

# CONSOLIDATED FINANCIAL STATEMENTS



**YEARS ENDED  
JUNE 30, 2016 AND 2015**

## **MONARQUES GOLD CORPORATION**

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Years ended June 30, 2016 and 2015

**Consolidated Financial Statements**

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# MONARQUES GOLD CORPORATION

## 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, 2016 and 2015 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/ Alain Lévesque  
Alain Lévesque, Chief Financial Officer



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Monarques Gold Corporation

We have audited the accompanying consolidated financial statements of Monarques Gold Corporation, which comprise the consolidated statements of financial position as at June 30, 2016 and June 30, 2015, 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, 2016 and June 30, 2015, 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 2 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 2, 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 24, 2016

Montréal, Canada

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND JUNE 30, 2015

	NOTE	JUNE 30, 2016	JUNE 30, 2015
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	13 (E) (G)	4,706,477	1,378,648
Sales tax receivable		43,826	136,936
Marketable securities	8	-	14,500
Tax credits and mining rights receivable		7,500	70,147
Prepaid expenses		20,750	38,678
		<b>4,778,553</b>	<b>1,638,909</b>
<b>NON-CURRENT ASSETS:</b>			
Deposits to suppliers for exploration and evaluation expense		-	20,000
Assets under construction	9	13,545	-
In trust deposit	5	312,117	208,078
Mining properties	6	3,021,429	3,022,255
Exploration and evaluation assets	7	3,115,463	2,304,556
		<b>6,462,554</b>	<b>5,554,889</b>
<b>TOTAL ASSETS</b>		<b>11,241,107</b>	<b>7,193,798</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued liabilities		213,532	404,968
Liability related to flow-through shares	10 (iii) (iv)	15,285	121,685
		<b>228,817</b>	<b>526,653</b>
<b>NON-CURRENT LIABILITIES:</b>			
Deferred grant	9	643,740	-
Deferred income taxes and mining taxes	18	500,341	190,771
Asset retirement obligations	14	416,155	416,155
		<b>1,560,236</b>	<b>606,926</b>
<b>TOTAL LIABILITIES</b>		<b>1,789,053</b>	<b>1,133,579</b>
<b>EQUITY:</b>			
Share capital and warrants	10	24,825,829	20,274,089
Contributed surplus		738,379	698,643
Accumulated other comprehensive income		-	11,500
Deficit		(16,112,154)	(14,924,013)
		<b>9,452,054</b>	<b>6,060,219</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,241,107</b>	<b>7,193,798</b>

Reporting entity and nature of operations (Note 1); Going concern (Note 2); Contingencies (Note 12); Commitments (Note 13); Events after the reporting date (Note 22).

The notes on pages 9 to 40 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, 2016 AND 2015

	NOTE	2016	2015
		\$	\$
<b>Expenses:</b>			
Compensation	17	285,497	450,737
Share-based payments		51,514	87,477
Rent, office and other expenses		55,278	42,507
Registration, listing fees and shareholders' information		43,625	52,751
Promotion and advertising		49,581	40,376
Representation, missions and trade shows		39,420	26,658
Consultant fees		98,886	61,222
Professional fees		118,407	108,817
<b>Total expenses</b>		<b>742,208</b>	<b>870,545</b>
<b>Net finance (income) expense:</b>			
Finance income		(9,123)	(16,287)
Finance expense		3,978	3,956
		<b>(5,145)</b>	<b>(12,331)</b>
<b>Operating loss</b>		<b>737,063</b>	<b>858,214</b>
<b>Other items:</b>			
Other income related to flow-through shares	10 <sup>(iii)</sup> (iv)	(166,400)	(222,701)
Other revenue		(8,813)	(14,511)
Change in fair value of available-for-sale marketable securities		(8,515)	(42,687)
Impairment of exploration and evaluation assets	7	2,449	-
Impairment of mining properties	6	3,453	-
		<b>(177,826)</b>	<b>(279,899)</b>
<b>Loss before income taxes</b>		<b>559,237</b>	<b>578,315</b>
Current income tax recovery	18	(20,199)	(7,500)
Deferred income and mining taxes	18	309,570	190,771
		<b>289,371</b>	<b>183,271</b>
<b>Net loss for the year</b>		<b>848,608</b>	<b>761,586</b>
<b>Other comprehensive loss</b>			
Items that are or may be reclassified subsequently to net income or loss:			
Available-for-sale marketable securities - Change in fair value		11,500	81,187
Available-for-sale marketable securities - Reclassified to statement of loss		-	(42,687)
<b>Comprehensive loss for the year</b>		<b>860,108</b>	<b>800,086</b>
Basic and diluted loss per share		<b>0.010</b>	<b>0.011</b>
Weighted average number of shares outstanding		<b>89,825,258</b>	<b>73,308,473</b>

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED JUNE 30, 2016 AND 2015

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME	DEFICIT	TOTAL
	\$	\$	\$	\$	\$
<b>BALANCE AS AT JUNE 30, 2015</b>	<b>20,274,089</b>	<b>698,643</b>	<b>11,500</b>	<b>(14,924,013)</b>	<b>6,060,219</b>
Equity financing:					
Issuance of shares	3,365,001	-	-	-	3,365,001
Flow-through shares	220,000	-	-	-	220,000
Flow-through shares premium	(60,000)	-	-	-	(60,000)
Exercise of warrants	990,951	-	-	-	990,951
Share issuance costs	-	-	-	(337,523)	(337,523)
<u>OPTIONS:</u>					
Granted to employees, officers, directors, consultants or I.R. representatives (note 11)	-	51,514	-	-	51,514
Granted to brokers (note 10)	2,010	-	-	(2,010)	-
Exercise of options	33,778	(11,778)	-	-	22,000
	<b>24,825,829</b>	<b>738,379</b>	<b>11,500</b>	<b>(15,263,546)</b>	<b>10,312,162</b>
<u>NET LOSS FOR THE YEAR</u>	-	-	-	(848,608)	(848,608)
<u>OTHER COMPREHENSIVE LOSS:</u>					
Change in fair value of available-for-sale marketable securities	-	-	(11,500)	-	(11,500)
<b>BALANCE AS AT JUNE 30, 2016</b>	<b>24,825,829</b>	<b>738,379</b>	<b>-</b>	<b>(16,112,154)</b>	<b>9,452,054</b>

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

	SHARE CAPITAL AND WARRANTS	CONTRIBUTED SURPLUS	ACCUMULATED OTHER COMPREHENSIVE INCOME	DEFICIT	TOTAL
	\$	\$	\$	\$	\$
<b>BALANCE AS AT JUNE 30, 2014</b>	<b>17,825,872</b>	<b>611,166</b>	<b>50,000</b>	<b>(13,631,815)</b>	<b>4,855,223</b>
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 11)	-	87,477	-	-	87,477
Granted to brokers (note 10)	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)
<b>BALANCE AS AT JUNE 30, 2015</b>	<b>20,274,089</b>	<b>698,643</b>	<b>11,500</b>	<b>(14,924,013)</b>	<b>6,060,219</b>

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
	\$	\$
<b>Cash flows from operating activities:</b>		
Loss for the year	(848,608)	(761,586)
Adjustments for:		
Share-based payments	51,514	87,477
Other income related to flow-through shares	(166,400)	(222,701)
Change in fair value of marketable securities financial assets	(8,515)	(42,687)
Impairment of mining properties	3,453	-
Impairment of exploration and evaluation assets	2,449	-
Current income tax recovery	(20,199)	(7,500)
Deferred income and mining taxes	309,570	190,771
Net change in non-cash operating working capital	197,491	(194,909)
	<b>(479,245)</b>	<b>(951,135)</b>
<b>Cash flows from financing activities:</b>		
Shares paid in cash	3,365,001	1,018,560
Flow-through shares	220,000	1,684,600
Exercise of warrants	990,951	-
Exercise of options	22,000	-
Share issuance costs	(342,469)	(482,400)
Deferred revenues	684,375	-
	<b>4,939,858</b>	<b>2,220,760</b>
<b>Cash flows from investing activities:</b>		
Addition to mining properties	(2,627)	(15,943)
Addition to assets under construction	(54,180)	-
Disposal of marketable securities	11,515	64,687
Increase in in trust deposit	(104,039)	(102,900)
Increase in exploration and evaluation assets	(983,453)	(1,082,523)
	<b>(1,132,784)</b>	<b>(1,136,679)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,327,829</b>	<b>132,946</b>
Cash and cash equivalents, beginning of year	1,378,648	1,245,702
<b>Cash and cash equivalents, end of year</b>	<b>4,706,477</b>	<b>1,378,648</b>

Additional information relating to statements of cash flows (Note 16)

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

## 1. REPORTING ENTITY AND NATURE OF OPERATIONS:

Monarques Gold Corporation (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.

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 1, Place Ville Marie, Suite 2901, Montréal (Québec), Canada H3B 0E9 and the web site is [www.monarquesgold.com](http://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.

## 2. GOING CONCERN:

Management estimates that the working capital available to the Company at the end of the period, combine with the \$2,082,500 flow-through financing closed in July 2016 (refer to Note 22 – Events after the reporting date) will provide the Company with adequate funding in order to cover its 2016-2017 fiscal year budget for general administrative expenses, to meet its short-term obligations, and to complete its planned 2016 and 2017 calendar year exploration budget. However, since the Company does not generate revenues, the Company will need to periodically obtain new funds to pursue its operations and meet its obligation related to the acquisition of the Beacon Mill (refer to Note 22 – Events after the reporting date) and the design and building of a power line for the Croinor property (refer to note 9). Despite its ability to obtain funds in the past, there is no guarantee that it will be able to raise financing in the future.

As at June 30, 2016, 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 \$4,006,691 in cash and cash equivalents not reserved for exploration or for the design and build of the power line on Croinor property (\$729,667 as at June 30, 2015). The total working capital (excluding funds reserved for exploration, design and build of the power line on Croinor property and current payment for asset retirement obligations) of \$3,745,912 will be used to meet its financial liabilities and future financial liabilities from its commitments mainly related to the acquisition of the Beacon Mill and the development of the Croinor property. The Company had \$56,046 (\$648,981 as at June 30, 2015) of funds reserved for exploration and \$643,740 for design and build the power line at Croinor property as at June 30, 2016.

**2. GOING CONCERN (CONTINUED):**

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.

**3. 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 24, 2016, 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 4 (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 4 - assessment of refundable tax credits related to resources and credit on mining duties;

**3. BASIS OF PREPARATION (CONTINUED):**

**(D) USE OF ESTIMATES AND JUDGMENTS (CONTINUED):**

- Notes 4, 6 and 7 - recoverability of mining properties and capitalizable costs as exploration and evaluation assets;
- Notes 4 and 18 - recoverability of deferred income tax assets.

**4. 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").

***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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(B) FINANCIAL INSTRUMENTS (CONTINUED):

(i) Non-derivative financial assets (continued):

*Loans and receivables (continued)*

Cash and cash equivalents include proceeds of governmental grant not yet expensed. The Company must use these funds for the electric line construction in accordance with restrictions imposed by the related grant.

For the purpose of the cash flow statements, proceeds from flow-through financings used for exploration and evaluation assets and proceeds from grant used for property, plant and equipment are included as part of the investment activities.

(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.

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**(B) FINANCIAL INSTRUMENTS (CONTINUED):**

**(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.

**(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.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**(D) IMPAIRMENT (CONTINUED):**

**(i) Financial assets (continued):**

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.

**(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.



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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):****(D) IMPAIRMENT (CONTINUED):****(ii) Non-financial assets (continued):**

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.

**(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) DEFERRED GRANT:**

Cash payments received pursuant to contractual arrangements are recorded as deferred grant until all of the foregoing conditions of grant recognition have been met.

Grant is measured at the fair value of the consideration received or receivable. Grant is recognized when the amount can be reliably measured, when it is probable that future economic benefits will flow to the Company and when specific criteria have been met. Governmental grant is recorded as grant against the underlying expenses according to the work progress.

**(G) 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.

**(H) 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.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**(H) SHARE CAPITAL AND WARRANTS (CONTINUED):**

***Flow-through shares (continued)***

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.

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.

**(I) 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.

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**(I) SHARE-BASED PAYMENTS (CONTINUED):**

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.

**(J) 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.

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.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**(K) 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.

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 management's intention that the Company become a producer in the future; as such, credit on mining duties are recorded as an income tax recovery.

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 31% for eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets. Since the expenses for exploration and evaluation assets have been financed with flow-through shares, the Company is not currently eligible for these tax credits since they have been transferred to investors.

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

**(L) 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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**(M) 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.

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

The following new Standards and Interpretations are not yet effective and have not been applied in preparing these financial statements:

***Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)***

On June 20, 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its consolidated 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.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):****(N) NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED):****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.

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.

**IFRS 15, *Revenue from Contracts with Customers***

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The Company intends to adopt IFRS 15 in its consolidated 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.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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

**IFRS 16, *Leases***

On January 13, 2016, the IASB issued IFRS 16, *Leases*.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on July 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

**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, 2016, the Company has investments totaling \$312,117 (\$208,078 as at June 30, 2015) 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 1.20% to 1.55%, maturing between February 20, 2017 and September 7, 2018. The remaining amount of \$104,038 will need to be deposited in a trust account on January 23, 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

YEARS ENDED JUNE 30, 2016 AND 2015

**6. MINING PROPERTIES:**

PROPERTIES <sup>(1)</sup>	LOCALIZATION	ROYALTIES	JUNE 30, 2015	ACQUISITION	IMPAIRMENT	JUNE 30, 2016
			\$	\$	\$	\$
Belcourt Gold	SNRC 32C06	1.5%	3,453	-	(3,453)	-
Croinor Gold	SNRC 32C02, 32C03	1.5%	2,822,488	-	-	2,822,488
Regcourt Gold	SNRC 32C03	2.5%	105,911	2,627	-	108,538
Simkar Gold	SNRC 32C04	1.5%	90,403	-	-	90,403
			<b>3,022,255</b>	<b>2,627</b>	<b>(3,453)</b>	<b>3,021,429</b>

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

<sup>(1)</sup> Properties are all located in the Province of Québec, Canada.

<sup>(2)</sup> 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 13).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

YEARS ENDED JUNE 30, 2016 AND 2015

**7. EXPLORATION AND EVALUATION ASSETS:**

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

	JUNE 30, 2015	EXPLORATION EXPENSES	TAX CREDITS FOR RESOURCES	IMPAIRMENT	JUNE 30, 2016
	\$	\$	\$	\$	\$
Belcourt Gold	2,449	-	-	(2,449)	-
Croinor Gold	1,222,262	763,359	4,620	-	1,990,241
Regcourt Gold	41,512	-	-	-	41,512
Simkar Gold	1,038,333	49,576	(4,199)	-	1,083,710
	<b>2,304,556</b>	<b>812,935</b>	<b>421</b>	<b>(2,449)</b>	<b>3,115,463</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 7. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

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

	YEAR ENDED JUNE 30, 2016	YEAR ENDED JUNE 30, 2015
	\$	\$
Exploration expenses:		
Salaries, supervision and consultants	149,303	261,651
Geology and geophysics	306,619	409,623
Test, sampling and prospecting	45,744	32,302
Drilling, equipment rental and other material	295,012	564,945
Lodging, meals and travel expenses	16,257	34,249
<b>Increase of exploration expenses</b>	<b>812,935</b>	<b>1,302,770</b>
Tax credits for resources	421	(62,646)
Impairment	(2,449)	-
Balance, beginning of year	2,304,556	1,064,432
<b>Balance, end of year</b>	<b>3,115,463</b>	<b>2,304,556</b>

### 8. MARKETABLE SECURITIES:

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

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

Effective October 1, 2014, Eloro proceeded with a share rollback on the basis of 10 old shares for one new share. During the period ended December 31, 2015, the Company sold 100,000 shares (400,000 in 2014) for a gross proceed of \$11,515 (\$31,000 in 2014). Following the transaction, the Company does not hold any shares of Eloro as at June 30, 2016.

### 9. DEFERRED GRANT:

The Company has an agreement with the Ministère de l'Énergie et des Ressources Naturelles ("MERN") whereby the latter funds a portion of the cost, based on expenditures incurred by the Company.

In January 2016, MERN allocated a grant to the Company in the amount of \$2,737,500 representing 75% of the total budget for the design and building of the power line of the Croinor property within 36 months.

The Company is committed to reduce its future GHG emissions by 8 626.8 tonnes of CO<sub>2</sub> equivalent per year, compared to the reference project presented to the MERN that was based on diesel energy, on a seven-year period here defined as the duration of his commitment. If this objective is not reached, the grant will be prorated for actual results achieved.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 9. DEFERRED GRANT (CONTINUED):

The grant is payable in fourth equal payment of \$684,375. The first portion of the grant was disbursed in May 2016 after the reception of the first purchase orders. The second portion will be payable following the realization at the least of 50% of the project. The third payment will be payable after the approval of the start-up report and the fourth upon the approval of the project report.

As at June 30, 2016, the Company incurred \$54,180 of capital expenditure. Consequently, the Company reduced the deferred revenues by \$40,635, an amount representing 75% of the cost incurred to date. The net balance of \$13,545 is recorded as assets under construction on the balance sheet. Finally, the deferred revenues as at June 30, 2016 is \$643,740 (nil in 2015).

If the total cost of the project is lower than the budget, the grant will be adjusted.

### 10. 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, 2014 <sup>(i)</sup>	16,290,786	64,585,204	17,825,872
Paid in cash <sup>(ii)</sup>	8,372,456	8,757,811	1,034,921
Flow-through shares <sup>(iii)</sup>	5,992,482	10,528,750	1,413,296
<b>Balance at June 30, 2015 <sup>(i)</sup></b>	<b>30,655,724</b>	<b>83,871,765</b>	<b>20,274,089</b>
Paid in cash <sup>(ii)</sup>	13,921,311	21,705,360	3,367,011
Flow-through shares <sup>(iv)</sup>	-	2,000,000	160,000
Warrants and warrants to brokers exercised	(6,528,049)	6,528,049	990,951
Options exercised	-	175,000	33,778
Expiration	(12,608,971)	-	-
<b>Balance at June 30, 2016 <sup>(i)</sup></b>	<b>25,440,015</b>	<b>114,280,174</b>	<b>24,825,829</b>

<sup>(i)</sup> No shares are escrowed as at June 30, 2016 (64,102 as at June 30, 2015) related to the acquisition of mining properties. The common shares were 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. A proportion of 33% of the Escrow Shares is released from escrow at 12-month intervals from the Closing Date.

<sup>(ii)</sup> The fair value of \$2,010 related to the warrants issued to brokers during the financing that occurred in December 2015 (\$60,920 for the financing 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 corresponding period.

**10. 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 \$315,863 that was recorded when the flow-through shares were issued during the financings that occurred in December 2014. No liability is remaining as at June 30, 2016 related to these flow-through shares. During the year ended June 30, 2016, an amount of \$121,685 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 year in relation with the total flow-through shares financing.
- (iv) The carrying amount of these flow-through shares is presented net of the liability related to flow-through shares of \$60,000 that was recorded when the flow-through shares were issued during the financing that occurred in December 2015. As at June 30, 2016, the balance of the liability related to these flow-through shares is \$15,285. During the year ended June 30, 2016, an amount of \$44,715 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 year in relation with the total flow-through shares financing.

**(A) YEAR ENDED JUNE 30, 2016:**

On November 6, 2015, the Company closed a non-brokered private placement of an aggregate of 3,875,000 units at a price of \$0.08 per unit for a gross proceed of \$310,000. Each unit is comprised of one common share in the capital of the Company and 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 \$0.10 per share for a period of 24 months following the closing of the private placement.

On December 18, 2015, the Company closed a brokered private placement for an aggregate gross proceeds of \$275,000. Pursuant to this placement, the Company issued a total of 500 “flow-through units” at a price of \$550 per unit. Each “flow-through unit” consists of 4,000 common shares in the capital of the Company issued as flow-through shares at a price of \$0.11 per flow-through share, 1,375 common shares in the capital of the Company at a price of \$0.08 per common share and 2,688 common share purchase warrants of the Company. Each warrant entitles its holder thereof to purchase one common share at a price of \$0.10 per common share, until December 18, 2017. In consideration for its services, the agent received a cash commission of \$24,805 and 130,881 agent’s compensation warrants to purchase, until December 18, 2017, a total of 130,881 common shares at a price of \$0.10 per common share.

On May 26, 2016, the Company closed a brokered private placement of an aggregate of 17,142,860 units at a price of \$0.175 per unit for a gross proceed of \$3,000,001. Each unit is comprised of one common share in the capital of the Company and one half 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 \$0.25 for a period of 36 months following the closing of the private placement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 10. SHARE CAPITAL AND WARRANTS (CONTINUED):

#### (B) 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".

#### (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, 2016		YEAR ENDED JUNE 30, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	28,959,139	0.21	15,511,396	0.25
Granted	13,790,430	0.19	13,447,743	0.17
Exercised	(6,357,423)	0.15	-	-
Expired	(11,829,581)	0.27	-	-
<b>Outstanding, end of year</b>	<b>24,562,565</b>	<b>0.18</b>	<b>28,959,139</b>	<b>0.21</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 10. SHARE CAPITAL AND WARRANTS (CONTINUED):

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

During the year ended June 30, 2016, 6,357,423 warrants granted to others than brokers were exercised at a price between \$0.10 and \$0.18 per common share, while the closing market price of the shares was between \$0.18 and \$0.40.

The following table summarizes the information relating to the warrants:

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2016	EXERCISE PRICE \$	EXPIRY DATE
3,755,000 (exercisable)	0.14	May 2017
3,875,000 (exercisable)	0.10	November 2017
7,248,303 (exercisable)	0.18	December 2017
1,112,832 (exercisable)	0.10	December 2017
8,571,430 (exercisable)	0.25	May 2019
<hr/>		
<b>24,562,565</b>		

#### (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, 2016	YEAR ENDED JUNE 30, 2015
Number of warrants	Weighted average exercise price \$	Number of warrants Weighted average exercise price \$
Outstanding, beginning of the year	1,696,585	779,390
Granted	130,881	917,195
Expired	(779,390)	-
Exercised	(170,626)	-
<b>Outstanding, end of year</b>	<b>877,450</b>	<b>1,696,585</b>

During the year ended June 30, 2016, a total of 170,626 warrants granted to brokers were exercised at a price of \$0.13 per common share, while the closing market price of the shares was between \$0.28 and \$0.38.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 10. SHARE CAPITAL AND WARRANTS (CONTINUED):

#### (D) WARRANTS GRANTED TO BROKERS (CONTINUED):

The weighted average fair value of share purchase warrants granted to brokers during the year ended June 30, 2016 is \$0.02 (\$0.07 for the year ended June 30, 2015). 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, 2016	YEAR ENDED JUNE 30, 2015
Risk-free interest rate	0.60 %	1.02%
Expected annual dividend rate	0 %	0%
Expected annualized volatility	74 %	90%
Expected life of warrants	2 years	3 years

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

NUMBER OF WARRANTS OUTSTANDING AS AT JUNE 30, 2016	EXERCISE PRICE	EXPIRY DATE
	\$	
746,569 (exercisable)	0.13	December 2017
130,881 (exercisable)	0.10	December 2017
<b>877,450</b>		

### 11. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 11. SHARE PURCHASE OPTIONS (CONTINUED):

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

	YEAR ENDED JUNE 30, 2016		YEAR ENDED JUNE 30, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of year	5,095,000	0.22	3,696,250	0.25
Granted	1,175,000	0.08	1,450,000	0.12
Expired	(345,000)	0.21	(51,250)	0.16
Exercised	(175,000)	0.13	-	-
<b>Outstanding, end of year</b>	<b>5,750,000</b>	<b>0.19</b>	<b>5,095,000</b>	<b>0.22</b>
<b>Exercisable, end of year</b>	<b>5,750,000</b>	<b>0.19</b>	<b>4,982,500</b>	<b>0.22</b>

	YEAR ENDED JUNE 30, 2016	YEAR ENDED JUNE 30, 2015
	\$	\$
Weighted average fair value of share purchase options granted during the year	0.04	0.06

During the year ended June 30, 2016, a total of 175,000 share purchase options were exercised at a price between \$0.12 and \$0.13 per common share, while the closing market price of the shares was between \$0.29 and \$0.38.

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, 2016	YEAR ENDED JUNE 30, 2015
Risk-free interest rate	0.68%	0.94%
Expected annual dividend rate	0%	0%
Expected annualized volatility	101%	87%
Expected life of options	5 years	5 years

For the year ended June 30, 2016, the application of the fair value model resulted in share-based payments expenses of \$51,514 (\$87,477 in 2015).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 11. SHARE PURCHASE OPTIONS (CONTINUED):

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

NUMBER OF OPTIONS OUTSTANDING AS AT JUNE 30, 2016		EXERCISE PRICE	EXPIRY DATE
Outstanding	Exercisable	\$	
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
325,000	325,000	0.130	January 2020
875,000	875,000	0.120	May 2020
150,000	150,000	0.100	November 2020
1,025,000	1,025,000	0.080	January 2021
<b>5,750,000</b>	<b>5,750,000</b>		

### 12. 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.

### 13. 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.

**13. COMMITMENTS (CONTINUED):****(B) SIMKAR GOLD**

The Company has agreed to pay Eloro 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 Eloro 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.

**(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 \$1,684,600 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. The Company has fulfilled this commitment since it incurred a cumulative amount of \$1,684,600 of eligible expenses prior to December 31, 2015 (\$1,035,619 as at June 30, 2015) and has no funds (\$648,981 as at June 30, 2015) reserved for exploration related to this commitment.

The Company is committed to incur eligible exploration and evaluation expenses, pursuant to the Canada *Income Tax Act* and Québec *Taxation Act*, of \$220,000 by December 31, 2016, and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares completed on December 18, 2015. In relation to this commitment, the Company has incurred a cumulative amount of \$163,954 of eligible expenses as at June 30, 2016 and has \$56,046 of funds reserved for exploration.

**(F) LEASE**

The Company rents office space for a monthly amount of \$938 until May 31, 2017. The Company is also renting storage space for an annual amount of \$3,694. As at June 30, 2016, the total contractual payments remaining until May 31, 2017, assuming the lease will not be terminated before the end of the term, will amount to \$10,318.

**(G) GRANT**

The Company is also committed to incur expenses related to design and building of the power line of the Croinor property pursuant to the governmental grant agreement (Note 9).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

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### 14. 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, 2016, the Company has invested \$312,117 (\$208,078 as at June 30, 2015) 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 \$104,038 will need to be deposited in a trust account 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 an updated closure plan to the MRNF in order to re-assess the asset retirement obligation related to the operation on the site.

### 15. RELATED PARTY TRANSACTIONS:

The Company has no ultimate parent.

Inter-company transactions carried out during the year ended June 30, 2016, between the Company and Nemaska Lithium Inc. ("Nemaska") (entity having significant influence over the Company until June 2016) totalled an amount of \$37,500 (\$81,500 in 2015) for compensation 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, 2016 and as at June 30, 2015.

In June 2016, it was determined that Nemaska no longer exercised significant influence over the Company. Therefore, Nemaska is no longer considered a related party since that time.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 16. ITEMS NOT AFFECTING CASH AND CASH EQUIVALENTS:

	YEAR ENDED JUNE 30, 2016	YEAR ENDED JUNE 30, 2015
	\$	\$
<u>Non-cash items:</u>		
Changes in accounts payable and accrued liabilities related to share issuance costs	(4,946)	(12,708)
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	(190,518)	229,409
Change in asset retirement obligation capitalized to the cost of mining properties	-	310,977
Deposits to suppliers subsequently recorded to exploration and evaluation assets	20,000	(9,162)

### 17. COMPENSATION:

	June 30, 2016	June 30, 2015
	\$	\$
Wages and fringe benefits paid to key management personnel	212,128	352,857
Wages and fringe benefits paid to the other staff employees	42,124	32,429
Fees paid to the members of the Board of Directors	31,245	65,451
	<b>285,497</b>	<b>450,737</b>

During the year ended June 30, 2016, the Company incurred \$51,514 (\$87,477 in 2015) of share-based payments expenses, of which \$12,746 (\$49,544 in 2015) were attributed to key management personnel and \$38,768 (\$30,239 in 2015) were attributed to the members of the Board of Directors in relation with the share purchase options granted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 18. 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 2015) to the loss before income taxes due to the following:

	June 30, 2016	June 30, 2015
	\$	\$
Loss before income taxes	(559,237)	(578,315)
Expected tax recovery	(179,991)	(155,568)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	13,857	23,531
Deferred tax arising from exploration and evaluation assets financed through flow-through shares	218,680	309,273
Non-deductible expenses and other	44,382	289,462
Change in unrecognized tax assets	(17,177)	(359,941)
Deductibility of mining tax recovery	(34,989)	(46,850)
Current year losses for which no deferred tax assets recognized		-
Permanent difference arising from the non-taxable income related to flow-through shares	(44,762)	(59,907)
Permanent difference arising from the write-down of mineral properties		-
Non-deductible capital loss related to change in fair value of marketable securities financial assets		-
Mining tax expense	289,371	183,271
<b>Income tax expense</b>	<b>289,371</b>	<b>183,271</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 18. INCOME TAXES AND MINING TAXES (CONTINUED):

Movements in temporary differences during the years ended June 30, 2016 and June 30, 2015 are detailed as follows:

	BALANCE JUNE 30, 2015 \$	RECOGNIZED IN PROFIT OR LOSS \$	BALANCE JUNE 30, 2016 \$
Deferred tax assets:			
Operating losses	216,651	279,416	496,067
Assets retirement obligations	111,946	-	111,946
Property plant and equipment	29,305	-	29,305
Share issuance costs	77,172	(77,172)	-
	435,074	202,244	637,318
Deferred tax liabilities:			
Deferred mining duties	(190,771)	(309,578)	(500,349)
Mining properties	(500,345)	1,000	(499,345)
Exploration and evaluation assets	65,271	(203,235)	(137,964)
	(625,845)	(511,813)	(1,137,658)
	(190,771)	(309,570)	(500,341)

	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
	(69,942)	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)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2016 AND 2015

### 18. INCOME TAXES AND MINING TAXES (CONTINUED):

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

	BALANCE JUNE 30, 2016	BALANCE JUNE 30, 2015
Non-capital losses carry forwards	1,363,116	1,295,869
Share issuance costs	183,898	176,823
Capital losses	3,551	3,551
	<b>1,550,565</b>	<b>1,476,243</b>

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, 2016, 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	1,271,160	1,269,245	2035
2016	1,282,134	1,282,134	2036
	<b>6,938,573</b>	<b>6,871,475</b>	

### 19. 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.

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**20. 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 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 between 1.00% and 1.25% per year. In relation with those items, there is limited 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 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.



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**20. 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 21. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at June 30, 2016, 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 \$4,006,691 in cash and cash equivalents not reserved for exploration (\$729,667 as at June 30, 2015) plus \$43,826 in sales tax receivables (\$136,936 as at June 30, 2015) plus \$7,500 in tax credits and mining rights (\$70,147 as at June 30, 2015) plus nil in marketable securities (\$14,500 as at June 30, 2015) to meet its financial liabilities and future financial liabilities from its commitments. The Company also had \$56,046 (\$648,981 as at June 30, 2015) of funds reserved for exploration as at June 30, 2016 and \$643,740 to design and build the power line at Croinor property.

**21. 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, 2016, the Company's capital consists of shareholders' equity amounting to \$9,452,054 (\$6,060,219 as at June 30, 2015).

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 13 (E)). During the year, the Company complied with all of its regulatory requirements. The Company has a no dividend policy.

**22. EVENTS AFTER THE REPORTING DATE:****(i) FLOW-THROUGH FINANCING:**

In July 2016, the Company closed a brokered private placement of an aggregate of 4,083,333 flow-through units (the "FT Units") at a price of \$0.51 per FT Unit for a gross proceed of \$2,082,500. Each FT Unit is comprised of one common share in the capital of the Company and 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 \$0.51 for a period of 36 months following the closing of the private placement.

**(ii) BEACON MILL:**

On July 5, 2016, the Corporation signed a letter of intent to acquire the Beacon property from 9965-9911 Québec Inc. which were amended on September 28, 2016. The property consists of a metallurgical processing plant, tailings management ponds, underground installations, a 500-metre deep shaft, a mechanical shop and all mineral rights attached to the transaction, namely one mining concession, one mining lease and 11 mineral claims totalling 180 hectares (the "Beacon property"). The Corporation originally had until October 15, 2016, or such other date as the parties may agree, to proceed with the acquisition of the Beacon property in consideration of the payment of \$4,900,000 and 2,558,900 common shares, as follows: (i) \$1,000,000 cash and 2,558,900 common shares on closing of the transaction; and (ii) \$650,000 payable in cash at the 30th, 36th, 42nd, 48th, 54th and 60th month following closing of the transaction. Both parties are finalizing the terms of the transaction and agreed to postponed the closing date. The agreement was subject to: (i) regulatory and Ministerial approvals; (ii) payment by the Purchaser of the amount earmarked for the Beacon property rehabilitation plan to the Ministère de l'Énergie et des Ressources naturelles amounting to \$452,690 prior to May 27, 2017; and (iii) negotiation of final terms and signature of the formal deeds of sale and hypothec. The Corporation previously sign a letter of intent in November 2015 but the offer expired in April 2016.

**(iii) STOCK OPTIONS EXERCISED:**

Between July 1, 2016 and up to October 24, 2016, 300,000 options were exercised at an exercise price between \$0.125 and \$0.15 and 3,345,274 warrants were exercised at an exercised price between \$0.10 and \$0.18. Following these exercises, the Corporation received an aggregate amount of \$606,987 and issued a total of 3,645,274 common shares of the Corporation.