GEOMEGA RESOURCES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2013 AND 2012

August 15, 2013

Independent Auditor's Report

To the Shareholders of
GéoMégA Resources Inc.

We have audited the accompanying financial statements of GéoMégA Resources Inc., which comprise the statements of financial position as at May 31, 2013 and 2012 and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise 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.

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 in our audits 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 GéoMégA Resources Inc. as at May 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about GéoMégA Resources Inc's ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, permit No. A122718

GEOMEGA RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(in Canadian Dollars)

	Notes	**May 31, 2013 $**	May 31, 2012 $
ASSETS			
Current			
Cash and cash equivalents		**437,855**	3,285,042
Sales tax receivable		**157,531**	264,904
Tax credits receivable	5, 24	**2,459,916**	2,334,650
Prepaid expenses and deposits		**87,458**	283,549
Current assets		**3,142,760**	6,168,145
Non-current			
Tax credits receivable	5	**717,100**	—
Exploration and evaluation assets	6	**14,353,599**	11,628,219
Property and equipment	7	**386,255**	605,172
Non-current assets		**15,456,954**	12,233,391
Total assets		**18,599,714**	18,401,536
LIABILITIES			
Current			
Trade and other payables	8	**631,538**	463,220
Obligations under finance leases	9	**17,753**	185,203
Debt	10, 24	**1,398,812**	1,415,605
Flow-through share liability	11	**203,433**	—
Current liabilities		**2,251,536**	2,064,028
Non-current			
Obligations under finance leases	9	**—**	17,907
Total liabilities		**2,251,536**	2,081,935
EQUITY			
Share capital	12	**21,648,139**	19,759,206
Warrants	13	**22,170**	324,089
Brokers' options	14	**628,143**	588,957
Stock options	15	**1,609,364**	1,504,136
Contributed surplus		**794,692**	156,559
Deficit		**(8,354,330)**	(6,013,346)
Total equity		**16,348,178**	16,319,601
Total liabilities and equity		**18,599,714**	18,401,536

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

Going concern (*Note 1*)

Commitments (*Notes 11 and 23*)

Subsequent events (*Note 24)*

Approved on Behalf of the Board:

/s/ "Simon Britt"
Simon Britt
Director

/s/ "Patrick Godin"
Patrick Godin
Director

GEOMEGA RESOURCES INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(in Canadian Dollars, except number of common shares)

		Year Ended May 31,	
		2013	2012
	Notes	**$**	$
EXPENSES			
Salaries, employee benefits and share-based compensation	16	**1,136,991**	1,582,779
Exploration and evaluation expenses, net of tax credits	18	**415,134**	938,723
Professional fees		**385,578**	448,826
Travel, conference and investor relations		**174,461**	339,921
Telecommunication		**15,951**	10,427
Administration		**35,424**	48,288
Transfer agency and regulatory fees		**42,293**	57,331
Rent		**27,280**	30,693
Insurance, taxes and permits		**22,719**	17,753
Bad debts		**—**	11,425
Depreciation of property and equipment	7	**33,057**	26,545
Impairment of exploration and evaluation assets	6	**295,916**	461,616
Loss before under noted items		**2,584,804**	3,974,327
Interest income		**(1,017)**	(30,232)
Finance costs		**163,665**	48,930
Loss before income taxes		**2,747,452**	3,993,025
Flow-through share related income	11, 17	**(365,860)**	(354,227)
Recovery of deferred income taxes - expiration of warrants	17	**(40,608)**	—
Recovery of deferred income taxes	17	**(406,468)**	(354,227)
Loss and comprehensive loss for the year		**2,340,984**	3,638,798
Basic and diluted loss per share		**(0.07)**	(0.16)
Weighted average number of common shares outstanding - Basic and diluted		**32,112,573**	23,160,518

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

GEOMEGA RESOURCES INC.
STATEMENTS OF CHANGE IN EQUITY
(Expressed in Canadian Dollars)

	Notes	Share Capital $	Warrants $	Brokers' Options $	Stock Options $	Contributed Surplus $	Deficit $	Total Equity $
As at May 31, 2011		11,919,081	479,020	-	240,500	-	(2,374,548)	10,264,053
Loss and comprehensive loss for the year		-	-	-	-	-	(3,638,798)	(3,638,798)
Share-based compensation	15	-	-	-	1,387,069	-	-	1,387,069
Private placement	12	8,329,522	22,500	588,957	-	-	-	8,940,979
Share issue costs	12	(1,590,089)	(330)	-	-	-	-	(1,590,419)
Pre-Development Agreement	12	225,000	-	-	-	-	-	225,000
Warrants net of issuance cost of $1,020	13	-	52,053	-	-	-	-	52,053
Exercise of stock options	15	244,000	-	-	(104,000)	-	-	140,000
Forfeited options	15	-	-	-	(19,433)	-	-	(19,433)
Exercise of warrants	13	631,692	(72,595)	-	-	-	-	559,097
Expired warrants	13	-	(156,559)	-	-	156,559		-
As at May 31, 2012		19,759,206	324,089	588,957	1,504,136	156,559	(6,013,346)	16,319,601
As at May 31, 2012		**19,759,206**	**324,089**	**588,957**	**1,504,136**	**156,559**	**(6,013,346)**	**16,319,601**
Loss and comprehensive loss for the year		**-**	**-**	**-**	**-**	**-**	**(2,340,984)**	**(2,340,984)**
Share-based compensation	**15**	**-**	**-**	**-**	**482,050**	**-**	**-**	**482,050**
Private placement	**12**	**2,058,840**	**-**	**-**	**-**	**-**	**-**	**2,058,840**
Share issue costs	**12**	**(240,357)**	**-**	**39,186**	**-**	**-**	**-**	**(201,171)**
Shares issued - Oriana	**12**	**17,200**	**-**	**-**	**-**	**-**	**-**	**17,200**
Shares issued - Separation process	**12**	**15,750**	**-**	**-**	**-**	**-**	**-**	**15,750**
Shares issued - SIDEX	**12**	**37,500**	**-**	**-**	**-**	**-**	**-**	**37,500**
Forfeited options	**15**	**-**	**-**	**-**	**(376,822)**	**376,822**	**-**	**-**
Expired warrants, net of income taxes	**13**	**-**	**(301,919)**	**-**	**-**	**261,311**	**-**	**(40,608)**
As at May 31, 2013		**21,648,139**	**22,170**	**628,143**	**1,609,364**	**794,692**	**(8,354,330)**	**16,348,178**

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

GEOMEGA RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Notes	Year Ended May 31, 2013 $	2012 $
OPERATING ACTIVITIES			*(adjusted – Note 3)*
Loss for the year		**(2,340,984)**	(3,638,798)
Adjustments for:			
Share-based compensation	15	**481,370**	1,031,077
Depreciation of property and equipment	7	**33,057**	59,863
Impairment of exploration and evaluation assets	6	**295,916**	461,616
Accretion expense - debt	10	**84,395**	1,658
Recovery of deferred income taxes	17	**(406,468)**	(354,227)
Changes in non-cash working capital items:			
Sales tax receivable		**107,373**	(106,237)
Tax credits receivable	3	**(53,789)**	260,560
Prepaid expenses and deposits		**196,091**	(53,592)
Trade and other payables		**(245,997)**	(13,720)
Cash flows used in operating activities		**(1,849,036)**	(2,351,800)
INVESTING ACTIVITIES			
Additions of exploration and evaluation assets	3	**(3,172,602)**	(5,741,615)
Additions of property and equipment		**(3,466)**	(299,669)
Investments redeemed		**—**	5,839,328
Investments		**—**	(4,022,552)
Cash flows used in investing activities		**(3,176,068)**	(4,224,508)
FINANCING ACTIVITIES			
Issuance of shares and warrants, net of issue costs		**2,425,957**	7,886,136
Repayment of debt	10	**(789,000)**	—
Proceeds from issuance of debt, net of issue costs	10	**726,317**	1,466,000
Payments on obligations under finance leases	9	**(185,357)**	(236,835)
Exercise of warrants		**—**	559,097
Exercise of stock options		**—**	140,000
Cash flows from financing activities		**2,177,917**	9,814,398
Net change in cash and cash equivalents		**(2,847,187)**	3,238,090
Cash and cash equivalents, beginning of the year		**3,285,042**	46,952
Cash and cash equivalents, end of the year		**437,855**	3,285,042
Additional information			
Interest received		**1,017**	50,973
Interest paid		**(76,600)**	(25,259)
Acquisition of E&E assets included in trade and other payables		**512,617**	98,302
Share issue costs not paid		**4,668**	127,434

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the "Company") is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, exploration and evaluation of mining properties in Canada. The Company's shares are listed on the TSX Venture Exchange under symbol GMA. The address of the Company's registered office and principal place of business is 475 Victoria Avenue, Saint-Lambert, Quebec, Canada, J4P 2J1. These audited financial statements were approved by the Company's Board of Directors on August 15, 2013.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. For the year ended May 31, 2013, the Company reported a loss of $2,340,984 and an accumulated deficit of $8,354,330 at that date. In addition to its ongoing working capital requirements, the Company must secure sufficient funding for existing commitments for exploration and pay for general and administration costs. As at May 31, 2013, the Company had working capital of $891,224. Management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted expenditures through May 31, 2014. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the preceding paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity or debt financing. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the financial statements.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") as issued by the *Accounting Standards Board* ("ASB"). The accounting policies, methods of computation and presentation applied in these financial statements are consistent with those of the previous financial year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

These financial statements have been prepared on a historical cost basis. The Company has elected to present the statement of comprehensive loss in a single statement.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The functional and presentation currency of the Company is the Canadian dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short-term liquid investments with original maturities of three months or less or cashable at any time without penalties.

Taxes credits and mining rights receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration and evaluation expenditures incurred. As management intends to realize the carrying value of its assets and settle the carrying value of its liabilities through the sale of its exploration and evaluation assets, the related deferred tax has been calculated accordingly.

Exploration and evaluation expenditures

Expenditures incurred on activities that precede exploration for and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

Exploration and evaluation (“E&E”) expenditures includes rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at its recoverable amount in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production. Proceeds from the sale of mineral properties are applied as a reduction of the related carrying costs and any excess or shortfall is recorded as a gain or loss in the statement of loss and comprehensive loss.

Exploration and evaluation expenditures also typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. Generally, expenditures relating to exploration and evaluation activities are expensed as incurred. Capitalization of exploration and evaluation expenditures commence when a mineral resource estimate has been obtained for an area of interest.

Exploration and evaluation expenditures reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. Exploration and evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- determining the optimal methods of extraction and metallurgical and treatment processes, including the separation process;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a mine project moves into the development phase, exploration and evaluation expenditures are capitalized to mine development costs. An impairment test is performed before reclassification and any impairment loss is recognized in the statement of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized exploration and evaluation costs are classified as investing activities in the statement of cash flows.

The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for E&E assets is dependent upon the existence of economically recoverable reserves on these properties, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production from these reserves or sufficient proceeds from their disposal thereof.

Although the Company has taken steps to verify title to the mineral claims 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.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced.

Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property and equipment less their residual values over their estimated useful lives using the straight-line method and following periods by major categories:

Leasehold improvements	Lease term
Office equipment	3 years
Vehicles	3 years
Field equipment and base camp related to exploration and evaluation activities	3 years
Warehouse related to exploration and evaluation activities	15 years

Depreciation of property and equipment, if related to exploration activities, is expensed or capitalized to exploration and evaluation expenditures according to the capitalization policy of exploration and evaluation expenditures. Depreciation of property and equipment, if related to mine development expenditures, is capitalized in mine development costs. These amounts will be recognized in the statement of loss and comprehensive loss through depreciation of property and equipment when they are put into production. For those which are not related to exploration and development activities, depreciation expense is recognized directly in the statement of loss and comprehensive loss.

The depreciation expense for each period is recognized in the statement of loss and comprehensive loss except for certain items of property and equipment related to E&E activities where the depreciation expense is included in the carrying amount of an E&E asset when it relates to a specific E&E project. In the case of certain items of property and equipment related to E&E activities on a project that has not reached the phase at which the Company capitalize its E&E expenses, the depreciation expense is recognized in the statement of loss and comprehensive loss. Depreciation of an asset ceases when it is classified as held for sale (or included in a disposal group that is classified as held for sale) or when it is derecognized. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Residual values, methods of depreciation and useful lives of the assets are reviewed quarterly and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recorded in the statement of loss and comprehensive loss.

Upon the transfer of E&E assets to property and equipment under mine development costs, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mine development costs. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mine development costs.

Impairment of non-financial assets

Property and equipment and exploration and evaluation assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Exploration and evaluation assets are reviewed by area of interest. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. 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 which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

Expected future cash flows for property and equipment are based on estimates of future metal prices and foreign exchange rates, proven and probable reserves, estimated value beyond proven and probable reserves, and future operating, capital, and reclamation cost assumptions.

Provisions, contingent liabilities and contingent assets

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is more likely than not that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance costs. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for environmental restoration represents the legal and constructive obligations associated with the eventual closure of the Company's property and equipment. These obligations consist of costs associated with reclamation and monitoring of activities and the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible, given that the Company's operations are still in the E&E stage, and are capitalized to the cost of property and equipment as incurred. A restoration provision will be recognized in the cost of the property and equipment when there is constructive or legal commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized.

Flow-through shares

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of loss and comprehensive loss as a flow-through share related income when the eligible expenditures are incurred. The amount recognized as a flow-through share related liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets categorized as loans and receivables and financial liabilities at amortized costs are measured initially at fair value taking into consideration transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or interest income. The Company's financial assets are all categorized as loans and receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less a provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents fall into this category of financial instruments.

Impairment of financial assets

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Financial liabilities

The Company's financial liabilities include trade and other payables, obligations under finance leases and debt. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges and accretion expenses on debt are reported in the statement of loss and comprehensive loss within Finance costs when applicable.

Current income and mining taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity. Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

The current income and mining tax charge is the expected tax payable or receivable on the taxable loss for the year, using the tax laws enacted or substantively enacted at the statement of financial position date in the jurisdictions where the Company operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income and mining taxes

The Company uses the asset and liability method of accounting for income and mining taxes. Under this method, deferred income and mining tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income and mining tax assets and liabilities are measured using enacted or substantively enacted tax rates (and laws) that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income and mining tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income and mining tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income or mining taxes levied by the same taxation authority on either the same taxable entity where there is an intention to settle the balances on a net basis.

Changes in deferred tax assets or liabilities are recognized as deferred income tax recovery in the statement of loss and comprehensive loss, except where they relate to items that are recognized directly in equity, in which case the related deferred tax is also recognized in equity.

Basic and diluted loss per share

The calculation of loss per share is based on the weighted average number of shares outstanding for each period. The basic loss per share is calculated by dividing the loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of the diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options, warrants and brokers’ options are used to repurchase common shares at the average market price during the period.

The computation of diluted loss per share assumes the conversion or exercise only when such conversion, exercise or issuance would have a dilutive effect on the income per share. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding stock options, brokers’ options and warrants.

Equity

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs.

Common shares, stock options, warrants and brokers’ options are classified as equity. Incremental costs directly attributable to the issuance of shares, stock options, warrants and brokers’ options are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based compensation

The Company offers an equity settled share-based compensation plan for its eligible directors, officers, employees and consultants. Each award is considered a separate award with its own vesting periods and fair value. Fair value is measured at the date of grant using the Black Scholes option pricing model.

Any consideration paid on exercise of share options is credited to share capital. None of the Company's plans feature any options for a cash settlement. The accumulated expenses resulting from stock options are transferred to share capital when the options are exercised.

All equity settled share-based compensation (except brokers options) are ultimately recognized as an expense in the statement of loss and comprehensive loss or capitalized as an E&E asset, depending on the nature of the payment with a corresponding credit to stock options, in equity. Equity settled share-based compensation to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to brokers options in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the statement of loss and comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to the statement of loss and comprehensive loss as incurred.

The Company leases certain equipment or base camp. Leases of equipment and base camp for which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease’s commencement at the lower of the fair value of the leased equipment and base camp and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance costs. The corresponding rental obligations, net of finance charges, are included in obligation under finance leases. The interest element of the finance cost is charged to the statement of loss and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. Each finance lease payment is allocated between the liability and finance costs.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of loss and comprehensive loss over the period of the lease.

(in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognized in the period in which the services are rendered and is not discounted.

The expected cost of compensated absences is recognized in the statement of loss and comprehensive loss as the employees render services that increase their entitlement. The cost of bonus payments is recognized in the statement of loss and comprehensive loss when there is a legal or constructive obligation to make such payments as a result of past performance.

Segmental reporting

The Company has determined that there was only one operating segment being sector of exploration and evaluation of mineral resources in Canada.

Change in accounting policies

In completing the financial statements for the current year, the Company decided to change the presentation of the cash flows related to the additions to exploration and evaluation assets and the related tax credits in the statement of cash flows. The cash flows related to exploration and evaluation assets were previously presented net of the related tax credits in investing activities and changes in the balances of the tax credits receivable were included in operating activities. Due to the punctual character of the reimbursement of the tax credits claimed and the significant amounts of expenditures on exploration and evaluation assets since the 2012 fiscal year, the Company has changed its accounting policy for the preparation of the statement of cash flows to present on a gross basis the expenditures on exploration and evaluation assets and to present separately in investing activities the cash flows from the related tax credits. Management considers that this presentation provides reliable and more relevant information to the users of the financial statements to assess the Company’s cash flows.

The statement of cash flows for the year ended May 31, 2012 has been adjusted to reflect this change. The effect of the modification in the statements of cash flows for each period is summarized below:

	As previously reported $	Adjustment $	Balance as adjusted $
For the year ended May 31, 2012 (audited)			
Change in non-cash working capital - tax credits receivable	(1,441,134)	1,701,694	260,560
Cash flow used in operating activities	(4,053,494)	1,701,694	(2,351,800)
Additions to exploration and evaluation assets	(4,039,921)	(1,701,694)	(5,741,615)
Cash flow used in investing activities	(2,522,814)	(1,701,694)	(4,224,508)

(in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in accounting policies (continued)

The impact of this change in accounting policy is as follows on the unaudited condensed interim statements of cash flows for the following interim periods:

(unaudited)	**As previously reported** **$**	**Adjustment** **$**	**Balance as adjusted** **$**
For the three month period ended August 31, 2012			
Change in non-cash working capital - tax credits receivable	(310,524)	228,339	(82,185)
Cash flow used in operating activities	(694,854)	228,339	(466,515)
Additions to exploration and evaluation assets	(411,681)	(228,339)	(640,020)
Cash flow used in investing activities	(411,681)	(228,339)	(640,020)
For the three month period ended November 30, 2012			
Change in non-cash working capital - tax credits receivable	(373,118)	624,479	251,361
Cash flow used in operating activities	(786,471)	624,479	(161,992)
Additions to exploration and evaluation assets	(1,440,859)	(624,479)	(2,065,338)
Cash flow used in investing activities	(1,440,859)	(624,479)	(2,065,338)
For the three month period ended February 29, 2013			
Change in non-cash working capital - tax credits receivable	(83,920)	720,320	636,400
Cash flow used in operating activities	(481,993)	720,320	238,327
Additions to exploration and evaluation assets	(819,889)	(720,320)	(1,540,209)
Cash flow used in investing activities	(819,889)	(720,320)	(1,540,209)

Accounting standards issued but not yet effective

The most relevant standards, amendments and interpretations issued but not yet effective up to the date of the issuance of these financial statements are listed below, none of which have been early adopted by the Company. The Company intends to adopt them once they become effective. The Company is currently evaluating the impact that these standards, amendments and interpretations will have on its financial statements. Unless otherwise noted, the following revised standards and amendments that have relevance to the Company are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IAS 1, Presentation of Financial Statements, ("IAS 1")

IAS 1 was amended to change the disclosure of items presented in Other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be reclassified to profit or loss in the future. This amendment is required to be applied for years beginning on or after July 1, 2012. The Company does not expect any impact from this amendment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010, and they mainly carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This standard is required to be applied for years beginning on or after January 1, 2015. The Company has not yet assessed the impact of this standard.

IFRS 11, Joint Arrangements, ("IFRS 11")

IFRS 11 replaces IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. IAS 28, Investments in Associates and Joint Ventures, was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The Company does not currently have any joint ventures as at May 31, 2013.

IFRS 13, Fair Value Measurement, ("IFRS 13")

IFRS 13 provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The Company does not expect any impact from this amendment.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results may differ from those estimates.

The areas which require management to make significant judgements, estimates and assumptions in determining carrying values include, but are not limited to:

Significant judgements

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves significant judgement.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

Significant judgements (continued)

Asset carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the recoverable amount, being the higher of value in use and fair value less costs to sell in the case of non-financial assets and as objective evidence, significant or prolonged decline in the fair value of financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Impairment of non-financial assets

The Company's recoverable amounts with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The recoverable amounts estimates may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each statement of financial position date. This determination requires significant judgement. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities, significant drop in commodity prices, an expiry of the right to explore in the specific area during the period or in the near future with no expectation of renewal, the fact that substantive E&E expenditures in a specific area is neither budgeted nor planned, the fact that exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the fact that the entity has decided to discontinue such activities in the specific area, or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing deferred income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of deferred income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

(in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

Significant estimates and assumptions

Refundable credit on mining duties and refundable tax credit related to resources

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties and tax credit related to resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Difference arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods. As a result there can be substantial differences between credit on mining duties and tax credit related to resources and the amount finally recovered.

The amounts recognized in the financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

5. TAX CREDITS RECEIVABLE

	May 31, 2013 $	May 31, 2012 $
Tax credits for resources	**2,776,231**	1,950,079
Credits on duties	**400,785**	384,571
	3,177,016	2,334,650
Less: Non-current portion of tax credits receivable	**717,100**	-
Current portion of tax credits receivable	**2,459,916**	2,334,650

These tax credits are related to qualifying mineral exploration expenditures incurred in the province of Québec.

6. EXPLORATION AND EVALUATION ASSETS

Montviel property (Rare Earth Element)

The Company owns 100% of the Montviel property, located approximately 100 km north of Lebel-sur-Quévillon and 45 km west of the Cree First Nation of Waswanipi. The Montviel property comprises 187 mining claims totalling 10,387 hectares as at May 31, 2013. The property carries a 2% net output royalty to NioGold Mining Corporation.

On January 21, 2013, the Company entered into a technology assignment agreement (the “Agreement”) with Equapolar Consultants Ltd (“Equapolar”) pursuant to which GéoMégA acquired all of Equapolar’s rights, title and interest in and to a rare earth element physical separation process (the “Pearse Technology”) in exchange for 1,000,000 common shares, to be issued upon reaching different milestones, of the Company and licencing fees. Following the separation process progress, management decided not to pursue the development of the Pearse Technolgy. The Company impaired the $15,750 value attributed to the 50,000 common shares issued to Equapolar on February 26, 2013 in the statement of loss and comprehensive loss, under impairment of exploration and evaluation assets.

Anik property (Gold)

The Company owns 100% of the Anik property, located 40 km south of the town of Chapais. The Anik property consisted of 140 claims as at May 31, 2013.

McDonald property (Gold)

The Company owns 100% of the McDonald property, located 30 km east of the Montviel property. The McDonald property consisted of 218 claims as at May 31, 2013.

La Trève property (Graphite)

The Company owns 100% of the La Trève property, located 12 km north of the town of Chapais. The La Trève property comprised 19 mining claims as at May 31, 2013.

Curières property (Graphite)

The Company owns 100% of the Curières property, located 10 km north of the town of l’Ascension. The Curières property consisted of 45 claims as at May 31, 2013.

Buckingham property (Graphite)

The Company owns 100% of the Buckingham property, located in the town of Buckingham. The Buckingham property consisted of 23 claims as at May 31, 2013.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Sydney property (Rare Earth Element)

The Company owns 100% of the Sydney property, located 45 km north of the town of Manawan. The Sydney property consisted of 54 claims as at May 31, 2013.

Following a review of the mineral property, the Company wrote-off $6,009 ($8,508 in 2012) during the year ended May 31, 2013, as no further exploration work was planned.

Emilie property (Gold)

The Company owns 100% of the Emilie property, located 25 km south of the town of Lebel-sur-Quévillon. The Emilie property consisted of 42 claims as at May 31, 2013.

Following a review of the mineral property, the Company wrote-off $5,569 ($165,908 in 2012) during the year ended May 31, 2013, as no further exploration work was planned.

Oriana property (Rare Earth Element)

The Company owns 100% of the Oriana property, located 15 km west of the town of Chapais. The Oriana property consisted of 201 claims as at May 31, 2013.

During the year ended May 31, 2013, the Company issued 40,000 common shares related to the agreement between certain vendors and the Company valued at $17,200. On April 9, 2013, the Company terminated its participation in the Oriana property. The Company wrote off $200,914 ($5,530 in 2012) during the year ended May 31, 2013 as no further exploration work was planned.

Other properties

The other properties were acquired by map designation. Following a review of the mineral properties, the Company wrote off 12 properties (361 claims) with a carrying value of $67,674 during the year ended May 31, 2013, as no further exploration work was planned ($281,670 for 2012 related to the Pump Lake property).

(in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

	May 31, 2012	**May 31, 2013**
Mineral properties	7,261,320	**7,097,799**
Exploration and evaluation expenditures capitalized	4,366,899	**7,255,800**
Total exploration and evaluation assets	11,628,219	**14,353,599**

MINERAL PROPERTIES

	May 31, 2011	Additions	Impairment	May 31, 2012	**Additions**	**Impairment**	**May 31, 2013**
QUÉBEC	$	$	$	$	**$**		**$**
Montviel	6,812,129	239,198	-	7,051,327	**2,155**	**-**	**7,053,482**
Anik	7,020	-	-	7,020	**12,662**	**-**	**19,682**
McDonald	1,820	-	-	1,820	**16,458**	**-**	**18,278**
La Trève	2,912	-	-	2,912	**1,030**	**-**	**3,942**
Currières	-	1,050	-	1,050	**-**	**-**	**1,050**
Buckingham	-	1,365	-	1,365	**-**	**-**	**1,365**
Pump Lake	263,000	18,670	(281,670)	-	**-**	**-**	**-**
Sydney	11,655	2,862	(8,508)	6,009	**-**	**(6,009)**	**-**
Émilie	166,018	5,359	(165,908)	5,469	**100**	**(5,569)**	**-**
Oriana	89,192	41,602	(5,530)	125,264	**75,650**	**(200,914)**	**-**
Other	43,214	15,870	-	59,084	**8,590**	**(67,674)**	**-**
	7,396,960	325,976	(461,616)	7,261,320	**116,645**	**(280,166)**	**7,097,799**

EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED

	May 31, 2011	Additions	Tax Credits Receivable	May 31, 2012	**Additions**	**Impairment**	**Tax Credits Receivable**	**May 31, 2013**
QUÉBEC	$	$	$	$	**$**	**$**	**$**	**$**
Montviel	-	6,068,593	(1,701,694)	4,366,899	**3,693,228**	**(15,750)**	**(788,577)**	**7,255,800**

(in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Office equipment	Vehicles	Exploration and Evaluation Equipment: Field Equipment and Base Camp	Exploration and Evaluation Equipment: Warehouse	Total
	$	$	$	$	$	$
Year ended May 31, 2012						
Opening net book value	1,828	15,131	29,553	4,175	-	50,687
Additions	-	18,069	24,324	537,833	159,388	739,614
Depreciation	(784)	(10,807)	(14,954)	(152,287)	(6,297)	(185,129)
Closing net book value	1,044	22,393	38,923	389,721	153,091	605,172
As at May 31, 2012						
Cost	2,350	37,365	59,454	542,008	159,388	800,565
Accumulated depreciation	(1,306)	(14,972)	(20,531)	(152,287)	(6,297)	(195,393)
Closing net book value	1,044	22,393	38,923	389,721	153,091	605,172
Year ended May 31, 2013						
Opening net book value	**1,044**	**22,393**	**38,923**	**389,721**	**153,091**	**605,172**
Additions	**-**	**3,466**	**-**	**-**	**-**	**3,466**
Depreciation	**(784)**	**(12,455)**	**(19,818)**	**(180,669)**	**(8,657)**	**(222,383)**
Closing net book value	**260**	**13,404**	**19,105**	**209,052**	**144,434**	**386,255**
As at May 31, 2013						
Cost	**2,350**	**40,831**	**59,454**	**542,008**	**159,388**	**804,031**
Accumulated depreciation	**(2,090)**	**(27,427)**	**(40,349)**	**(332,956)**	**(14,954)**	**(417,776)**
Closing net book value	**260**	**13,404**	**19,105**	**209,052**	**144,434**	**386,255**

The field equipment and base camp includes equipment capitalized under finance leases with a net book value of $166,844 as at May 31, 2013 ($313,493 – May 31, 2012) and a depreciation of $146,648 ($126,453 - 2012) included in the E&E assets capitalized for the year ended May 31, 2013.

Depreciation of property and equipment related to exploration and evaluation assets is being capitalized as E&E assets. Depreciation of property and equipment not related to E&E assets is recorded on the statement of loss and comprehensive loss under depreciation of property and equipment or under exploration and evaluation expenses. An amount of $33,057 ($59,863 - 2012) was expensed to depreciation while an amount of $189,326 ($125,266 – 2012) was capitalized as E&E assets during the year ended May 31, 2013.

8. TRADE AND OTHER PAYABLES

	May 31, 2013	May 31, 2012
	$	$
Trade accounts payable	**545,552**	180,015
Salaries and source deductions payable	**27,413**	49,866
Accruals	**58,573**	233,339
	631,538	463,220

(in Canadian Dollars)

9. OBLIGATIONS UNDER FINANCE LEASES

	May 31, 2013 $	May 31, 2012 $
Obligation under finance lease, 11% (base camp), payable in monthly instalments, maturing in July 2013. At the end of the term, the Company may buy the camp at a price of $100.	**15,065**	116,642
Obligation under finance lease (base camp), 8%, payable in monthly instalments, maturing in May 2013. At the end of the term, the Company may buy the camp at a price of $100.	**-**	61,740
Obligation under finance lease (base camp), 8%, payable in monthly instalments, maturing in June 2013. At the end of term, the Company may buy the camp at a price of $100.	**2,688**	24,728
	17,753	203,110
Current portion of obligations under finance leases	**17,753**	185,203
Non-current portion	**-**	17,907

The obligation under finance leases for the next year is as follows:

	$
Minimum lease payments	17,907
Interest included in minimum lease payments	(154)
	17,753

10. DEBT

	Debt $
As at May 31, 2011	-
Additions (i)	1,500,000
Deferred financing cost	(86,053)
Accretion expense	1,658
Reimbursement	-
As at May 31, 2012	1,415,605
Additions (ii)	**750,000**
Deferred financing cost	**(62,188)**
Accretion expense	**84,395**
Reimbursement (i)	**(789,000)**
As at May 31, 2013	**1,398,812**

(in Canadian Dollars)

10. DEBT (continued)

(i) On March 16, 2012, SIDEX, Limited Partnership ("SIDEX") granted a $1,500,000 loan to the Company which bears interest at an annual rate of 8%. The loan is secured by the Company's tax credits receivable for the fiscal years ended in 2011 and 2012 related to mineral exploration from Revenu Quebec. The loan must be repaid on the earlier of December 31, 2013 or upon the receipt of the tax credits.

In connection with the loan, the Company issued 400,000, non-transferable common share purchase warrants entitling SIDEX to subscribe 400,000 common shares at a price of $1.25 per share for a period of 12 months. Using discounted cash flows pricing models and an estimated 15% interest rate prevailing at the date of issuance for instruments with similar conditions and risk, the loan was evaluated at its fair value of the debt instrument, and the residual value was allocated to the warrants (fair value of $53,073).

The Company incurred costs of $34,000 in connection with the debt, of which $32,980 has been allocated to the debt and $1,020 to the warrants, based on their respective fair value.

On July 3, 2012, the Company reimbursed $789,000 following the receipt of fiscal 2011 tax credits for resources. See Note 24 d) Subsequent events.

(ii) On May 10, 2013, SIDEX granted a $750,000 loan to the Company which bears interest at an annual rate of 8%. The loan is secured by the Company's tax credits receivable for the fiscal years ended 2012 related to mineral exploration from Revenu Quebec. The loan must be repaid on the earlier of May 10, 2014 or upon the receipt of the tax credits.

In connection with the loan, the Company issued 250,000, non-transferable common shares. On May 10, 2013, a fair value of $37,500 was allocated to the common shares using a fair value of $0.15, the price of a common share as the date of the transaction.

The Company incurred costs of $23,683 in connection with the debt, of which $22,499 has been allocated to the debt and $1,184 to the common shares, based on their respective fair value. See Note 24 d) Subsequent events.

11. FLOW-THROUGH SHARE LIABILITY

	May 31, 2013 $	May 31, 2012 $
Balance, beginning of year	**-**	-
Addition during the year, net of issue costs (i)	**569,293**	-
Reduction related to the incurrence of qualifying exploration expenditures	**(365,860)**	-
Balance, end of year	**203,433**	-

(i) The addition represents the excess of the proceeds received from flow-through shares issued over the fair market value of the shares issued, net of issue costs. On November 22, 2012 and December 5, 2012, respectively 4,620,000 and 756,000 flow-through common shares were issued at a price of $0.50 per share for total proceeds of $2,688,000. The flow-through share liability is reduced as the company incurs qualifying flow through expenses.

(in Canadian Dollars)

12. SHARE CAPITAL

(a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of common shares.

(b) Issued

	Number of Shares	Amount $
Balance - May 31, 2011	19,561,690	11,919,081
Private placement	8,210,537	8,329,522
Share issue costs	-	(1,590,089)
Pre-Development Agreement	150,000	225,000
Exercise of stock options	400,000	244,000
Exercise of warrants	951,886	631,692
Balance – May 31, 2012	29,274,113	19,759,206

	Number of Shares	Amount $
Balance - May 31, 2012	**29,274,113**	**19,759,206**
Private placement	**5,376,000**	**2,058,840**
Share issued – Oriana	**40,000**	**17,200**
Share issued – Separation process	**50,000**	**15,750**
Share issued – SIDEX	**250,000**	**37,500**
Share issue costs	**-**	**(240,357)**
Balance - May 31, 2013	**34,990,113**	**21,648,139**

May 31, 2013

On October 24, 2012, the Company issued 40,000 common shares under the option agreement regarding the Oriana property (valued at $17,200 and issue costs of $625).

On November 22, 2012 and December 5, 2012, the Company completed a brokered flow-through private placement in two tranches and issued respectively 4,620,000 and 756,000 common shares at $0.50 each for gross proceeds of $2,688,000. The flow-through premiums were estimated respectively at $508,200 and $120,960 and recorded as flow-through share liability. In relation with this placement, the Company paid a cash commission of $188,160 to the brokers (total issue costs of $255,775 of which $59,867 was allocated to the flow-through share liability) and issued 268,800 non-transferable brokers' options (valued at $39,186) allowing the holder to acquire one common share of the Company at a price of $0.50 until respectively May 22, 2014 and June 5, 2014.

On February 26, 2013, the Company issued 50,000 common shares under the acquisition of a separation process for the Montviel project (valued at $15,750 and issue costs of $3,454).

On May 10, 2013, the Company issued 250,000 common shares to SIDEX as compensation for a bridge loan of $750,000 (valued at $37,500 and issue cost of $1,184). See Note 10.

(in Canadian Dollars)

12. SHARE CAPITAL (continued)

May 31, 2012

On May 31, 2012, the Company issued 375,000 units at a price of $0.55 for total gross proceeds of $206,250. This non-brokered private placement was made with the CREE Mineral Board and an institutional fund. Issue costs totalling $15,557 were recorded as a reduction of share capital and warrants. Each unit consists of one common share and one half warrants. Each warrant allowing the holder to acquire one common share of the Company at a price of $1.00 until December 2, 2013. A sum of $183,750 was allocated to capital stock while $22,500 was allocated to the warrants.

On March 30 and April 10, 2012, the Company issued through brokers 3,904,545 units at a price of $0.55 per unit and 1,803,333 flow-through shares at a price of $0.75 for a total gross proceeds of $3,500,000. Issue costs totalling $433,765 (including an amount of $70,170 representing the value of brokers' options) were recorded as a reduction of share capital. Each unit consists of one common share and one half warrants. Each warrant entitles its holder to acquire one common share of the Company at a price of $1.00 until September 30, 2013. A sum of $3,145,773 was allocated to capital stock while no value was allocated to the warrants and $354,227 was allocated to flow-through share liability. The Company issued 225,187 options to brokers allowing them to acquire one common share of the Company at a price of $0.55 until September 30, 2013.

On July 8, 2011, the Company completed a brokered private placement and issued 2,127,659 units at a price of $2.35 per unit for total gross proceeds of $4,999,999. Issue costs totalling $1,139,426 (including an amount of $518,787 representing the value of brokers' options) were recorded as a reduction of share capital. Each unit consisted 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. The Company paid cash commission of $328,781 and issued 134,750 brokers' options allowing the holder to acquire 134,750 units with the same terms as the private placement until July 8, 2013.

On October 20, 2011, the Company signed a Pre-Development Agreement for its Montviel Rare Earths Project with the Grand Council of the Crees and The Cree First Nation of Waswanipi. Pursuant the agreement, the Company issued 150,000 common shares of the Company (valued at $225,000 and issue costs of $1,671).

13. WARRANTS

The following tables summarize the warrants outstanding as at May 31, 2013. Each warrant entitles the holder to subscribe to one common share.

	Number of warrants	Amount $	Weighted Average Exercise Price $
Balance - May 31, 2011	3,619,975	479,020	0.95
Issued	4,667,432	74,223	1.86
Exercised	(951,886)	(72,595)	0.59
Expired	(1,956,985)	(156,559)	0.55
Balance - May 31, 2012	**5,378,536**	**324,089**	**1.95**
Expired	**(1,111,104)**	**(301,919)**	**0.32**
Balance as at May 31, 2013	**4,267,432**	**22,170**	**1.92**

Expiration date	Number of warrants	Weighted Average Exercise Price $
July 2013	2,127,659	2.85
September 2013	1,952,273	1.00
December 2013	187,500	1.00
	4,267,432	

There was no issue or exercise of warrants during the year ended May 31, 2013.

(in Canadian Dollars)

14. BROKERS' OPTIONS

The number of outstanding brokers' options as at May 31, 2013 which could be exercised for an equivalent number of units or shares is as follows:

	Number of brokers' options for units*	Amount $	Weighted Average Exercise Price $	Number of brokers' options for common shares	Amount $	Weighted Average Exercise Price $
Balance - May 31, 2011	-	-	-	-	-	-
Issued	134,750	518,787	2.35	225,187	70,170	0.55
Balance - May 31, 2012	**134,750**	**518,787**	**2.35**	**225,187**	**70,170**	**0.55**
Issued	**-**	**-**	**-**	**268,800**	**39,186**	**0.50**
Balance – May 31, 2013	**134,750**	**518,787**	**2.35**	**493,987**	**109,356**	**0.52**

*Each unit consists of one common share and one warrant to acquire one common share.

Expiration date	Number of brokers' options for units	Number of brokers' options for common shares	Weighted Average Exercise Price $
July 2013	134,750	-	2.35
September 2013	-	225,187	0.55
May 2014	-	231,000	0.50
June 2014	-	37,800	0.50
	134,750	493,987	

In connection with the brokered private placement completed on November 22, 2012 and December 5, 2012, the Company issued 268,800 brokers' options allowing the holder to acquire an equivalent number of common shares at a price of $0.50 until May 22, 2014 and June 5, 2014. The fair value of the brokers' options was estimated at $39,186. When granted, the fair value of the brokers' options, based on the fair value measured, indirectly, by reference to the fair value of the equity instruments granted (the fair value of services received cannot be estimated reliably), is recorded as an increase of the brokers' options and decrease of share capital.

The average fair value of the brokers' options of $39,186 ($70,170 in 2012) was estimated using the Black Scholes model and based on the following weighted average assumptions:

	Year Ended May 31,	
	2013	2012
Average share price at date of grant	**$0.37**	$0.56
Dividend yield	**NIL**	NIL
Expected weighted volatility	**105%**	125%
Risk-free interest rate	**1.08%**	1.16%
Expected average life	**1.5 years**	1.5 years
Average exercise price at date of grant	**$0.50**	$0.55

The underlying expected volatility was determined by reference to historical data of Company's shares over a period of time since its listing on the TSX Venture Exchange. There was no exercise of brokers' options during the year ended May 31, 2013.

(in Canadian Dollars)

15. STOCK OPTIONS

The Company has established a stock option plan (“the Plan“) whereby the Board of Directors (the "Board") 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 in accordance with the terms of the Plan.

The Plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance under the 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 option may not exceed 5% of the common shares outstanding at the date of grant. These options may be exercised for a period of 5 years after the grant date and they vest gradually over a period of 24 months from the day of grant, at a rate of one-quarter per six-month period.

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

On July 20, 2012, the Company granted to an officer a total of 100,000 stock options at an exercise price of $0.45 expiring on July 20, 2017.

On October 30, 2012, the Company granted to directors, officers and employees a total of 830,000 stock options at an exercise price of $0.42 expiring on October 30, 2017.

All share-based compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the stock options. The Company's stock options are as follows at May 31, 2013:

	Number of Options	Amount $	Weighted Average Exercise Price $
Outstanding - May 31, 2011	1,145,000	240,500	0.67
Granted	1,573,540	-	1.67
Exercised	(400,000)	(104,000)	0.35
Forfeited	(40,000)	(19,433)	0.90
Share-based compensation	-	1,387,069	-
Outstanding - May 31, 2012	**2,278,540**	**1,504,136**	**1.41**
Granted	**930,000**	**-**	**0.42**
Forfeited	**(365,000)**	**(376,822)**	**1.14**
Share-based compensation	**-**	**482,050**	**-**
Outstanding- May 31, 2013	**2,843,540**	**1,609,364**	**1.00**

Range of Exercise Price ($)	**Options Outstanding**			**Options Exercisable**	
	Number of Options	**Weighted Average Exercise Price $**	**Remaining Life (years)**	**Number of Options**	**Weighted Average Exercise Price $**
0.10 to 1.00	1,605,000	0.43	1.31	882,500	0.44
1.01 to 2.00	1,008,540	1.51	3.05	756,400	1.51
2.01 to 3.00	150,000	2.08	1.32	112,500	2.08
3.01 to 4.00	80,000	3.91	2.80	80,000	3.91
	2,843,540			1,831,400	

(in Canadian Dollars)

15. STOCK OPTIONS (continued)

The weighted average assumptions to calculate the fair value of the stock options granted using the Black-Scholes model are as follows:

	Year Ended May 31,	
	2013	2012
Average share price at date of grant	**$0.42**	$1.67
Dividend yield	**NIL**	NIL
Expected weighted volatility	**117%**	119%
Risk-free interest rate	**1.37%**	1.25%
Expected average life	**3.75 years**	3.75 years
Average exercise price at date of grant	**$0.42**	$1.67

The underlying expected volatility was determined by reference to historical data of Company's shares over a period of time since its listing on the TSX Venture Exchange.

In total, $482,050 of share-based compensation was recognized during the year ended May 31, 2013 with $481,370 included in the statement of loss and comprehensive loss and $680 capitalized in E&E assets (respectively $1,031,077 and $336,559 for 2012). There was no exercise of stock options during the year ended May 31, 2013.

16. EMPLOYEE REMUNERATION

	Years Ended May 31,	
	2013	2012
	$	$
Wages, salaries	**993,726**	1,345,646
Professional fee paid to officers	**24,000**	100,800
Social charges	**109,255**	137,414
Share-based payments	**482,050**	1,387,069
	1,609,031	2,970,929
Less: Salaries capitalized in E&E assets	**(471,360)**	(1,051,591)
Less: Share-based payments capitalized in E&E assets	**(680)**	(336,559)
Salaries and employee benefits expense	**1,136,991**	1,582,779

17. INCOME TAXES

The income tax expense is made up of the following component:

	Years Ended May 31,	
	2013	2012
	$	$
Recovery of deferred income taxes		
Flow-through share related income	**(365,860)**	(354,227)
Recovery of deferred income taxes - expiration of warrants	**(40,608)**	-
Total recovery of deferred income taxes	**(406,468)**	(354,227)

(in Canadian Dollars)

17. INCOME TAXES (continued)

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

	Years Ended May 31, **2013** $	2012 $
Loss before income taxes	**2,747,452**	3,993,025
Income taxes calculated using the combined federal and provincial income tax rate in Canada of 26.9% (27.78% in 2012)	**(739,065)**	(1,109,262)
Increase (decrease) in income taxes resulting from the following:		
• Non deductible items	**152,191**	292,292
• Other items	-	21,122
• Difference in tax rate	-	26,546
• Non taxable tax credit	**(4,097)**	(18,344)
• Renounced E&E expenses	**545,842**	363,823
• Premium on flow-through shares	**(365,860)**	(354,227)
• Adjustment from prior year	**(109,531)**	276,424
• Unrecognized temporary differences	**114,052**	147,399
Recovery of deferred income taxes	**(406,468)**	(354,227)

The decrease of statutory rate is mainly due to the reduction of federal income tax rate in 2012 from 16.5% to 15%.

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to $1,279,556.

As at May 31, 2013 and 2012, significant components of the Company's deferred income tax assets and liabilities are as follows:

	2013 $	2012 $
Deferred income tax assets:		
E&E assets	**-**	102,788
Intangible assets	**10,038**	-
Property and equipment	**3,034**	-
Share issue expenses deductible	**266,857**	280,086
Operating losses carried forward	**1,246,414**	713,066
Total deferred income tax assets	**1,526,343**	1,095,940
Deferred income tax liabilities		
E&E assets	**(246,787)**	-
Property and equipment	**-**	(6,926)
Total deferred income tax assets non recognized	**1,279,556**	1,089,014

(in Canadian Dollars)

17. INCOME TAXES (continued)

As at May 31, 2013, expiration dates of losses available to reduce future years' income for tax purposes are:

	Federal $	Provincial $
2033	2,031,285	2,031,285
2032	2,020,149	2,020,149
2031	563,968	563,968
2030	16,391	16,391
2029	1,718	1,718
Total	4,633,511	4,633,511

18. EXPLORATION AND EVALUATION EXPENSES

	Year Ended May 31,	
	2013 **$**	2012 $
Salaries, geology and prospection	**306,669**	586,511
Lodging and travel expenses	**48,895**	172,911
Geophysics and geochemistry	**327**	155,671
Analysis	**75,243**	277,805
Drilling	**46,251**	22,095
Field preparation and equipment	**5,130**	159,033
Supplies and equipment	**69,692**	35,964
Taxes, permits and insurance	**2,077**	22,819
Depreciation of property and equipment	**-**	33,318
Exploration and evaluation expenses before tax credits	**554,284**	1,466,127
Tax credits	**(139,150)**	(527,404)
Exploration and evaluation expenses	**415,134**	938,723

19. FINANCIAL ASSETS AND LIABILITIES

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:

Interest rate risk

The debt and obligations under finance lease are at fixed rated. The other financial assets and liabilities of the Company do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

(in Canadian Dollars)

19. FINANCIAL ASSETS AND LIABILITIES (continued)

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 placements. 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 the Company will be able to do so in the future.

The current working capital of the Company as at May 31, 2013, is not sufficient to cover its flow-through commitment of $960,539 (nil in 2012) and pay its trade and other payables of $631,538 ($463,220 in 2012), due within the next three months, and ongoing administrative expenses to May 31, 2014. The Company's inability to obtain additional financing would cast significant doubt on its ability to continue as a going concern. (See Note 1 – Nature of Operation and Going Concern and Note 23 – Commitments).

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 cash equivalents. The Company reduces its credit risk by maintaining its cash and cash equivalents in Canadian chartered bank accounts from which management believes the risk of loss to be minimal.

Fair value of financial instruments

The carrying value of cash and cash equivalents, trade and other payables and obligations under finance leases are considered to be a reasonable approximation of fair their value because of the short-term maturity and contractual terms of these instruments.

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	May 31, 2013		May 31, 2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and receivables				
Cash and cash equivalents	**437,855**	**437,855**	3,285,042	3,285,042
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	**631,538**	**631,538**	463,220	463,220
Obligations under finance leases	**17,753**	**17,753**	203,110	203,110
Debt	**1,398,812**	**1,461,000**	1,415,605	1,448,412

(in Canadian Dollars)

20. CAPITAL MANAGEMENT

The Company's objective in managing capital is to safeguard its ability to continue its operations as well as its exploration and evaluation 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 rights to improve its financial performance and flexibility. There was no change to the capital management since last year.

The Company's capital is composed of equity. As at May 31, 2013, the Company's capital totaled $16,348,178 ($16,319,601 in 2012). Changes that occurred during the years ended May 31, 2013 and 2012 are shown in the statements of changes in equity.

21. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, potential common shares such as stock options, brokers' options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of stock options, brokers’ options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 13, 14 and 15.

22. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors, as well as the President and CEO, the Chief Financial Officer and the Vice-President, exploration. Key management personnel remuneration includes the following expenses:

	Years Ended May 31,	
	2013	2012
	$	$
Short-term employee benefits		
Salaries including benefits	**505,821**	361,547
Social security costs	**25,806**	23,762
Professional fees	**24,000**	149,000
Total short-term employee benefits	**555,627**	534,309
Share-based compensation	**631,232**	1,175,102
Total remuneration	**1,186,859**	1,709,411

As of May 31, 2013, the trade and other payable comprise an amount of $27,071 (none in 2012) payable to related parties.

Termination and Change of Control Benefits

Certain employment agreements between key management and the Company contain termination and change of control provisions. If a termination or change of control involving material changes in the duties assigned to key management had occurred as at May 31, 2013, the amounts payable for the executive team would have totalled $252,500 and $640,000 respectively.

(in Canadian Dollars)

23. COMMITMENTS

a) The Company's future minimum operating lease payments are as follows:

	Minimum Lease Payments Due			
	Within 1 year	1 to 5 years	After 5 years	Total
	$	$	$	$
May 31, 2013	28,770	-	-	28,770

The Company leases its offices and another local under a lease agreement expiring respectively in September 2013 and April 2014.

The minimum lease payments recognized as an expense during the year amounted to $27,280 ($30,693 - 2012). No sublease payment or contingent rent payment was made or received. The Company's operating lease agreement does not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing. No sublease income is expected as all assets held under the lease agreement are used exclusively by the Company.

b) As at May 31, 2013, the Company have to incur $960,539 in qualifying exploration expenditures by December 2013 to meet its flow-through liability as described in note 11 and 12. At this time, Management anticipates meeting that obligation and as a result, no additional provisions are required.

24. SUBSEQUENT EVENTS

a) On June 28, 2013, the Company granted 225,000 stock options to a director at an exercise price of $0.15 expiring on June 27, 2018. The options vest over two years in tranches of 25% every six months.

b) Also on June 28, 2013, the Company extended the expiry of 1,952,273 warrants exercisable at $1.00 which were set to expire on September 30, 2013, by one year and now expire on September 30, 2014. The warrants were issued with an original term of 18 months in connection with the closing of two private placements completed by the Company on March 30, 2012, and April 10, 2012. All other terms of the warrants remain the same.

c) On July 8, 2013, 2,127,659 warrants and 134,750 brokers' units exercisable at respectively $2.85 and $2.35 expired unexercised.

d) On July 10, 2013, the Company received its tax credits receivable for an amount of $2,095,034 and reimbursed the SIDEX loans in the principal amount of $1,461,000.

e) On July 22, 2013, the Company granted 225,000 stock options to a director at an exercise price of $0.16 expiring on July 22, 2018. The options vest over two years in tranches of 25% every six months.