CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)



SIX-MONTH PERIOD ENDED
DECEMBER 31, 2015

NEMASKA LITHIUM INC.

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Six-month period ended December 31, 2015

CONDENSED INTERIM FINANCIAL STATEMENTS

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NEMASKA LITHIUM INC.

MANAGEMENT'S REPORT

Management's responsibility for financial reporting

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

A system of administrative, internal accounting and disclosure controls has 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 of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board of Directors 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 unaudited condensed interim financial statements have been reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The unaudited condensed interim financial statements for the three-month and six-month periods ended December 31, 2015 and 2014 have been reviewed by KPMG LLP, the independent auditors. The independent auditors have full and free access to the Audit Committee.

Internal control over financial reporting

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

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that all transactions are being made only in accordance with the authorizations of management and/or directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. However, because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

/s/ Guy Bourassa
Guy Bourassa, President and CEO

/s/ Steve Nadeau
Steve Nadeau, Chief Financial Officer

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

DECEMBER 31, 2015 AND JUNE 30, 2015

	Note	December 31, 2015	June 30 2015
ASSETS		**$**	$
CURRENT ASSETS:			
Cash and cash equivalents		**2,720,959**	1,625,666
Sales tax receivable		**59,347**	113,695
Other receivables		**2,277**	-
Mining rights and tax credits receivable related to resources		**246,008**	207,593
Prepaid expenses		**71,644**	79,168
		3,100,325	2,026,122
NON-CURRENT ASSETS:			
Deposits to suppliers for exploration and evaluation expenses		**23,856**	2,685
Land and equipment	4	**89,076**	94,296
Mining properties	5	**2,633,826**	2,631,156
Exploration and evaluation assets	6	**26,067,899**	24,453,953
		28,814,657	27,182,090
TOTAL ASSETS		**31,914,892**	29,208,212
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities		**929,611**	632,640
NON-CURRENT LIABILITIES:			
Deferred income and mining taxes	10	**2,114,913**	2,076,498
TOTAL LIABILITIES		**3,044,524**	2,709,138
EQUITY:			
Share capital and warrants	7	**53,257,645**	49,962,586
Contributed surplus		**4,019,762**	3,373,232
Deficit		**(28,407,039)**	(26,836,744)
TOTAL EQUITY		**28,870,368**	26,499,074
TOTAL LIABILITIES AND EQUITY		**31,914,892**	29,208,212

Reporting entity, nature of operations and going concern (Note 1); Contingencies (Note 8); Commitments (Note 9); Subsequent events (Note 17)

The notes on pages 6 to 23 are an integral part of these condensed interim financial statements.

On behalf of the Board:

'Guy Bourassa', Director

'Michel Baril', Director

	Note	Three-month periods ended December 31, 2015	Three-month periods ended December 31, 2014	Six-month periods ended December 31, 2015	Six-month periods ended December 31, 2014
		$	$	$	$
EXPENSES:					
Compensation	13	**194,151**	165,934	**363,674**	354,232
Share-based payments		**641,359**	11,224	**660,179**	32,633
Rent, office expense and other expenses		**37,745**	34,837	**71,989**	70,626
Depreciation and amortization expense		**2,610**	3,638	**5,220**	7,277
Registration, listing fees and shareholders' information		**77,963**	75,992	**91,970**	85,185
Promotion and advertising		**13,312**	7,803	**40,383**	12,509
Representation, missions and trade shows		**78,482**	36,780	**135,919**	87,163
Consultant fees		**38,341**	18,041	**128,940**	43,279
Professional fees		**24,117**	31,091	**42,075**	56,744
		1,108,080	385,340	**1,540,349**	749,648
NET FINANCE (INCOME) EXPENSE:					
Finance income		**(2,996)**	(2,897)	**(6,305)**	(11,470)
Finance expense		**1,776**	1,339	**3,186**	28,129
		(1,220)	(1,558)	**(3,119)**	16,659
OPERATING LOSS		**1,106,860**	383,782	**1,537,230**	766,307
Other items:					
Other expense related to flow-through shares		**-**	-	-	165,614
		-	-	-	165,614
LOSS BEFORE INCOME TAXES		**1,106,860**	383,782	**1,537,230**	931,921
Current income taxes recovery		**(26,190)**	(17,805)	**(38,415)**	(31,162)
Deferred income taxes and mining taxes expense		**26,190**	17,805	**38,415**	31,162
		-	-	**-**	-
Net loss and comprehensive loss for the periods		**1,106,860**	383,782	**1,537,230**	931,921
Basic and diluted loss per share		**0.005**	0.002	**0.008**	0.005
Basic and diluted weighted average number of shares outstanding		**202,908,843**	175,101,858	**197,722,136**	171,606,227

The notes on pages 6 to 23 are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHARESHOLDERS' EQUITY

(UNAUDITED)

SIX-MONTH PERIODS ENDED DECEMBER 31, 2015 AND 2014

	Share capital and warrants	Contributed surplus	Deficit	**Total**
	$	$	$	$
BALANCE, JUNE 30, 2015	**49,962,586**	**3,373,232**	**(26,836,744)**	**26,499,074**
EQUITY FINANCING:				
Exercise of options	44,900	(13,650)	-	**31,250**
Exercise of broker compensation options	16,320	-	-	**16,320**
Exercise of warrants	3,233,839	-	-	**3,233,839**
Share issuance costs	-	-	(33,065)	**(33,065)**
OPTIONS AND WARRANTS:				
Granted to employees, officers, directors, consultants or I.R. representatives	-	660,179	-	**660,179**
	53,257,645	**4,019,761**	**(26,869,809)**	**30,407,597**
LOSS FOR THE PERIOD	**-**	**-**	**(1,537,230)**	**(1,537,230)**
Balance, December 31, 2015	**53,257,645**	**4,019,761**	**28,407,039**	**28,870,367**

	Share capital and warrants	Contributed surplus	Deficit	**Total**
	$	$	$	$
BALANCE, JUNE 30, 2014	45,230,590	3,161,075	(24,293,854)	**24,097,811**
EQUITY FINANCING:				
Issuance of shares	1,542,500	-	-	**1,542,500**
Exercise of options	317,396	(136,820)	-	**180,576**
Exercise of warrants	392,100	-	-	**392,100**
Mining properties	80,000	-	-	**80,000**
Share issuance costs	-	-	(318,523)	**(318,523)**
OPTIONS AND WARRANTS:				
Granted to employees, officers, directors, consultants or I.R. representatives	-	32,633	-	**32,633**
	47,562,586	**3,056,888**	**(24,612,377)**	**26,007,097**
LOSS FOR THE PERIOD	-	-	**(931,921)**	**(931,921)**
Balance, December 31, 2014	**47,562,586**	**3,056,888**	**(25,544,298)**	**25,075,176**

The notes on pages 6 to 23 are an integral part of these condensed interim financial statements.

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2015	2014	**2015**	2014
	$	$	**$**	$
CASH FLOWS USED IN OPERATING ACTIVITIES:				
Net loss for the period	**(1,106,860)**	(383,782)	**(1,537,230)**	(931,921)
Adjustments for:				
Share-based payments	**641,359**	11,224	**660,179**	32,633
Depreciation and amortization	**2,610**	3,638	**5,220**	7,277
Deferred income taxes and mining taxes	**26,190**	17,805	**38,415**	31,162
Current income taxes recovery	**(26,190)**	(17,805)	**(38,415)**	(31,162)
Net change in non-cash operating working capital	**211,139**	(96,924)	**238,727**	297,333
	(251,752)	(465,844)	**(633,104)**	(594,678)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of shares	**1,849,958**	1,542,500	**3,281,409**	2,115,176
Share issuance costs	**(19,813)**	(234,263)	**(40,232)**	(234,263)
	1,830,145	1,308,237	**3,241,177**	1,880,913
CASH FLOWS USED IN INVESTING ACTIVITIES:				
Addition to mining properties	**-**	(100,000)	**(2,670)**	(100,000)
Cashed tax credits	**-**	72,219	**-**	367,473
Increase in exploration and evaluation assets	**(1,014,636)**	(744,848)	**(1,510,110)**	(1,332,775)
	(1,014,636)	(772,629)	**(1,512,780)**	(1,065,302)
Net increase in cash and cash equivalents	**563,757**	69,764	**1,095,293**	220,933
Cash and cash equivalents, beginning of the period	**2,157,202**	1,250,674	**1,625,666**	1,099,505
Cash and cash equivalents, end of the period	**2,720,959**	1,320,438	**2,720,959**	1,320,438

Items not affecting cash flows: See Note 12.

The notes on pages 6 to 23 are an integral part of these condensed interim financial statements.

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

Nemaska Lithium Inc. (the "Company") is a company domiciled in Canada and 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 condensed interim financial statements, management determined that the carrying amount of mining properties represents the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

Management estimates that the working capital available to the Company at the end of the period, combined with the reception of the first trench of the Sustainable Development Technology Canada ("SDTC") grant and the exercise of warrants between January 1, 2016 and February 25, 2016 (see Note 17 "Subsequent events"), will provide the Company with adequate funding in order to meet its short-term obligations and to continue its ongoing efforts to secure the necessary funds to build and operate a demonstration plant using the Company's proprietary lithium hydroxide and lithium carbonate processes (the Phase 1 Plant). The Phase 1 Plant will have an average combined capacity of about 500 tonnes per year.

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

2. BASIS OF PREPARATION:

(A) STATEMENT OF COMPLIANCE:

These unaudited condensed interim financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those accounting policies followed by the Company in the most recent audited annual financial statements except where noted below. These unaudited condensed interim financial statements have been prepared under IFRS in accordance with IAS 34, *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the audited annual financial statements prepared in accordance with IFRS has been omitted or condensed. Accordingly, these unaudited condensed interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements and the notes thereto for the year ended June 30, 2015. On February 25, 2016, the Board of Directors approved, for issuance, these condensed interim financial statements.

(B) BASIS OF MEASUREMENT:

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

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

(C) FUNCTIONAL AND PRESENTATION CURRENCY:

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

(D) USE OF ESTIMATES AND JUDGMENTS:

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

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

In preparing these condensed interim financial statements, the significant judgments made by management applying the Company accounting policies and the key sources of estimation uncertainty were the same as those described in the Company's audited annual financial statements for the year ended June 30, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES:

These condensed interim financial statements have been prepared following the same accounting policies used in the audited financial statements for the years ended June 30, 2015.

4. LAND AND EQUIPMENT:

	Land	Vehicle	Office and computer equipment	Total
	$	$	$	$
COST				
Balance at June 30, 2014	57,000	38,810	86,670	182,480
Additions	-	-	-	-
Balance at June 30, 2015	57,000	38,810	86,670	182,480
Additions	-	-	-	-
Balance at December 31, 2015	**57,000**	**38,810**	**86,670**	**182,480**
DEPRECIATION				
Balance at June 30, 2014	-	18,797	55,542	74,339
Depreciation for the year	-	5,003	8,842	13,845
Balance at June 30, 2015	-	23,800	64,384	88,184
Depreciation for the period	-	1,876	3,344	5,220
Balance at December 31, 2015	**-**	**25,676**	**67,728**	**93,404**
CARRYING AMOUNTS				
At June 30, 2015	**57,000**	**15,010**	**22,286**	**94,296**
At December 31, 2015	**57,000**	**13,134**	**18,942**	**89,076**

5. MINING PROPERTIES:

Mining properties can be detailed as follows:

Québec	Localisation	Royalties	Balance as at June 30, 2015	Acquisition	**Balance as at December 31, 2015**
			$	$	**$**
Whabouchi (100%)	SNRC 32O12	2% or 3%	2,192,258	1,587	**2,193,845**
Sirmac (100%)	SNRC 32J11	1%	438,898	1,083	**439,981**
			2,631,156	**2,670**	**2,633,826**

Québec	Localisation	Royalties	Balance as at June 30, 2014	Acquisition	**Balance as at June 30, 2015**
			$	$	$
Whabouchi (100%)	SNRC 32O12	2% or 3%	2,012,258	180,000	2,192,258
Sirmac (100%)	SNRC 32J11	1%	438,898	-	438,898
			2,451,156	**180,000**	**2,631,156**

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

Whabouchi: See Note 9 A) and B); *Sirmac:* See Note 9 C).

6. EXPLORATION AND EVALUATION ASSETS:

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

	Balance as at June 30, 2015	Exploration and evaluation costs	Tax credits and grants	**Balance as at December 31, 2015**
	$	$	$	**$**
Whabouchi	17,063,037	203,792	-	**17,266,829**
Sirmac	1,447,689	-	-	**1,447,689**
Lithium Chemicals Complex[(1)]	5,943,227	1,410,154	-	**7,353,381**
	24,453,953	**1,613,946**	**-**	**26,067,899**

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED):

	Balance as at June 30, 2014	Exploration and evaluation costs	Tax credits and grants	**Balance as at June 30, 2015**
	$	$	$	**$**
Whabouchi	16,154,117	908,920	-	**17,063,037**
Sirmac	1,447,689	-	-	**1,447,689**
Lithium Chemicals Complex[(1)]	4,798,077	1,497,981	(352,831)	**5,943,227**
	22,399,883	**2,406,901**	**(352,831)**	**24,453,953**

(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 metallurgical bench scale and pilot plant scale tests in order to develop different processes to produce lithium hydroxide from spodumene concentrate and to produce lithium carbonate from lithium hydroxide. Notice of Allowance in Canada concerning Canadian Patent Application 2,874,917 that describes its proprietary process of preparing lithium hydroxide and lithium carbonate from spodumene sources using membrane electrolysis has been obtained and other patent applications and patent cooperation treaty ("PCT") covering such processes have been published and have received PCT numbers. The Company also filed additional patents which cover optimization and evolution of the technology as a result of the Company's ongoing optimization programs. 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:

	Six-month period ended December 31, 2015	Year ended June 30, 2015
	$	$
Salaries and fringe benefits	**944,499**	396,923
Consultants and supervisions	**462,746**	1,470,605
Test, equipment rental and other material	**173,058**	502,816
Lodging and meals	**33,643**	36,557
	1,613,946	2,406,901
Tax credits and grants	**-**	(352,831)
Balance, beginning of year	**24,453,953**	22,399,883
Balance, end of period	**26,067,899**	24,453,953

7. 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, 2014	32,428,250	166,733,574	45,230,590
Paid in cash	10,536,765	21,073,530	3,942,500
Exercise of options	-	1,254,000	317,396
Exercise of warrants	(2,035,000)	2,035,000	392,100
Expiry of warrants	(7,061,584)	-	-
Mining properties	-	500,000	80,000
Balance at June 30, 2015	**33,868,431**	**191,596,104**	**49,962,586**
Exercise of options	-	250,000	44,900
Exercise of brokers compensation options	-	136,000	16,320
Exercise of warrants	(14,633,281)	14,633,281	3,233,839
Balance at December 31, 2015	**19,235,150**	**206,615,385**	**53,257,645**

Period ended December 31, 2015:

Between July 1, 2015 and December 31, 2015, 136,000 compensation options were exercised by a broker at an exercise price of $0.12 per share, while during the same period, shareholders exercised 3,911,516 warrants at an exercise price of $0.18 per share, 4,275,000 warrants at an exercise price of $0.20 per share, 4,344,265 warrants at an exercise price of $0.25 per share and finally 2,102,500 warrants at an exercise price of $0.28. Following these exercises, the Company received an aggregate value of $3,250,159 and issued a total of 14,769,281 common shares of the Company.

On September 15, 2015, a consultant exercised 250,000 options at an exercise price of $0.125 per share, the Company received an aggregate value of $31,250 and issued a total of 250,000 common shares of the Company in relation to such exercise. As a result, an amount of $13,650 was reclassified from contributed surplus to the share capital and warrants.

Year ended June 30, 2015:

On March 11, 2015, the Company completed a non-brokered private placement for gross proceeds of $400,000, by the issuance of 2,000,000 units at a price of $0.20 per unit. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles its holder to purchase one common share of the Company, at a price of $0.28 per common share, up to March 13, 2017.

7. 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, 2015 (continued):

On February 4, 2015 and February 20, 2015, the Company completed a non-brokered supplemental prospectus offering for gross proceeds of $2,000,000, by the issuance of 10,000,000 units at a price of $0.20 per unit, in connection with the Short Form Base Shelf Prospectus of the Company dated March 4, 2013, as supplemented by the prospectus supplement no. 5 dated January 30, 2015. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles its holder to purchase one common share of the Company, at a price of $0.28 per common share, up to February 4, 2017.

On November 14 and November 17, 2014, the Company completed a brokered supplemental prospectus offering for gross proceeds of $1,500,000 by the issuance of 8,823,530 units at a price of $0.17 per unit, in connection with the Short Form Base Shelf Prospectus of the Company dated March 4, 2013, as supplemented by the amended and restated prospectus supplement no. 4 dated November 5, 2014 amending and restating the prospectus supplement no. 4 dated October 20, 2014. The Company also completed on November 17, 2014 a brokered private placement subscription by a European investor for gross proceeds of $42,500 by the issuance of 250,000 units, at a price of $0.17 per unit. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles its holder to purchase one common share of the Company, at a price of $0.25 per common share, up to November 16, 2015.

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 amount of $180,576 and issued a total of 1,254,000 common shares of the Company. As a result, an amount of $136,820 was reclassified from contributed surplus to the share capital and warrants.

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

On July 15, 2014, following the filing on SEDAR of an independent feasibility study confirming the bringing of the Whabouchi Property into commercial production, 500,000 common shares were issued, at a deemed price of $0.16 per common share, for a total value of $80,000.

7. 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 vesting and may not exceed 2% of the outstanding common shares for suppliers, namely consultants and investors relation representatives. 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 expire no later than one year following his departure, subject to the conditions established under the common share purchase option plan. The vesting period of the share purchase options varies from immediate up to 36 months, and the life of such options varies from two to five 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 December 31, 2015 and June 30, 2015, and changes during the periods then ended were as follows:

	Six-month period ended December 31, 2015		Year ended June 30, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of period	**8,722,075**	**0.29**	7,352,075	0.30
Granted	**3,025,000**	**0.20**	3,100,000	0.20
Exercised [(i)]	**(250,000)**	**0.125**	(1,254,000)	0.14
Expired	**(1,776,500)**	**0.507**	(476,000)	0.46
Outstanding, end of period	**9,720,575**	**0.27**	8,722,075	0.29
Options exercisable at the end of period	**9,614,325**	**0.27**	8,659,575	0.29

7. 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)

(i) The closing market price of the shares on September 18, 2014 when the options were exercised was $0.21 per share. The closing market price of the shares on September 15, 2015 when the options were exercised was $0.28 per share.

	Six-month period ended December 31, 2015	Year ended June 30, 2015
	$	$
The weighted average fair value of options granted during the period	**0.22**	0.10

The following table summarizes information about share purchase options granted and outstanding as at December 31, 2015:

Number of outstanding options	Number of vested options	Weighted average exercise price ($)	Expiry date
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	343,750	0.500	January 2018
500,000	500,000	0.125	October 2018
400,000	400,000	0.120	October 2018
125,000	125,000	0.120	November 2018
500,000	500,000	0.125	November 2018
400,000	400,000	0.100	May 2019
250,000	250,000	0.125	May 2019
3,100,000	3,100,000	0.200	March 2020
100,000	25,000	0.200	July 2020
200,000	200,000	0.205	August 2020
50,000	50,000	0.365	November 2020
2,675,000	2,675,000	0.400	December 2020
9,720,575	**9,614,325**		

7. 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, directors, consultants and I.R. representatives was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six-month period ended December 31, 2015	Year ended June 30, 2015
Weighted average expected life of options	**4.8 years**	5 years
Expected volatility rate	**70%**	74%
Risk-free interest rate	**0.80%**	0.91%
Expected annual dividend rate	**-**	-

Share-based payments to brokers and intermediaries

The status of the Company's share purchase option plan for brokers and intermediaries as at December 31, 2015 and June 30, 2015, and changes during the periods then ended were respectively as follows:

	Six-month period ended December 31, 2015		Year ended June 30, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of period	**136,000**	**0.12**	981,140	0.28
Expired	**-**	**-**	(845,140)	0.30
Exercised	**(136,000)**	**0.12**	-	-
Outstanding, end of period	**-**	**-**	136,000	0.12
Options exercisable at the end of period	**-**	**-**	136,000	0.12

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

C) WARRANTS:

The status of the warrants as at December 31, 2015 and June 30, 2015, and changes during the periods then ended were as follows. Each warrant can be converted into one common share of the Company:

	Six-month period ended December 31, 2015		Year ended June 30, 2015	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	**33,868,431**	**0.22**	32,428,250	0.24
Granted	**-**	**-**	10,536,765	0.27
Expired	**-**	**-**	(7,061,584)	0.40
Exercised	**(14,633,281)** [(i)]	**0.20**	(2,035,000) [(ii)]	0.19
Outstanding, end of period	**19,235,150**	**0.23**	**33,868,431**	**0.22**

(i) Between August 20, 2015 and December 31, 2015, a total of 14,633,281 warrants were exercised at exercise prices varying from $0.18 to $0.28 per common share, while the closing market prices of the shares during the same period was varying between $0.21 and $0.44.

(ii) Between August 20, 2014 and August 27, 2014, a total of 2,035,000 warrants were exercised at exercise prices varying from $0.18 to $0.20 per common share, while the closing market prices of the shares during the same period was varying between $0.21 and $0.24.

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

C) WARRANTS (CONTINUED):

The following table summarizes the information relating to the outstanding warrants as at December 31, 2015:

Number of outstanding warrants	Weighted average exercise price	Expiry date
	$	
4,190,150 [(i)]	0.20	April 2017
10,955,000 [(i)]	0.22	April 2017
192,500 [(i)]	0.27	April 2017
2,897,500	0.28	February 2017
1,000,000	0.28	March 2017
19,235,150		

[(i)] On July 24, 2015, the Toronto Stock Exchange approved the extension of the expiry dates and the re-pricing of these warrants. The new expiry date of these warrants is now April 28, 2017 and the new exercise prices are shown in the above table. See Note 17 “Subsequent events” for details on warrants exercised after December 31, 2015.

8. 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.

B) The Company was partly financed by the issuance of flow-through shares during the previous years. 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. 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.

9. 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. For an amount of $1,000,000, 1% of this royalty may be purchased.

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 and the lease was renewed in November 2014 for a period of three years, from February 1, 2015 to January 31, 2018, with the option to terminate the lease after the first year of this renewal. The monthly amount of the lease for the first two years of the renewal is $4,517 and will be $4,740 for the third year. As at December 31, 2015, the total contractual payments remaining until then, assuming the lease will not be terminated before the end of the term, will amount to $115,606.

10. 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% (2015 - 26.90%) to the loss before taxes for the following reasons:

	Three-month periods ended December 31,		**Six-month periods ended December 31,**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Loss before income taxes	**(1,106,859)**	(383,782)	**(1,537,230)**	(931,921)
Computed expected tax recovery	**(297,745)**	(103,237)	**(413,515)**	(250,686)
Increase (decrease) in income taxes resulting from:				
Non-deductible share-based payment	**172,526**	3,019	**177,589**	8,778
Change in unrecognized deferred income tax assets	**132,264**	105,008	**246,260**	250,291
Mining tax (recovery) expense related to current period exploration expenses	**(7,045)**	(4,790)	**(10,334)**	(8,383)
Income tax expense	**-**	**-**	**-**	**-**

10. INCOME AND MINING TAXES (CONTINUED):

Movement in temporary differences during the six-month period ended December 31, 2015 and year ended June 30, 2015 are detailed as follows:

	Balance June 30, 2015	Recognized in profit or loss	**Balance December 31, 2015**
	$	$	**$**
Deferred tax assets:			
Non-capital losses	767,095	(10,334)	**756,761**
Equipment	14,132	-	**14,132**
Mining properties	1,010,307	-	**1,010,307**
Deferred tax liabilities:			
Deferred mining duties	(2,076,498)	(38,415)	**(2,114,913)**
Exploration and evaluation assets	(1,791,534)	10,334	**(1,781,200)**
	(2,076,498)	(38,415)	**(2,114,913)**

	Balance June 30, 2014	Recognized in profit or loss	**Balance June 30, 2015**
	$	$	**$**
Deferred tax assets:			
Non-capital losses	709,380	57,715	**767,095**
Share issuance costs	71,119	(71,119)	**-**
Equipment	14,132	-	**14,132**
Mining properties	1,010,307	-	**1,010,307**
Deferred tax liabilities:			
Deferred mining duties	(2,026,666)	(49,832)	**(2,076,498)**
Exploration and evaluation assets	(1,804,938)	13,404	**(1,791,534)**
	(2,026,666)	**(49,832)**	**(2,076,498)**

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

	Six-month period ended December 31, 2015	Year ended June 30, 2015
	$	$
Non-capital losses carry forwards	**2,846,121**	2,635,833
Share issuance costs	**353,257**	311,956
Other unrealized capital loss	**15,419**	15,419
	3,214,797	2,963,208

10. INCOME AND MINING TAXES (CONTINUED):

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 December 31, 2015, 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
2015	1,946,931	1,946,931	2035
2016 (6 months)	877,051	877,051	2036
	12,303,076	**12,084,987**	

11. EARNINGS PER SHARE:

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

12. ITEMS NOT AFFECTING CASH FLOWS:

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2015	2014	**2015**	2014
	$	$	**$**	$
Non-cash items:				
Acquisition of mining properties by issuance of common shares and warrants	**-**	-	**-**	80,000
Changes in accounts payable and accrued liabilities related to share issuance costs	**-**	84,260	**(7,166)**	84,260
Changes in accounts payable and accrued liabilities related to exploration and evaluation assets	**76,611**	(32,957)	**103,836**	(47,407)
Changes in deposits to suppliers for exploration and evaluation expenses	**(23,856)**	29,981	**(21,171)**	3,032

13. COMPENSATION:

	Three-month periods ended December 31,		Six-month periods ended December 31,	
	2015	2014	**2015**	2014
	$	$	**$**	$
Wages and fringe benefits paid to key management personnel	**124,234**	113,711	**227,273**	227,219
Wages and fringe benefits paid to other staff employees	**49,813**	34,144	**97,047**	91,184
Fees paid to the members of the board of directors	**20,104**	18,079	**39,354**	35,829
	194,151	165,934	**363,674**	354,232

During the three-month and six-month periods ended December 31, 2015, the Company incurred $641,359 ($11,224 in 2014) and $660,179 ($32,633 in 2014), respectively, of share-based payments expenses, of which $181,685 (nil in 2014) and $181,685 (nil in 2014), respectively, were attributed to key management personnel and $397,367 (nil in 2014) and $397,367 (nil in 2014), respectively, were attributed to the members of the Board of Directors in relation with the share purchase options granted. Also, during the six-month period ended December 31, 2015, incentive compensation totaling $443,000 (nil in 2014) plus related fringe benefits paid to key management personnel were capitalized to the exploration and evaluation assets under "Salaries and fringe benefits" (see Note 6).

14. RELATED PARTY TRANSACTIONS:

The Company has no ultimate parent.

Inter-company transactions carried out for compensation between the Company and its equity accounted investee, Monarques Gold Corporation ("MQR"), during the three-month and six-months periods ended December 31, 2015, totalled an amount of $15,000 ($28,500 in 2014) and $37,500 ($57,000 in 2014), respectively.

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 or payable to the Company from or to MQR as at December 31, 2015 (nil as at June 30, 2015).

15. 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.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED):

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 variable rate that can range during the year anywhere from 0.70% up to 1.40% per year, depending on the Bank of Canada overnight rate fluctuations. 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 condensed interim 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 foreign currencies mainly in US dollars and Euros. The balances in the accounts payable and accrued liabilities in these foreign currencies were CAD $5,507 (US $4,138) as at December 31, 2015 and CAD $35,215 (US $19,014 and €8,250) as at June 30, 2015. 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 a 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.

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

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED):

RISK EXPOSURE AND MANAGEMENT (CONTINUED)

(iii) **LIQUIDITY RISK (CONTINUED):**

As at December 31, 2015, all of the Company's financial liabilities had contractual maturities of less than one year and the Company had enough funds available to meet its current financial liabilities. At the same date, the Company had $2,720,959 in cash and cash equivalents not reserved for exploration ($1,625,666 as at June 30, 2015), $59,347 in sales tax receivables ($113,695 as at June 30, 2015) and $246,008 in mining rights and tax credits receivable ($207,593 as at June 30, 2015) to meet its financial liabilities and future financial liabilities from its commitments.

16. CAPITAL MANAGEMENT:

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

As at December 31, 2015, the Company's capital consists of shareholders' equity amounting to $28,870,368 ($26,499,074 as at June 30, 2015).

The Company's capital management objective is to have sufficient capital to be able to pursue its development activities in order to ensure the growth of its assets. It has also the objective to have sufficient liquidity to finance the operating activities, its investing activities and 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 has no dividend policy.

17. SUBSEQUENT EVENTS:

(A) Between January 1, 2016 and up to February 25, 2016, 100,000 warrants at an exercise price of $0.20 per share were exercised. Following these exercises, the Company received an aggregate amount of $ 20,000 and issued a total of 100,000 common shares.

(B) On February 2, 2016, the Company announced that it had received the first trench of the Sustainable Development Technology Canada (SDTC) grant in the amount of $2.1M. This first trench allowed the Company to launch the detailed engineering of the Phase 1 Plant and will enable the Company to order identified equipment which have a long delivery schedule.