GEOMEGA RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2015 AND 2014

August 26, 2014

Independent Auditor's Report

To the Shareholders of
GéoMégA Resources Inc.

We have audited the accompanying consolidated financial statements of GéoMégA Resources Inc., which comprise the consolidated statements of financial position as at May 31, 2015 and 2014 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GéoMégA Resources Inc. as at May 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, public accountancy permit No. A123642

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

	Note	**May 31, 2015 $**	May 31, 2014 $
ASSETS			
Current			
Cash and cash equivalents	5	**454,671**	2,399,775
Sales tax receivable		**35,534**	126,836
Tax credits receivable	6	**225,980**	433,674
Prepaid expenses and other		**55,921**	55,495
Current assets		**772,106**	3,015,780
Non-current			
Tax credits receivable	6	**129,208**	92,092
Exploration and evaluation assets	7	**17,895,108**	16,812,378
Property and equipment	8	**241,759**	277,526
Non-current assets		**18,266,075**	17,181,996
Total assets		**19,038,181**	20,197,776
LIABILITIES			
Current			
Trade and other payables		**392,931**	609,251
Obligations under finance leases	9	**34,826**	53,912
Flow-through share liability		**-**	30,480
Current liabilities		**427,757**	693,643
Non-current			
Obligations under finance leases	9	**-**	34,826
Total liabilities		**427,757**	728,469
EQUITY			
Share capital	11	**26,525,148**	25,337,856
Warrants	12	**700,225**	620,253
Broker options	13	**119,910**	110,046
Stock options		**1,663,131**	1,556,330
Contributed surplus		**1,529,238**	1,464,563
Deficit		**(11,927,228)**	(9,619,741)
Total equity		**18,610,424**	19,469,307
Total liabilities and equity		**19,038,181**	20,197,776

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

Going concern (*Note 1*)
Commitments (*Note 22*)
Subsequent events (*Note 23)*

Approved on Behalf of the Board:

/s/ "Derek Lindsay "
Derek Lindsay
President and CEO by interim

/s/ "Gilles Gingras "
Gilles Gingras
Director

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

		Year Ended May 31,	
		2015	2014
	Note	**$**	$
EXPENSES			
Salaries, employee benefits and share-based compensation	15	**775,918**	676,161
Exploration and evaluation expenses, net of tax credits	16	**1,115,537**	271,945
Research expenses, net of tax credits		**12,722**	33,800
Professional fees		**238,251**	185,879
Travel, conferences and investor relations		**196,720**	59,254
Telecommunications		**10,314**	12,919
Administration		**27,392**	12,466
Filling fees		**67,298**	59,892
Rent		**28,942**	28,099
Insurance, taxes and permits		**25,104**	21,845
Depreciation of property and equipment	8	**7,442**	12,715
Loss on disposal of property and equipment		**-**	3,930
Write-off of exploration and evaluation assets		**11,850**	140,089
Loss before under noted items		**2,517,490**	1,518,994
Interest income		**(15,329)**	(18,421)
Finance costs		**19,741**	85,336
Loss before income taxes		**2,521,902**	1,585,909
Deferred income tax recovery	17	**(214,415)**	(355,521)
Loss and comprehensive loss for the period		**2,307,487**	1,230,388
Basic and diluted loss per share	20	**(0.04)**	(0.03)
Weighted average number of common shares outstanding - Basic and diluted		**53,909,487**	40,276,763

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

GEOMEGA RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(expressed in Canadian Dollars)

	Note	Share Capital $	Warrants $	Broker Options $	Stock Options $	Contributed Surplus $	Deficit $	Total Equity $
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		-	-	-	-	-	(1,230,388)	(1,230,388)
Share-based compensation		-	-	-	298,738	(242,937)	-	55,801
Shares issued for private placements	11	3,689,215	730,170	-	-	-	-	4,419,385
Share issuance costs	11	(409,685)	(80,912)	120,054	-	-	-	(370,543)
Shares issued for exercise of warrants	12	318,344	(66,938)	-	-	-	-	251,406
Shares issued for exercise of broker options	13	91,843	2,910	(23,544)	-	-	-	71,209
Extension of warrants	12	-	35,023	-	-	-	(35,023)	-
Expiation of warrants	12	-	(22,170)	-	-	19,188	-	(2,982)
Expiration of broker options	13	-	-	(614,607)	-	541,848	-	(72,759)
Expiration of stock options		-	-	-	(351,772)	351,772	-	-
As at May 31, 2014		25,337,856	620,253	110,046	1,556,330	1,464,563	(9,619,741)	19,469,307
As at May 31, 2014		**25,337,856**	**620,253**	**110,046**	**1,556,330**	**1,464,563**	**(9,619,741)**	**19,469,307**
Loss and comprehensive loss for the period		-	-	-	-	-	**(2,307,487)**	**(2,307,487)**
Share-based compensation		-	-	-	**133,167**	-	-	**133,167**
Shares issued for private placements	11, 12	**933,959**	**181,131**	-	-	-	-	**1,115,090**
Share issuance costs	11, 12, 13	**(64,573)**	**(8,677)**	**14,400**	-	-	-	**(58,850)**
Shares issued for the acquisition of exploration and evaluation assets	11	**15,150**	-	-	-	-	-	**15,150**
Shares issued for the exercise of warrants	12	**302,756**	**(52,756)**	-	-	-	-	**250,000**
Expiration of warrants	12	-	**(39,726)**	-	-	**34,383**	-	**(5,343)**
Expiration of stock options		-	-	-	**(26,366)**	**26,366**	-	-
Expiration of broker options	13	-	-	**(4,536)**	-	**3,926**	-	**(610)**
As at May 31, 2015		**26,525,148**	**700,225**	**119,910**	**1,663,131**	**1,529,238**	**(11,927,228)**	**18,610,424**

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

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

	Note	Year Ended May 31, **2015** $	2014 $
OPERATING ACTIVITIES			
Loss for the period		**(2,307,487)**	(1,230,388)
Adjustments for:			
Share-based compensation	15	**117,943**	34,991
Depreciation of property and equipment	8	**7,442**	12,715
Write-off of exploration and evaluation assets		**11,850**	140,089
Loss on disposal of property and equipment		**-**	3,930
Accretion expense - debt		**-**	62,188
Deferred income tax recovery	17	**(214,415)**	(355,521)
Changes in non-cash working capital items:			
Sales tax receivable		**91,302**	30,695
Tax credits receivable		**(133,857)**	482,195
Prepaid expenses and other		**(426)**	(31,963)
Trade and other payables		**(47,953)**	(116,501)
Cash flows from operating activities		**(2,475,601)**	(670,642)
INVESTING ACTIVITIES			
Acquisition of exploration and evaluation assets		**(1,160,626)**	(2,576,354)
Tax credit received		**299,899**	2,226,401
Acquisition of property and equipment		**(30,859)**	(14,450)
Disposal of property and equipment		**-**	15,000
Cash flows from (used) in investing activities		**(891,586)**	(349,403)
FINANCING ACTIVITIES			
Proceeds from issuance of units and shares, net of issue costs		**1,225,995**	4,162,332
Proceeds from exercise of warrant		**250,000**	251,406
Proceeds from exercise of broker options			71,209
Payments on obligations under finance leases		**(53,912)**	(41,982)
Repayment of debt			(1,461,000)
Cash flows from (used) financing activities		**1,422,083**	2,981,965
Net change in cash and cash equivalents		**(1,945,104)**	1,961,920
Cash and cash equivalents, beginning of the period		**2,399,775**	437,855
Cash and cash equivalents, end of the period		**454,671**	2,399,775
Additional information			
Interest received		**17,279**	13,985
Interest paid		**(18,874)**	(30,222)
Acquisition of exploration and evaluation assets included in trade and other payables		**45,498**	205,638
Share issue cost included in trade and other payables		**3,104**	11,331
Acquisition of property and equipment through a finance lease agreement		**-**	112,967

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Geomega Resources Inc. (the “Company”) is incorporated under the Canada Business Corporations Act and is engaged in the acquisition, exploration and evaluation of mining properties in Canada. The Company’s shares are listed on the TSX Venture Exchange under symbol GMA. The address of the Company's registered office and principal place of business is 475 Victoria Avenue, Saint-Lambert, Quebec, Canada, J4P 2J1. These audited consolidated financial statements were approved by the Company’s Board of Directors on August 26, 2015.

The Company has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to pursue the exploration and evaluation on its mining properties.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. For the year ended May 31, 2015, the Company reported a loss of $2,307,487 and an accumulated deficit of $11,927,228. As of May 31, 2015, the Company had working capital of $344,349 and cash and cash equivalents of $454,671. Management estimates that the working capital will not be sufficient to meet the Company’s obligations and commitments and budgeted expenditures through May 31, 2016. These circumstances lend a significant doubt as to the ability of the Company to ensure its continuity of operation and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

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

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

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

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

Consolidation

In March 2015, the Company incorporated a private wholly owned subsidiary, Innord Inc. (“Innord”), incorporated under the Canada Business Corporations Act and specializes in research and development. The consolidated financial statements include the accounts of the Company and the accounts of Innord. All intra-group transactions, balances, income and expenses are eliminated during consolidation.

Functional and presentation currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Exploration and evaluation expenditures

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

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

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

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

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

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

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

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

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

The Company has taken steps to verify the validity of title to mineral properties on which it is conducting exploration activities and is acquiring interests in accordance with industry standards that apply to the current stage of exploration and evaluation of such property, these procedures do not guarantee the Company's title, property title may be subject to unregistered prior agreements, aboriginal claims or noncompliance with regulatory requirements.

Research and development costs

Research costs are expensed during the year in which the expenses are incurred. Development costs are capitalized when they meet the criteria for capitalization in accordance with IAS 38 "Intangible Assets" (“IAS 38”).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

Leasehold improvements	Lease term
Office equipment	3 years
Vehicles	3 years
Field equipment and base camp related to exploration and evaluation activities	3 to 5 years
Warehouse related to exploration and evaluation activities	15 years

Depreciation of property and equipment, if related to exploration activities, is expensed or capitalized to exploration and evaluation expenditures according to the capitalization policy of exploration and evaluation expenditures. For those which are not related to exploration and evaluation activities, depreciation expense is recognized directly in the statement of loss and comprehensive loss.

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

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

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

Tax credits and mining rights receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration and evaluation expenditures incurred.

Investment tax credits

Investment tax credits are recognized when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions necessary to obtain such assistance. The Company incurs research and development expenses that are eligible for investment tax credits. Refundable investment tax credits are based on management's estimates of amounts expected to be recovered and are subject to audit by tax authorities.

Investment tax credits are recognized as a reduction of the cost of the related assets or expenses in the year in which the expenditures are made when management deems that there is reasonable assurance that the conditions for government assistance or investment tax credits have been met.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

Flow-through shares

The Company finances some exploration and evaluation 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 amounts recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liability which is reversed into the statement of loss and comprehensive loss as a recovery of deferred income taxes when the eligible expenditures are incurred. The amount recognized as a flow-through share liability represents the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares, net of allocated issue costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

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

Financial assets

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

Financial liabilities

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

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

Current income and mining taxes

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income and mining taxes

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

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

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

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

As management intends to realize the carrying value of its assets and settle the carrying value of its liabilities through the sale of its exploration and evaluation assets, the related deferred tax has been calculated accordingly.

Basic and diluted loss per share

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

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

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

Equity

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

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

Issuance of units

Proceeds from unit placements are allocated between shares and warrants issued using the Black-Scholes valuation model used to determine the value of warrants issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based compensation

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

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

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

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

Leases

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

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

Each finance lease payment is allocated between the liability and finance costs. The corresponding rental obligations, net of finance charges, are included in obligation under finance leases. The interest element of the finance cost is charged to the statement of loss and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company.

Employee benefits

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

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

Segment reporting

The Company currently has one operating segment, the exploration and evaluation of mineral resources.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards adopted during the year ended May 31, 2015

The Company adopted the following new standard, along with any consequential amendments, effective on June 1, 2015. The change was made in accordance with the applicable transitional provisions.

IFRIC 21, Rights and taxes

IFRIC 21 is an interpretation of IAS 37, *Provisions, Contingent Liabilities* and *Contingent Assets,* relating to accounting for duties or taxes levied by public authorities. IAS 37 establishes criteria for recognition of a liability, one of these criteria is that the entity must have a present obligation arising from a previous event. The interpretation clarifies that the obligating event is the activity described in the applicable laws resulting in the payment of duty or tax. IFRIC 21 applies to fiscal years beginning on or after January 1, 2014. The adoption of this standard had no material impact on the consolidated financial statements of the Company.

Accounting standards issued but not yet effective

The Company has not yet adopted certain standards, interpretations to existing standards and amendments that have been issued but have an effective date of later than June 1, 2015. Many of these updates are not relevant to the Company and are therefore not discussed herein.

IFRS 9, Financial instruments

In November 2009 and October 2010, IASB issued the first phase of IFRS 9. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third category of evaluation financial assets (those measured at fair value through other comprehensive income) and only one impairment model based on expected losses.

IFRS 9 replaces the multiple category and measurement models that currently apply to assets and financial liabilities with a single model with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on the entity's business model and the characteristics of contractual cash flows of the financial asset or financial liability. The standard also introduces limited changes relating to financial liabilities and a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard applies to fiscal years beginning on or after January 1, 2018, with earlier application is permitted. Management is currently evaluating the impact of this standard on the consolidated financial statements of the Company.

4. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

Going concern

The assessment of the Company’s ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Impairment of non-financial assets

Assets are reviewed for an indication of impairment at each statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities, significant drop in commodity prices, an expiry of the right to explore in the specific area during the period or in the near future with no expectation of renewal, the fact that substantive exploration and evaluation expenditures in a specific area are neither budgeted nor planned, the fact that exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the fact that the entity has decided to discontinue such activities in the specific area, or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Accounting for research and development activities

The Company must apply its judgment in determining which activities relating to extraction methods and treatment processes should be accounted for as research and development under IAS 38 or as exploration and evaluation assets under IFRS 6 Exploration for and Evaluation of Mineral Resources (“IFRS 6”). The Company conducts a combination of research activities to develop an extraction and metallurgical process for the Montviel property and to develop other technological applications, such as separation of rare earth oxides. The Company determined that the activities directly related to the Montviel property are within the scope of IFRS 6 and the other technological applications are within the scope of IAS 38.

The Company applies the criteria listed in IAS 38 to determine if research and development costs should be capitalized or expensed. As at May 31, 2015, all expenses incurred by the Company within the scope of IAS 38 were expensed as the Company is in the research phase and not the development phase.

Income taxes and recoverability of potential deferred tax assets

Periodically, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if the Company believes that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be utilized. Assessing the recoverability of deferred income tax assets requires management to make significant judgment. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. Significant judgment is required in determining the income tax recovery as there are transactions and calculations for which the ultimate tax determination is uncertain. Management intends to realize the carrying value of its assets and settle the carrying amount of its liabilities through the sale of its exploration and evaluation assets, which is an important judgment.

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

The refundable credit for resources and refundable credit on mining duties (the “tax credits”) for the current period and prior periods are measured at the amount the Company expects to recover from the tax authorities as at the closing date. However, uncertainties remain as to the interpretation of tax rules and the amount and timing of the recovery of such tax credits. To determine whether the expenses it incurs are eligible, the Company must exercise considerable judgment and interpretation, which makes the recovery of tax credits uncertain. Accordingly, there may be a significant difference between the recorded amount of tax credits receivable and the actual amount of tax credits received following the tax authorities’ review of issues whose interpretation is uncertain. Should such a difference arise, an adjustment would have to be made to tax credits receivable and provisions may potentially need to be recognized for previous tax credits received by the Company. It may take considerable time for the tax administration to render its decisions on issues related to tax credits, and it can therefore take a long time to recover tax credits. Tax credits that the Company expects to recover within more than one year are classified as non-current assets. The amounts recognized in the financial statements are based on the Company’s best estimates and according to its best judgment, as stated above. However, given the uncertainty inherent in obtaining the approval of the relevant tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid, as well as the timing of such recovery or repayment, could differ materially from the accounting estimates, which would affect the Company’s financial position and cash flows.

(expressed in Canadian Dollars)

5. CASH AND CASH EQUIVALENTS

	May 31, 2015 $	May 31, 2014 $
Cash	**74,671**	134,775
Investments redeemable at any time	**380,000**	2,265,000
	454,671	2,399,775
Less : cash reserved for qualifying exploration expenditures	**-**	596,109
Cash and cash equivalents	**454,671**	1,803,666

6. TAX CREDITS RECEIVABLE

	May 31, 2015 $	May 31, 2014 $
Tax credits for resources	**179,745**	56,775
Refundable credit on mining duties	**127,527**	391,991
Investment tax credits for research and development	**47,916**	77,000
	355,188	525,766
Less: Non-current portion of tax credits receivable	**129,208**	92,092
Current portion of tax credits receivable	**225,980**	433,674

Tax credit for resources and refundable credit on mining duties are related to qualifying mineral exploration expenses incurred in the province of Québec. The investment tax credits are related to expenditure on research and development incurred by the Company's subsidiary, Innord Inc.

7. EXPLORATION AND EVALUATION ASSETS

Montviel property (Rare Earth Elements and Niobium)

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 164 mining claims totalling 9,109 hectares as at May 31, 2015.

The property is subject to a royalty of 2% of the net proceeds to NioGold Mining Corporation ("NioGold"). On May 27, 2015, the Company entered into an agreement with NioGold under which an option, without charge, was granted to redeem the 2% royalty on Montviel for $ 2 million.

During the year ended May 31, 2015, the Company abandoned 10 mineral claims acquired in July 2003 and October 2011. Accordingly, the Company wrote off an amount of $11,850, which represents their acquisition and renewal costs.

During the year ended May 31, 2014, the Company abandoned 6 mining claims acquired in March 2011. Accordingly, the Company wrote-off an amount of $125,000, which represents their acquisition cost.

Anik property (Gold)

The Company owns 100% of the Anik property, located 40 km south of the town of Chapais. The Anik property consists of 151 claims totalling 8,452 hectares as at May 31, 2015.

On August 26, 2014, the Company signed a purchase and sale agreement to acquire 1 mining claim located in the North-East of Anik property for $2,000 in cash and 30,000 common shares of the Company. The Company's common shares were issued on September 8, 2014 for a value of $9,750. On September 22, 2014, the Company signed a purchase and sale agreement to acquire 6 mining claims located in the surrounding area of the Anik property for $2,000 in cash and 30,000 common shares of the Company. The Company's common shares were issued on October 9, 2014 for a value of $5,400.

7. EXPLORATION AND EVALUATION ASSETS (continued)

McDonald property (Gold)

The Company owns 100% of the McDonald property, located 30 km east of the Montviel property. The McDonald property consists of 208 claims totalling 11,526 hectares as at May 31, 2015.

Following a review of the mineral property, the Company wrote-down $9,350 during the year ended May 31, 2014, as no further exploration work is planned on certain claims which will not be renewed.

Rivière à l'aigle property (Gold)

During the year ended May 31, 2015, the Company acquired 100% of the Rivière à l'aigle property, located 60 km south of the town of Chapais. The Rivière à l'aigle property consists of 69 claims totaling 3,879 hectares as at May 31, 2015.

Lac Storm property (Gold)

During the year ended May 31, 2015, the Company acquired 100% of the Lac Storm property, located 100 km north of the Montviel property. The Lac Storm property consists of 5 claims totaling 272 hectares as at May 31, 2015.

3G property (Gold)

During the year ended May 31, 2015, the Company acquired 100% of the 3G property, located 40 km east of the Montviel property. The 3G property consists of 11 claims totaling 609 hectares as at May 31, 2015.

Buckingham property (Graphite)

The Company owns 100% of the Buckingham property, located in the town of Buckingham, Québec. The Buckingham property consists of 13 claims totaling 782 hectares as at May 31, 2015.

La Trève property (Base metals)

The Company owns 100% of the La Trève property, located 12 km north of the town of Chapais, Québec. The La Trève property consists of 19 claims totaling 1 053 hectares as at May 31, 2015. These claims will all have expired as of March 22, 2017.

Following a review of the mineral property, the Company wrote-off the entire property for $4,044 during the year ended May 31, 2014, as no further exploration work was planned.

Curières property (graphite)

The Company owns 100% of the Curières property, located 10 km north of the town of l'Ascension, Québec. The Curières property consists of 10 claims totaling 590 hectares as at May 31, 2014. These claims will all have expired as at August 25, 2015.

Following a review of the mineral property, the Company wrote-off the entire property for $1,695 during the year ended May 31, 2014, as no further exploration work was planned.

(expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

MINERAL PROPERTIES

QUEBEC	Montviel	Anik	McDonald	Buckingham	La Trève	Curières	Rivière à l'aigle	Lac Storm	3G	Total
May 31, 2013	7,053,482	19,682	18,278	1,365	3,942	1,050	-	-	-	7,097,799
Additions	4,882	555	8,419	807	102	645	-	-	-	15,410
Impairment	(125,000)	-	(9,350)	-	(4,044)	(1,695)	-	-	-	(140,089)
May 31, 2014	**6,933,364**	**20,237**	**17,347**	**2,172**	**-**	**-**	**-**	**-**	**-**	**6,973,120**
Additions	**6,498**	**28,173**	**4,615**	**-**	**-**	**-**	**6,036**	**939**	**790**	**47,051**
Write-offs	**(11,850)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**(11,850)**
May 31, 2015	**6,928,012**	**48,410**	**21,962**	**2,172**	**-**	**-**	**6,036**	**939**	**790**	**7,008,321**

EXPLORATION AND EVALUATION EXPENDITURES CAPITALIZED

QUEBEC	Montviel
May 31, 2013	7,255,800
Additions	2,479,276
Tax credits, net	104,182
May 31, 2014	**9,839,258**
Additions	**1,052,065**
Tax credits, net	**(4,536)**
May 31, 2015	**10,886,787**

	May 31, 2015	May 31, 2014
Mineral properties	**7,008,321**	6,973,120
Capitalized exploration and evaluation expenditures capitalized	**10,886,787**	9,839,258
Total exploration and evaluation assets	**17,895,108**	16,812,378

(expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Office equipment	Vehicles	Exploration and Evaluation Equipment: Field Equipment and Camp	Exploration and Evaluation Equipment: Warehouse	Total
	$	$	$	$	$	$
Year ended May 31, 2014						
Opening net book value	260	13,404	19,105	209,052	144,434	386,255
Additions	-	5,189	-	122,228	-	127,417
Disposals	-	-	-	(18,930)	-	(18,930)
Depreciation	(260)	(12,455)	(19,105)	(176,739)	(8,657)	(217,216)
Closing net book value	-	6,138	-	135,611	135,777	277,526
As at May 31, 2014						
Cost	2,350	46,020	59,454	617,236	159,388	884,448
Accumulated depreciation	(2,350)	(39,882)	(59,454)	(481,625)	(23,611)	(606,922)
Closing net book value	-	6,138	-	135,611	135,777	277,526
Year ended May 31, 2015						
Opening net book value	**-**	**6,138**	**-**	**135,611**	**135,777**	**277,526**
Additions	**-**	**1,304**	**-**	**29,555**	**-**	**30,859**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Depreciation	**(260)**	**(7,442)**	**-**	**(53,261)**	**(5,923)**	**(66,626)**
Closing net book value	**-**	**-**	**-**	**111,905**	**129,854**	**241,759**
As at May 31, 2015						
Cost	**2,350**	**47,324**	**59,454**	**646,791**	**159,388**	**915,307**
Accumulated depreciation	**(2,350)**	**(47,324)**	**(59,454)**	**(534,886)**	**(29,534)**	**(673,548)**
Closing net book value	**-**	**-**	**-**	**111,905**	**129,854**	**241,759**

The field equipment and base camp includes equipment capitalized under finance leases with a net book value of $80,962 as at May 31, 2015 ($103,554 - 2014) and a depreciation of $32,005 ($9,413 - 2014) included in the exploration and evaluation assets capitalized for the year ended May 31, 2015.

Depreciation of property and equipment related to exploration and evaluation assets is being capitalized as exploration and evaluation assets. Depreciation of property and equipment not related to exploration and evaluation 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 $7,442 ($12,715 - 2014) was expensed to depreciation while an amount of $59,184 ($204,501 – 2014) was capitalized as exploration and evaluation assets during the year ended May 31, 2015.

(expressed in Canadian Dollars)

9. OBLIGATIONS UNDER FINANCE LEASES

	May 31, 2015 $	May 31, 2014 $
Obligation under finance lease, 13% (equipment), payable in monthly instalments, maturing in December 2015. At the end of the term, the Company may buy the equipment at a price of $10.	**34,826**	88,738
	-	-
	34,826	88,738
Current portion of obligations under finance leases	**34,826**	53,912
Non-current portion	**-**	34,826

The obligation under finance leases within the next two years is as follows:

	$
Minimum lease payments	36,353
Interest included in minimum lease payments	(1,527)
	34,826

10. FLOW-THROUGH SHARE LIABILITY

	May 31, 2015 $	May 31, 2014 $
Balance, beginning of year	**30,480**	203,433
Addition during the year, net of issue costs (i)	**177,982**	106,827
Reduction related to qualifying exploration expenditures	**(208,462)**	(279,780)
Balance, end of year	**-**	30,480

(i) The addition for the period represents the excess of the proceeds received from flow-through shares issued over the fair market value of the shares issued, net of issue costs. For the year ended May 31, 2015, the Company recorded a liability of $177,982 (106,827 – 2014) following the issuance of flow-through shares on November 20, 2014. The flow-through share liability is reduced as the Company incurs qualifying flow-through expenses.

(expressed in Canadian Dollars)

11. SHARE CAPITAL

(a) Authorized Share Capital

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

(b) Issued

	Number of Shares	Carrying Value $
Balance – May 31, 2013	34,990,113	21,648,139
Private placements	13,018,458	3,689,215
Share issuance costs	-	(409,685)
Exercise of warrants	1,090,312	318,344
Exercise of broker options	302,400	91,843
Balance – May 31, 2014	49,401,283	25,337,856

	Number of Shares	**Carrying Value $**
Balance – May 31, 2014	**49,401,283**	**25,337,856**
Private placements	**6,528,277**	**933,959**
Share issuance costs	**-**	**(64,573)**
Shares issued - Anik	**60,000**	**15,150**
Exercise of warrants	**1,000,000**	**302,756**
Balance – May 31, 2015	**56,989,560**	**26,525,148**

Year Ended May 31, 2015

In November 2014, the Company completed a private placement and issued 4,528,277 units at a price of $0.18 per unit for gross proceeds of $815,090. Each unit consisted of one common share and one-half warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.25 until November 20, 2016. An amount of $633,959 was allocated to share capital and $181,131 was allocated to the value of the warrants. Issue costs totaling $30,371 and $8,677 were recorded as a reduction of share capital and warrants, respectively.

On November 20, 2014, the Company completed a brokered flow-through private placement and issued 2,000,000 flow-through shares at a price of $0.25 for gross proceeds of $500,000. The flow-through premium was estimated at $200,000 and recorded as flow-through share liability. In relation with this placement, the Company paid a cash commission of $40,000 to the broker (total issue costs of $55,044 of which $22,018 was allocated to the flow-through share liability) and issued 160,000 non-transferable broker options (valued at $14,400) allowing the holder to acquire one common share of the Company at a price of $0.25 until November 20, 2016.

On September 22, 2014, the Company issued 30,000 common shares for the acquisition of 6 mining claims located in the surrounding area of the Anik property (valued at $5,400 and issue costs of $270).

On September 8, 2014, the Company issued 30,000 common shares for the acquisition of 1 mining claim located in the North-East of the Anik property (valued at $9,750 and issue costs of $907).

During the year ended May 31, 2015, 1,000,000 common shares were issued following the exercise of warrants at a price of $0.25. The weighted average share price at the exercise date for all warrants exercised during the period was $0.25 per share.

11. SHARE CAPITAL (Continued)

Year Ended May 31, 2014

On March 19, 2014 and April 14, 2014, the Company completed a brokered private placement in two tranches and issued 1,937,333 and 1,796,000 units at a price of $0.60 per unit for total gross proceeds of $2,240,000. Each unit consists of one common share and one-half warrant. Each warrant allows the holder to acquire one common share of the Company at a price of $0.90 until September 19, 2015. A sum of $1,792,000 was allocated to share capital while $448,000 was allocated to the warrants. Issue costs totaling $274,876 were recorded as a reduction of share capital and warrants for $219,901 and $54,975 respectively.

On March 19, 2014, the Company completed a brokered flow-through private placement and issued 1,450,000 flow-through shares at a price of $ 0.70 per flow-through share for total gross proceeds of $1,015,000. The flow-through premium was estimated at $58,000 (net of issue cost of $6,101) and recorded as flow-through share liability. A sum of $957,000 was allocated to share capital. Issue costs totaling $106,761 were recorded as a reduction of share capital and flow-through share liability ($100,660 and $6,101 respectively).

In connection with the financings completed on March 19, 2014 and April 14, 2014, the Company paid a commission of $194,794 to the broker and issued 264,167 non-transferable broker options (valued at $105,510) allowing the holder to acquire one common share of the Company at a price of $0.60 until September 19, 2015 and October 14, 2015 respectively.

On November 4 and December 3, 2013, the Company completed a private placement in two tranches and issued respectively 4,383,625 and 328,000 units at a price of $0.16 per unit for gross proceeds of $753,860. Each unit consisted of one common share and one-half warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.21 until November 4, 2016 and December 3, 2016 respectively. An amount of $565,395 was allocated to share capital and $188,465 was allocated to the value of the warrants. Issue costs totaling $58,493 were recorded as a reduction of share capital and warrants ($43,870 and $14,623 respectively).

On December 3, 2013, the Company issued 3,123,500 flow-through units at a price of $0.17 per flow-through unit for gross proceeds of $530,995. Each flow-through unit consisted of one flow-through common share and one-half non flow-through warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.25 until December 3, 2014. The flow-through premium was estimated at $62,470 (net of issue costs of $7,542) and recorded as flow-through share liability. An amount of $374,820 was allocated to share capital and $93,705 was allocated to the value of the warrants. Issue costs totaling $64,108 were recorded as a reduction of share capital, warrants and flow-through share liability ($45,252, $11,314 and $7,542 respectively). In connection with this placement, the Company issued 242,400 non-transferable broker options for units (valued at $14,544). Each broker option for units entitles the holder to purchase one unit at a price of $0.17 until June 3, 2015. Each warrant issued upon the exercise of a broker option for units will have the same terms as the warrants issued as part of the flow-through units.

During the year ended May 31, 2014, a total of 1,090,312 common shares were issued following warrants exercise. The weighted average share price at the exercise date for all warrants exercised during the year was $0.57 per share.

During the year ended May 31, 2014, a total of 302,400 common shares were issued following broker options exercise. The weighted average share price at the exercise date for all broker options exercised during the year was $0.59 per share.

On May 8, 2014, The Company adopted a shareholder rights plan in connection with any takeover offer for the Company. Rights issued under the plan become exercisable when a person and any related parties acquires or announces its intention to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the plan or without approval of the Company's Board of Directors. Should such an acquisition occur, each rights holder, other than the acquiring person and related parties, will have the right to purchase common shares of the Company at a substantial discount to the market price at that time. The shareholder rights plan must be ratified by the shareholders within six months of the effective date of the Plan.

(expressed in Canadian Dollars)

12. WARRANTS

The following tables summarize the warrants outstanding as at May 31, 2015. Each warrant entitles the holder to subscribe to one common share.

	Number of warrants	**Carrying Value $**	**Weighted Average Exercise Price $**
Balance - May 31, 2013	4,267,432	22,170	1.92
Issued	6,905,428	733,080	0.40
Issuance costs	-	(80,912)	-
Exercised	(1,090,312)	(66,938)	0.23
Expired	(2,315,159)	(22,170)	2.70
Extended	-	35,023	1.00
Balance - May 31, 2014	**7,767,389**	**620,253**	**0.57**
Issued	**2,264,138**	**181,131**	**0.25**
Issuance costs	**-**	**(8,677)**	**-**
Exercised	**(1,000,000)**	**(52,756)**	**0.25**
Expired	**(2,074,223)**	**(39,726)**	**0.96**
Balance – May 31, 2015	**6,957,304**	**700,225**	**0.40**

Expiration date	**Number of warrants**	**Weighted Average Exercise Price $**
September 2015	1,866,666	0.90
November 2016	3,926,638	0.23
December 2016	164,000	0.21
July 2018	1,000,000	0.15
	6,957,304	

In connection with the private placement completed in November 2014, the Company issued 2,264,138 warrants allowing the holder to acquire an equivalent number of common shares of the Company at a price $0.25 until November 20, 2016 at the latest. The warrants were recorded at a value of $172,454 ($181,131 less the issuance costs of $8,677) based on the Black-Scholes model using the following weighted average assumptions: risk-free interest rate of 1.00%, expected life of 2 years, annualized volatility rate of 134% and dividend rate of 0%.

During the year ended May 31, 2015, 1,000,000 warrants were exercised (valued at $52,756) (1,090,312 warrants valued at $66,938 at May 31, 2014) and 2,074,223 warrants have expired (valued at $39,726) (2,315,159 warrants valued at $22,170 at May 31, 2014). During the year ended May 31, 2014, a total of 121,200 warrants were issued on the exercise of broker units options (valued at $2,910).

In connection with the brokered private placement completed on March 19, 2014 and April 14, 2014, the Company issued 1,866,666 warrants allowing the holder to acquire an equivalent number of common shares of the Company at a price $0.90 until September 19, 2015. The warrants were recorded at a value of $393,025 ($448,000 less the issuance costs of $54,975) based on the Black-Scholes model using the following weighted average assumptions: risk-free interest rate of 1.06%, expected life of 1.5 years, annualized volatility rate of 148% and dividend rate of 0%.

(expressed in Canadian Dollars)

12. WARRANTS (Continued)

On January 31, 2014, the Company obtained all regulatory approvals to issue 1,000,000 purchase warrants to Dr. Pouya Hajiani, a Company's employee, in exchange of all rights, title and interest in two patents related to the Rare Earth Elements (REE) physical separation process. The warrants become exercisable upon demonstration of high purity (>99%) separation in a pilot plant using the REE physical separation process no later than July 1, 2018 ("performance criteria"). Each warrant entitles Dr. Hajiani to acquire one common share at an exercise price of $0.15 expiring July 1, 2018. The intrinsic fair value of the exercisable warrants shall not exceed $5 million at the time they become exercisable, in which case the number of warrants will be reduced. For the year ended May 31, 2015, no warrants were exercisable since the demonstration of the high purity separation in a pilot plant has not been completed yet and no expense for these warrants was recorded as the performance criteria has not been met.

In connection with the private placement in two tranches completed on November 4, 2013 and December 3, 2013, the Company issued respectively 2,191,812 and 164,000 warrants allowing the holder to acquire an equivalent number of common shares at a price of $0.21 until November 4, 2016 and December 3, 2016, respectively. The warrants were recorded at a value of $173,842 ($188,465 less issue costs of $14,623) based on the Black-Scholes model using the following weighted average assumptions: risk free interest of 1.21%, expected life of 3 years, annualized volatility rate of 119% and dividend rate of 0%.

In connection with the flow-through private placement completed on December 3, 2013, the Company issued 1,561,750 warrants allowing the holder to acquire an equivalent number of common shares at a price of $0.25 until December 3, 2014. The warrants were recorded at a value of $82,392 ($93,706 less issue costs of $11,314) based on the Black-Scholes model using the following assumptions: risk free interest of 1.06%, expected life of one year, annualized volatility rate of 137% and dividend rate of 0%.

On September 10, 2013, the Company obtained all regulatory approvals to extend the expiry date of 1,952,273 warrants until September 30, 2014 from the original expiry date of September 30, 2013. Consequently, the fair value of the warrants was re-evaluated based on the Black-Scholes pricing model with the following assumptions: risk-free interest of 1.21%, expected life of 1 year, annualized volatility rate of 117% and dividend rate of 0%. The adjustment to the fair value in the amount of $35,023 was charged to the deficit. All other terms and conditions of the warrants remain unchanged.

13. BROKER OPTIONS

The number of outstanding broker options as at May 31, 2015 which could be exercised for an equivalent number of units or shares is as follows:

	Number of broker options for units	Carrying Value $	Weighted Average Exercise Price $	Number of broker options for common shares	Carrying Value $	Weighted Average Exercise Price $
Balance - May 31, 2013	134,750	518,787	2.35	493,987	109,356	0.52
Issued	242,400	14,544	0.17	264,167	105,510	0.60
Exercised	(242,400)	(14,544)	0.17	(60,000)	(9,000)	0.50
Expired	(134,750)	(518,787)	2.35	(396,187)	(95,820)	0.55
Balance – May 31, 2014	**-**	**-**	**-**	**301,967**	**110,046**	**0.59**
Issued	**-**	**-**	**-**	**160,000**	**14,400**	**0.25**
Expired	**-**	**-**	**-**	**(37,800)**	**(4,536)**	**0.50**
Balance – May 31, 2015	**-**	**-**	**-**	**424,167**	**119,910**	**0.47**

Expiration date	Number of broker options for common shares	Weighted Average Exercise Price $
September 2015	174,367	0.60
October 2015	89,800	0.60
November 2016	160,000	0.25
	424,167	

(expressed in Canadian Dollars)

13. BROKER OPTIONS (Continued)

In connection with the private placement completed in November 2014, the Company issued 160,000 broker options allowing the holder to acquire an equivalent number of common shares at a price of $0.25 until November 20, 2016. The fair value of the broker options was estimated at $14,400. When granted, the fair value of the broker 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 broker options and decrease of share capital.

The average fair value of the broker options of $14,400 ($105,510 as of May 31, 2014) was estimated using the Black-Scholes model and based on the following weighted average assumptions:

	Year Ended May 31,	
	2015	2014
Average share price at date of grant	**$0.15**	$0.62
Dividend yield	**NIL**	NIL
Expected weighted volatility	**140 %**	148 %
Risk-free interest rate	**1.01 %**	1.06 %
Expected average life	**2 years**	1.5 years
Average exercise price at date of grant	**$0.25**	$0.60

During the year ended May 31, 2015, there was no exercise of broker options.

14. STOCK OPTIONS

The Company has 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 optionee 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. The exercise price is the closing price of the Company’s common shares the day before the stock options are granted.

On January 23, 2015, the Company granted to an officer and employees a total of 100,000 stock options at an exercise price of $0.14 expiring on January 23, 2020.

On September 17, 2014, the Company granted to directors, officers and employees a total of 710,000 stock options at an exercise price of $0.26 expiring on September 17, 2019.

(expressed in Canadian Dollars)

14. STOCK OPTIONS (Continued)

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 as at May 31, 2015:

	Number of Options	Weighted Average Exercise Price $
Outstanding - May 31, 2013	2,843,540	1.00
Granted	855,000	0.18
Expired	(550,155)	1.53
Forfeited	(365,885)	0.98
Outstanding - May 31, 2014	**2,782,500**	**0.81**
Granted	**810,000**	**0.25**
Expired	**(146,875)**	**0.40**
Forfeited	**(125,625)**	**0.27**
Outstanding – May 31, 2015	**3,320,000**	**0.60**

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	2,545,000	0.28	2.75	1,728,750	0.31
1.01 to 2.00	625,000	1.51	1.34	625,000	1.51
2.01 to 3.00	150,000	2.08	1.25	150,000	2.08
	3,320,000			2,503,750	

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

	Year Ended May 31,	
	2015	2014
Average share price at date of grant	**$0.25**	$0.19
Dividend yield	**NIL**	NIL
Expected weighted volatility	**129 %**	121 %
Risk-free interest rate	**1.60 %**	1.58 %
Expected average life	**3.75 years**	3.75 years
Average exercise price at date of grant	**$0.25**	$0.19

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time since its listing on the TSX Venture Exchange. In total, $133,167 of share-based compensation was recognized during the year ended May 31, 2015 with $117,943 included in the statement of loss and comprehensive loss and $15,224 capitalized in exploration and evaluation assets ($34,991 and $20,810 respectively in 2014).

During the year ended May 31, 2015, there was no exercise of stock options.

(expressed in Canadian Dollars)

15. EMPLOYEE REMUNERATION

	Year Ended May 31,	
	2015	2014
	$	$
Wages, salaries	**870,417**	1,041,985
Professional fees	**29,000**	53,250
Benefits	**64,338**	101,987
Share-based payments	**133,167**	55,801
	1,096,922	1,253,023
Less: Salaries capitalized in exploration and evaluation assets	**(305,780)**	(556,052)
Less: Share-based payments capitalized in exploration and evaluation assets	**(15,224)**	(20,810)
Salaries and employee benefits expense	**775,918**	676,161

16. EXPLORATION AND EVALUATION EXPENSES

	Year Ended May 31,	
	2015	2014
	$	$
Salaries, geology and prospection	**485,798**	52,387
Lodging and travel expenses	**178,583**	14,882
Geophysics and geochemistry	**64,174**	129,491
Analysis	**226,037**	7,337
Drilling	**243,825**	-
Supplies and equipment	**74,408**	8,995
Taxes, permits and insurance	**8,908**	1,175
Mineral properties cost	**696**	-
Exploration and evaluation expenses before tax credits	**1,282,426**	214,867
Tax credits, net	**(166,889)**	57,078
Exploration and evaluation expenses	**1,115,537**	271,945

17. INCOME TAXES

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

	Year Ended May 31,	
	2015	2014
	$	$
Deferred income tax recovery		
Amortization of flow-through share liability	**(208,462)**	(279,780)
Deferred income tax recovery	**(5,953)**	(75,741)
Total recovery of deferred income taxes	**(214,415)**	(355,521)

(expressed in Canadian Dollars)

17. INCOME TAXES (Continued)

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

	Year Ended May 31, 2015 $	2014 $
Loss before income taxes	**2,521,902**	1,585,909
Income taxes calculated using the combined federal and provincial income tax rate in Canada of 26.9%	**(678,392)**	(426,610)
Increase (decrease) in income taxes resulting from the following:		
Non-deductible items	**31,752**	26,141
Non-taxable tax credit	**(8,079)**	-
Renounced exploration and evaluation expenses	**294,853**	551,927
Amortization of flow-through share liability	**(208,462)**	(279,780)
Adjustment from prior year	**17,596**	(118,285)
Unrecognized temporary differences	**336,317**	(108,914)
Deferred income tax recovery	**(214,415)**	(355,521)

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to $1,639,726 ($1,305,823 in 2014).

As at May 31, 2015 and 2014, significant components of the Company's deferred income tax assets and liabilities are as follows:

	2015 $	2014 $
Deferred income tax assets:		
Intangible assets	**4,625**	10,260
Property and equipment	**66,865**	51,221
Deductible share issue expenses	**213,149**	349,621
Operating losses carried forward	**2,284,399**	1,652,957
Total deferred income tax assets	**2,569,038**	2,064,059
Deferred income tax liabilities		
Exploration and evaluation assets	**(929,312)**	(758,236)
Total deferred income tax assets non recognized	**1,639,726**	1,305,823

As at May 31, 2015, expiration dates of losses available to reduce future years' income for tax purposes are:

	Federal $	Provincial $
2035	2,008,304	2,008,304
2034	1,483,287	1,483,287
2033	2,046,750	2,444,550
2032	1,839,477	1,943,591
2031	563,968	563,968
2030	16,391	16,391
2029	1,718	1,718
Total	7,959,895	8,461,809

18. FINANCIAL ASSETS AND LIABILITIES

Objectives and policies concerning financial risk management

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

Financial risks

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

Interest rate risk

The Company has cash balances and the Company’s current policy is to invest excess cash in certificates of deposit or high interest savings accounts of major Canadian chartered banks. As of May 31, 2015, the Company had $380,000, expiring November 23, 2015 and redeemable at any time without penalty, invested with Canadian chartered bank bearing interest at fixed rates. The collateral investments are held with a major Canadian bank and bear an average fixed-rate of interest of 1%. The obligations under finance lease are at fixed rates. The other financial assets and liabilities of the Company do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk. A variation of plus or minus 1% change in the rates would not have a material impact on the assets and liabilities and net loss of the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company’s ability to continue as a going concern is dependent on management’s ability to raise the funds required through future debt or equity financings, asset sales or exploration option agreements, off-take or forward sales agreements, the granting of royalties or a combination thereof. The Company’s liquidity and operating results may be adversely affected by delays in receiving the tax credits receivable from the Quebec government (or securing financing against the tax credit) and if the Company’s access to the capital market or other alternative forms of financing is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company has historically generated cash flow primarily from its financing activities. As at May 31, 2015, the Company had cash and cash equivalents of $454,671 to settle current financial liabilities of $427,757. All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms with the exception of obligations under finance leases and institutional contract services. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (note 1).

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Generally, the maximum credit risk is equivalent to the carrying value of financial assets exposed to credit risk, less any impairment. The Company is subject to credit risk through cash and cash equivalents. The Company reduces its credit risk by maintaining its cash and cash equivalents in Canadian chartered bank accounts from which management believes the risk of loss is minimal.

(expressed in Canadian Dollars)

18. FINANCIAL ASSETS AND LIABILITIES (Continued)

Fair value of financial instruments

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

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

	May 31, 2015		May 31, 2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$	**$**	$	$
Financial assets				
Loans and receivables				
Cash and cash equivalents	**454,671**	**454,671**	2,399,775	2,399,775
Sales tax receivable	**35,534**	**35,534**	126,836	126,836
Tax credits receivable	**355,188**	**355,188**	525,766	525,766
Financial liabilities				
Financial liabilities measured at amortized cost				
Trade and other payables	**392,931**	**392,931**	609,251	609,251
Obligations under finance leases	**34,826**	**34,826**	88,738	88,738

19. CAPITAL MANAGEMENT

The Company's objective in managing capital is to safeguard its ability to continue its operations as well as its exploration and evaluation programs. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining rights to improve its financial performance and flexibility. There was no change to the capital management since the last reporting period.

The Company's capital is composed of equity. As at May 31, 2015, the Company's capital totalled $18,610,424 ($19,469,307 in 2014). Changes that occurred during the years ended May 31, 2015 and 2014 are shown in the statements of shareholders equity.

20. 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, broker 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 warrants, broker options and stock options issued that could potentially dilute earnings per share in the future are given in Notes 12, 13 and 14.

(expressed in Canadian Dollars)

21. RELATED PARTY TRANSACTIONS

Key Management Personnel Remuneration

Key management personnel of the Company include the Directors, the President and CEO, the Chief Financial Officer and the Vice-President exploration. Key management personnel remuneration includes the following expenses:

	Years Ended May 31,	
	2015	2014
	$	$
Short-term employee benefits		
Salaries including benefits	**553,200**	504,435
Benefits	**32,894**	42,438
Professional fees	**29,000**	53,250
Total short-term employee benefits	**615,094**	600,123
Share-based compensation	**119,957**	66,462
Total remuneration	**735,057**	666,585

As at May 31, 2015, trade and other payables include an amount of $108,333 ($13,333 in 2014) payable to related parties.

Transaction with related parties

On April 30, 2012, a partner of Lavery de Billy LLP ("Lavery") was appointed to the Company's Board of Directors as the Company's Corporate Secretary. During the year ended May 31, 2015, the Company paid legal fees of $132,629 ($148,124 in 2014) to Lavery. All transactions with related parties have occurred in the normal course of business of the Company and are based on normal commercial terms.

Allowance for Termination or Change of Control

There are certain employment agreements between key management and the Company that contain termination and a change of control provisions. If a termination without cause or change of control involving material changes, and the duties assigned to key management has occurred as at May 31, 2015, the amounts payable for the executive team would have totalled $344,085 and $959,235 respectively. In the case of termination for cause, no compensation will be paid.

22. COMMITMENTS

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

	Minimum Lease Payments Due			
	Within 1 year	1 to 5 years	After 5 years	Total
	$	$	$	$
May 31, 2015	33,249	8,235	-	41,484

The Company leases its offices and another local office, under a lease agreement expiring in December 2015 and November 2016 respectively. In each of those lease agreement, the Company has 90 days to terminate the agreement. The Company is also engaged in two operating leases for field equipment expiring in May 2016 and June 2017. 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.

23. SUBSEQUENT EVENTS

a) On June 19, 2015 the Company announced the closing of a first tranche of a private placement consisting of 1,311,112 units at a price of $0.18 per unit and 2,608,000 flow-through shares at a price of $0.23 per Flow-Through Share for aggregate gross proceeds of $835,840. Each unit consists of one common share and one-half of one share purchase warrant. Each whole Warrant entitles the holder thereof to acquire one additional common share at a price of $0.23 per share for a period of twenty-four (24) months from June 19, 2015.

b) On July 3, 2015, the Company announces the final closing of a private placement consisting of 1,294,444 units at a price of $0.18 per Unit for aggregate gross proceeds of $233,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each whole Warrant entitles the holder thereof to acquire one additional common share at a price of $0.23 per share for a period of twenty-four (24) months from July 3rd, 2015.

c) Subsequent to year end, a claim concerning the departure of a senior executive has been filed against the Company. In the opinion of management, this claim is unfounded and, accordingly, no provision has been recorded in these consolidated financial statements (note 21).

d) On August 26, 2015, the corporation agreed, subject to the approval of the TSX Venture Exchange, to extend to July 1, 2019 the term of the 1,000,000 share purchase warrants held by Dr. Pouya Hajiani, PhD., an employee, and issued in consideration for all rights, title and interest in two patents related to the Company's rare earth elements physical separation process. In addition, the intrinsic fair value of the warrants shall no longer be capped at $5 million at the time they become exercisable. All other terms and conditions of the warrants remain unchanged (note 12).