FINANCIAL STATEMENTS



YEARS ENDED
JUNE 30, 2014 AND 2013

NEMASKA LITHIUM INC.

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Years ended June 30, 2014 and 2013

FINANCIAL STATEMENTS

Management's Report 1

Independent Auditors' Report 2

Statements of Financial Position 4

Statements of Loss 5

Statements of Changes in Shareholders' Equity 6

Statements of Cash Flows 7

Notes to Financial Statements 8

NEMASKA LITHIUM INC.

MANAGEMENT'S REPORT

Management's responsibility for financial reporting

The accompanying 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 financial statements and other financial information presented in this Report. Other information included in these audited financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the audited 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 audited financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The financial statements for the years ended June 30, 2014 and 2013 have been audited by KPMG LLP, the independent auditors. The independent auditors have full and free access to the Audit Committee.

Internal control over financial reporting

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

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of 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/ Guy Bourassa
Guy Bourassa, President and CEO

/s/ Steve Nadeau
Steve Nadeau, Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Nemaska Lithium Inc.

We have audited the accompanying financial statements of Nemaska Lithium Inc., which comprise the statements of financial position as at June 30, 2014 and June 30, 2013, the statements of 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 Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

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

Opinion

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

Emphasis of Matter

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

KPMG LLP*

October 27, 2014

Montréal, Canada

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	Note	**June 30 2014**	June 30 2013
ASSETS		**$**	$
CURRENT ASSETS:			
Cash and cash equivalents	10 (E)	**1,099,505**	2,445,768
Sales tax receivable		**298,723**	111,663
Other receivables		**22,340**	7,565
Mining rights and tax credits receivable related to resources		**525,234**	802,330
Prepaid expenses		**29,151**	254,993
		1,974,953	3,622,319
NON-CURRENT ASSETS:			
Deposits to suppliers for exploration and evaluation expenses		**3,032**	7,774
Investment in an equity accounted investee	4	**-**	1,427,801
Land and equipment	5	**108,141**	72,754
Mining properties	6	**2,451,156**	1,948,143
Exploration and evaluation assets	7	**22,399,883**	18,745,519
		24,962,212	22,201,991
TOTAL ASSETS		**26,937,165**	25,824,310
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		**812,688**	2,250,112
Liability related to flow-through shares	8 (A)(ii)	**-**	88,942
		812,688	2,339,054
NON-CURRENT LIABILITIES:			
Deferred income and mining taxes	11	**2,026,666**	2,019,984
TOTAL LIABILITIES		**2,839,354**	4,359,038
EQUITY:			
Share capital and warrants	8	**45,230,590**	38,993,090
Contributed surplus		**3,161,075**	2,977,337
Deficit		**(24,293,854)**	(20,505,155)
TOTAL EQUITY		**24,097,811**	21,465,272
TOTAL LIABILITIES AND EQUITY		**26,937,165**	25,824,310

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

Contingencies (Note 9); Commitments (Note 10); Subsequent event (Note 18)

The notes on pages 8 to 37 are an integral part of these financial statements.

On behalf of the Board:

'Guy Bourassa', Director

'Michel Baril', Director

STATEMENTS OF LOSS

YEARS ENDED JUNE 30, 2014 AND 2013

	Note	**2014**	2013
		$	$
EXPENSES:			
Compensation	14	**642,363**	720,142
Share-based payments		**176,123**	327,737
Rent, office expense and other expenses		**134,656**	148,419
Depreciation, amortization expense and disposals		**17,485**	26,116
Registration, listing fees and shareholders' information		**103,374**	210,453
Promotion and advertising		**57,613**	126,132
Representation, missions and trade shows		**114,717**	265,937
Consultants fees		**101,371**	298,617
Professional fees		**99,062**	97,858
		1,446,764	2,221,411
NET FINANCE (INCOME) EXPENSE:			
Finance income		**(17,730)**	(35,597)
Finance expense		**8,110**	5,093
		(9,620)	(30,504)
OPERATING LOSS		**1,437,144**	2,190,907
OTHER ITEMS:			
Other income related to flow-through shares		**(88,942)**	(163,178)
Impairment of investment in an equity accounted investee and other adjustments	4	**-**	428,846
Share of loss in an equity accounted investee	4	**1,427,801**	205,732
		1,338,859	471,400
Loss before income taxes		**2,776,003**	2,662,307
Current income tax expense	11	**74,390**	183,393
Deferred income and mining taxes	11	**6,682**	(46,815)
		81,072	136,578
Net loss for the year		**2,857,075**	2,798,885
Basic and diluted loss per share	12	**0.021**	0.027
Basic and diluted weighted average number of shares outstanding		**136,969,547**	104,681,186

The notes on pages 8 to 37 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHARESHOLDERS' EQUITY

YEARS ENDED JUNE 30, 2014 AND 2013

	Share capital and warrants	Contributed surplus	Deficit	Total
	$	$	$	$
BALANCE, JUNE 30, 2013	**38,993,090**	**2,977,337**	**(20,505,155)**	**21,465,272**
EQUITY FINANCING:				
Issuance of shares	5,737,500	-	-	5,737,500
Mining properties	500,000	-	-	500,000
Share issuance costs	-	-	(924,009)	(924,009)
OPTIONS AND WARRANTS:				
Granted to employees, officers, directors, consultants or I.R. representatives	-	176,123	-	176,123
Granted to brokers or intermediaries	-	7,615	(7,615)	-
	45,230,590	**3,161,075**	**(21,436,779)**	**26,954,886**
LOSS FOR THE YEAR	**-**	**-**	**(2,857,075)**	**(2,857,075)**
Balance, June 30, 2014	**45,230,590**	**3,161,075**	**(24,293,854)**	**24,097,811**

	Share capital and warrants	Contributed surplus	Deficit	Total
	$	$	$	$
BALANCE, JUNE 30, 2012	34,149,113	2,735,463	(16,823,674)	20,060,902
EQUITY FINANCING:				
Paid in cash	4,236,950	-	-	4,236,950
Share issuance costs	-	-	(819,746)	(819,746)
Common shares issued on exercise of options granted to directors	26,334	-	-	26,334
Common shares issued on exercise of warrants	120,927	-	-	120,927
Common shares issued on exercise of brokers options	311,053	-	-	311,053
OPTIONS AND WARRANTS:				
Granted to employees, officers, directors, consultants or I.R. representatives	-	327,737	-	327,737
Granted to brokers or intermediaries	-	62,850	(62,850)	-
Exercised options	26,510	(26,510)	-	-
Exercised brokers options	92,923	(92,923)	-	-
Exercised warrants	29,280	(29,280)	-	-
	38,993,090	**2,977,337**	**(17,706,270)**	**24,264,157**
LOSS FOR THE YEAR	-	-	(2,798,885)	(2,798,885)
Balance, June 30, 2013	**38,993,090**	**2,977,337**	**(20,505,155)**	**21,465,272**

The notes on pages 8 to 37 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Loss for the year	**(2,857,075)**	(2,798,885)
Adjustments for:		
Share-based payments	**176,123**	327,737
Depreciation and amortization	**17,485**	26,116
Other income related to flow-through shares	**(88,942)**	(163,178)
Impairment of investment in an equity accounted investee and other adjustments	**-**	428,846
Share of loss of an equity accounted investee	**1,427,801**	205,732
Deferred income and mining taxes	**6,682**	(46,815)
Net change in non-cash operating working capital	**(66,944)**	854,116
	(1,384,870)	(1,166,331)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Shares paid in cash	**5,737,500**	4,695,264
Share issuance expenses	**(1,167,564)**	(576,191)
	4,569,936	4,119,073
CASH FLOWS FROM INVESTING ACTIVITIES:		
Addition to land and equipment	**(52,872)**	(12,138)
Addition to mining properties	**(3,013)**	(20,174)
Increase in exploration and evaluation assets	**(4,475,444)**	(5,040,168)
	(4,531,329)	(5,072,480)
Net decrease in cash and cash equivalents	**(1,346,263)**	(2,119,738)
Cash and cash equivalents, beginning of the year	**2,445,768**	4,565,506
Cash and cash equivalents, end of the year	**1,099,505**	2,445,768

Items not affecting cash flows: See Note 13.

The notes on pages 8 to 37 are an integral part of these financial statements.

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

Nemaska Lithium Inc. (the "Company"), is a company domiciled in Canada, incorporated under the *Canada Business Corporations Act*. Its shares are listed on the TSX Venture Stock Exchange under the symbol NMX and on the American stock exchange Over-the-Counter QX (OTCQX) under the symbol NMKEF.

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 its web site is www.nemaskalithium.com.

The Company is engaged in the exploration and development of hard rock lithium mining properties and related processing of spodumene into lithium compounds. Its activities are in the Province of Québec, Canada. The Company has determined that one of its mining properties, namely Whabouchi, has economically recoverable ore reserves, pursuant to a NI-43-101 feasibility study with an effective date of May, 13, 2014 prepared by Met-Chem Canada Inc. The Company has not yet determined whether the Sirmac property has economically recoverable ore reserves.

Although the Company has taken steps to verify and confirm title to mineral properties in which it has an interest, property title might be subject to unregistered prior agreements or 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 ore reserves, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. As at the date of the financial statements, management determined that the carrying amount of mining properties represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

Management estimates that the working capital available to the Company at the end of the year, combined with the warrants and share purchase options exercised during the first quarter of the 2014-2015 fiscal year and the closing of a financing during the second quarter of the fiscal year 2014-2015 (see Note 18 "Subsequent events"), will provide the Company with adequate funding in order to meet its short-term obligations and to continue its ongoing efforts in the permitting process.

Since the Company does not generate revenues, the Company will need to obtain periodically 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 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 indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the assumption of going concern proves to be unfounded.

2. BASIS OF PREPARATION:

(A) STATEMENT OF COMPLIANCE:

These financial statements have been prepared in accordance with IFRS.

The accounting policies applied in these financial statements are based on IFRS issued and in effect as at year end. On October 27, 2014, the Board of Directors approved, for issuance, these financial statements.

(B) BASIS OF MEASUREMENT:

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

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

(D) USE OF ESTIMATES AND JUDGMENTS:

The preparation of the 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 year in which the estimates are revised and in any future years affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 3 (D) - determination of capitalizable costs as exploration and evaluation assets - and in Note 3 (M), which relates to the accounting for refundable credit for mining duties.

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

- Note 3 - assessment of refundable tax credits related to resources and credit on mining duties;
- Notes 3, 6 and 7 - recoverability of mining properties and capitalizable costs as exploration and evaluation assets;
- Notes 3 and 11 - recoverability of deferred income tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES:

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

(A) BASIS OF CONSOLIDATION:

Investment in an equity accounted investee

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The financial statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

The Company records its investment in Monarques Resources Inc. ("MQR") using the equity method since the Company considers that it has a significant influence with a 24.54% (31.25% as at June 30, 2013) holding of the voting shares of MQR.

Transactions eliminated between associates

Unrealized gains arising from transactions with an equity accounted investee are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(B) FOREIGN CURRENCY:

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(C) 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.

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

(ii) 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.

(iii) 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.

(D) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(D) MINING PROPERTIES AND EXPLORATION AND EVALUATION ASSETS (CONTINUED):

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.

(E) EQUIPMENT:

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The costs of the day to day servicing of equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

The estimated useful lives, depreciation method and rates for the current and comparative year are as follows:

Asset	Basis	Rate
Office and computer equipment	Declining balance	30%
Vehicle	Declining balance	25%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

(F) IMPAIRMENT:

(i) Financial assets:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(F) IMPAIRMENT (CONTINUED):

(ii) **Non-financial assets:**

The carrying amounts of equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amount of the investment in an equity accounted investee is assessed at each reporting period to determine whether there is objective evidence that it is impaired. Because goodwill that forms part of the carrying amount of the investment is not separately recognised, it is not tested for impairment separately, and instead the entire carrying amount of the investment is tested for impairment as a single asset, by comparing its recoverable amount, the higher of its value in use and fair value less costs to sell, with its carrying amount. Any impairment loss recognized in those circumstances is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the equity accounted investee.

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.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(F) IMPAIRMENT (CONTINUED):

(ii) **Non-financial assets (continued):**

Impairment losses recognized in prior years 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.

(G) 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.

(H) 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.

Foreign currency gains and losses are reported on a net basis.

Interests received are classified under operating activities in the statements of cash flows.

(I) SHARE CAPITAL AND WARRANTS:

Common shares

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

Flow-through shares

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(I) SHARE CAPITAL AND WARRANTS (CONTINUED):

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

When tax deductions are renounced under the general method, the Company records a deferred tax liability with a corresponding charge to income tax expense when 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.

(J) 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 years 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 do meet the related service conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

(K) 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 statements of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(L) 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 or associates 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.

(M) REFUNDABLE CREDIT ON MINING DUTIES AND REFUNDABLE TAX CREDIT RELATED TO RESOURCES:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(M) REFUNDABLE CREDIT ON MINING DUTIES AND REFUNDABLE TAX CREDIT RELATED TO RESOURCES (CONTINUED):

In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded against exploration and evaluation assets.

Currently, it is management's intention to have 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 can represent up to 38.75% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets.

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.

(N) EARNINGS PER SHARE:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares issued, which 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.

(O) ADOPTION OF NEW ACCOUNTING STANDARDS:

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

(i) IFRS 12, Disclosure of Interests in Other Entities:

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Company has included the additional disclosures required by this standard in Note 4.

(ii) IFRS 13, Fair Value Measurement:

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(O) ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED):

(ii) IFRS 13, Fair Value Measurement (continued):

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

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

The Company has included the additional disclosures required by this standard in Note 4.

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

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

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

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

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

IFRS 9, *Financial Instruments*:

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

IFRS 9, *Financial Instruments (continued)*:

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.

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

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.

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

IFRIC 21, *Levies*:

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

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

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

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

4. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE:

As at June 30, 2014, the Company owns 15,849,455 shares in its equity accounted investee, Monarques Resources Inc. ("MQR"), representing 24.54% (31.25% as at June 30, 2013) of the share capital of MQR. The closing price of MQR's shares on the TSX Venture Stock Exchange as at June 30, 2014 was $0.12, representing a total fair value of $1,901,935.

The Company's recognized share of losses in MQR for the year ended June 30, 2014 was $1,427,801 ($205,732 in 2013), respectively. The investment was brought to a value of nil during the period ended December 31, 2013. Consequently, the unrecognized share of losses in MQR for year ended June 30, 2014 is $1,765,242 (nil in 2013). The Company did not receive dividends from the investee.

Summary financial information for the equity accounted investee, not adjusted for the percentage of ownership held by the Company is as follows:

	Year ended June 30, 2014	Year ended June 30, 2013
Ownership	**24.54%**	31.25%
Current assets	**$1,356,803**	$2,151,119
Non-current assets	**3,875,783**	12,531,059
Current liabilities	**265,185**	381,805
Non-current liabilities	**105,178**	517,022
Comprehensive loss for the year	**(10,452,087)**	(540,522)
Cash flows used for operating activities	**(649,747)**	(360,059)
Cash flows from financing activities	**1,273,861**	2,723,141
Cash flows used for investing activities	**(1,471,684)**	(1,672,524)

Reconciliation of the investment is as follows:

	Year ended June 30, 2014	Year ended June 30, 2013
	$	$
Balance, beginning of the year	**1,427,801**	2,062,379
Impairment of the investment and other adjustments	**-**	(428,846)
Share of loss of the investee	**(1,427,801)**	(205,732)
Balance, end of the year	**-**	**1,427,801**

5. EQUIPMENT:

	Land	Vehicle	Office and computer equipment	Total
	$	$	$	$
COST				
Balance at June 30, 2012	-	38,810	80,551	119,361
Additions (disposal)	-	-	10,247	10,247
Balance at June 30, 2013	-	38,810	90,798	129,608
Additions (disposal)	57,000	-	(4,128)	52,872
Balance at June 30, 2014	57,000	38,810	86,670	182,480
DEPRECIATION				
Balance at June 30, 2012	-	3,231	29,398	32,629
Depreciation for the year	-	8,895	15,330	24,225
Balance at June 30, 2013	-	12,126	44,728	56,854
Depreciation for the year	-	6,671	10,814	17,485
Balance at June 30, 2014	-	18,797	55,542	74,339
CARRYING AMOUNTS				
At June 30, 2013	-	26,684	46,070	72,754
At June 30, 2014	57,000	20,013	31,128	108,141

6. MINING PROPERTIES:

Mining properties can be detailed as follows:

Québec	Localisation	Royalties	Balance as at June 30, 2013	Acquisition	**Balance as at June 30, 2014**
			$	$	**$**
Whabouchi (100%)	SNRC 32O12	2% or 3%	1,510,468	501,790	**2,012,258**
Sirmac (100%)	SNRC 32J11	1%	437,675	1,223	**438,898**
			1,948,143	**503,013**	**2,451,156**

6. MINING PROPERTIES (CONTINUED):

Mining properties can be detailed as follows (continued):

Québec	Localisation	Royalties	Balance as at June 30, 2012	Acquisition	**Balance as at June 30, 2013**
			$	$	$
Whabouchi (100%)	SNRC 32O12	2% or 3%	1,510,468	-	1,510,468
Sirmac (100%)	SNRC 32J11	1%	417,500	20,175	437,675
			1,927,968	**20,175**	**1,948,143**

Some properties are subject to royalties in the event they are brought into commercial production.

Whabouchi: See Note 10 a) and b); *Sirmac:* See Note 10 c).

7. EXPLORATION AND EVALUATION ASSETS:

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

	Balance as at June 30, 2013	Exploration and evaluation costs	Tax credits for resources	**Balance as at June 30, 2014**
	$	$	$	**$**
Whabouchi	14,041,770	2,112,347	-	**16,154,117**
Sirmac	1,332,692	114,997	-	**1,447,689**
Lithium Chemicals Complex[(1)]	3,371,057	1,427,020	-	**4,798,077**
	18,745,519	**3,654,364**	**-**	**22,399,883**

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

	Balance as at June 30, 2012	Exploration and evaluation costs	Tax credits for resources	Balance as at June 30, 2013
	$	$	$	$
Whabouchi	11,571,572	2,470,198	-	**14,041,770**
Sirmac	422,546	910,146	-	**1,332,692**
Lithium Chemicals Complex[(1)]	1,130,563	2,240,494	-	**3,371,057**
	13,124,681	**5,620,838**	**-**	**18,745,519**

(1) The Company has identified specific markets of interest for lithium compounds produced from the transformation of spodumene concentrate and has completed, among other things, numerous metallurgial bench scale and pilot plant scale tests in order to determine a process to produce lithium hydroxide from spodumene concentrate and to produce lithium carbonate from lithium hydroxide. Patent applications and patent cooperation treaty (PCT) covering such processes have been filed. In order to properly reflect this specific work within the assets of the Company, it was decided to record this "Lithium Chemicals Complex" as exploration and evaluation asset.

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

	June 30, 2014	June 30, 2013
	$	$
Salaries and fringe benefits	**326,356**	639,986
Consultants and supervisions	**2,375,026**	3,335,300
Geology and geophysics	**23,397**	123,890
Test, sampling and prospecting	**610,593**	1,061,097
Drilling, equipment rental and other material	**258,816**	337,324
Lodging and meals	**60,176**	83,612
General exploration expenses	**-**	39,629
	3,654,364	**5,620,838**
Balance, beginning of year	18,745,519	13,124,681
Balance, end of year	**22,399,883**	**18,745,519**

8. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS:

A) COMMON SHARES AND WARRANTS:

Authorized:

Unlimited number of common shares without par value.

Changes in the Company's share capital and warrants were as follows:

	Number of warrants	Number of shares	Amount
			$
Balance at June 30, 2012 [(i)]	24,274,353	100,734,674	34,149,113
Paid in cash from prospectus	7,061,584	14,123,168	4,236,950
Exercised options	-	912,500	456,820
Exercised warrants	(229,900)	229,900	150,207
Expired warrants	(22,429,453)	-	-
Balance at June 30, 2013	**8,676,584**	**116,000,242**	**38,993,090**
Paid in cash from prospectus	23,366,666	46,733,332	5,737,500
Mining properties	2,000,000	4,000,000	500,000
Expired warrants	(1,615,000)	-	-
Balance at June 30, 2014	**32,428,250**	**166,733,574**	**45,230,590**

(i) The carrying amount of the flow-through shares is presented net of the liability related to flow-through shares of $289,550 for the flow-through shares issued during the month of June 2012. As at June 30, 2014, the balance of the liability related to flow-through shares was nil ($88,942 as at June 30, 2013). An amount of $88,942 ($163,178 in 2013) has been recognized as other income related to flow-through shares in the statements of loss for the year ended June 30, 2014, representing the portion of the liability related to the increase in the exploration and evaluation assets during the year in relation with the total flow-through shares financing.

Year ended June 30, 2014:

On April 15, 2014, in connection with a brokered supplemental prospectus offering which closed initially on April 2, 2014, the Company issued an aggregate of 3,900,000 units of the Company, at a price of $0.125 per unit, for an aggregate gross proceed of $487,500. Each unit is comprised of one common share of the share capital of the Company and one-half of one common share purchase warrant. Each warrant entitles its holder to purchase one common share at a price of $0.20 per common share on the date that is 18 months following the closing date of the offering, being up to October 2, 2015. The Company paid to the agent an aggregate cash commission of $39,000.

8. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

A) COMMON SHARES AND WARRANTS (CONTINUED):

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

Year ended June 30, 2014 (continued):

On April 2, 2014, the Company completed a brokered supplemental prospectus offering for a total of $3,250,000 by the issuance of 26,000,000 units at a price of $0.125 per unit. Each unit is comprised of one common share of the share capital of the Company and one-half of one common share purchase warrant. Each warrant entitles its holder to purchase one common share at a price of $0.20 per common share, on the date that is 18 months following the closing date of the offering. An amount of $500,000 was used to make the last payment due to the vendor of the Whabouchi property upon the release of an independent feasibility study and the Company paid to the agent an aggregate cash commission of $220,000.

From October 28 to November 14, 2013, the Company closed a supplemental prospectus offering of an aggregate of 20,833,332 units, at a price of $0.12 per unit, for gross proceeds of $2,500,000 in connection with the short form base shelf prospectus of the Company dated March 4, 2013, as supplemented by the prospectus supplement no. 2 dated October 16, 2013. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Subject to acceleration provisions as described in the Warrant Indenture entered into between the Company and Computershare Trust Company of Canada dated October 28, 2013, each whole common share purchase warrant is exercisable for a period of 24 months from the closing date of the first tranche of the supplemental prospectus, which is October 28, 2013, to purchase one common share at a price of $0.18. A total cash commission of $194,560 was paid to the agent and 136,000 compensation options were issued to a member of the syndicate on offshore subscriptions allowing them to purchase that number of common shares for a period of five years following the closing date at a price of $0.12 per common share.

Year ended June 30, 2013:

On April 11, 2013, the Company closed for gross proceeds of $4,236,950 a supplemental prospectus offering of an aggregate of 14,123,168 units at a price of $0.30 per unit in connection with the Base Shelf Prospectus dated March 4, 2013. Each unit is comprised of one common share of the Company ("Unit Share") and half of a common share purchase warrant. Each whole warrant issued under this financing is exercisable for a period of 24 months, starting on April 11, 2013, to purchase one common share of the Company at a price of $0.40. Also, 845,140 warrants were issued to brokers with an exercise price of $0.30 for a period of 24 months, starting on April 11, 2013.

During the month of October 2012, 229,900 warrants were exercised by shareholders at an exercise price of $0.526 per share and 729,625 compensation options brokers were exercised at an average exercise price of $0.43 per share for a total number of 959,525 common shares issued.

On September 19, 2012, a former director of the Company exercised 182,875 share purchase options at an exercise price of $0.144 per share for a total number of 182,875 common shares issued.

8. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

B) COMMON SHARES PURCHASE OPTIONS:

The shareholders of the Company approved a share option plan (the "Plan") whereby the Board of Directors may grant to employees, officers, directors and suppliers 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 acquisition conditions of share purchase options are without restriction, except for grant of share purchase options to some suppliers, namely investors' relation representatives, which are acquired at 25% each quarter.

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 aggregate number of share options granted to any one individual cannot exceed 5% of the outstanding common shares at the time of vest and may not exceed 2% of the outstanding common shares for suppliers, namely consultants and investors relation representatives. These options will expire no later than five years after being granted. The vesting period of the share purchase options varies from immediate up to 24 months, and the life of such options varies from 2 years to 5 years.

Share-based payments to employees, officers, directors, consultants and investors relation (I.R.) representatives:

The status of the Company's share purchase option plan for employees, officers, directors, consultants and I.R. representatives as at June 30, 2014 and June 30, 2013, and changes during the years then ended were as follows:

	June 30, 2014		June 30, 2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**6,119,075**	**0.40**	5,468,825	0.39
Granted	**2,425,000**	**0.12**	1,775,000	0.40
Exercised [(i)]	-	-	(182,875)	0.14
Expired	**(1,192,000)**	**0.45**	(941,875)	0.40
Outstanding, end of year	**7,352,075**	**0.30**	**6,119,075**	**0.40**
Options exercisable at the end of year	**6,279,158**	**0.30**	**5,287,825**	**0.40**

(i) The closing market price of the shares on September 10, 2012 when the options were exercised was $0.38 per share.

8. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

Share-based payments to employees, officers, directors, consultants and investors relation (I.R.) representatives (continued):

	June 30, 2014	June 30, 2013
	$	$
The weighted average fair value of options granted during the year	**0.06**	0.30

The following table summarizes information about the share purchase options granted and outstanding as at June 30, 2014:

Number of outstanding options	Number of vested options	Weighted average exercise price ($)	Expiry date
62,500	62,500	0.400	August 2014
1,254,000	1,254,000	0.144	September 2014
100,000	100,000	0.400	November 2014
104,500	104,500	0.507	November 2014
209,000	209,000	0.450	March 2015
1,776,500	1,776,500	0.507	December 2015
245,575	245,575	0.459	May 2016
300,000	300,000	0.400	May 2017
500,000	500,000	0.425	September 2017
375,000	156,250	0.500	January 2018
500,000	333,333	0.125	October 2018
400,000	400,000	0.120	October 2018
125,000	62,500	0.120	November 2018
500,000	291,667	0.125	November 2018
400,000	400,000	0.100	May 2019
500,000	83,333	0.125	May 2019
7,352,075	**6,279,158**		

8. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

Share-based payments to employees, officers, directors, consultants and investors relation (I.R.) representatives (continued):

The fair value of options granted in accordance with the plan to employees, officers and directors, consultants and I.R. representatives was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2014	June 30, 2013
Expected life of options	**5 years**	5 years
Expected volatility rate	**72%**	83%
Risk-free interest rate	**1.57%**	1.30%
Expected annual dividend rate	**0%**	0%

Share-based payments to brokers and intermediaries:

The status of the Company's share purchase option plan for brokers and intermediaries as at June 30, 2014 and 2013, and changes during the years then ended were respectively as follows:

	June 30, 2014		June 30, 2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding beginning of year	**1,048,425**	**0.33**	2,781,874	0.44
Granted	**136,000**	**0.12**	845,140	0.30
Expired	**(203,285)**	**0.46**	(1,848,964)	0.43
Exercised [(i)]	-	-	(729,625)	0.43
Outstanding, end of year	**981,140**	**0.28**	**1,048,425**	**0.33**
Options exercisable at the end of year	**981,140**	**0.28**	**1,048,425**	**0.33**

(i) The closing market price of the shares on September 28, 2012, when 241,671 compensation options were exercised, and on October 3, 2012, when 487,954 compensation options were exercised, was $0.58 and $0.51 per share, respectively.

8. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

B) COMMON SHARES PURCHASE OPTIONS (CONTINUED):

Share-based payments to brokers and intermediaries (continued):

The following table summarizes information about the share purchase options granted and outstanding as at June 30, 2014:

Number of Outstanding options	Number of vested options	Weighted average exercise price	Expiry date
		$	
845,140	845,140	0.30	April 2015
136,000	136,000	0.12	October 2018
981,140	**981,140**		

	June 30, 2014	June 30, 2013
	$	$
The weighted average fair value of options granted during the year	**0.06**	0.07

The fair value of options granted in accordance with the plan was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2014	June 30, 2013
Expected life of options	**5 years**	2 years
Expected volatility rate	**72%**	62%
Risk-free interest rate	**1.72%**	1.01%
Expected annual dividend rate	**0%**	0%

8. SHARE CAPITAL, WARRANTS AND SHARE-BASED PAYMENTS (CONTINUED):

c) WARRANTS:

The status of the warrants as at June 30, 2014 and June 30, 2013, and changes during the years then ended were as follows:

	June 30, 2014		June 30, 2013	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of year	**8,676,584**	**0.45**	24,274,353	0.55
Granted	**25,366,666**	**0.19**	7,061,584	0.40
Expired	**(1,615,000)**	**0.65**	(22,429,453)	0.53
Exercised [(i)]	**-**	**-**	(229,900)	0.53
Outstanding, end of year	**32,428,250**	**0.24**	**8,676,584**	**0.45**

(i) The closing market price of the shares on October 17 and 18, 2012 when the warrants were exercised was $0.46 per share.

The following table summarizes the information relating to the outstanding warrants as at June 30, 2014:

Number of outstanding warrants	Weighted average exercise price	Expiry date
	$	
7,061,584	0.40	April 2015
10,416,666	0.18	October 2015
14,950,000	0.20	October 2015
32,428,250		

9. CONTINGENCIES:

A) The Company's operations are governed by governmental laws and regulations regarding environmental protection. Environmental consequences are hardly identifiable, their impact and their duration are difficult to determine. At the present time and to the best knowledge of management, the Company is in conformity with the laws and regulations. Restoration costs will be accrued in the financial statements only when it can be determined that a present obligation exists, resulting from the environmental consequences of the exploration activities performed on the lands, and when it can be reliably estimated. Such obligation will be capitalized to the cost of the related assets at that time.

9. CONTINGENCIES (CONTINUED):

B) The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors.

10. COMMITMENTS:

A) In September 2009, the Company acquired a 100% interest in 16 mining claims included in the Whabouchi property. The vendors kept a 3% Net Smelter Return ("NSR") royalty on the 16 claims and on 4 of the 7 claims acquired by map designation by the Company, 1% of this royalty may be purchased for an amount of $1,000,000.

B) In case of commercial production on any of the 10 claims acquired from Golden Goose Resources Inc. in January 2010 related to the Whabouchi property, the Company has to pay a 2% NSR royalty on all metals. The Company has the option to purchase 1% of this NSR royalty for an amount of $1,000,000.

C) The Sirmac property is composed of 24 claims, covering approximately 1,101 hectares, located in SNRC sheet 32J11 in the province of Québec, Canada. The property is subject to a 1% NSR royalty, on 15 of the 24 claims forming the property, which can be purchased by the Company for $1,000,000.

D) The Company leases office space for a monthly amount of $4,346 from February 2014 to January 2015. This lease will terminate in January 2015 and the total contractual payments remaining until then will amount to $30,422. At the end of the lease, there is an option to renew for one additional year.

E) The Company was committed to incur eligible exploration and evaluation expenses pursuant to the Canada *Tax Act* and Québec *Taxation Act* of $1,615,000 by December 31, 2013 and to transfer the tax deductions related to these expenditures to the subscribers of its flow-through shares underwriting completed on June 20, 2012. The Company has fulfilled this commitment by incurring the minimum of $1,615,000 of eligible expenses ($1,118,913 as at June 30, 2013) and has no more obligations ($496,087 as at June 30, 2013) in relation to this commitment.

11. INCOME AND MINING TAXES:

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

	June 30, 2014	June 30, 2013
	$	$
Loss before income taxes	**(2,776,003)**	(2,662,307)
Expected tax recovery	**(746,745)**	(716,160)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based payment	**47,377**	88,161
Change in unrecognized deferred income tax assets	**366,035**	334,605
Non-deductible expenses and other	**192,039**	79,866
Deferred income tax arising from exploration and evaluation assets financed through flow-through shares	**136,302**	244,830

11. INCOME AND MINING TAXES (CONTINUED):

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

	June 30, 2014	June 30, 2013
	$	$
Deferred mining tax arising from exploration and evaluation assets financed through flow-through shares	**-**	145,622
Mining tax expense related to current year exploration expenses	**109,989**	-
Adjustment to 2012 current mining tax recovery	**144,875**	349,529
Adjustment to 2012 deferred mining taxes	**(144,875)**	(358,574)
Tax expense (recovery) related to the deductibility of deferred mining tax liability	**-**	12,594
Non-taxable other income related to flow through shares	**(23,925)**	(43,895)
Difference between current and future tax rate		-
Income tax expense	**81,072**	**136,578**

Movement in temporary differences during years ended June 30, 2014 and 2013 are detailed as follows:

	Balance June 30, 2013	Recognized in profit or loss	**Balance June 30, 2014**
	$	$	**$**
Deferred tax assets:			
Non-capital losses	606,058	103,322	**709,380**
Share issuance costs	185,843	(114,724)	**71,119**
Equipment	14,132	-	**14,132**
Mining properties	1,010,307	-	**1,010,307**
Deferred tax liabilities:			
Other unrealized gain	(176,621)	176,621	**-**
Deferred mining duties	(2,019,984)	(6,682)	**(2,026,666)**
Exploration and evaluation assets	(1,639,719)	(165,219)	**(1,804,938)**
	(2,019,984)	**(6,682)**	**(2,026,666)**

11. INCOME AND MINING TAXES (CONTINUED):

Movement in temporary differences during years ended June 30, 2014 and 2013 are detailed as follows (continued):

	Balance June 30, 2012	Recognized in profit or loss	Balance June 30, 2013
	$	$	$
Deferred tax assets:			
Non-capital losses	309,688	296,370	**606,058**
Share issuance costs	315,494	(129,651)	**185,843**
Equipment	8,777	5,355	**14,132**
Mining properties	1,010,307	-	**1,010,307**
Deferred tax liabilities:			
Other unrealized gain	(261,970)	85,349	**(176,621)**
Deferred mining duties	(2,066,799)	46,815	**(2,019,984)**
Exploration and evaluation assets	(1,382,296)	(257,423)	**(1,639,719)**
	(2,066,799)	**46,815**	**(2,019,984)**

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

	June 30, 2014	June 30, 2013
	$	$
Non-capital losses carry forwards	**1,938,652**	1,454,543
Share issuance costs	**405,569**	266,764
Other unrealized capital loss	**15,419**	-
	2,359,640	**1,721,307**

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

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

Year incurred	Federal	Provincial	Year of expiry
	$	$	
2009	179,411	-	2029
2010	923,620	894,556	2030
2011	1,759,862	1,756,479	2031
2012	2,280,742	2,274,511	2032
2013	2,613,069	2,613,069	2033
2014	1,722,390	1,722,390	2034
	9,479,094	**9,261,005**	

12. 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 that their effect would have been antidilutive.

13. ITEMS NOT AFFECTING CASH FLOWS:

	June 30, 2014	June 30, 2013
	$	$
Acquisition of mining properties by issuance of common shares and warrants	**500,000**	-
Share issuance costs through options issued to brokers	**7,615**	62,850
Share issuance costs not yet disbursed at the end of the year	**-**	243,555
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	**(821,080)**	580,670

14. COMPENSATION:

	June 30, 2014	June 30, 2013
	$	$
Wages and fringe benefits paid to key management personnel	**377,542**	486,764
Wages and fringe benefits paid to the other staff employees	**190,683**	171,375
Fees paid to the members of the Board of Directors	**74,138**	62,003
	642,363	**720,142**

During the year ended June 30, 2014, the Company incurred $176,123 ($327,737 in 2013) of share-based payments expenses, of which $13,117 ($158,480 in 2013) were attributed to key management personnel and $39,349 (nil in 2013) were attributed to the members of the Board of Directors in relation with the share purchase options granted.

15. RELATED PARTY TRANSACTIONS:

The Company has no ultimate parent.

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

15. RELATED PARTY TRANSACTIONS (CONTINUED):

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 receivable by the Company from MQR as at June 30, 2014 (nil as at June 30, 2013).

16. 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, other receivables and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these financial instruments.

RISK EXPOSURE AND MANAGEMENT

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

(i) MARKET RISK:

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

Interest rate risk:

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

Currency risk:

The Company makes certain transactions in US dollars. The balances in the accounts payable and accrued liabilities in US dollars and GBP were CAD $179,609 (US $162,395 and 4,200 GBP) as at June 30, 2014 and CAD $28,325 (US $27,810) as at June 30, 2013. Consequently, the Company is exposed to foreign exchange fluctuation but the risk is minimal due to the low balances.

(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 other receivables and the carrying amount of these financial assets represents the Company's maximum exposure to credit risk as at the date of the financial statements. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

16. 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 17. It also manages liquidity risk by continuously monitoring actual and projected cash flows.

As at June 30, 2014, all of the Company's financial liabilities had contractual maturities of less than one year and the Company had enough funds available to meet its current financial liabilities. At the same date, the Company had $1,099,505 in cash and cash equivalents not reserved for exploration ($1,949,681 as at June 30, 2013) plus $298,723 in sales tax receivables ($111,663 as at June 30, 2013) and $525,234 in mining rights and tax credits receivable ($802,330 as at June 30, 2014) to meet its financial liabilities and future financial liabilities from its commitments.

17. CAPITAL MANAGEMENT:

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

As at June 30, 2014, the Company's capital consists of shareholders' equity amounting to $24,097,811 ($21,465,272 as at June 30, 2013).

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

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

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

The Company is subject to regulatory requirements related to the use of funds obtained by flow-through shares financing. These funds have to be incurred for eligible exploration expenses in accordance with the Canada *Income Tax Act* and Québec *Taxation Act* (see Note 3 d). During the year, the Company complied with all of its regulatory requirements. The Company has a no dividend policy.

18. SUBSEQUENT EVENT:

(A) On July 15, 2014, 500,000 common shares were issued in relation to the commitments of the Whabouchi property.

(B) During the month of August 2014, 745,000 warrants were exercised by shareholders at an exercise price of $0.18 per share and 1,290,000 warrants were exercised by shareholders at an exercise price of $0.20 per share. Following these exercises, the Company received an aggregate value of $392,100 and issued a total of 2,035,000 common shares of the Company.

18. SUBSEQUENT EVENT (CONTINUED):

(C) During the month of September 2014, 1,254,000 common shares purchase options were exercised by members of the management and members of the Board of Directors at an average exercise price of $0.144. Following these exercises, the Company received an aggregate value of $180,576 and issued a total of 1,254,000 common shares of the Company.

(D) On October 20, 2014, the Company filed on SEDAR a prospectus supplement no.4 to the short form Base Shelf Prospectus dated March 4, 2013 in order to complete a financing for a gross proceeds of $1,500,000 with an offering of an aggregate of 8,823,530 units at a price of $0.17 per unit. Each unit is comprised of one common share of the Company and half of a common share purchase warrant. Each whole warrant issued under this financing is exercisable for a period of 12 months from the closing date, to purchase one common share of the Company at a price of $0.25.