October 17, 2012

Independent Auditor's Report

To the Shareholders of
Société d'Exploration Minière Vior Inc.

We have audited the accompanying financial statements of Société d'Exploration Minière Vior Inc., which comprise the statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010 and the statements of income, comprehensive income, change in shareholders' equity and cash flows for the years ended June 30, 2012 and June 30, 2011, 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.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

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 Société d'Exploration Minière Vior Inc. as at June 30, 2012, June 30, 2011 and July 1, 2010 and its financial performance and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A106882

Société d'Exploration Minière Vior Inc.

Statements of Financial Position

(expressed in Canadian dollars)

	As at June 30, 2012 $	As at June 30, 2011 $	As at July 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents	2,730,754	2,847,672	276,713
Tax credits for mining exploration and commodity taxes receivable	70,530	66,269	98,914
Other amounts receivable (note 6)	79,230	468,962	66,281
Prepaid expenses	8,784	9,747	6,856
	2,889,298	3,392,650	448,764
Investment in an associate (note 7)	4,200,000	-	-
Mining properties (note 8)	592,279	1,930,672	4,497,463
Property, plant and equipment, at cost less accumulated depreciation of $5,391 ($4,481 as at June 30, 2011 and $3,776 as at July 1, 2010)	4,243	3,164	2,762
Deferred tax assets (note 16)	-	384,185	-
	7,685,820	5,710,671	4,948,989
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (note 9)	158,847	238,461	189,056
Debt component of convertible debentures (note 10)	248,086	-	-
	406,933	238,461	189,056
Deferred tax liabilities (note 16)	260,137	-	405,475
Debt component of convertible debentures (note 10)	-	226,363	206,572
	667,070	464,824	801,103
Shareholders' Equity			
Share capital (note 11)	29,532,679	29,432,745	28,772,846
Warrants (note 12)	25,432	100,205	76,944
Stock options (note 13)	182,863	236,710	182,703
Contributed surplus	1,352,159	1,223,539	1,133,774
Equity component of convertible debentures (note 10)	20,439	20,439	20,439
Deficit	(24,016,742)	(25,767,791)	(26,038,820)
Accumulated other comprehensive income (loss)	(78,080)	-	-
	7,018,750	5,245,847	4,147,886
	7,685,820	5,710,671	4,948,989

Commitments (note 20)

Subsequents events (note 22)

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

Approved by the Board of Directors

(signed) Claude St-Jacques , Director

(signed) Pierre St-Jacques , Director

Société d'Exploration Minière Vior Inc.

Statements of Income

(expressed in Canadian dollars)

	Years Ended June 30,	
	2012	2011
	$	$
Revenues		
Royalties	89,629	106,446
Interest	22,934	11,838
Fees charged to a partner	54,189	76,641
	166,752	194,925
Expenses		
Salaries and fringe benefits	182,554	173,503
Professional and maintenance fees	165,543	205,010
Management fees	30,000	30,000
Rent and office expenses	74,023	80,832
Stock-based compensation	-	95,055
Advertising and promotion	8,801	11,155
Travelling	28,300	15,909
Search for mining properties (note 15)	71,431	939
Interest and bank charges	1,248	994
Interest on convertible debentures	29,999	30,387
Increase in value of the debt component of convertible debentures	21,723	19,791
Depreciation of property, plant and equipment	910	705
Part XII.6 tax	775	1,523
Cost of mining properties abandoned or written off	-	127,648
	615,307	793,451
Loss before investment in an associate and deferred tax	(448,555)	(598,526)
Investment in an associate (note 7)	3,454,593	-
Share of loss of an associate (note 7)	(649,052)	-
	2,805,541	-
Income (loss) before deferred tax	2,356,986	(598,526)
Deferred tax	(605,937)	869,555
Net income for the year	1,751,049	271,029
Per share (note 17)		
Basic net earnings	0.018	0.003
Diluted net earnings	0.018	0.003

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

Société d'Exploration Minière Vior Inc.

Statements of Comprehensive Income

(expressed in Canadian dollars)

	Years Ended June 30,	
	2012	**2011**
	$	**$**
Net income for the year	1,751,049	271,029
Other comprehensive income (loss)		
Share of other comprehensive loss of the associate	(82,191)	-
Reclassification of realized losses upon decrease in investment in the associate	4,111	-
Other comprehensive loss for the year	(78,080)	-
Comprehensive income for the year	1,672,969	271,029

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

Société d'Exploration Minière Vior Inc.

Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Share capital	Warrants	Stock options	Contributed surplus	Equity component of convertible debentures	Deficit	Accumulated other comprehensive loss	Total
	$	$	$	$	$	$	$	$
Balance as at July 1, 2011	29,432,745	100,205	236,710	1,223,539	20,439	(25,767,791)	-	5,245,847
Net income	-	-	-	-	-	1,751,049	-	1,751,049
Share of other comprehensive loss of the associate	-	-	-	-	-	-	(78,080)	(78,080)
Comprehensive income for the year	-	-	-	-	-	1,751,049	(78,080)	1,672,969
Stock options matured	-	-	(25,121)	25,121	-	-	-	-
Stock options cancelled	-	-	(28,726)	28,726	-	-	-	-
Warrants matured	-	(74,773)	-	74,773	-	-	-	-
Issuance of shares for cash consideration	89,445	-	-	-	-	-	-	- 89,445
Issuance of shares for payment of interest on convertible debentures	29,999	-	-	-	-	-	-	- 29,999
Share issue expenses	(19,510)	-	-	-	-	-	-	(19,510)
Balance as at June 30, 2012	29,532,679	25,432	182,863	1,352,159	20,439	(24,016,742)	(78,080)	7,018,750

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

Société d'Exploration Minière Vior Inc.

Statements of Changes in Shareholders' Equity (continued)

(expressed in Canadian dollars)

	Share capital	Warrants	Stock options	Contributed surplus	Equity component of convertible debentures	Deficit	Accumulated other comprehensive income	Total
	$	$	$	$	$	$	$	$
Balance as at July 1, 2010	28,772,846	76,944	182,703	1,133,774	20,439	(26,038,820)	-	4,147,886
Net income and comprehensive income	-	-	-	-	-	271,029	-	271,029
Stock-based compensation	-	-	95,055	-	-	-	-	95,055
Stock options exercised	3,725	-	(1,225)	-	-	-	-	2,500
Stock options cancelled	-	-	(39,823)	39,823	-	-	-	-
Warrants granted	-	79,458	-	-	-	-	-	79,458
Warrants exercised	71,255	(6,255)	-	-	-	-	-	65,000
Warrants matured	-	(49,942)	-	49,942	-	-	-	-
Issuance of shares for acquisition of mining properties	148,750	-	-	-	-	-	-	148,750
Issuance of shares for cash consideration	480,247	-	-	-	-	-	-	480,247
Issuance of shares for payment								-
of interest on convertible debentures	30,387	-	-	-	-	-	-	30,387
Share issue expenses	(74,465)	-	-	-	-	-	-	(74,465)
Balance as at June 30, 2011	29,432,745	100,205	236,710	1,223,539	20,439	(25,767,791)	-	5,245,847

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

Société d'Exploration Minière Vior Inc.

Statements of Cash Flows

(expressed in Canadian dollars)

	Years Ended June 30,	
	2012	**2011**
	$	**$**
Cash flows from operating activities		
Net income for the year	1,751,049	271,029
Adjustments for:		
Interest on convertible debentures	29,999	30,387
Increase in value of the debt component of convertible debentures	21,723	19,791
Depreciation of property, plant and equipment	910	705
Investment in an associate	(3,454,593)	-
Share of loss of an associate	649,052	-
Deferred tax	605,937	(869,555)
Stock-based compensation	-	95,055
Cost of mining properties abandoned or written off	-	127,648
	(395,923)	(324,940)
Changes in items of working capital		
Tax credits for mining exploration and commodity taxes receivable	1,280	25,907
Other amounts receivable	384,191	(421,401)
Prepaid expenses	963	(2,891)
Accounts payable and accrued liabilities	(123,442)	83,789
	262,992	(314,596)
	(132,931)	(639,536)
Cash flows from financing activities		
Change in share capital issued for cash, net of share issue expenses	95,490	589,947
	95,490	589,947
Cash flows from investing activities		
Change in credit on duties refundable for loss and refundable tax credit for resources	40	90,407
Additions to mining properties and capitalized exploration costs	(126,654)	(444,752)
Fees incurred for the sale of mining properties	(42,749)	-
Receipt on option	-	2,940,000
Proceeds from sale of a mining property	91,875	36,000
Additions to property, plant and equipment	(1,989)	(1,107)
	(79,477)	2,620,548
Net change in cash and cash equivalents	(116,918)	2,570,959
Cash and cash equivalents - Beginning of year	2,847,672	276,713
Cash and cash equivalents - End of year	2,730,754	2,847,672
Interest received	7,055	10,746

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

Société d'Exploration Minière Vior Inc.

Statements of Cash Flows (continued)

(expressed in Canadian dollars)

Additional information

Items not affecting cash and cash equivalents

	Years ended June 30,	
	2012	**2011**
	$	**$**
Related to financing activities:		
Premium on issuance of flow-through shares included in accounts payable and accrued liabilities	24,179	37,009
Related to investing activities:		
Acquisition of mining properties included in accounts payable and accrued liabilities	466	313
Credit on duties refundable for loss and refundable tax credit receivable for resources applied against mining properties	-	1,320
Non-refundable investment tax credit applied against mining properties	-	64,949

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

1 General information

Société d'Exploration Minière Vior Inc., (the "Company"), governed by the *Quebec Business Corporations Act*, is in the business of acquiring and exploring mining properties. It has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

In addition to ongoing working capital requirements, the Company must secure sufficient funding for meeting its existing commitments for exploration and development programs and general and administration costs.

Management is periodically seeking additional forms of financing through the issuance of new equity instruments, the exercise of warrants and stock options 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. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

The address of the Company's registered office is 116 St-Pierre, Suite 200, Quebec City, Quebec, Canada.

2 Basis of preparation and adoption of International Financial Reporting Standards ("IFRS")

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS as issued by the International Accounting Standards Board ("IASB") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in note 4, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at July 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended June 30, 2011 prepared under Canadian GAAP.

Basis of measurement

These financial statements have been prepared on a going concern basis and were approved by the Board of Directors for issue on October 17, 2012.

3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these annual financial statements are described below.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, exploration funds, balances with banks and highly liquid short-term investments with original maturities of three months or less at the acquisition date.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The standards require that financial assets and financial liabilities, including derivative financial instruments, be initially measured at fair value. Subsequent to initial recognition, financial assets and financial liabilities are measured based on their classification : at fair value through profit or loss, available-for-sale investments, loans and receivables or financial liabilities at amortized cost.

At fair value through profit or loss – Financial assets and financial liabilities at fair value through profit or loss are financial assets and financial liabilities held for trading. A financial asset or a liability is classified in this category if acquired or contracted principally for the purpose of selling in the short-term or if so designated by management. Assets in this category principally include embedded derivatives and derivatives which do not qualify for hedge accounting.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are accounted for in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income in the period in which they arise.

Financial instruments in this category are included in non-current assets and liabilities unless the investments mature in less than 12 months or management intends to dispose of them in less than 12 months.

The Company's financial liabilities in this category comprise an account payable in the form of shares of the associate.

Available for sale – Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Financial assets classified as available for sale are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses are recognized directly in other comprehensive income, except for significant or prolonged decline in value, which are recognized in the statement of loss. Upon derecognition of the financial asset, the accumulated gains or losses previously recognized in accumulated other comprehensive income (loss) are reclassified to the statement of income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in net income as part of interest income.

Available-for-sale investments are included in non-current assets unless the investments mature in less than 12 months or management intends to dispose of them in less than 12 months.

As at June 30, 2012, the Company does not hold any available-for-sale investments.

Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are recognized initially at the amount expected to be received less, when material, a discount to reclass the loans and receivables to fair value. Subsequently, they are measured at amortized cost using the effective interest method less a provision for impairment. They are included in current assets except for those with maturities greater than 12 months after the reporting period, which would be classified as non-current assets.

The Company's loans and receivables include cash, cash equivalents and other amounts receivable in the statement of financial position.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired (other than a financial asset classified as fair value through profit or loss).

The criteria used to determine if there is objective evidence of an impairment loss include :

i) significant financial difficulty of the debtor;
ii) delinquencies in interest or principal payments;
iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is also an indication of impairment.

If such evidence exists, the Company recognizes an impairment loss, as follows:

i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the loss in accumulated other comprehensive income (loss) that is reclassified to the statement of income.

Impairment losses on financial assets carried at amortized cost and available-for-sale debt securities are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities at amortized cost – Financial liabilities include accounts payable and accrued liabilities and are initially recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Subsequently, they are measured at amortized cost using the effective interest method, which corresponds to par value due to their short-term maturity. They are classified as current liabilities if the payment is due within 12 months. Otherwise, they are presented in non-current liabilities.

Financial liabilities include the liability component of convertible debentures, which is recognized at fair value upon issuance and then remeasured at amortized cost using the effective interest method. The Company uses a 25% discount rate to calculate the fair value of convertible debentures.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment, and are depreciated using a straight-line method over their estimated useful lives ranging from five to ten years, which is considered appropriate to reduce the carrying amounts to estimated residual values of the assets. Cost includes expenditures that are directly attributable to the acquisition of the assets. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Investment in an associate

An associate is an entity over which the Company has significant influence, but not control. The financial results of the Company's investments in its associate are included in the Company's results using the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of the associate is recognized in the statement of income and its share of other comprehensive income (loss) of the associate is included in other comprehensive income (loss).

Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in the associate are recognized in the statement of income.

At each year-end, the Company assesses whether there is any objective evidence that its interests in the associate are impaired. If impaired, the carrying amount of the Company's share of the underlying assets of the associate is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of income.

Mining properties

The Company records its acquisition of interests in mining properties and areas of geological interest at cost less option payments received and other recoveries. These acquisition costs are recognized as intangible assets. Exploration costs related to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the mining properties to which they relate are placed into production, sold or abandoned. These exploration costs are recognized as tangible assets. The carrying amounts of mining properties are reviewed for impairment when indicators of impairment exist. These costs will be amortized over the estimated recoverable resources in the current mine plan using the unit of production method or written off if the mining properties are sold or projects are abandoned. General exploration costs not related to specific mining properties are expensed as incurred.

Although management has taken actions to verify the ownership rights for mining properties in which the Company owns an interest in accordance with industry standards for the current exploration phase of these properties, these procedures give no assurance to the Company as to title. The title to property may be subject to unrecognized prior agreements and not compliant with regulatory requirements.

Mining properties are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the mining property exceeds its recoverable amount. The recoverable amount is the higher of the mining property's fair value less costs to sell and value in use. Value in use is determined using discounted estimated future cash flows. Impairment losses are recognized in the statement of income under caption *Cost of mining properties abandoned or written off.* For the purpose of assessing impairment, mining properties are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairments are reviewed for potential reversals at each reporting date. Impairment can be reversed but is limited to the carrying amount that would have been determined net of depreciation, as if no impairment to the carrying amount would have been recognized.

Jointly controlled operations

A jointly controlled operation involves the use of assets and other resources of the Company and other venturer rather than the establishment of a corporation, partnership or other entity. The Company accounts for the assets it controls and the liabilities and expenses it incurs.

Provisions

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 interest expense. 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, plant and equipment and intangible assets. 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.

The Company had no provisions as at June 30, 2012, June 30, 2011 and July 1, 2010.

Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss of 7.5% (8% since January 1, 2012) under the Mining Duties Act and a refundable tax credit for resources which may reach 38.75% under the Quebec Income Tax Act. Those credits are calculated on qualified exploration expenditures incurred in the province of Quebec.

Those credits are accounted for using the cost reduction method. Accordingly they are recorded as a reduction of the related expenses or capital expenditures in the year the expenses are incurred provided that the Company has reasonable assurance those credits will be realized.

Convertible debentures

The liability and equity components of convertible debentures are presented separately on the statement of financial position upon initial recognition.

The liability component is recognized initially at fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the debentures at maturity.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is presented in shareholders' equity as *Equity component of convertible debentures*. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry. A deferred tax liability is recognized with respect to any temporary difference that arises from the initial recognition of the equity component separately from the liability component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the statement of income.

Transaction costs are distributed between liability and equity on a pro-rata basis of their carrying amounts.

Share capital

Share capital issued for non-monetary consideration is generally recorded at the quoted market price of the shares on the date of agreement relating to their issue. Transaction costs are recorded as a reduction of shares.

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 liability which is reversed into the statement of income when eligible expenditures have been made.

The Company recognizes a deferred tax liability for the expenses renounced and a deferred tax expense at the moment the eligible expenditures are made.

Warrants

Fair value of warrants is measured on the date of grant. The fair value of warrants granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the warrants were granted. When warrants are issued as compensation to brokers, on the date of grant, the fair value of warrants is recognized as a share issue expense presented in reduction of *share capital.*

Stock-based compensation plan

The Company has established a stock-based compensation plan, which is described in note 13. Any consideration received from plan members upon the exercise of stock options is credited to share capital. The Company accounts for compensation costs for all forms of stock-based compensation awarded to employees and non-employees, including stock options, using a fair value-based method.

Fair value is measured on the date of grant. The fair value of options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. On the date of grant, the fair value of stock options is recognized as an expense under caption *Stock-based compensation* using the graded vesting method.

Income taxes

The Company provides for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying amount and tax bases of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are presented as non-current and 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 arising from the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Revenue recognition

Revenues from royalties are recognized monthly according to estimated extraction recoveries at the beginning of the year and adjusted to actual quantities extracted as at June 30 and December 31 of each year, provided the Company has reasonable assurance that these amounts will be recovered. These royalties correspond to 0.2% of the value of gold recovered on the Mouska mining property.

The fees invoiced to partners are recognized when the services are provided as project operator.

Basic and diluted earnings per share

Basic earnings per share are determined using the weighted average number of participating shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of participating shares outstanding during the year, plus the effects of dilutive potential participating shares outstanding during the year. For stock options and warrants, the calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential participating shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase participating shares of the Company at the average market value of the participating shares during the year. For convertible debentures, the calculation of diluted earnings per share is made using the if-converted method.

Segment reporting

The Company currently operates in one business segment, being the acquisition and the exploration of mining properties. All of the Company's mining properties are located in Quebec, Canada.

New accounting standards issued but not yet adopted

In June 2011, the IASB amended IAS 1, *Financial Statement Presentation.* The amendment to IAS 1 requires entities to separate items presented in other comprehensive income (loss) into two groups, based on whether or not they may be recycled to the statement of income in the future. Items that will not be recycled such as remeasurements resulting from amendments to IAS 19 will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. The amendment is effective for annual periods beginning on or after July 1, 2012. Early adoption is permitted and full retrospective application is required. Management does not expect the standard to have a significant impact on the Company's financial statements.

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 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 (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), 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 other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement,* 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 (loss).

In December 2011, the effective date has been postponed to annual periods beginning on or after January 1, 2015. Certain transitional provisions have been amended to provide relief with respect to the application of the effective interest rate method to financial liabilities and to extend the transitional relief to entities applying the standard early.

In May 2011, the IASB issued a group of new standards that address the scope of the reporting entity: IFRS 10, *Consolidated Financial Statements,* IFRS 11, *Joint Arrangements,* IFRS 12, *Disclosure of Interests in Other Entities* and IFRS 13*, Fair Value Measurement.*

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements* and SIC-12*, Consolidation – Special Purpose Entities.* IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control focusing on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The renamed IAS 27 continues to be a standard dealing solely with separate financial statements and its guidance is unchanged.

IFRS 11 has changed the definitions of joint arrangements reducing the types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow an accounting method very similar to the method currently used for joint assets or joint operations.

IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Some amendments were made to existing standards, including IAS 27 *Separate Financial Statements* (IAS 27) and IAS 28 *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and reflect the changes in IFRS 10 to 13.

These standards are effective for fiscal years beginning on or after January 1, 2013 and early adoption is permitted. The Company has not yet assessed the impact of these standards or determined whether it will adopt them early.

4 Transition to IFRS

The Company adopted IFRS on July 1, 2011, with a date of transition effective July 1, 2010 (the “transition date”). The Company prepared its opening IFRS statement of financial positionat at that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP.

The effect of the Company's transition to IFRS is summarized in this note as follows :

a) Transition elections;
b) Reconciliation of equity;
c) Reconciliation of comprehensive income;
d) Adjustments to the statement of cash flows;
e) Explanatory notes.

a) Transition elections

The Company has applied the transition exceptions and exemptions to full retrospective application of IFRS:

Business Combinations: Management did not restate the business combination it concluded with Goldhurst Resources Inc. on August 1, 1995. The Company will apply IFRS 3 to all business combinations that will occur after July 1, 2010.

Share-based Payment: This exemption authorizes restriction of retrospective application of IFRS 2 according to the granting and vesting dates of rights granted. The Company used this exemption for all stock options that vested as of July 1, 2010, and retroactively applied IFRS 2 to stock options that did not vest as of July 1, 2010.

b) Reconciliation of equity as previously reported under Canadian GAAP to IFRS

	Note 4e)	As at June 30, 2011			As at July 1, 2010		
		Canadian GAAP	Adj.	IFRS	Canadian GAAP	Adj.	IFRS
		$	$	$	$	$	$
Assets							
Current assets							
Cash and cash equivalents		2,847,672	-	2,847,672	276,713	-	276,713
Tax credits for mining exploration	(iv)	-	66,269	66,269	-	92,176	92,176
Other amounts receivable	(iv)	535,231	(66,269)	468,962	165,195	(92,176)	73,019
Prepaid expenses		9,747	-	9,747	6,856	-	6,856
		3,392,650	-	3,392,650	448,764	-	448,764
Mining properties		1,930,672	-	1,930,672	4,497,463	-	4,497,463
Property, plant and equipment		3,164	-	3,164	2,762	-	2,762
Deferred tax assets	(ii,iii,v)	379,000	5,185	384,185	-	-	-
		5,705,486	5,185	5,710,671	4,948,989	-	4,948,989
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities							
Related companies		82,313	-	82,313	25,903	-	25,903
Others	(ii)	119,139	37,009	156,148	93,976	69,177	163,153
		201,452	37,009	238,461	119,879	69,177	189,056
Deferred tax liabilities	(ii,iii,v)	-	-	-	447,000	(41,525)	405,475
Debt component of convertible debentures		226,363	-	226,363	206,572	-	206,572
		427,815	37,009	464,824	773,451	27,652	801,103
Shareholders' Equity							
Share capital	(ii)	29,435,364	(2,619)	29,432,745	28,768,088	4,758	28,772,846
Warrants	(iii)	108,824	(8,619)	100,205	85,563	(8,619)	76,944
Stock options		236,710	-	236,710	182,703	-	182,703
Contributed surplus		1,223,539	-	1,223,539	1,133,774	-	1,133,774
Equity component of convertible debentures	(iii)	27,960	(7,521)	20,439	27,960	(7,521)	20,439
Deficit	(ii,iii,v)	(25,754,726)	(13,065)	(25,767,791)	(26,022,550)	(16,270)	(26,038,820)
Accumulated other comprehensive income		-	-	-	-	-	-
		5,277,671	(31,824)	5,245,847	4,175,538	(27,652)	4,147,886
		5,705,486	5,185	5,710,671	4,948,989	-	4,948,989

c) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS

	Note 4e)	Year ended June 30, 2011 Canadian GAAP	Adj.	IFRS
		$	$	$
Revenues		194,925	-	194,925
Expenses		793,451	-	793,451
Loss before deferred tax		(598,526)	-	(598,526)
Deferred tax	(ii,iii)	866,350	3,205	869,555
Net income		267,824	3,205	271,029
Accumulated other comprehensive income		-	-	-
Comprehensive income		267,824	3,205	271,029

(d) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.

(e) Explanatory notes

(i) Financial instruments

Cash and cash equivalents are classified as loans and receivables, while under Canadian GAAP they were classified as a held-for-trading financial instrument. The reclassification has no impact on the financial statements.

(ii) Flow-through shares

On transition to IFRS, the Company has adopted an accounting policy whereby the premium between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a liability, which is reversed into the statement of income when eligible expenditures have been made. The Company recognizes a deferred tax liability for the expenses renonced and a deferred tax expense at the moment the eligible expenditures are made.

Previously, the Company's Canadian GAAP policy was to adopt the recommendations of EIC 146 with respect to the accounting for flow-through shares. This resulted in the Company reducing the net proceeds of the flow-through share issuance by the future tax liability of the Company arising from the renunciation of the exploration and development expenditures in favour of the flow-through share subscribers.

(iii) Convertible debentures

Under Canadian GAAP, if a compound financial instrument like a convertible debenture can be settled without incurring taxes, there is no temporary difference. The component of a compound financial instrument classified as a liability will normally be different from the tax basis of the instrument. If the liability component were to be settled for its carrying amount, this would otherwise give rise to taxable or deductible amounts that would be included in the determination of taxable income. However, Canadian GAAP recognizes that settlement of the instrument in accordance with its terms, either through settlement on maturity or conversion, might not result in the incidence of tax to the issuer. Therefore, when an entity is able to settle the instrument without the incidence of tax, the tax basis of the liability component is considered to be the same as its carrying amount and there is no temporary difference.

IFRS does not contain any special exemption relating to the recognition of deferred tax arising on compound financial instruments. Hence, a deferred tax liability is recognized with respect to any temporary difference that arises from the initial recognition of the equity component separately from the debt component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the statement of income.

(iv) Tax credits for mining exploration

Under IFRS, tax credits for mining exploration must be presented on a specific heading on the statement of financial position while under Canadian GAAP, they were included within other amounts receivable or accounts payable and accrued liabilities.

(v) Credit on mining duties

Under IFRS, the tax basis and carrying amount of a mining property that qualifies for a credit on mining duties are the same, while under Canadian GAAP, the tax basis differs from the carrying amount.

5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Mining properties

The Company's evaluation of the recoverable amount with respect to the mining properties is based on numerous assumptions including long-term commodity prices, future capital requirements, exploration potential and operations performance and may differ significantly from actual values. 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 mining properties to carrying values. Assets are reviewed for an indication of impairment at each reporting date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, interruptions in exploration activities and significant negative industry or economic trends.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the differences are expected to be recovered or settled. The determination of the ability of the Company to utilize tax losses carry forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets.

Changes in economic conditions, commodity prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

6 Other amounts receivable

	As at June 30, 2012 $	2011 $
Amounts receivable under an agreement with a mining exploration company (Aurvista Gold Corporation)	21,409	413,394
Royalties receivable	56,177	50,791
Others	1,644	4,777
	79,230	468,962

7 Investment in an associate

	As at June 30, 2012 $	2011 $
Aurvista Gold Corporation, under the equity method (interest of 38.06%, -% in 2011)		
Balance - Beginning of year	-	-
Acquisition of an investment	15,760,000	-
Gain on dilution of investment	219,992	-
Share in the net loss from August 9, 2011 to March 31, 2012	(649,052)	-
Share in other comprehensive loss	(78,080)	-
Impairment loss	(11,052,860)	-
Balance - End of year	4,200,000	-

On August 9, 2011, following the closing of its initial public offering and its listing on the TSX Venture Exchange, Aurvista Gold Corporation («Aurvista») acquired the Company's residual interest in the Douay, Douay Ouest, Douay Est and Bloc Joutel properties (collectively Douay), except for 10% in two claims of the Douay Ouest for a consideration of 21,250,000 common shares of its share capital for a gross value of $20,293,750 at the issuing date.

As a result of this transaction, the Company holds 43.8% of the issued common shares of Aurvista. Since the Company has significant influence on Aurvista, the investment was accounted for under the equity method. On the transaction date, the investment in Aurvista was recorded based on the gross proceeds from the disposal of the Douay properties, being $20,293,750, less a discount of $4,533,750 related to share escrow agreements. The discount was calculated using a valuation model at an average rate of 22%, based on the release period of the escrowed shares. The Company will have to issue to the intermediaries involved in the transaction 564,200 Aurvista shares over an 18-month period in settlement of selling costs of $538,812, less a discount of $120,375. The amount to be paid will be adjusted based on the fair value of the shares held by the Company in Aurvista at the end of each period. Selling costs of $42,748 were also paid to a law firm. Considering the escrow discount and the selling costs, the net proceeds amounted to $13,925,664.

Following the issuance of 6,549,000 shares by Aurvista and a distribution by the Company of 282,100 shares of Aurvista to intermediaries involved in the transaction, the Company will hold 38.06% of the issued common shares of Aurvista. Accordingly, a gain on dilution of investment of $219,992 has been recognized in the statement of income.

As at June 30, 2012, the Company has determined that the fair value of its investment in Aurvista was lower than its carrying amount and subsequently recognized an impairment loss of $11,052,860. The investment was reduced to its recoverable amount representing the quoted market price of the Aurvista shares as at June 30, 2012 less a discount for escrow and selling costs.

Due to the non-availability of Aurvista's financial information at the time of the release of the Company's financial statements, the Company's share in the results of Aurvista as well as the financial information (assets, liabilities, revenues and net loss) of Aurvista will be accounted for and presented in the Company's next quarterly financial statements. The share in the results of Aurvista for the quarter ended March 31, 2012 is recorded in the current fiscal year of the Company.

Aurvista's financial information as at March 31, 2012

	$		$
Assets	29,922,790	Revenues	-
Liabilities	3,873,880	Net loss	(1,560,436)

8 Mining properties

Reconciliation of mining properties

		Acquisition cost		
	Exploration costs	Mining properties	Claims	Total
	$	$	$	$
Balance as at July 1, 2010	3,946,790	480,687	69,986	4,497,463
Costs incurred	308,705	281,771	11,330	601,806
Mining properties abandoned or written off	(18,490)	(106,205)	(2,953)	(127,648)
Receipt on option	(2,642,186)	(289,469)	(8,345)	(2,940,000)
Sale of a mining property	-	-	(36,000)	(36,000)
Non-refundable investment tax credit	(64,949)	-	-	(64,949)
Balance as at June 30, 2011	1,529,870	366,784	34,018	1,930,672
Costs incurred	123,653	-	3,154	126,807
Sale of mining properties (notes a and b)	(1,104,094)	(351,358)	(9,708)	(1,465,160)
Credit on duties refundable for loss and refundable tax credit for resources	(40)	-	-	(40)
Balance as at June 30, 2012	549,389	15,426	27,464	592,279

(a) As a result of the transaction described in note 7, Aurvista may acquire the 10% residual interest in the two claims of the Douay Ouest property in consideration of a sum of $25,000 in the 20 years following the acquisition of the residual interest in the properties described above. If this residual interest is acquired, Aurvista shall also pay Northern Abitibi Mining Corp. ("NAM") a sum of $80,000 and remit 400,000 shares of the Company, as described in the price adjustment clause included in the property acquisition agreement entered into between NAM and the Company. The Company will also issue 200,000 warrants to NAM .

(b) On August 31, 2011, the Company sold its interest in the NW/JV property to Aurvista for a cash consideration of $91,875.

Detail of mining properties

	# claims	Undivided interest	Balance as at July 1, 2011	Costs incurred	Sale of mining properties, credit on duties refundable for loss and refundable tax credit for resources	Balance as at June 30, 2012
		%	$	$	$	$
Douay (note a)	-					
Acquisition costs		-	12,397	-	(12,397)	-
Exploration costs			584,846	-	(584,846)	-
			597,243	-	(597,243)	-
Douay Ouest (note a)	2					
Acquisition costs		10	272,602	-	(264,677)	7,925
Exploration costs			515,174	-	(500,591)	14,583
			787,776	-	(765,268)	22,508
Douay Est (note a)	-					
Acquisition costs		-	4,597	-	(4,597)	-
Exploration costs			6,043	-	(6,043)	-
			10,640	-	(10,640)	-
Beauchastel	34					
Acquisition costs		100	8,832	159	-	8,991
Exploration costs			270,290	1,531	-	271,821
			279,122	1,690	-	280,812
NW/JV (note b)	-					
Acquisition costs		-	79,262	-	(79,262)	-
Exploration costs			12,613	-	(12,613)	-
			91,875	-	(91,875)	-
Ligneris	155					
Acquisition costs		100	20,481	2,995	-	23,476
Exploration costs			122,441	457	-	122,898
			142,922	3,452	-	146,374
Vezza-Noyard	22					
Acquisition costs		100	672	-	-	672
Exploration costs			18,464	121,665	(40)	140,089
			19,136	121,665	(40)	140,761
Others (note a)	-					
Acquisition costs		-	1,958	-	(134)	1,824
Exploration costs			-	-	-	-
			1,958	-	(134)	1,824
			1,930,672	126,807	(1,465,200)	592,279

All mining properties are located in the province of Quebec.

	# claims	Undivided interest %	Balance as at July 1, 2010 $	Costs incurred $	Mining properties abandoned or written off, non-refundable investment tax credit, receipt on option and sale of a mining property $	Balance as at June 30, 2011 $
Douay (note a)	98					
Acquisition costs		50	25,134	-	(12,737)	12,397
Exploration costs			1,785,350	-	(1,200,504)	584,846
			1,810,484	-	(1,213,241)	597,243
Douay Ouest (note a)	7					
Acquisition costs		50	498,163	90,521	(316,082)	272,602
Exploration costs			2,000,813	4,088	(1,489,727)	515,174
			2,498,976	94,609	(1,805,809)	787,776
Douay Est (note a)	81					
Acquisition costs		50	9,320	-	(4,723)	4,597
Exploration costs			22,947	-	(16,904)	6,043
			32,267	-	(21,627)	10,640
Beauchastel	34					
Acquisition costs		100	156	8,676	-	8,832
Exploration costs			170	270,120	-	270,290
			326	278,796	-	279,122
NW/JV (note b)	80					
Acquisition costs		75	2,003	185,815	(108,556)	79,262
Exploration costs			28,570	1,318	(17,275)	12,613
			30,573	187,133	(125,831)	91,875
Others (note a)						
Acquisition costs		-	15,899	8,088	(874)	23,113
Exploration costs			108,938	33,180	(1,215)	140,903
			124,837	41,268	(2,089)	164,016
			4,497,463	601,806	(3,168,597)	1,930,672

All mining properties are located in the province of Quebec.

9 Accounts payable and accrued liabilities

	As at June 30, 2012	As at June 30, 2011	As at July 1, 2010
	$	$	$
Companies owned by directors	3,410	82,313	25,903
Suppliers	131,258	119,139	93,976
Premium related to flow-through shares	24,179	37,009	69,177
	158,847	238,461	189,056

10 Convertible debentures

On July 17, 2009, the Company completed the issuance of a $100,000 debenture convertible, at the option of the holder, into common shares of the Company at a price of $0.10 per share until July 17, 2012. The debenture bears interest at an annual rate of 12% and is payable every six months, at the Company's choice either in cash or in common shares. The amount of principal was paid in common shares of the Company on August 1, 2012.

On August 12, 2009, the Company completed the issuance of a $150,000 debenture convertible, at the option of the holder, into common shares of the Company at a price of $0.10 per share until August 12, 2012. The debenture bears interest at an annual rate of 12% and is payable every six months at the Company's choice either in cash or in common shares. The amount of principal was paid in common shares of the Company on August 28, 2012.

	Year ended June 30, 2012		
	Debt component	Equity component	Total
	$	$	$
Value upon issuance	190,000	20,439	210,439
Increase in value of the debt component	58,086	-	58,086
	248,086	20,439	268,525

	Year ended June 30, 2011		
	Debt component	Equity component	Total
	$	$	$
Value upon issuance	190,000	20,439	210,439
Increase in value of the debt component	36,363	-	36,363
	226,363	20,439	246,802

11 Share capital

Authorized
Unlimited number of common shares, voting and participating, without par value
Issued and fully paid

The share capital issued has varied as follows :

	Years ended June 30,			
	2012		2011	
	Number	$	Number	$
Balance - Beginning of year	96,722,675	29,432,745	88,686,638	28,772,846
Private placements (a)	1,277,780	89,445	6,081,818	480,247
Acquisition of mining properties (b)	-	-	1,150,000	148,750
Stock options exercised	-	-	25,000	3,725
Warrants exercised	-	-	500,000	71,255
Payment of interest on convertible debentures (c)	400,906	29,999	279,219	30,387
Share issue expenses	-	(19,510)	-	(74,465)
Balance - End of year	98,401,361	29,532,679	96,722,675	29,432,745

(a) On December 20, 2011, the Company completed a $115,000 flow-through private placement through the issuance of 1,277,780 shares of the Company at a price of $0.09 per share. Share issue expenses of $6,900 were incurred by the Company under the private placement.

On December 16, 2010, the Company completed a $150,000 flow-through private placement through the issuance of 681,818 shares of the Company at a price of $0.22 per share. Share issue expenses of $13,554 were incurred by the Company under the private placement.

On September 24, 2010, the Company completed a $432,000 private placement through the issuance of 5,400,000 shares of the Company at a price of $0.08 per share along with 4,320,000 share purchase warrants giving the holder the right to subscribe for one common share of the Company at a price of $0.10 until March 24, 2012. The fair value of warrants amounted to $54,026. Share issue expenses of $38,493 were incurred, including the issuance of 302,400 warrants entitling the holder to subscribe for one common share of the Company at a price of $0.10 until September 24, 2013. A fair value of $14,912 has been assigned to the warrants.

(b) On March 21, 2011, the Company issued 750,000 shares of the Company at a price of $0.145 per share further to the purchase of a 50% property interest in 80 claims on the NW/JV project.

On August 24, 2010, the Company issued 400,000 shares of the Company at a price of $0.10 per share further to the purchase of the residual 50% property interest in two claims on the Douay Ouest project.

(c) On August 17, 2011, August 29, 2011, February 2, 2012 and March 7, 2012, the Company issued 400,906 shares in payment of interest on convertible debentures totalling $29,999.

On August 10, 2010, September 1, 2010, February 14, 2011 and February 28, 2011, the Company issued 279,219 shares in payment of interest on convertible debentures totalling $30,387.

12 Warrants

The following table presents the warrant activity since July 1, 2010 and summarizes information about outstanding and exercisable warrants as at June 30, 2012:

	Years ended June 30,			
	2012		2011	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding and exercisable - Beginning of year	6,903,168	0.11	4,524,518	0.13
Granted	-	-	4,822,400	0.10
Matured	(6,400,768)	0.11	(1,943,750)	0.15
Exercised	-	-	(500,000)	0.13
Outstanding and exercisable - End of year	502,400	0.11	6,903,168	0.11

The following table summarizes the maturity dates of outstanding and exercisable warrants:

302,400 warrants at $0.10 mature in September 2013;
200,000 warrants at $0.12 mature in August 2015.

The fair value of warrants granted was estimated using the Black & Scholes valuation model with the following assumptions:

	Year Ended June 30, 2011
Risk-free interest rate	1.463%
Expected volatility	63%
Dividend yield	Nil
Expected life	1.74 year
Fair value of warrants granted	$0.016

13 Stock option plan

The Company maintains a stock option plan under which certain key employees, managers, directors, consultants, service providers and investor relations service providers may be granted stock options for shares of the Company. A maximum of 9,467,312 stock options may be granted (maximum of 5% of the number of common shares outstanding in favour of key employees, managers, directors and consultants, and maximum of 2% of the number of common shares outstanding in favour of investor relations service providers).

Options granted expire after a maximum of five years following the date of grant, ten years following this date for options granted after October 31, 2010. There is no vesting period.

The following tables present the stock option activity since July 1, 2010 and summarize information about fixed stock options outstanding and exercisable as at June 30, 2012:

	Years ended June 30,			
	2012		2011	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding and exercisable - Beginning of year	4,025,000	0.11	3,375,000	0.14
Granted	-	-	1,940,000	0.10
Exercised	-	-	(25,000)	0.10
Matured	(140,000)	0.26	(715,000)	0.15
Cancelled	(600,000)	0.10	(550,000)	0.13
Outstanding and exercisable - End of year	3,285,000	0.11	4,025,000	0.11

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2012:

Exercise prices	**Options outstanding and exercisable Number**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price** $
Between $0.10 and $0.15	3,285,000	5.32	0.11

The fair value of stock options was estimated using the Black & Scholes valuation model with the following assumptions:

	Year Ended June 30, 2011
Risk-free interest rate	1.54%
Expected volatility	88.68%
Dividend yield	Nil
Expected life	3 years
Fair value of stock options granted	$0.049
Share price	$0.09

14 Compensation of key management

Key management includes the directors, the president, the vice-president exploration and the chief financial officer. The short-term employee benefits include salaries for key management and fees for directors. The share-based payments are grants of stock options of the Company.

Compensation awarded to key management included:

	Years ended June 30,	
	2012	**2011**
	$	**$**
Short-term employee benefits	310,892	258,504
Share-based payments	-	73,485
Total compensation of key management	310,892	331,989

15 Search for mining properties

	Years ended June 30,	
	2012	**2011**
	$	**$**
Salaries	65,246	-
Transport	3,719	-
Other	2,466	939
	71,431	939

16 Deferred tax

The major components of income tax provision are as follows:

	Years ended June 30,	
	2012	**2011**
	$	**$**
Deferred tax (expense) recovery	(605,937)	869,555

The reconciliation of income taxes, calculated using the combined federal and Quebec provincial statutory tax rates, to income taxes presented in the financial statements is detailed as follows:

	Years ended June 30,	
	2012	**2011**
	$	**$**
Income (loss) before deferred tax	2,356,986	(598,526)
Combined federal and provincial income tax rate of 27.65% (29.15% as at June 30, 2011)	(652,000)	174,000
Share issue expenses not affecting earnings	2,000	16,000
Non-taxable items	(19,000)	(28,231)
Difference between current and future tax rates	18,000	(9,000)
Change in unrecognized deferred tax assets	11,000	709,797
Tax impact on flow-through shares	5,000	1,657
Other	29,063	5,332
Deferred tax (expense) recovery	(605,937)	869,555

The decrease in the combined income tax rate is due to the reduction of the federal income tax rate.

The significant components of the deferred tax assets and liabilities are as follows:

Recognized deferred tax assets and liabilities:

	As at June 30, 2012	**As at June 30, 2011**
	$	**$**
Deferred tax assets		
Non-capital losses	768,219	667,000
Property, plant and equipment and intangible assets	9,853	10,000
Issue expenses	17,922	31,000
Mining properties	129,000	-
Others	12,116	11,543
	937,110	719,543
Deferred tax liabilities		
Investment in an associate	(1,115,732)	-
Mining properties	(81,000)	(329,000)
Convertible debentures	(515)	(6,358)
	(1,197,247)	(335,358)
Presented in the statement of financial position as follows:		
Deferred tax assets	-	384,185
Deferred tax liabilities	(260,137)	-

Unrecognized deferred tax assets:

	As at June 30, 2012	**As at June 30, 2011**
	$	**$**
Capital losses	246,987	258,203

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income.

As at June 30, 2012, the Company has non-capital losses of $2,908,754 at the federal level and $2,789,126 at the provincial level ($2,533,094 at the federal level and $2,413,466 at the provincial level for 2011) available to reduce Canadian taxable income in future years that expire in 2032.

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Non-capital losses	Property, plant and equipment and intangible assets	Issue expenses	Mining properties	Others	Total
	$	$	$	$	$	$
As at July 1, 2010	-	17,000	-	-	12,207	29,207
Credited/(charged) to the statement of income	667,000	(7,000)	31,000	-	(664)	690,336
As at June 30, 2011	667,000	10,000	31,000	-	11,543	719,543
Credited/(charged) to the statement of income	101,219	(147)	(13,078)	129,000	573	217,567
As at June 30, 2012	768,219	9,853	17,922	129,000	12,116	937,110

Deferred tax liabilities

	Investment in an associate	Mining properties	Convertible debentures	Total
	$	$	$	$
As at July 1, 2010	-	423,000	11,682	434,682
Credited/(charged) to the statement of income	-	(94,000)	(5,324)	(99,324)
As at June 30, 2011	-	329,000	6,358	335,358
Credited/(charged) to the statement of income	1,115,732	(248,000)	(5,843)	861,889
As at June 30, 2012	1,115,732	81,000	515	1,197,247

The analysis of deferred tax assets and liabilities is as follows:

	As at June 30, 2012 $	**As at June 30, 2011 $**
Deferred tax assets:		
Deferred tax assets to be realized after more than 12 months	937,110	719,543
Deferred tax assets to be realized within 12 months	-	-
	937,110	719,543
Deferred tax liabilities:		
Deferred tax liabilities to be realized after more than 12 months	1,197,247	335,358
Deferred tax liabilities to be realized within 12 months	-	-
	1,197,247	335,358
Deferred tax assets (liabilities), net	(260,137)	384,185

As at June 30, 2012, the non-refundable federal tax credits and non-refundable provincial tax credits for resources were as follows:

Expiry Date	Federal $	Expiry Date	Provincial $
2025	2,500	2014	1,859
2026	1,625	2015	15,731
2027	2,239	2016	3,034
2028	2,336	2017	32,075
		2018	3,550

These credits can be used up to the amount of income taxes payable for those years. The non-refundable provincial tax credits for resources are not recognized because there is no reasonable assurance that the credits will be realized.

17 Earnings per share

	2012	**2011**
Basic weighted average number of shares outstanding	97,619,650	94,119,531
Convertible debentures	2,500,000	2,500,000
Stock options	-	451,348
Warrants	-	597,617
Diluted weighted average number of shares outstanding	100,119,650	97,668,496

Items excluded from the calculation of diluted net earnings per share because the exercise price was greater than the average quoted value of the common shares.

Stock options	3,285,000	865,000
Warrants	502,400	2,080,768

18 Capital management

The Company considers the items included in shareholders' equity as capital components.

The Company manages and adjusts its capital structure, based on the funds available to the Company, in order to support the acquisition and exploration of mining properties. Given that the Company is in the mineral exploration business, the Board of Directors does not establish quantitative return on capital criteria for its management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In the opinion of management, working capital as at June 30, 2012, which includes $108,804 to be dedicated to exploration, will cover the cost of current expenses for at least the next 12 months.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Other operations that affect shareholders' equity are presented in the statements of changes in shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There is no change in the approach used by the Company for its capital management for the year ended June 30, 2012.

The Company is not subject to externally imposed capital requirements .

19 Financial instruments

a) Classification

The classification of financial instruments as at June 30, 2012 and 2011, and as at July 1, 2010 is summarized as follows:

				As at June 30, 2012	
				Carrying value	Fair value
	At fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Total	Total
	$	$	$	$	$
Financial Assets					
Cash and cash equivalents	-	2,730,754	-	2,730,754	2,730,754
Other amounts receivable	-	79,230	-	79,230	79,230
		2,809,984	-	2,809,984	2,809,984
Financial Liabilities					
Accounts payable and accrued liabilities (1)	56,505	-	63,000	119,505	119,505
Debt component of convertible debentures	-	-	248,086	248,086	248,086
	56,505	-	311,086	367,591	367,591

			As at June 30, 2011	
			Carrying value	Fair value
	Loans and receivables	Financial liabilities at amortized cost	Total	Total
	$	$	$	$
Financial Assets				
Cash and cash equivalents	2,847,672	-	2,847,672	2,847,672
Other amounts receivable	468,962	-	468,962	468,962
	3,316,634	-	3,316,634	3,316,634
Financial Liabilities				
Accounts payable and accrued liabilities (1)	-	176,607	176,607	176,607
Debt component of convertible debentures	-	226,363	226,363	226,363
	-	402,970	402,970	402,970

	As at July 1, 2010			
			Carrying value	Fair value
	Loans and receivables	Financial liabilities at amortized cost	Total	Total
	$	$	$	$
Financial Assets				
Cash and cash equivalents	276,713	-	276,713	276,713
Other amounts receivable	66,281	-	66,281	66,281
	342,994	-	342,994	342,994
Financial Liabilities				
Accounts payable and accrued liabilities (1)	-	119,879	119,879	119,879
Debt component of convertible debentures	-	206,572	206,572	206,572
	-	326,451	326,451	326,451

(1) Do not include the flow-through share premium.

Cash and cash equivalents, other amounts receivable and accounts payable and accrued liabilities are financial instruments who carrying value approximates their fair value due to their short-term maturity. An account payable in the form of shares is value at the market value of the shares of the associate, which will be issued in payment of this debt of $56,505 included in accounts payable and accrued liabilities as at June 30, 2012.

The debt component of the convertible debentures is classified as financial liabilities at amortized cost. It is measured at fair value upon issuance and is then revalued at amortized cost using the effective interest method. The Company uses a 25% disco rate to calculate the fair value of convertible debentures.

b) Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following three levels:

Level 1 - valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the statement of financial position as at June 30, 2012, classified using the fair value hierarchy described above:

	As at June 30, 2012
	Level 2
Financial liabilities	$
Accounts payable and accrued liabilities	56,505

As at June 30, 2011 and as at July 1, 2010, no financial instruments have been recorded at fair value.

c) Financial risks factors

The Company`s activities expose it to various financial risks, such as credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and other amounts receivable. Financial assets included in other amounts receivable consist of interest, royalties and amounts receivable from a partner. The credit risk related to these amounts is due to the partners' possible inability to settle their debts. Management believes that the credit risk with respect to financial assets included in amounts receivable is remote, that the credit risk related to royalties is minimal, as the Company signed an agreement with a major mining company and that the credit risk related to amounts receivable from a partner is minimal, this partner having already the funds to assume exploration work related to these amounts receivable. The credit risk on cash and cash equivalents is limited because the Company deals with a Canadian bank and its subsidiaries. The Company minimizes its exposure to issuer risk by investing only in products having a high quality investment-grade rating.Exposure to these risks is closely monitored and maintained within the limits stated in the investment policy of the Company, which is revised regularly.

Liquidity risk

Liquidity risk is the risk that a company may be unable to fulfill its financial obligations related to financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidities to meet liabilities when due. As at June 30, 2012, the Company had a cash and cash euivalent balance of $2,730,754 including $108,804 to be spent in exploration expenses ($2,847,672 as at June 30, 2011 of which $116,314 to be spent in exploration expenses) to settle current liabilities of $78,163 ($238,461 as at June 30, 2011). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. It is the intention of the Company to pay the interest and principal of convertible debentures in shares of the Company.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's current policy is to invest excess cash principally in term deposits and/or in interest-bearing accounts held with a Canadian bank and its subsidiaries.

For the year ended June 30, 2012, a ± 1% change in bank balance or term deposit interest rates would result in an estimated impact of $27,300 ($28,500 impact for the year ended June 30, 2011) on the statements of income and comprehensive income.

Foreign exchange risk

The Company's functional currency is the Canadian dollar and virtually all of purchases are made in this currency. As a result, the Company's exposure to foreign exchange risk is minimal.

20 Commitments

The Company has agreed to incurring Canadian exploration expenses of $115,000 by December 31, 2012, and transferring these tax expenditures to the subscribers of its flow-through share underwriting completed in December 2011. As at June 30, 2012, the Company has incurred an amount of $6,196 in this regard.

The Company has a rental lease for its administrative offices with a company owned by a director. The rental lease has a term of five years beginning on November 1, 2009 and ending on October 31, 2014. The annual cost is $17,712 and will be subject to an annual raise according to the consumer price index with a minimum of 2% annually.

21 Related party transactions

The company entered into the following transactions with companies owned by directors:

	2012	**2011**
	$	**$**
Expenses capitalized in mining properties	15,057	306,671
Management fees	30,000	30,000
Rent and office expenses	25,714	44,159
Search for mining properties	42	939

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Expenses capitalized in mining properties and search for mining properties consist mainly of fees related to exploration and services provided by a company owned by a director of the Company.

Management fees, rent and office expenses are issued from administrative and board presidency services provided by a management company. Management fees consist of fees paid to the chairman of the board and rent and office expenses consist of the Company’s administrative expenses.

22 Subsequent events

On August 1, 2012, the Company issued 2,119,344 common shares at a price of $0.05 per share in payment of interest and principal on a convertible debenture totalling $105,967 and payable on July 17, 2012 to Fonds de solidarité FTQ under a subscription agreement issued on July 17, 2009.

On August 28, 2012, the Company issued 3,179,016 common shares at a price of $0.05 per share in payment of interest and principal on a convertible debenture totalling $158,951 and payable on August 12, 2012 to Fonds de solidarité FTQ Nord du Québec under a subscription agreement issued on August 12, 2009.