GEOMEGA RESOURCES INC.

(an exploration stage company)

Financial Statements

MAY 31, 2011 AND 2010

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Independent Auditor's Report

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To the Shareholders of
Geomega Resources Inc.

We have audited the accompanying financial statements of Geomega Resources Inc., which comprise the balance sheets as at May 31, 2011 and 2010 and the statements of earnings, comprehensive loss and deficit, and cash flows for the years then ended, and 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 Canadian generally accepted accounting principles 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.

Auditor's 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 the auditor's 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, the auditor considers 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Geomega Resources Inc. as at May 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
August 29, 2011

GEOMEGA RESOURCES INC. (an exploration stage company)
Balance sheets

	As at May 31, 2011	As at May 31, 2010
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**46,952**	89,854
Investments (note 3)	**1,816,776**	-
Amounts receivable (note 4)	**1,181,470**	1,762
Prepaid expenses and deposits	**100,670**	3,500
	3,145,868	95,116
PROPERTY AND EQUIPMENT (note 5)	**50,687**	-
MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES (note 6)	**8,782,692**	116,953
OTHER ASSETS (NOTE 7)	**53,915**	-
	12,033,162	212,069
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**383,377**	12,865
SHAREHOLDERS' EQUITY		
Share capital (note 8)	**11,870,947**	330,002
Contributed surplus (note 9)	**767,654**	-
Deficit	**(988,816)**	(130,798)
	11,649,785	199,204
	12,033,162	212,069

The accompanying notes are an integral part of the financial statements.

GEOMEGA RESOURCES INC. (an exploration stage company)
Earnings, comprehensive loss and deficit
Years ended May 31

EARNINGS AND COMPREHENSIVE LOSS

	2011	2010
	$	$
Administrative expenses		
Stock-based compensation	**364,000**	-
Professional fees	**169,996**	13,124
Salaries and fringe benefits	**136,104**	-
Public relations and promotion	**86,892**	-
Trustees and registration fees	**40,285**	771
Office expenses	**32,342**	-
Rental expenses	**22,029**	-
Insurance, taxes and permits	**5,709**	2,418
Shareholders information	**8,599**	-
Bank fees and interest	**863**	128
Amortization of property and equipment	**10,264**	-
	877,083	16,441
Other revenues and expenses		
Interest	**19,065**	50
Write-off of mineral properties and deferred exploration expenses	-	(94,561)
Net loss and comprehensive loss	**(858,018)**	(110,952)
Net loss per share - basic and diluted	**(0.07)**	(0.04)
Weighted average number of outstanding common shares	**12,058,556**	2,561,645

DEFICIT

Deficit, beginning of year	**(130,798)**	(6,718)
Net loss	**(858,018)**	(110,952)
Difference between carrying amount and consideration of related party transactions (note 11)	-	(13,128)
Deficit, end of year	**(988,816)**	(130,798)

The accompanying notes are an integral part of the financial statements.

GEOMEGA RESOURCES INC. (an exploration stage company)
Statements of cash flows
Years ended May 31

	2011	2010
	$	$
OPERATING ACTIVITIES		
Net loss	**(858,018)**	(110,952)
Non-cash items		
Stock-based compensation	**364,000**	-
Write-off of mineral property and deferred exploration expenses	**-**	94,561
Amortization of property and equipment	**10,264**	-
Changes in non-cash operating working capital items		
Amounts receivable other than tax credits receivable	**(286,192)**	67,339
Prepaid expenses and deposits	**(97,170)**	(3,500)
Accounts payable and accrued liabilities	**238,339**	11,172
	(628,777)	58,620
INVESTING ACTIVITIES		
Investments purchased	**(2,600,000)**	-
Investments redeemed	**783,224**	-
Acquisition of property and equipment	**(60,950)**	-
Mining properties and deferred exploration expenses	**(2,360,482)**	(130,955)
	(4,238,208)	(130,955)
FINANCING ACTIVITIES		
Issue of shares and warrants	**5,279,067**	80,000
Share issue expenses	**(401,069)**	-
Other assets	**(53,915)**	-
	4,824,083	80,000
NET INCREASE (DECREASE) IN CASH	**(42,902)**	7,665
CASH, BEGINNING OF YEAR	**89,854**	82,189
CASH, END OF YEAR	**46,952**	89,854

Additionnal information to cash flows :

Exploration tax credits receivable applied against deferred exploration expenses	**893,516**	-
Common shares issued for acquisition of mining properties	**7,066,600**	-
Value of warrants exercised attributed to share capital	**131,246**	-
Value of options exercised attributed to share capital	**123,500**	-
Value of brokers' options exercised attributed to share capital	**66,400**	-
Value of brokers' options added to share issue expenses	**66,400**	-
Accounts payable and accrued liabilities related to mining properties and deferred exploration expenses	**132,173**	-

The accompanying notes are an integral part of the financial statements.

1. GOVERNING STATUTES AND NATURE OF ACTIVITIES

Geomega Resources Inc. ("GéoMégA" or the "Company") was incorporated under the *Canada Business Corporations Act* to purchase, explore, develop, and eventually operate mining properties.

The Company is in the process of exploring its mining property interests and has not yet determined whether its mining property interests contain mineral deposits that are economically recoverable.

Exploration and deposit valuation entail significant financial risks. The Company's success depends on a few factors, notably, financing, exploration and extraction risks as well as environmental factors and other regulations.

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

2. ACCOUNTING POLICIES

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include the recoverability of mineral properties and deferred exploration expenses, future income taxes and stock-based compensation. Actual results may differ from those estimates.

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Mineral properties and deferred exploration expenses

Acquisition costs and exploration expenses relating to a non-producing property are deferred until the mineral property is brought into production or abandoned. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the project. Upon abandonment or if the costs to date are determined to be unrecoverable, the accumulated costs are charged to earnings. The exploration tax credits and mining duties credits are applied against the deferred exploration expenses.

2. ACCOUNTING POLICIES (continued)

Mineral properties and deferred exploration expenses (continued)

Mineral properties and deferred exploration expenses are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. If management has not enough information to estimate future cash flows to evaluate the recoverability of capitalized amounts, the Company will evaluate the recoverability of mineral properties and deferred exploration expenses by comparing the fair value and the carrying value, without performing a recoverability test. Management will also consider whether results from exploration works justify further investments, the confirmation of the interest of the Company in the mining claims, the ability of the Company to obtain the necessary financing to complete the future development or if the disposal of the properties will yield proceeds in excess of their carrying value.

Amortization

Property and equipment are amortized over their estimated useful lives using the straight-line method and the following annual rates:

	Useful life period	Rate
Field equipment	three years	33 1/3%
Office equipment	three years	33 1/3%
Automobile	three years	33 1/3%
Leasehold improvements	three years	33 1/3%

Basic and diluted net loss per common share

Basic net loss per share is calculated over the weighted average number of shares outstanding during the year. The diluted net loss per share, which is calculated using the treasury method, is equal to the basic loss per share due to the anti-dilution effect of stock options and warrants described in Note 8.

Capital stock and share issue expenses

Capital stock issued for non-monetary consideration is recorded at the fair market value on the date the shares were issued, or the date the agreement to issue the shares was entered into, as determined by the Board of Directors, based on the trading price of the shares. Share issue costs are recorded as a reduction of share capital when the related shares are issued.

Share consideration

Warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the price of those shares on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants using the residual method.

2. ACCOUNTING POLICIES (continued)

Stock-based compensation

The Company has a stock option plan as described in Note 8. The compensation expense is accounted for in the statement of earnings or in the deferred exploration expenses using the fair value-based method as determined by the Black-Scholes pricing model. Compensation expense is recognized over the vesting period for employees and over the service period for consultants and the counterpart is credited to contributed surplus. Any consideration paid on exercise of stock options as well as the corresponding remuneration expense recognized in contributed surplus are credited to capital stock.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to difference between the carrying amounts and tax bases of assets and liabilities. They are measured by applying substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the tax liability method of accounting for income taxes, the future income taxes related to temporary differences arising at the renunciation are recorded at that time together with a corresponding charge in the share issue expense.

Mining rights tax credit and tax credit for mining exploration companies

The Company is entitled to refundable mining rights tax credit on mining exploration charges incurred in Québec. This tax credit has been applied against the charges incurred.

The Company is also entitled to the refundable tax credit for mining exploration companies on qualified exploration expenditures incurred. This tax credit has been applied against the charges incurred.

The exploration tax credits are recorded provided that the Company is reasonably certain that these credits will be received.

2. ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities

Initially, all the financial assets and liabilities are evaluated and recognized at fair value, with the exception of the assets and liabilities arising from certain operations with related parties. Transaction costs are recognized in earnings when they are incurred. Subsequently, financial assets and liabilities are measured and recognized as follows:

Held-for-trading financial assets:

Held-for-trading financial assets are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings include interest and are presented under *Interest* . Cash is classified as a held-for-trading asset.

Investments are designated as held-for-trading because the Company intends to redeem them, entirely or partly, before their maturity date.

Loans and receivables:

Loans and receivables are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

Other financial liabilities:

Other financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using the effective interest method is presented in the earnings statement under Bank fees and interest. Accounts payable and accrued liabilities are classified as other financial liabilities.

3. INVESTMENTS

As of May 31, 2011, short term investments include guaranteed term deposits from a Canadian financial institution totalling $1,816,776 cashable at any time before the maturity date of October 3, 2011. These investments bear interest at an annual rate of 1.4% .

4. AMOUNTS RECEIVABLE

	2011	2010
	$	$
Indirect taxes	**147,242**	1,762
Advance to a former employee	**11,425**	-
Advance to suppliers	**129,287**	-
Exploration tax credits receivable	**893,516**	-
	1,181,470	1,762

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	Net carrying value May 31, 2011	Net carrying value May 31, 2010
	$	$	**$**	$
Field equipment	4,175	-	**4,175**	
Office equipment	19,296	4,165	**15,131**	-
Automobile	35,130	5,577	**29,553**	-
Leasehold improvements	2,350	522	**1,828**	-
	60,951	10,264	**50,687**	-

6. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES

MINING PROPERTIES-2011	As at May 31 2010	**Additions**		**As at May 31 2011**
	$	**$**		**$**
Montviel (i)	51,872	**6,760,257**		**6,812,129**
Pump Lake (ii)	54,681	**208,319**		**263,000**
Sydney (iii)	10,400	**1,255**		**11,655**
Émilie (iv)	-	**166,018**		**166,018**
Oriana (v)	-	**89,192**		**89,192**
Others (vi)	-	**54,966**		**54,966**
	116,953	**7,280,007**		**7,396,960**

DEFERRED EXPLORATION EXPENSES-2011

	As at May 31 2010	**Additions**	**Tax credits**	**As at May 31 2011**
	$	**$**	**$**	**$**
Montviel (i)	-	**2,052,275**	**(804,538)**	**1,247,737**
Pump Lake (ii)	-	**124,505**	**(48,808)**	**75,697**
Sydney (iii)		**6,810**	**(2,670)**	**4,140**
Others (vi)	-	**95,658**	**(37,500)**	**58,158**
	-	**2,279,248**	**(893,516)**	**1,385,732**
TOTAL	116,953	**9,559,255**	**(893,516)**	**8,782,692**

6. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES (continued)

MINING PROPERTIES-2010	As at May 31 2009	Additions	Write-off	As at May 31 2010
	$	$	$	$
Montviel (i)	-	51,872	-	51,872
Pump Lake (ii)	-	54,681	-	54,681
Sydney (iii)	-	10,400	-	10,400
Bartouille	-	875	(875)	-
	-	117,828	(875)	116,953

DEFERRED EXPLORATION EXPENSES-2010	As at May 31 2009	Additions	Write-off	As at May 31 2010
	$	$	$	$
Bartouille	93,686	-	(93,686)	-
	93,686	-	(93,686)	-
TOTAL-2010	93,686	117,828	(94,561)	116,953

Montviel and Pump Lake properties

Effective September 30, 2010, the Company holds an agreement with NioGold Mining Corporation ("NioGold") which gives the Company an option to earn up to seventy five percent (75%) interest in the Montviel and Pump Lake properties (the "Properties") by making a cash payment of $100,000 (paid) and by issuing 1,500,000 shares (1,100,000 issued to date - value of $385,000) of the Company over a three-year period and incurring at least $3,350,000 in exploration expenditures over four years.

On May 2, 2011, the above agreement was amended as follows: The Company immediately acquires a 100% interest in the Montviel property by issuing 1,525,000 common shares (value of $5,368,000) to NioGold and NioGold will retain a 2% net output return royalty on the future production of the Montviel property. In addition, the Company will, upon securing 70% of the capital requirements for commercial production for the Montviel property, pay to NioGold $4,500,000 in cash or common shares at the option of NioGold, which amount shall be treated as a non-refundable advance royalty payment.

As for the Pump Lake Property, the Company can acquire a 75% interest in the property by incurring an aggregate of $400,000 in exploration expenditures on or before September 30, 2014. Upon completion of these expenditures, the Company will have the option to either abandon the property or form a joint venture with NioGold. Upon formation of the joint venture , the Company will have the option to acquire the remaining 25% of the Pump Lake Property by paying to NioGold $7,500,000 in cash or common shares and granting a 1% net output return royalty on the future production of the property, of which the Company may buy back one-half for $500,000.

6. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES (continued)

i) Montviel property

Geographically, the property is located in Montviel township, approximately 215 km north of Val-d'Or, where services and manpower are available. The property is easily accessible via a network of logging roads, after a 60 km drive from highway 113, which connects Val d'Or and Chibougamau. The Montviel property comprises a total of 159 mining claims for 8,830 ha.

Since the beginning of the year, the Company incurred $11,757 in claims renewal and $5,560,500 in option cost (1,100,000 common shares at $0.35 x 50% following the initial public offering and 1,525,000 common shares at $3.52 on the agreement amendment date of May 2, 2011).

Montviel sud
On March 18, 2011, the Company acquired 57 mining claims south of the Montviel property for a total amount of $1,888,000 consisting of $100,000 in cash, 200,000 common shares of the Company for an amount of $790,000 ($3.95 per share) and 200,000 warrants entitling its holder to acquire 200,000 shares of the Company at a price of $5.50 until September 30, 2012 (value of $298,000).

ii) Pump Lake property

Geographically, the property is located approximately 110km north of Mont-Laurier, where services and manpower are available. The property is easily accessible by road from Ste-Anne-du-Lac. The Pump Lake property comprises a total 414 mining claims for 23,869 ha. The property is subject to a 2% Net Smelter Return, of which one percent (1%) can be bought back for $1,000,000.

Since the beginning of the year, the Company incurred $15,819 in claims renewal and acquisitions by map designation and $192,500 in option costs (550,000 common shares at $0.35 following the initial public offering).

iii) Sydney property

Geographically, the property is located approximately 100 km North of St-Michel des Saints, where services and manpower are available. The property is easily accessible via gravel roads. The Sydney property comprises a total 200 mining claims for 11,594 ha. Since the beginning of the year, the Company incurred $1,255 in map designation costs of mining claims.

iv) Émilie property

100% interest
Geographically, the property is located approximately 30 km east of the town of Lebel-sur-Quevillon in the Abitibi region, where services and manpower are available. The Émilie property comprises a total 61 mining claims for 3,127 ha. Since the beginning of the year, the Company incurred $2,918 in staking costs.

6. MINING PROPERTIES AND DEFERRED EXPLORATION EXPENSES (continued)

iv) Émilie property (continued)

Extension option

On March 11, 2011, the Company optioned 16 mining claims adjacent to the 61 mining claims it already possessed for a total of $163,100 payable as follows: $7,500 in cash and 40,000 common shares in the Company at a price of $3.89 per share (value of $155,600). The Company will also issue 40,000 common shares on March 29, 2012 to complete the acquisition.

v) Oriana property (100% interest)

Geographically, the property is located approximately 20 km west of the town of Chapais in the Abitibi area, where services and manpower are available. The Oriana property comprises a total of 270 mining claims for 15,014 ha.

On August 17, 2010, the Company issued 200,000 common shares at a price of $0.35 per share (value of $70,000) and also paid a cash amount of $15,960, in consideration for the acquisition of the 270 claims constituting the property. During the second quarter, the Company incurred $3,232 in map designation costs of mining claims.

vi) Others (100% interest)

These 15 properties were acquired by map designation and are located in the Montviel property area.

7. OTHER ASSETS

Other assets include the share issue expenses related to a common share placement which is scheduled to occur during the next year. See Note 16 "SUBSEQUENT EVENTS."

8. SHARE CAPITAL

Authorised

Unlimited number of common shares without par value, voting, participating, dividend as declared by the board of Directors.

8. SHARE CAPITAL (continued)

Issued and fully paid	Number	Amount $
Balance May 31, 2009	2,500,001	250,001
Acquisition of mining properties	900,000	1
Private placements	800,000	80,000
Balance May 31, 2010	4,200,001	330,002
Private placements	1,466,110	1,131,849
Initial public offering	8,300,000	2,573,000
Share issue expenses (1)		(467,469)
Acquisition of mining properties	3,065,000	6,768,600
Exercise of warrants	1,640,579	1,033,565
Exercise of options	475,000	289,750
Exercise of brokers' options	415,000	211,650
Balance May 31, 2011	19,561,690	11,870,947

On July 2, 2010, the Company issued 355,000 units at a price of $0.35 per unit from accedited investors for total gross proceeds of $124,250. Each unit consists of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.55 until January 2, 2012. A sum of $95,850 was allocated to capital stock and a value of $28,400 was allocated to the warrants. The value of the warrants was estimated using the Black-Scholes valuation model with volatility estimated at 100%, a risk-free interest rate of 1.4% with no expected dividend yield and an estimated duration of 18 months.

On August 17, 2010, the Company acquired the Oriana property by issuing 200,000 common shares of the Company (value of $70,000).

On September 30 and October 7, 2010, the Company issued through a prospectus 8,300,000 units at a price of $0.35 per unit for total gross proceeds of $2,905,000. Each unit consists of one common share and one-half warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.55 until March 31 and April 7, 2012. A sum of $2,573,000 was allocated to capital stock and a value of $332,000 was allocated to the warrants. The value of the warrants was estimated using the Black-Scholes valuation model with volatility estimated at 100%, a risk-free interest rate of 1.4% with no expected dividend yield and an estimated duration of 18 months. The brokers received a remuneration of $186,829 and 415,000 Brokers' options entitling the brokers to purchase 415,000 common share of the Company at a price of $0.35 per share for a period of 18 months following the closing of the public offering. The fair value of these options ($66,400) was estimated using the Black-Scholes stock option evaluation model with the following assumptions: estimated average duration of 1.5 years for these options, risk free interest rate of 1.7%, forecast volatility of 100% with no expected dividend yield. Other issue expenses totalled $167,946.

Under the definitive agreement relating to the Montviel and Pump Lake properties, the Company issued on September 30, 2010, 1,100,000 common shares to NioGold (value of $385,000).

(1) Net of a future income tax asset of $107 888 that has been completely written-down.

8. SHARE CAPITAL (continued)

Following a request from regulatory authorities, an additional cash consideration of $36,000 was required for the acquisition of mineral properties on May 6, 2010.

On January 28 and February 3, 2011, the Company issued 1,111,110 units at a price of $0.90 per unit from accredited investors for total gross $999,999. Each unit consists of one common share and one-half warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $1.35 until July 27, 2012 and August 3, 2012. A sum of $999,999 was allocated to capital stock and no value of was allocated to the warrants.

Under the agreement regarding the Emilie-Extension property and the acquisition of Monviel Sud property, the Company issued on March 29, 2011, 240,000 common shares of the Company (value of 945,600 $).

Under the amended agreement regarding the Montviel property, the Company issued on May 2, 2011, 1,525,000 common shares of the Company (value of $5,368,000).

Options

The Company has established a stock option plan ("the plan") whereby the Board of Directors may from time to time grant options to purchase common shares to employees, officers, directors and consultants, for such terms and at such exercise prices as may be determined by the Board.

The plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance under the stock option plan is limited to a maximum of 10% of the common shares outstanding and the maximum number of common shares which may be reserved for issuance to any one optionee may not exceed 5% of the common shares outstanding at the date of grant. Theses options may be exercised for a period of 5 years after the grant date.

The option's exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

In November 2010, the plan has been amended: The options granted vest gradually over a period of 24 months from the day of grant, at a rate of 1/4 per six-month period. Previously, the options granted were vested at the time of grant.

On September 30 and October 7, 2010, the Company granted a total of 1,400,000 stock options that may be exercised over a period of five years, at an exercise price of $0.35 and having a fair value of $0.26. These options have been granted to directors, officers and suppliers. A total of $364,000 has been accounted in expenses during the year.

On December 30, 2010 and January 13, 2011, the Company granted a total of 140,000 stock options that may be exercised over a period of five years, at an exercise price of $0.90. These options have been granted to one director and one supplier. Under the amendments that occurred in November 2010, these options will vest over a period of 24 months, at a rate of 1/4 each semester.

8. SHARE CAPITAL (continued)

Options (continued)

On March 3, 2011, the Company granted a total of 10,000 stock options that may be exercised over a period of five years, at an exercise price of $3.60. These options have been granted to one employee. Under the amendments that occurred in November 2010, these options will vest after a period of 24 months at 1/4 each semester. On March 21, 2011, the Company granted a total of 70,000 stock options that may be exercised over a period of five years, at an exercise price of $3.95. These options have been granted to one director. Under the amendments that occurred in November 2010, these options will vest after a period of 24 months at 1/4 each semester.

Variation in outstanding options since the beginning of year is as follows:

	Number	Weighted average exercise price ($)
Balance as at May 31, 2010	-	-
Granted	1,620,000	0.57
Exercised	(475,000)	0.35
Balance as at May 31, 2011	**1,145,000**	**0.67**

Options granted and exercisable as at May 31, 2011:

	Number of options			
Expiration date	**Outstanding**	**Exercisable**	**Weighted average exercise price ($)**	**Weighted remaining average life (year)**
September 29, 2015	888,000	888,000	0.35	4.33
October 7, 2015	37,000	37,000	0.35	4.33
December 29, 2015	100,000	-	0.90	4.58
January 12, 2016	40,000	-	0.90	4.60
March 2, 2016	10,000	-	3.60	4.75
March 20, 2016	70,000	-	3.95	4.83
	1,145,000	925,000	0.67	4.40

Weighted average fair value of options granted during the year $0.43

8. SHARE CAPITAL (continued)

Options (continued)

The fair value of these options was estimated using the Black-Scholes stock option evaluation model with the following assumptions: estimated weighted average duration of 5 years for these options, risk free interest rate of 1.7%, forecast volatility of 100% and no forecast dividend.

Warrants

During the year, the Company issued the following warrants:

Events	Number	Exercise price	Expiry date	Attributed value
		$		$
Private placement	355,000	0.55	January 2012	28,400
Initial public offering	3,862,500	0.55	March 2012	309,000
Initial public offering	287,500	0.55	April 2012	23,000
Private placement	499,999	1.35	July 2012	-
Private placement	55,555	1.35	August 2012	-
Montviel-sud property acquisition	200,000	5.50	September 2012	298,000
	5,260,554			658,400

Variation in outstanding warrants since the beginning of year is as follows:

	Number	Weighted average exercise price ($)	Attributed value ($)
Balance as at May 31, 2010	-	-	-
Issued	5,260,554	0.82	658,400
Exercised	(1,640,579)	0.55	(131,246)
Balance as at May 31, 2011	**3,619,975**	**0.95**	527,154

Warrants outstanding as at May 31, 2011:

Number	Exercise price	Expiry date	Attributed value
	$		$
355,000	0.55	January 2012	28,400
2,221,921	0.55	March 2012	177,754
287,500	0.55	April 2012	23,000
499,999	1.35	July 2012	-
55,555	1.35	August 2012	-
200,000	5.50	September 2012	298,000
3,619,975			527,154

8. SHARE CAPITAL (continued)

Warrants (continued)

The fair value of these warrants was estimated using the Black-Scholes stock option evaluation model with the following weighted average assumptions: estimated duration of 1.5 years, risk free interest rate of 1.7%, forecast volatility of 100% and no forecast dividend.

Brokers' options

During the year, 415,000 options were issued as compensation to a broker for the initial public offering in the Fall of 2010. These options were issued at an exercise price of $0.35 and expired in April 2012. The fair value of the warrants included in the cost of issuing shares estimated at $66,400 was calculated using the Black-Scholes pricing model with the following assumptions:

Expected dividend	0%
Expected volatility	100%
Risk free interest rate	1.7%
Duration	1.5 years

Variation in outstanding brokers' options since the beginning of year is as follows:

	Number	**Average Exercise price ($)**
Balance as at May 31, 2010	-	-
Issued	415,000	0.35
Exercised	(415,000)	0.35
Balance as at May 31, 2011	**-**	**-**

9. CONTRIBUTED SURPLUS

	Stock-based compensation	Warrants	Broker's options	**$**
Balance as at May 31, 2010	-	-	-	-
Attributed value	364,000	658,400	66,400	1,088,800
Exercise value	(123,500)	(131,246)	(66,400)	(321,146)
Balance as at May 31, 2011	**240,500**	**527,154**	**-**	**767,654**

10. INCOME TAXES

The Company's effective income tax rate differs from the combined federal and provincial income tax rate in Canada. The difference results from the following:

	2011	2010
	$	$
Loss before income taxes	**(858,018)**	(110,952)
Taxes calculated using the combined federal and provincial statutory rate of 29.28% (30.48% in 2010)	**(251,228)**	(33,818)
Non deductible items	**106,579**	-
Other items	**1,345**	-
Difference in tax rates	**14,268**	3,972
Non-taxable tax credit	**(30,882)**	-
Change in valuation allowance (1)	**159,918**	29,846
Income taxes	**-**	-

(1) The write-down of the future income tax asset of $107,888 related to share issue expenses has been posted to share capital.

As at May 31, 2011 and 2010, significant components of the Company's future income tax assets and liabilities are as follows:

	2011	2010
	$	$
Future income tax assets		
Deferred exploration expenses	**140,137**	25,437
Property and equipment	**2,761**	-
Share issue expenses deductible	**86,310**	-
Operating losses carried forward (1)	**164,029**	6,216
	393,237	31,653
Future income tax liabilities		
Exploration tax credits	**(93,778)**	-
Valuation allowance	**(299,459)**	(31,653)
	-	-

10. INCOME TAXES (continued)

(1) As at May 31, 2011, expiration dates of losses available to reduce future years' income for tax purposes are :

	$
2029	1,718
2030	16,391
2031	591,663
	609,772

Federal non-refundable tax credits of $146,351 available to reduce income taxes payable for the next twenty years has not been recorded by the Company.

11. RELATED PARTY TRANSACTIONS

The Company conducts transactions with companies and entities controlled by its Officers and Directors. These transactions are in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties. Related party transactions are as follows:

	2011	2010
Description	**$**	$
Professional fees	**17,831**	7,752

On May 6, 2010, the Corporation acquired from 2 directors a total of 71 claims adjacent to the Montviel and Pump Lake properties, in exchange for 900,000 common shares and $16,820 in cash. On May 31, 2010, the Corporation also acquired from those two directors a total of 200 claims related to the Sydney property in exchange for $10,400 in cash. These transactions were measured at the carrying amount, with the difference between the carrying amount and the consideration given being charged directly to equity.

12. FINANCIAL INSTRUMENTS

Objectives and policies concerning financial risk management

The Company is exposed to different financial risks resulting from both its operations and investing activities. The management of the financial risks is done by the management of the Company. The Company does not conclude agreements for financial instruments, including financial derivatives, for speculation purpose.

Financial risks
The principal financial risks to which the Company is exposed as well as its policies concerning the management of the financial risks are detailed as follow:

12. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Investments are at fixed rates and therefore expose the Company to the risk of fair value variation due to interest rate variation. An increase of 1% in interest rates would have increased the net loss by $15,366 as at May 31, 2011. The other financial assets and liabilities of the Company do not represent interest risk because they do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

Liquidity risk

Management's objective is to maintain sufficient levels of cash and to ensure that the Company has at its disposal sufficient sources of financing, such as private financing. The Company also establishes budget and liquidity forecasts to ensure that it has at its disposal sufficient funds to meet its financial obligations. Obtaining additional funds make it possible for the Company to continue its operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Generally, the maximum credit risk is equivalent to the carrying value of financial assets exposed to credit risk, less any impairment. The Company is subject to credit risk through cash and investments. The Company reduces its credit risk by maintaining its cash and an important part of investments in financial instruments guaranteed by and held by a Canadian chartered bank but the Company is subject to concentration of credit risk. The Company aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable.

Fair value of financial instruments

The Company defines the fair value hierarchy under which its financial instruments are valued as follows: Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liabilities, either directly or indirectly and level 3 includes inputs for the assets or liabilities that are not based on observable market data. Cash and Investments are considered as level 1 and 2 respectively.

12. FINANCIAL INSTRUMENTS (continued)

The fair value of financial instruments is summarized as follows:

	2011		2010	
	Carrying value	Fair value	Carrying value	Fair value
	$	$	$	$
Financial assets				
Held-for-trading				
Cash	46,952	46,952	89,854	89,854
Investments	1,816,776	1,816,776	-	-
Loans and receivable				
Amounts receivable	1,181,470	1,181,470	1,762	1,762
Financial liabilities				
Other liabilities				
Accounts payable and accrued liabilities	383,377	383,377	12,865	12,865

13. CAPITAL DISCLOSURES

The Company's objectives in managing capital is to safeguard its ability to continue its operations as well as its acquisition and exploration programs. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. As at May 31, 2011, the Shareholders' Equity totals $11,663,033 ($199,204 as at May 31, 2010).

14. COMMITMENTS

The Company has entered into a long-term lease agreement expiring on September 30, 2013 for total lease payments of $62,766 for the rental of office space. Minimum lease payments for the next years are $26,409 in 2012, $27,201 in 2013 and $9,156 in 2014.

15. SEGMENTED INFORMATION

The Company has determined that it only operates in one segment, being the acquisition and exploration of mineral properties with the aim of discovering commercially exploitable deposits of minerals. All of the long term assets are held in Canada.

16. SUBSEQUENT EVENTS

On June 7, 2011, the Company signed a professional services contract for the production of a baseline environmental study on the Montviel property estimated at $80,604.

On June 13, 2011, the Company signed a lease agreement for a mining camp (4 units) for a period of 24 months at $5,368 per month for a total obligation of $128,755.

On June 16, 2011, the Company signed a lease agreement for a mining camp (4 units) for a period of 24 months for a total obligation of $218,848. The lease will begin when the units will be built.

On June 16, 2011, the Company signed a professional services contract for the production of a 43-101 technical report on the Montviel property estimated at $63,924.

On July 8, 2011, the Company issued through brokers 2,127,659 units at a price of $2.35 per unit for total gross proceeds of $4,999,999. Each unit consists of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $2.85 until July 8, 2013. A sum of $4,999,999 was allocated to capital stock while no value was allocated to the warrants. The Company paid to the brokers a remuneration of $328,781 and issued 134,750 options to brokers allowing them to acquire 134,750 units. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of $ 2.85 until July 8, 2013.