GEOMEGA RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED NOVEMBER 30, 2012

(In Canadian Dollars)

(Unaudited)

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 RESSOURCES INC.

Condensed Interim Statements of Financial Position

(In Canadian Dollars)

(Unaudited)

	Note	**November 30, 2012 $**	May 31, 2012 $
ASSETS			
Current			
Cash		**1,965,307**	3,285,042
Sales tax receivable		**148,023**	264,904
Tax credits receivable	3	**2,509,628**	2,334,650
Prepaid expenses and deposits		**246,909**	283,549
Current assets		**4,869,867**	6,168,145
Non-current			
Tax credits receivable	3	**508,664**	—
Exploration and evaluation assets	4	**12,803,210**	11,628,219
Property and equipment	5	**493,981**	605,172
Non-current assets		**13,805,855**	12,233,391
Total assets		**18,675,722**	18,401,536
LIABILITIES			
Current			
Trade and other payables	6	**643,561**	463,220
Flow-through share liability	7	**508,200**	—
Current portion of obligations under capital leases	8	**111,160**	185,203
Debt	9	**686,199**	1,415,605
Current liabilities		**1,949,120**	2,064,028
Non-current			
Obligations under capital leases	8	**99**	17,907
Total liabilities		**1,949,219**	2,081,935
SHAREHOLDERS' EQUITY			
Share capital	10	**21,319,090**	19,759,206
Warrants	11	**324,089**	324,089
Brokers' options	12	**623,607**	588,957
Stock options	13	**1,589,532**	1,504,136
Contributed surplus		**502,897**	156,559
Deficit		**(7,632,712)**	(6,013,346)
Total equity		**16,726,503**	16,319,601
Total liabilities and equity		**18,675,722**	18,401,536

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

Going concern (*Note 1*)

Commitments *(Notes 8 and 17)*

Subsequent event *(Note 18)*

Approved on Behalf of the Board:

"signed"
Simon Britt
Director

"signed"
Jean-Charles Potvin
Director

GEOMEGA RESSOURCES INC.

Condensed Interim Statements of Loss and Comprehensive Loss

(In Canadian Dollars)

(Unaudited)

	Note	Three-Month Period Ended November 30, 2012	Three-Month Period Ended November 30, 2011	Six-Month Period Ended November 30, 2012	Six-Month Period Ended November 30, 2011
		$	$	**$**	$
EXPENSES					
Salaries and employee benefits		**388,012**	244,017	**708,112**	348,291
Exploration and evaluation expenses	14	**100,911**	254,751	**230,666**	849,880
Professional fees		**219,529**	219,788	**333,584**	262,198
Travel, conference and investor relations		**38,973**	109,738	**113,175**	233,683
Telecommunication		**5,380**	2,002	**9,961**	3,639
Administration		**10,116**	13,443	**19,475**	20,011
Transfer agency and regulatory fees		**21,260**	16,031	**28,245**	32,160
Rent		**6,820**	6,615	**13,506**	13,088
Training		**1,100**	7,582	**5,695**	12,391
Insurance, taxes and permits		**6,702**	8,718	**9,706**	—
Bad debts		**—**	—	**—**	11,425
Depreciation of property and equipment		**6,100**	6,596	**16,529**	11,614
Impairment of exploration and evaluation assets	4	**28,080**	—	**28,080**	—
Loss before under noted items		**832,983**	889,281	**1,516,734**	1,798,380
Interest income		**—**	(11,982)	**—**	(22,694)
Finance cost		**28,147**	9,041	**102,632**	12,051
Loss and comprehensive loss for the period		**861,130**	886,340	**1,619,366**	1,787,737
Basic and diluted loss per share		**(0.03)**	(0.03)	**(0.05)**	(0.04)
Weighted average number of common shares outstanding - Basic and diluted		**29,747,739**	21,498,251	**29,509,632**	22,130,163

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

GEOMEGA RESSOURCES INC.

Condensed Interim Statement of Changes in Equity

(In Canadian Dollars)

(Unaudited)

	Notes	Share Capital	Warrants	Brokers' Options	Stocks Options	Contributed Surplus	Deficit	Total Equity
		$	$	$	$	$	$	$
As at May 31, 2011		11,870,947	-	-	-	767,654	(2,374,548)	10,264,053
Loss and comprehensive loss for the period		-	-	-	-	-	(1,787,737)	(1,787,737)
Share-based payments		-	-	-	158,227	-	-	158,227
Private placements	10	4,999,999	-	518,787	-	-	-	5,518,786
Share issue costs	10	(1,141,097)	-		-	-	-	(1,141,097)
Pre-development agreement	10	225,000	-	-	-	-	-	225,000
Exercise of stocks options	13	244,000	-	-	-	(104,000)	-	140,000
Exercise of brokers' options	12	106,909	-	-	-	-	-	106,909
Exercise of warrants		109,930		-	-	(6,339)	-	103,591
As at November 30, 2011		16,415,688	-	518,787	158,227	657,315	(4,162,285)	13,587,732
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		**-**	**-**	**-**	**-**	**-**	**(1,619,366)**	**(1,619,366)**
Share-based payments	13	**-**	**-**	**-**	**431,734**	**-**	**-**	**431,734**
Private placements	12	**1,767,150**	**-**	**34,650**	**-**	**-**	**-**	**1,801,800**
Share issue costs	12	**(224,466)**	**-**	**-**	**-**	**-**	**-**	**(224,466)**
Shares issued - Oriana	10	**17,200**	**-**	**-**	**-**	**-**	**-**	**17,200**
Forfeited options	11	**-**	**-**	**-**	**(346,338)**	**346,338**	**-**	**-**
As at November 30, 2012		**21,319,090**	**324,089**	**623,607**	**1,589,532**	**502,897**	**(7,632,712)**	**16,726,503**

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

GEOMEGA RESSOURCES INC.

Condensed Interim Statement of Cash Flows

(In Canadian Dollars)

(Unaudited)

	Note	Three-month period ended November 30, 2012 $	2011 $	Six-month period ended November 30, 2012 $	2011 $
OPERATING ACTIVITIES					
Loss and comprehensive loss for the period		**(861,130)**	(886,340)	**(1,619,366)**	(1,787,737)
Adjustments for :					
Share-based payments		**177,088**	112,844	**369,703**	145,261
Depreciation of property and equipment	5	**6,100**	6,597	**16,529**	11,614
Accretion expense - debt	9	**1,762**	—	**37,457**	—
Finance cost		**22,137**	—	**22,137**	—
Impairment of exploration and evaluation assets	4	**28,080**	—	**28,080**	—
Changes in non-cash working capital items:					
Sales tax receivable		**(12,663)**	43,168	**116,881**	(55,407)
Tax credits receivable		**(373,118)**	(680,350)	**(683,642)**	(21,199)
Prepaid expenses and deposits		**90,256**	98,929	**36,640**	41,448
Trade and other payables		**135,017**	(250,961)	**180,341**	(245,139)
Cash flows used in operating activities		**(786,471)**	(1,556,113)	**(1,495,240)**	(1,911,159)
INVESTING ACTIVITIES					
Investments redeemed		**—**	1,305,704	**—**	3,126,514
Investments		**—**	(11,839)	**—**	(4,022,552)
Additions to property and equipment		**—**	(243,231)	**—**	(263,190)
Additions to exploration and evaluation assets		**(1,440,859)**	—	**(1,029,178)**	(1,345,663)
Cash flows (used) from to investing activities		**(1,440,859)**	1,050,634	**(1,029,178)**	(2,504,891)
FINANCING ACTIVITIES					
Issuance of shares and warrants, net of issue costs		**2,085,534**	—	**2,085,534**	4,431,603
Exercice of warrants		**—**	34,866	**—**	103,591
Repayment of debt	9	**—**	—	**(789,000)**	—
Payments on obligations under capital leases	8	**(46,478)**	(52,187)	**(91,851)**	(124,218)
Exercice of stocks options		**—**	—	**—**	140,000
Cash flows from (used) to financing activities		**2,039,056**	(17,321)	**1,204,683**	4,550,976
Net change in cash		**(188,274)**	(522,800)	**(1,319,735)**	134,926
Cash, beginning of the period		**1,344,134**	1,082,276	**3,285,042**	46,952
Cash, end of the period		**1,155,860**	559,476	**1,965,307**	181,878
Additionnal information:					
Interest received		**—**	18,839	**—**	26,656
Interest paid		**(14,815)**	(20,620)	**(44,978)**	(22,694)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Geomega Resources Inc. (the "Company") is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, the 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 January 17, 2013.

These condensed interim 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.

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 following 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.

Management estimates that the working capital as at November 30, 2012 will not be sufficient to meet the Company's obligations and budgeted expenditures through May 31, 2013. Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity or debt financing. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited 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 unaudited condensed interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards 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, 2012, 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, 2012.

New Standards Not Yet Adopted and Interpretations Issued But Not Yet Effective

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual audited financial statements as at and for the year ended May 31, 2012.

(Expressed in Canadian Dollars)

3. TAX CREDITS RECEIVABLE

	November 30, 2012 $	May 31, 2012 $
Tax credits for resources	**2,637,769**	1,950,079
Credits on duties	**380,523**	384,571
	3,018,292	2,334,650
Current portion :		
Tax credits for resources	**2,209,729**	1,950,079
Credits on duties	**299,899**	384,571
	2,509,628	2,334,650

4. EXPLORATION AND EVALUATION

Montviel

The Montviel property comprises 216 mining claims totalling 11,998 ha. The property carries a 2% net output royalty to NioGold Mining Corporation.

Sydney property

The Sydney property comprises 169 mining claims totalling 9,789 ha.

Emilie property

The Émilie property comprises 48 mining claims totalling 2,585 ha.

Oriana property

The Oriana property comprises 280 mining claims totalling 15,570 ha.

Other properties

The others properties were acquired by map designation. Following a review of the mineral properties, the Company decided during November 2012, to write-off a total of 8 properties totalling $28,080 as no further exploration was planned on the properties. The remaining carrying value for the other properties is $71,032 as at November 30, 2012.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

	May 31, 2012	**November 30, 2012**
Mineral properties	7,261,320	**7,337,519**
Exploration and evaluation expenditures capitalized	4,366,899	**5,465,691**
Total exploration and evaluation assets	11,628,219	**12,803,210**

MINERAL PROPERTIES

	May 31, 2011	Additions	Impairment	May 31, 2012	**Additions**	**Impairment**	**November 30, 2012**
QUEBEC	**$**	$	$	$	**$**		**$**
Montviel (i)	6,812,129	239,198	-	7,051,327	**1,341**	**-**	**7,052,668**
Pump Lake	263,000	18,670	(281,670)	-	**-**	**-**	**-**
Sydney (ii)	11,655	2,862	(8,508)	6,009	**-**	**-**	**6,009**
Émilie (iii)	166,018	5,359	(165,908)	5,469	**-**	**-**	**5,469**
Oriana (iv)	89,192	41,602	(5,530)	125,264	**77,077**	**-**	**202,341**
Others (v)	54,966	18,285	-	73,251	**25,861**	**(28,080)**	**71,032**
	7,396,960	325,976	(461,616)	7,261,320	**104,279**	**(28,080)**	**7,337,519**

EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED

	May 31, 2011	Additions	Tax Credits Receivable	Impairment	May 31, 2012	**Additions**	**Tax Credits Receivable**	**November 30, 2012**
QUEBEC	$	$	$	$	$	**$**	**$**	**$**
Montviel (i)	-	6,068,593	(1,701,694)	-	4,366,899	**1,723,271**	**(624,479)**	**5,465,691**

(Expressed 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, 2012						
Opening net book value	1,828	15,131	29,553	4,175	-	50,687
Additions	-	18,069	24,324	537,833	159,388	739,614
Depreciation	(784)	(10,807)	(14,954)	(152,287)	(6,297)	(185,129)
Closing net book value	1,044	22,393	38,923	389,721	153,091	605,172
As at May 31, 2012						
Cost	2,350	37,365	59,454	542,008	159,388	800,565
Accumulated depreciation	(1,306)	(14,972)	(20,531)	(152,287)	(6,297)	(195,393)
Net book value	1,044	22,393	38,923	389,721	153,091	605,172
Period ended November 30, 2012						
Opening net book value	**1,044**	**22,393**	**38,923**	**389,721**	**153,091**	**605,172**
Depreciation	**(392)**	**(6,227)**	**(9,909)**	**(90,334)**	**(4,329)**	**(111,191)**
Closing net book value	**652**	**16,166**	**29,014**	**299,387**	**148,762**	**493,981**
As at November 30, 2012						
Cost	**2,350**	**37,365**	**59,454**	**542,008**	**159,388**	**800,565**
Accumulated depreciation	**(1,698)**	**(21,199)**	**(30,440)**	**(242,621)**	**(10,626)**	**(306,584)**
Net book value	**652**	**16,166**	**29,014**	**299,387**	**148,762**	**493,981**

The field equipment and base camp includes equipment capitalized under finance lease with a net book value of $240,168 as at November 30, 2012 ($313,493 – May 31, 2012).

Depreciation of property and equipment related to specific exploration projects is being capitalized as exploration and evaluation (“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 $16,529 ($11,614 - 2011) was expensed to depreciation while an amount of $94,662 (Nil – 2011) was capitalized as E&E assets during the six-month period ended November 30, 2012.

6. TRADE AND OTHER PAYABLES

	November 30, 2012	May 31, 2012
	$	$
Trade accounts payable	**343,420**	180,015
Salaries and source deductions payable	**81,095**	49,866
Accruals	**219,046**	233,339
	643,561	463,220

(Expressed in Canadian Dollars)

7. FLOW-THROUGH SHARE LIABILITY

	November 30, 2012 $	May 31, 2012 $
Balance, beginning of period	**-**	-
Addition during the period [(i)]	**508,200**	-
Reduction related to the incurrence of qualifying exploration expenditures	**-**	-
	-	
Balance, end of period	**508,200**	-

(i) The addition represents the excess of the proceeds received from flow-through shares issued over the fair market value of the shares issued. On November 22, 2012, 4,620,000 flow-through common shares were issued at a price of $0.50 per share for total proceeds of $2,310,000.

8. OBLIGATIONS UNDER CAPITAL LEASES

	November 30, 2012 $	May 31, 2012 $
Obligation under capital lease (base camp), 8%, payable in monthly instalments, maturing in May 2013. At the end of the term, the Company can buy the camp at a price of $100.	**31,539**	61,740
Obligation under capital lease (base camp), 8%, payable in monthly instalments, maturing in May 2013. At the end of term, the Company can buy the camp at a price of $100.	**12,476**	24,728
Obligation under capital lease, 11% (base camp), payable in monthly instalments, maturing in July 2013. At the end of the term, the Company can buy the camp at a price of $100.	**67,244**	116,642
	111,259	203,110
Current portion of obligations under capital leases	**111,160**	185,203
Non-current portion	**99**	17,907

The instalments on the obligation under capital leases for the next two years are as follows:

	$
2013	114,915
2014	100
	115,015
Interest included in minimum lease payments	(3,756)
	111,259

(Expressed in Canadian Dollars)

9. DEBT

On March 16, 2012, SIDEX, Limited Partnership ("SIDEX") granted a $1,500,000 loan to the Company which bears interest at an annual rate of 8%. The loan is secured by a hypothec on the universality of the Company's tax credits receivable for the fiscal years ended in 2011 and 2012 related to mineral exploration from Revenu Quebec. The loan must be repaid on the earlier of December 31, 2013 or upon the receipt of the tax credits. On July 3, 2012, the Company reimbursed $789,000 following the reception of fiscal 2011 tax credits for resources.

In connection with the loan, the Company issued 400,000, non-transferable common share purchase warrants entitling SIDEX to subscribe 400,000 common shares at a price of $1.25 per share for a period of 12 months. On March 16, 2012, a fair value of $53,073 was allocated to the warrants.

Using discounted cash flows pricing models and an estimated 15% interest rate prevailing at the date of issuance for instruments with similar conditions and risk, the loan was evaluated at its fair value of the debt instrument, and the residual value was allocated to the warrants. The Company determined that the fair value of the debt instrument is $686,199 as at November 30, 2012 ($1,415,605 – May 31, 2012) and accrued interest of $9,480 has been included in trade and other payables.

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

10. SHARE CAPITAL

(a) Authorized Share Capital

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

(b) Issued

	Number of Shares	**Amount $**
Balance - May 31, 2011	19,561,690	11,870,947
Private placement (i)	2,127,659	4,999,999
Share issue costs (i)	-	(1,141,097)
Pre-Development Agreement (ii)	150,000	225,000
Exercise of stocks options	400,000	244,000
Exercise of brokers’ options	-	106,909
Exercise of warrants	123,693	109,930
Balance – November 30, 2011	22,363,042	16,415,688

	Number of Shares	**Amount $**
Balance - May 31, 2012	**29,274,113**	**19,759,206**
Share issued – Oriana (iii)	**40,000**	**17,200**
Private placement (iv)	**4,620,000**	**1,767,150**
Share issue costs (iv)	**-**	**(224,466)**
Balance - November 30, 2012	**33,934,113**	**21,319,090**

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

(i) On July 8, 2011, the Company completed a brokered private placement and issued 2,127,659 units at a price of $2.35 per unit for total gross proceeds of $4,999,999. Issue costs totalling $1,139,426 (including an amount of $518,787 representing the value of brokers' options) were recorded as a reduction of share capital. Each unit consisted of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $2.85 until July 8, 2013. The Company paid cash commission of $328,781 and issued 134,750 brokers' options allowing the holder to acquire 134,750 units with the same terms as the private placement until July 8, 2013.

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

(iii) On October 24, 2012, the Company issued 40,000 common shares under the option agreement regarding Oriana property (value of $17,200).

(iv) On November 22, 2012, the Company completed a brokered flow-through private placement and issued 4,620,000 common shares at $0.50 each for gross proceeds of $2,310,000. The flow-through premium was estimated at $508,200 and recorded as flow-through share liability. In relation with this placement, the Company paid a cash commission of $224,466 to the brokers and issued 231,000 non-transferable brokers' options (valued at $34,650) allowing the holder to acquire one common share of the Company at a price of $0.50 until May 22, 2014.

11. WARRANTS

The following tables summarize the warrants outstanding as at November 30, 2012. Each warrant entitles the holder to subscribe to one common share.

	Number of warrants	**Fair Value $**	**Weighted Average Exercise Price $**
Balance - May 31, 2011	3,619,975	479,020	0.95
Issued	4,667,432	74,223	1.86
Exercised	(951,886)	(72,595)	0.59
Expired	(1,956,985	(156,559)	0.55
Balance - May 31, 2012	5,378,536	324,089	1.95
Expired	(711,104)	-	1.39
Balance as at November 30, 2012	4,667,432	324,089	1.87

Expiration date	**Number of warrants**	**Weighted Average Exercise Price $**
March 2013	400,000	1.25
July 2013	2,127,659	2.85
September 2013	1,952,273	1.00
December 2012	187,500	1.00
	4,667,432	

There was no issue or exercise of warrants during the six month period ended November 30, 2012.

(Expressed in Canadian Dollars)

12. BROKERS' OPTIONS

The number of outstanding brokers' options as at November 30, 2012 which could be exercised for an equivalent number of units or shares is as follows:

	Number of brokers' options for units*	Fair Value	Weighted Average Exercise Price $	Number of brokers' options for common shares	Fair Value	Weighted Average Exercise Price $
Balance - May 31, 2011	-	-	-	-	-	-
Issued	134,750	70,170	2.35	225,187	518,787	0.55
Balance - May 31, 2012	134,750	70,170	2.35	225,187	518,787	0.55
Issued	-	-	-	231,000	34,650	0.50
Balance – November 30, 2012	134,750	70,170	2.35	456,187	553,437	0.53

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

In connection with the brokered private placement completed on November 22, 2012, the Company issued 231,000 brokers' options allowing the holder to acquire an equivalent number of common shares at a price of $0.50 until May 22, 2014. The fair value of the brokers' options was estimated at $34,650. When granted, the fair value of the brokers' options, based on the fair value measured, indirectly, by reference to the fair value of the equity instruments granted (the fair value of services received cannot be estimated reliably), is recorded as an increase of the brokers' options and decrease of share capital.

The fair value of the brokers' options granted of $0.16 for each option for a total of $34,650 was estimated using the Black Scholes model and based on the following weighted average assumptions:

Average share price at date of grant	**$0.39**
Dividend yield	**NIL**
Expected weighted volatility	**117%**
Risk-free interest average rate	**1.11%**
Expected average life	**1.5 years**
Average exercise price at date of grant	**$0.50**

There was no exercise of brokers' options during the six month period ended November 30, 2012.

13. 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.

(Expressed in Canadian Dollars)

13. STOCK OPTIONS (Continued)

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

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

	Number of Options	Fair Value $	Weighted Average Exercise Price $
Outstanding - May 31, 2011	1,145,000	240,500	0.67
Granted	1,573,540	1,387,069	1.67
Exercised	(400,000)	(104,000)	0.35
Forfeited	(40,000)	(19,433)	0.90
Outstanding - May 31, 2012	2,278,540	1,504,136	1.41
Granted	930,000	-	0.42
Forfeited	(295,000)	(346,338)	1.65
Stock-based compensation	-	431,734	-
Outstanding- November 30, 2012	2,913,540	1,589,532	0.99

Range of Exercise Prices	**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	1,655,000	0.44	1.64	665,000	0.44
1.01 to 2.00	1,028,540	1.51	3.58	599,000	1.51
2.01 to 3.00	150,000	2.08	1.52	94,000	2.08
3.01 to 4.00	80,000	3.91	3.30	68,000	3.90
	2,913,540			1,426,000	

	Period Ended November 30, 2012	Year Ended May 31, 2012
Average share price at date of grant	**$0.42**	$1.67
Dividend yield	**NIL**	NIL
Expected weighted volatility	**117%**	119%
Risk-free interest average rate	**1.37%**	1.25%
Expected average life	**3.75 years**	3.75 years
Average exercise price at date of grant	**$0.32**	$1.67

In total, $431,734 of stock-based compensation was recognized during the six-month period ended November 30, 2012 with $369,703 included in the statement of loss and comprehensive loss and $62,031 capitalized in E&E assets (respectively $145,261 and $12,966 for 2011).

There was no exercise of stock options during the six-month period ended November 30, 2012.

(Expressed in Canadian Dollars)

14. EXPLORATION AND EVALUATION EXPENSES

	Three-Month Period Ended November 30		Six-Month Period Ended November 30	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Salaries, geology and prospection	73,335	79,873	201,657	521,493
Lodging and travel expenses	18,916	45,252	39,595	181,697
Geophysics and geochemistry	-	77,027	-	160,171
Analysis	45,237	66,560	59,453	262,279
Drilling	-	22,095	-	84,682
Field preparation and equipment	24,810	113,359	73,296	139,609
Taxes, permits and insurances	954	5,125	1,191	5,125
	163,252	409,291	375,192	1,355,056
Exploration and evaluation expenses				
Tax credits receivable	(62,341)	(154,540)	(144,526)	(505,176)
Exploration and evaluation expenses	100,911	254,751	230,666	849,880

15. 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 11, 12 and 13.

	Three-Month Period Ended November 30		Six-Month Period Ended November 30	
	2012	**2011**	**2012**	**2011**
Loss and comprehensive loss	$ 861,130	$ 886,340	$ 1,619,366	$ 1,787,737
Weighted average number of shares outstanding	29 747 739	21,498,251	29 509 632	22,130,163
Basic and diluted loss per share	$0.03	$ 0.03	$ 0.05	$ 0.04

(Expressed in Canadian Dollars)

16. 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, the Secretary and the Vice-President, exploration. Key management personnel remuneration includes the following expenses:

	Three-Month Period Ended November 30		Six-Month Period Ended November 30	
	2012	2011	2012	2011
	$	$	$	$
Short-term employee benefits				
Salaries including benefits	205,178	100,000	325,178	150,964
Professional fees	-	28,400	-	60,625
Total short-term employee benefits	205,178	128,400	325,178	211,589
Stock-based compensation	149,888	99,836	350,417	132,253
Total remuneration	355,066	228,236	675,595	343,842

17. 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
	$	$	$	$
November 30, 2012	25,179	-	-	25,179

The Company leases its offices under a lease agreement expiring in September 2013.

The minimum lease payments recognized as an expense during the reporting period amounted to $6,820 ($13,088 for the same period in 2011). 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 November 30, 2012, the Company have to incur $2,310,000 in qualifying exploration expenditures by December 2013 to meet its flow-through liability as described in note 7. At this time, Management anticipates meeting that obligation and as a result, no additional provisions are required.

18. SUBSEQUENT EVENT

On December 5, 2012, the Company closed the second tranche of its brokered flow-through private placement by issuing 756,000 common shares priced at $0.50 for gross proceeds of $378,000. As part of the transaction, the company issued 37,800 non-transferable brokers' options allowing the holder to acquire one common share of the Company at a price of $0.50 until June 5, 2014.