GEOMEGA RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED AUGUST 31, 2013 AND 2012

NOTICE TO READER

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

GEOMEGA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited, in Canadian Dollars)

	Notes	**August 31, 2013 $**	May 31, 2013 $
ASSETS			
Current			
Cash and cash equivalents		**660,817**	437,855
Sales tax receivable		**81,075**	157,531
Other receivables		**12,687**	—
Tax credits receivable	3	**976,521**	2,459,916
Prepaid expenses and deposits		**72,323**	87,458
Current assets		**1,803,423**	3,142,760
Non-current			
Tax credits receivable	3	**100,219**	717,100
Exploration and evaluation assets	4	**14,889,013**	14,353,599
Property and equipment	5	**319,109**	386,255
Non-current assets		**15,308,341**	15,456,954
Total assets		**17,111,764**	18,599,714
LIABILITIES			
Current			
Trade and other payables	6	**925,886**	631,538
Obligations under finance leases		**—**	17,753
Debt	7	**—**	1,398,812
Flow-through share liability	8	**96,551**	203,433
Total liabilities		**1,022,437**	2,251,536
EQUITY			
Share capital	9	**21,648,139**	21,648,139
Warrants	10	**22,170**	22,170
Brokers' options	11	**109,356**	628,143
Stock options		**1,794,722**	1,609,364
Contributed surplus		**1,070,542**	794,692
Deficit		**(8,555,602)**	(8,354,330)
Total equity		**16,089,327**	16,348,178
Total liabilities and equity		**17,111,764**	18,599,714

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

Going concern (*Note 1*)

Commitments (*Notes 8 and 16*)

Subsequent events (*Note 17)*

Approved on Behalf of the Board:

/s/ "Simon Britt"
Simon Britt
Director

/s/ "Gilles Gingras"
Gilles Gingras
Director

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

	Notes	Three Month Period Ended August 31, 2013 $	2012 $
EXPENSES			
Salaries, employee benefits and share-based compensation		**121,256**	323,104
Exploration and evaluation expenses, net of tax credits	13	**31,048**	129,755
Professional fees		**75,291**	114,055
Travel, conference and investor relations		**3,679**	52,066
Telecommunications		**3,421**	4,581
Administration		**2,226**	31,495
Transfer agency and regulatory fees		**15,300**	6,985
Rent		**6,887**	6,686
Insurance, taxes and permits		**5,859**	4,595
Depreciation of property and equipment		**3,374**	10,429
Loss on disposal of property and equipment		**3,930**	—
Loss before under noted items		**272,271**	683,751
Interest income		**(13,698)**	—
Finance costs		**78,801**	74,485
Other income		**(29,220)**	—
Loss before income taxes		**308,154**	758,236
Flow-through share related income	8	**(106,882)**	—
Loss and comprehensive loss for the period		**201,272**	758,236
Basic and diluted loss per share		**(0.01)**	(0.02)
Weighted average number of common shares outstanding - Basic and diluted		**34,990,113**	29,274,113

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

GEOMEGA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CHANGE IN EQUITY
(Unaudited, in Canadian Dollars)

Three month period ended August 31	**Note**	**Share Capital** $	**Warrants** $	**Brokers' Options** $	**Stock Options** $	**Contributed Surplus** $	**Deficit** $	**Total Equity** $
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 period		-	-	-	-	-	(758,236)	(758,236)
Share-based compensation		-	-	-	231,623	-	-	231,623
Expired options		-	-	-	(346,338)	346,338	-	-
As at August 31, 2012		19,759,206	324,089	588,957	1,389,421	502,897	(6,771,582)	15,792,988
As at May 31, 2013		**21,648,139**	**22,170**	**628,143**	**1,609,364**	**794,692**	**(8,354,330)**	**16,348,178**
Loss and comprehensive loss for the period		**-**	**-**	**-**	**-**	**-**	**(201,272)**	**(201,272)**
Share-based compensation		**-**	**-**	**-**	**185,358**	**(242,937)**	**-**	**(57,579)**
Expired brokers' options	**11**	**-**	**-**	**(518,787)**	**-**	**518,787**	**-**	**-**
As at August 31, 2013		**21,648,139**	**22,170**	**109,356**	**1,794,722**	**1,070,542**	**(8,555,602)**	**16,089,327**

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

GEOMEGA RESOURCES INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited, in Canadian Dollars)

	Notes	Three Month Period Ended August 31, 2013 $	2012 $
OPERATING ACTIVITIES			*(adjusted)*
Loss for the period		**(201,272)**	(758,236)
Adjustments for:			
Share-based compensation		**(57,393)**	192,615
Depreciation of property and equipment	5	**3,374**	10,429
Loss on disposal of property and equipment		**3,930**	—
Accretion expense - debt	7	**62,188**	35,695
Financing fees		—	13,915
Recovery of flow-through share related income	8	**(106,882)**	—
Changes in non-cash working capital items:			
Sales tax receivable		**76,456**	129,544
Other receivables		**(12,687)**	—
Tax credits receivable		**407,658**	(82,185)
Prepaid expenses and deposits		**15,135**	(53,616)
Trade and other payables		**108,157**	45,324
Cash flows from/(used) in operating activities		**298,664**	(466,515)
INVESTING ACTIVITIES			
Additions of exploration and evaluation assets		**(295,477)**	(640,020)
Recovery of exploration and evaluation assets – tax credits		**1,687,376**	—
Acquisitions of property and equipment		**(3,848)**	—
Disposition of property and equipment		**15,000**	—
Cash flows from/(used) in investing activities		**1,403,051**	(640,020)
FINANCING ACTIVITIES			
Repayment of debt	7	**(1,461,000)**	(789,000)
Payments on obligations under finance leases		**(17,753)**	(45,373)
Cash flows from financing activities		**(1,478,753)**	(834,373)
Net change in cash and cash equivalents		**222,962**	(1,940,908)
Cash and cash equivalents, beginning of the period		**437,855**	3,285,042
Cash and cash equivalents, end of the period		**660,817**	1,344,134
Additional information			
Interest received		**13,336**	—
Interest paid		**(25,923)**	(30,163)

The accompanying notes are an integral part of these condensed interim 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 unaudited condensed interim financial statements were approved by the Company's Board of Directors on October 24, 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 three month period ended August 31, 2013, the Company reported a loss of $201,272 and an accumulated deficit of $8,555,602 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 August 31, 2013, the Company had working capital of $780,986. Management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted expenditures through August 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 condensed interim 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 condensed interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the *International Financial Reporting Standards* ("IFRS") as issued by the *International Accounting Standards Board* ("IASB") applicable to the preparation of interim financial statements, including *International Accounting Standard* ("IAS") 34, *Interim Financial Reporting*. Accordingly, these condensed interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year end reporting purposes.

Basis of Presentation

The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended May 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in these unaudited condensed interim financial statements are consistent with those of the previous financial year ended May 31, 2013.

(Unaudited, in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective June 1, 2013.

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

The Company has adopted the amendments to IAS 1 effective June 1, 2013. These amendments required the Company to group other comprehensive income items based on whether or not they may be reclassified to net earnings or loss in the future. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

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

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on June 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at June 1, 2013.

3. TAX CREDITS RECEIVABLE

	August 31, 2013 $	May 31, 2013 $
Tax credits for resources	**676,622**	2,776,231
Credits on duties	**400,118**	400,785
	1,076,740	3,177,016
Less: Non-current portion of tax credits receivable	**100,219**	717,100
Current portion of tax credits receivable	**976,521**	2,459,916

These tax credits are related to qualifying mineral exploration expenditures incurred in the province of Québec. See Note 17 e) Subsequent events.

4. 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 104 km^2 as at August 31, 2013. The property carries a 2% net output royalty to NioGold Mining Corporation.

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 August 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 August 31, 2013.

La Trève property (Base metals)

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 August 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 10 claims as at August 31, 2013.

Buckingham property (Graphite)

The Company owns 100% of the Buckingham property, located in the town of Buckingham. The Buckingham property consisted of 13 claims as at August 31, 2013.

(Unaudited, in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

	May 31, 2013	**August 31, 2013**
Mineral properties	7,097,799	**7,098,559**
Exploration and evaluation expenditures capitalized	7,255,800	**7,790,454**
Total exploration and evaluation assets	14,353,599	**14,889,013**

MINERAL PROPERTIES

	May 31, 2012	Additions	Impairment	May 31, 2013	**Additions**	**Impairment**	**August 31, 2013**
QUÉBEC	$	$		$	**$**		**$**
Montviel	7,051,327	2,155	-	7,053,482	**760**	**-**	**7,054,242**
Anik	7,020	12,662	-	19,682	**-**	**-**	**19,682**
McDonald	1,820	16,458	-	18,278	**-**	**-**	**18,278**
La Trève	2,912	1,030	-	3,942	**-**	**-**	**3,942**
Currières	1,050	-	-	1,050	**-**	**-**	**1,050**
Buckingham	1,365	-	-	1,365	**-**	**-**	**1,365**
Sydney	6,009	-	(6,009)	-	**-**	**-**	**-**
Émilie	5,469	100	(5,569)	-	**-**	**-**	**-**
Oriana	125,264	75,650	(200,914)	-	**-**	**-**	**-**
Other	59,084	8,590	(67,674)	-	**-**	**-**	**-**
	7,261,320	116,645	(280,166)	7,097,799	**760**	**-**	**7,098,559**

EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED

	May 31, 2012	Additions	Impairment	Tax Credits Receivable	May 31, 2013	**Additions**	**Tax Credits Receivable**	**August 31, 2013**
QUÉBEC	$	$	$	$	$	**$**	**$**	**$**
Montviel	4,366,899	3,693,228	(15,750)	(788,577)	7,255,800	**534,654**	**-**	**7,790,454**

(Unaudited, in Canadian Dollars)

5. 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, 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
Period ended August 31, 2013						
Opening net book value	**260**	**13,404**	**19,105**	**209,052**	**144,434**	**386,255**
Additions	**-**	**-**	**-**	**3,848**	**-**	**3,848**
Disposition	**-**	**-**	**-**	**(18,930)**	**-**	**(18,930)**
Depreciation	**(260)**	**(3,114)**	**(4,955)**	**(41,571)**	**(2,164)**	**(52,064)**
Closing net book value	**-**	**10,290**	**14,150**	**152,399**	**142,270**	**319,109**
As at August 31, 2013						
Cost	**2,350**	**40,831**	**59,454**	**498,856**	**159,388**	**760,879**
Accumulated depreciation	**(2,350)**	**(30,541)**	**(45,304)**	**(346,457)**	**(17,118)**	**(441,770)**
Closing net book value	**-**	**10,290**	**14,150**	**152,399**	**142,270**	**319,109**

The field equipment and base camp includes equipment capitalized under finance leases with a net book value of $nil as at August 31, 2013 ($166,844 – May 31, 2013) and a depreciation charge of $32,745 ($36,662 - 2012) is included in the exploration and evaluation ("E&E") assets capitalized for the three month period ended August 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 $3,374 ($10,429 - 2012) was expensed to depreciation of property and equipment while an amount of $48,690 ($45,167 – 2012) was capitalized as E&E assets during the three month period ended August 31, 2013.

6. TRADE AND OTHER PAYABLES

	August 31, 2013	May 31, 2013
	$	$
Trade accounts payable	**722,488**	545,552
Salaries and source deductions payable	**139,216**	27,413
Accruals	**64,182**	58,573
	925,886	631,538

(Unaudited, in Canadian Dollars)

7. DEBT

	Debt **$**
As at May 31, 2012	1,415,605
Additions	750,000
Deferred financing cost	(62,188)
Accretion expense	84,395
Reimbursement	(789,000)
As at May 31, 2013	**1,398,812**
Accretion expense	**62,188**
Reimbursement [i]	**(1,461,000)**
As at August 31, 2013	**-**

(i) On May 10, 2013, SIDEX, Limited Partnership ("SIDEX") granted a $750,000 loan to the Company which bore interest at an annual rate of 8%. The loan was secured by the Company's tax credits receivable for the fiscal years ended 2012 related to mineral exploration from Revenu Quebec. The loan was to 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.

On July 10, 2013, the Company received its tax credits receivable for an amount of $2,095,034 and reimbursed SIDEX loans in the principal amount of $1,461,000 along with accrued interest of $6,490.

8. FLOW-THROUGH SHARE LIABILITY

	August 31, 2013 **$**	May 31, 2013 $
Balance, beginning of period	**203,433**	-
Addition during the period, net of issue costs	**-**	569,293
Reduction related to the incurrence of qualifying exploration expenditures	**(106,882)**	(365,860)
Balance, end of period	**96,551**	203,433

The flow-through share liability is reduced as the company incurs qualifying flow through expenses.

(Unaudited, in Canadian Dollars)

9. 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, 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

	Number of Shares	**Amount $**
Balance - August 31, 2013	**34,990,113**	**21,648,139**

Three month period ended August 31, 2013

No common shares were issued during the three month period ended August 31, 2013.

Year ended 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).

(Unaudited, in Canadian Dollars)

10. WARRANTS

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

	Number of warrants	Amount $	Weighted Average Exercise Price $
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
Expired	**(2,127,659)**	**-**	**-**
Balance as at August 31, 2013	**2,139,773**	**22,170**	**1.00**

Expiration date	Number of warrants	Weighted Average Exercise Price $
December 2013	187,500	1.00
September 2014	1,952,273	1.00
	2,139,773	

There was no issue or exercise of warrants during the three months ended August 31, 2013. See Note 17 a) Subsequent events.

11. BROKERS' OPTIONS

The number of outstanding brokers' options as at August 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, 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**
Expired	**(134,750)**	**(518,787)**	**2.35**	**-**	**-**	**-**
Balance – August 31, 2013	**-**	**-**	**-**	**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 common shares	Weighted Average Exercise Price $
September 2013	225,187	0.55
May 2014	231,000	0.50
June 2014	37,800	0.50
	493,987	

There was no issue or exercise of brokers' options during the three months ended August 31, 2013.

(Unaudited, in Canadian Dollars)

12. 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 June 28, 2013, the Company granted to a director a total of 225,000 stock options at an exercise price of $0.15 expiring on June 28, 2018.

On July 22, 2013, the Company granted to a director a total of 225,000 stock options at an exercise price of $0.16 expiring on July 22, 2018.

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 August 31, 2013:

	Number of Options	Weighted Average Exercise Price $
Outstanding - May 31, 2012	2,278,540	1.41
Granted	930,000	0.42
Forfeited	(365,000)	1.14
Outstanding - May 31, 2013	2,843,540	1.00
Granted	**450,000**	**0.16**
Forfeited	**(235,885)**	**-**
Outstanding- August 31, 2013	**3,057,655**	**0.89**

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	1,915,000	0.37	3.64	965,000	0.44
1.01 to 2.00	912,655	1.51	2.55	756,400	1.51
2.01 to 3.00	150,000	2.08	1.21	150,000	2.08
3.01 to 4.00	80,000	3.91	2.55	80,000	3.91
	3,057,655			1,951,400	

(Unaudited, in Canadian Dollars)

12. 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:

	Three Months Ended August 31, 2013	Year Ended May 31, 2013
Average share price at date of grant	**$0.16**	$0.42
Dividend yield	**NIL**	NIL
Expected weighted volatility	**118%**	117%
Risk-free interest rate	**1.57%**	1.37%
Expected average life	**3.75 years**	3.75 years
Average exercise price at date of grant	**$0.16**	$0.42

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, a recovery of $(57,579) of share-based compensation was recognized during the three months ended August 31, 2013 with $(57,393) included in the statement of loss and comprehensive loss and $(186) capitalized in E&E assets (respectively an expense of $192,615 and $39,000 for 2012).

There was no exercise of stock options during the three month ended August 31, 2013.

13. EXPLORATION AND EVALUATION EXPENSES

	Three Months Ended August 31,	
	2013	2012
	$	$
Salaries, geology and prospection	**25,380**	128,322
Lodging and travel expenses	**890**	20,679
Analysis	**1,797**	14,216
Supplies and equipment	**1,027**	48,486
Taxes, permits and insurance	**-**	237
Mineral properties cost	**1,954**	-
Exploration and evaluation expenses before tax credits	**31,048**	211,940
Tax credits	**-**	(82,185)
Exploration and evaluation expenses	**31,048**	129,755

14. 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 10, 11 and 12.

(Unaudited, in Canadian Dollars)

15. 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:

	Three Months Ended August 31,	
	2013	2012
	$	$
Short-term employee benefits		
Salaries including benefits	**109,772**	108,125
Social security costs	**1,987**	-
Professional fees	**18,250**	5,194
Total short-term employee benefits	**130,009**	113,319
Share-based compensation	**74,769**	200,529
Total remuneration	**204,778**	313,848

As of August 31, 2013, the trade and other payables included an amount of $99,162 (nil in 2012) payable to related parties.

16. 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
	$	$	$	$
August 31, 2013	21,989	-	-	21,989

The Company leases its office and an offsite location under two lease agreements expiring respectively in September 2014 and April 2014.

The minimum lease payments recognized as an expense during the reporting period amounted to $6,887 ($6,686 - 2013). 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 August 31, 2013, the Company has to incur $455,881 in qualifying exploration expenditures by December 2013 to meet its flow-through commitment as described in note 8 and 9. At this time, Management anticipates meeting that obligation and as a result, no additional provisions are required.

17. SUBSEQUENT EVENTS

a) On September 10, 2013, the Company received the approval from the TSX Venture to extend the expiration of 1,952,273 warrants exercisable at $1.00 by one year. The warrants will 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.

b) On September 19, 2013, the Company granted 225,000 stock options to a director at an exercise price of $0.17 expiring on September 19, 2018. The options vest over two years in tranches of 25% every six months.

c) On September 30, 2013, 225,187 brokers' options exercisable at $0.55 expired unexercised.

d) In September 2013, 81,250 stocks options forfeited unexercised and in October 2013, 130,155 stock options expired unexercised.

e) On October 23, 2013, the Company received tax credits receivable for an amount of $619,764 related to May 2013.