral part of these consolidated condensed financial statement

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

	September 30, 2014	September 30, 2013
	\$	\$
Cash flows from operating activities:		
Net loss for the period	(187,022)	(294,542)
Adjustments for:		
Share-based payments	901	84,872
Other income related to flow-through shares	(28,523)	(10,043)
Realised (gain) loss on disposal of marketable securities	(4,000)	80,000
Deferred income tax expense (recovery)	17,572	(29,881)
Net change in non-cash operating working capital	(69,082)	25,350
	(270,154)	(144,244)
Cash flows from investing activities:		
Addition to mining properties	(3,544)	(93,147)
Decrease in deposits to suppliers for exploration and evaluation expense	10,838	-
Disposal of marketable securities	31,000	-
Increase in investment	-	(120,000)
Increase in exploration and evaluation assets	(96,788)	(37,337)
	(58,494)	(250,484)
Net decrease in cash and cash equivalents	(328,648)	(394,728)
Cash and cash equivalents, beginning of period	1,245,702	2,093,271
Cash and cash equivalents, end of period	917,054	1,698,543

The notes on pages 7 to 30 are an integral part of these consolidated condensed interim financial statements.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

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

Monarques Resources Inc. ("the Company"), incorporated on February 16, 2011, under the *Canada Business Corporations Act*, is engaged in the acquisition and exploration of mining properties. Its shares trade on the TSX Venture Stock Exchange under the symbol MQR. Its activities are in Canada. The Company is an associate of Nemaska Lithium Inc. ("Nemaska"), a company that trades on the TSX Venture under the symbol NMX and owns 24.54% (24.54% as at June 30, 2014) of the share capital of the Company as at the date of these consolidated financial statements.

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

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

The recoverability of amounts shown for mining properties and related exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. As at the date of the consolidated condensed interim 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 period, together with the financing that is expected to be closed by the end of the calendar year (see Note 19 "Subsequent event"), will provide the Company with adequate funding in order to cover its budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2014-2015 fiscal year exploration budget. Since the Company does not generate revenues, the Company will need to periodically obtain new funds to pursue its operations and, despite its ability to obtain funds in the past, there is no guarantee that it will be able to raise financing in the future.

These consolidated condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and on the assumption of going concern. The application of IFRS under the assumption of going concern may be inappropriate because the above condition indicates the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. These consolidated condensed interim financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the assumption of going concern proves to be unfounded.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

2. BASIS OF PREPARATION:

(A) STATEMENT OF COMPLIANCE:

These unaudited consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with those accounting policies followed by the Company in the most recent audited annual financial statements except where noted below. These unaudited consolidated condensed interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited consolidated condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements and the notes thereto for the year ended June 30, 2014. On November 27, 2014, the Board of Directors approved, for issuance, these consolidated condensed interim financial statements.

(B) BASIS OF MEASUREMENT:

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

(C) FUNCTIONAL AND PRESENTATION CURRENCY:

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

(D) USE OF ESTIMATES AND JUDGMENTS:

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

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

In preparing these consolidated condensed interim financial statements, the significant judgments made by management applying the Company accounting policies and the key sources of estimation uncertainty were the same as those described in the Company’s audited annual financial statements for the year ended June 30, 2014.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the years ended June 30, 2014 except as noted below:

(A) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS 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 financial statements:

IFRS 9, *Financial Instruments*:

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). In November 2009 the IASB issued the first version of IFRS 9, Financial Instruments (IFRS 9 (2009)) and subsequently issued various amendments in October 2010, (IFRS 9 Financial Instruments (2010)) and November 2013 (IFRS 9 Financial Instruments (2013)).

The mandatory effective date of IFRS 9 is for annual periods beginning on or after July 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 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

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

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

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

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment, and new general hedge accounting requirements.

The Company does not intend to early adopt IFRS 9 (2009), IFRS 9 (2010) or IFRS 9 (2013) and/or IFRS 9 (2014).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(B) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED:

Amendments to IAS 32, *Offsetting Financial Assets and 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.

IAS 32 did not have an impact on the consolidated condensed interim 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.

IFRIC 21 did not have an impact on the consolidated condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

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

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

<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>	
Assets 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:

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

6. MINING PROPERTIES:

PROPERTIES ⁽¹⁾	LOCALIZATION	ROYALTIES ⁽³⁾	JUNE 30, 2014	ACQUISITION (DISPOSITION)	IMPAIRMENT	SEPTEMBER 30, 2014
			\$	\$	\$	\$
Belcourt Gold	SNRC 32C06	1.5%	3,453	-	-	3,453
Croinor Gold ^(2 a)	SNRC 32C02, 32C03,	1.5%	2,498,252	2,411	-	2,500,663
Regcourt Gold ^(2 b)	SNRC 32C03	2.5%	103,227	1,133	-	104,360
Simkar Gold ^(2 c)	SNRC 32C04	1.5%	90,403	-	-	90,403
			2,695,335	3,544	-	2,698,879

(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 CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

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 CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

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	SEPTEMBER 30, 2014
	\$	\$	\$	\$
Belcourt Gold	2,449	-	-	2,449
Croinor Gold ^(1 a)	12,071	188,456	(34,600)	165,927
Regcourt Gold ^(1 b)	34,885	6,627	-	41,512
Simkar Gold ^(1 c)	1,015,027	8,306	-	1,023,333
	1,064,432	203,389	(34,600)	1,233,221

(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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

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 CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

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

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014	YEAR ENDED JUNE 30, 2014
	\$	\$
Exploration expenses:		
Salaries, supervision and consultants	65,285	104,206
Geology and geophysics	131,316	69,179
Test, sampling and prospecting	-	87,495
Drilling, equipment rental and other material	-	771,369
Lodging, meals and travel expenses	3,591	6,325
General exploration expenses	3,197	-
Increase of exploration expenses	203,389	1,038,574
Tax credits for resources	(34,600)	-
Impairment	-	(4,395,437)
Properties transferred to another company	-	(306,628)
Balance, beginning of period	1,064,432	4,727,923
Balance, end of period	1,233,221	1,064,432

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

8. MARKETABLE SECURITIES (CONTINUED):

As at September 30, 2014, the Company still has 3,200,000 (5,000,000 as at June 30, 2014) shares of Eloro and the closing price of Eloro's shares on the TSX Venture Stock Exchange was \$0.01 (\$0.015 as at June 30, 2014), for a total fair value of \$32,000 (\$75,000 as at June 30, 2014) and representing approximately 5.13% (8.01% at as June 30, 2014) of Eloro's 62,398,480 common shares currently issued and outstanding as of September 30, 2014. During the three-month period ended September 30, 2014, the decline in the fair value of Eloro's shares was recorded as a loss in the consolidated condensed interim statements of comprehensive loss. Effective October 1, 2014, Eloro proceeded with a share rollback on the basis of 10 old shares for 1 new share, which resulted that the number of Eloro's shares held by the Company was modified from 3,200,000 shares to 320,000 shares.

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

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⁾ ⁽ⁱⁱ⁾	14,556,790	50,760,208	16,299,618
Paid in cash ^(iv)	5,730,996	5,919,996	656,214
Flow-through shares ⁽ⁱⁱⁱ⁾ ^(iv)	693,000	1,260,000	153,640
Issued for mining properties ^(v)	-	1,955,000	200,500
Exercise of warrants	(4,690,000)	4,690,000	515,900
Balance at June 30, 2014	16,290,786	64,585,204	17,825,872
Balance at September 30, 2014	16,290,786	64,585,204	17,825,872

(i) The carrying amount of the flow-through shares issued in December 2012 was presented net of the liability related to flow-through shares of \$329,440 that was recorded when the flow-through shares were issued. As at June 30, 2014 and September 30, 2014, the balance of the liability related to these flow-through shares was nil.

(ii) A total of 128,205 shares are escrowed as at September 30, 2014 (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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

- (iii) 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 September 30, 2014, the balance of the liability related to these flow-through shares is nil (\$28,523 as at June 30, 2014). During the three-month period ended September 30, 2014, an amount of \$28,523 has been recognized as other income related to flow-through shares in the consolidated condensed interim statement 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.
- (iv) The fair value of \$3,254 related to the warrants issued to brokers during the financing that occurred in December 2013 was added to the value of the share capital, with the counterpart to deficit, as disclosed in the consolidated statements of changes in shareholders' equity for the year ended June 30, 2014.
- (v) The common shares held by Critical Elements Corporation ("CEC") are subject to voluntary hold periods as follows: 250,000 common shares was released six months after the closing of the transaction with CEC, which was November 12, 2014; and 250,000 common shares will be released 12 months after the closing of the CEC Transaction, which is May 12, 2015.

(A) YEAR ENDED JUNE 30, 2014:

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

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

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

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

(B) WARRANTS GRANTED TO OTHERS THAN THE BROKERS:

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

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014		YEAR ENDED JUNE 30, 2014	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding, beginning of the period	15,511,396	0.25	13,861,400	0.27
Granted	-	-	6,339,996	0.15
Exercised	-	-	(4,690,000)	⁽¹⁾ 0.11
Outstanding, end of period	15,511,396	0.25	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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

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

The following table summarizes the information relating to the warrants:

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

(D) WARRANTS GRANTED TO BROKERS:

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

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014		YEAR ENDED JUNE 30, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of the period	779,390	0.21	695,390	0.22
Granted	-	-	84,000	0.12
Outstanding, end of period	779,390	0.21	779,390	0.21

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014	YEAR ENDED JUNE 30, 2014
	\$	\$
Weighted average fair value of share purchase warrants granted during the period	-	0.04

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

9. SHARE CAPITAL AND WARRANTS (CONTINUED):

(D) WARRANTS GRANTED TO BROKERS (CONTINUED):

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

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014	YEAR ENDED JUNE 30, 2014
Risk-free interest rate	-	1.07%
Expected annual dividend rate	-	0%
Expected annualized volatility	-	95%
Expected life of warrants	-	2 years

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

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

10. SHARE PURCHASE OPTIONS:

The shareholders of the Company approved a share purchase option plan (the "Plan") whereby the Board of Directors may grant to employees, officers, directors and consultants of the Company share purchase options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board of Directors. The exercise price may not be lower than the market price of the common shares at the time of grant.

The Plan provides that the maximum number of common shares of the Company that may be reserved for issuance under the Plan shall not be greater than 10% of the issued shares of the Company being outstanding from time to time.

The maximum number of common shares which may be reserved for issuance to any optionee may not exceed 5% of the outstanding common shares at the time of vesting and may not exceed 2% of the outstanding common shares for consultants and investors relation representative. These options are non-assignable and non-transferable unless by legacy or inheritance and will expire no later than five years after being granted. The vesting period for the share purchase options and warrants to brokers varies from immediate vesting up to 36-month vesting periods and the life of the options varies from two to five years.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

10. SHARE PURCHASE OPTIONS (CONTINUED):

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

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014		YEAR ENDED JUNE 30, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	3,696,250	0.25	2,755,000	0.33
Granted	-	-	1,520,000	0.15
Expired	(26,250)	0.19	(578,750)	0.32
Outstanding, end of period	3,670,000	0.25	3,696,250	0.25
Exercisable, end of period	3,582,500	0.25	3,506,250	0.25

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014	YEAR ENDED JUNE 30, 2014
	\$	\$
Weighted average fair value of share purchase options granted during the period	-	0.08

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

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2014	YEAR ENDED JUNE 30, 2014
Risk-free interest rate	-	1.54%
Expected annual dividend rate	-	0%
Expected annualized volatility	-	91%
Expected life of options	-	5 years

For the three-month period ended September 30, 2014, the application of the fair value model resulted in share-based payments expenses of \$901 (\$84,872 for the three-month period ended September 30, 2013).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

10. SHARE PURCHASE OPTIONS (CONTINUED):

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

NUMBER OF OPTIONS OUTSTANDING AS AT SEPTEMBER 30, 2014		EXERCISE PRICE	EXPIRY DATE
Outstanding	Exercisable	\$	
5,000	5,000	0.140	August 2015
15,000	15,000	0.250	August 2015
1,250,000	1,250,000	0.400	July 2016
300,000	300,000	0.125	July 2017
400,000	400,000	0.250	October 2017
50,000	50,000	0.250	December 2017
150,000	150,000	0.250	January 2018
850,000	800,000	0.150	September 2018
650,000	612,500	0.140	June 2019
3,670,000	3,582,500		

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. Restoration costs will be accrued in the financial statements only when it can be determined that a present obligation exists, resulting from the environmental consequences of the exploration activities performed on the lands, and when it can be reliably estimated. Such obligations will be capitalized to the cost of the related assets at that time.
- (B) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors or the Company.

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 Eloro Resources Inc. a 1.5% Net Smelter Return ("NSR") on all metals from the claims and has the right, at any time before commercial production, to purchase 1/3 of this NSR by paying Eloro Resources Inc. \$1,000,000 in cash.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

12. COMMITMENTS (CONTINUED):

(B) SIMKAR GOLD

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

(C) BELCOURT GOLD

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

(D) CROINOR GOLD

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

(E) FLOW-THROUGH SHARES

The Company was committed to incur eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Québec *Taxation Act*, of \$1,647,200 by December 31, 2013, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through share underwriting completed on December 21, 2012. The Company has fulfilled this commitment since it incurred a cumulative amount of \$1,647,200 of eligible expenses as at December 31, 2013 (\$696,130 as at June 30, 2013) and has no funds reserved for exploration (\$951,070 as at June 30, 2013) related to this commitment.

The Company was also committed to incur eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Québec *Taxation Act*, of \$201,600 by December 31, 2014, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through share completed on December 23, 2013. The Company has fulfilled this commitment since it incurred a cumulative amount of \$201,600 of eligible expenses as at September 30, 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

13. ASSETS RETIREMENT OBLIGATIONS:

The Company's provision consist primarily of assets retirement obligations for costs associated with mine reclamation and closure activities at the Croinor property, following the acquisition of "X-Ore". In determining the estimated costs, the Company considers such factors as changes in laws and regulations and requirements under existing permits. Since there is no mining activity actually on the mining site, the amount of \$105,178 (\$105,178 as at June 30, 2014) set aside as in trust deposits is considered acceptable by the government authorities and also represents management's best estimate based on the information available. The Company is currently preparing an updated mine closure plan which will be submitted to the government authorities before the end of fiscal 2015 and the provision will be adjusted accordingly as required. Any adjustment in the future to this provision will affect the Company's results.

14. RELATED PARTY TRANSACTIONS:

The Company has no ultimate parent.

Inter-company transactions carried out during the three-month period ended September 30, 2014 between the Company and Nemaska (entity having significant influence over the Company), totalled an amount of \$28,500 (\$35,468 in 2013) as follows: Nemaska charged to the Company for the following: \$28,500 (\$32,168 in 2013) of compensation and nil (\$3,300 in 2013) 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 September 30, 2014 and as at June 30, 2014.

15. ITEMS NOT AFFECTING CASH AND CASH EQUIVALENTS:

	Three-month period ended September 30,	
	2014	2013
	\$	\$
<u>Non-cash items:</u>		
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	106,601	12,878

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

16. COMPENSATION:

	Three-month period ended September 30,	
	2014	2013
	\$	\$
Wages and fringe benefits paid to key management personnel	92,794	87,187
Wages and fringe benefits paid to the other staff employees	12,630	7,098
Fees paid to the members of the Board of Directors	18,250	15,000
	123,674	109,285

During the three-month period ended September 30, 2014, the Company incurred \$901 (\$84,872 in 2013) of share-based payments expenses, of which \$901 (\$35,146 in 2013) were attributed to key management personnel and nil (\$34,949 in 2013) were attributed to the members of the Board of directors in relation with the share purchase options granted.

17. INCOME TAXES AND MINING TAXES:

The income tax expense differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.90% (26.90% in 2013) to the loss before income taxes due to the following:

	Three-month period ended September 30,	
	2014	2013
	\$	\$
Loss before income taxes	(169,450)	(324,423)
Expected tax recovery	(45,582)	(87,270)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	242	22,831
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	-	13,508
Current year losses for which no deferred tax assets recognised	21,017	-
Permanent difference arising from the non-taxable income related to flow-through shares	(7,673)	(2,702)
Non deductible capital loss related to change in fair value of marketable securities financial assets	1,614	23,752
Mining tax expense	17,262	-
Future tax arising from flow-through shares renunciation	30,692	-
Income tax (recovery) expense	17,572	(29,881)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

17. INCOME TAXES AND MINING TAXES (CONTINUED):

Movements in temporary differences during the three-month period ended September 30, 2014 and year ended June 30, 2014 are detailed as follows:

	BALANCE JUNE 30, 2014 \$	RECOGNIZED IN PROFIT OR LOSS \$	BALANCE SEPTEMBER 30, 2014 \$
Deferred tax assets:			
Operating losses	107,924	32,624	140,548
Share issuance costs	149,544	(2,926)	146,618
	257,468	29,698	287,166
Deferred tax liabilities:			
Exploration and evaluation assets	(326,960)	(29,698)	(356,658)
Deferred mining duties	-	(21,947)	(21,947)
Mining properties	69,492	-	69,492
	(257,468)	(51,645)	(309,113)
	-	(21,947)	(21,947)

	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 CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

17. INCOME TAXES AND MINING TAXES (CONTINUED):

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

	Three-month period ended September 30,	
	2014	2013
	\$	\$
Non-capital losses carry forwards	1,583,663	-
Share issuance costs	143,003	-
Unrealised loss on investment	1,614	-
	1,728,280	-

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

YEAR INCURRED	FEDERAL	PROVINCIAL	EXPIRY
	\$	\$	
2007	480,017	420,695	2027
2008	566,242	563,958	2028
2009	187,288	186,829	2029
2010	-	-	2030
2011	212,153	212,153	2031
2012	1,019,747	1,019,747	2032
2013	801,250	801,250	2033
2014	1,027,187	1,027,187	2034
2015 (3 months)	261,891	261,891	2035
	4,555,775	4,493,710	

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

18. EARNINGS PER SHARE:

The warrants and share purchase options were excluded from the diluted weighted average number of common shares calculation since the Company is at loss and, therefore, their effect would have been antidilutive.

19. SUBSEQUENT EVENTS:

On November 10, 2014, the Company filed on SEDAR a preliminary short form prospectus in order to raise a minimum of \$1,500,000 being composed of 2,307,692 A units (the "A Units") at a price of \$0.13 per A Unit, 1,000 B units (the "B Units") at a price of \$1,000 per B Unit and 1,250,000 C units (the "C Units") at a price of \$0.16 per C Unit and, subject to the minimum offering, any combination of A Units, B Units and C Units up to a maximum gross proceeds of \$3,000,000.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013

19. SUBSEQUENT EVENTS (CONTINUED):

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, for which a minimum individual subscription of \$100,000 is required. Each whole warrant entitles its holder to purchase one common share at a price of \$0.18 at any time prior to 5:00 p.m. (Montreal time) on the date that is 36 months following the closing date. The A Units, the B Units and the C Units together with any additional units will be sold pursuant to the terms and conditions of the agency agreement between the Company and the agent.