FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2013 AND 2012

(In Canadian Dollars)

Strateco Resources Inc.
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the financial statements of Strateco Resources Inc. and the financial information contained in this report. The financial statements are prepared by management in accordance with International Financial Reporting Standards and necessarily include amounts based on best estimates and judgments of management.

Management maintains a system of internal control to provide reasonable assurance that assets are safeguarded from any loss or unauthorized use, and that financial information is reliable and available in a timely manner.

Primarily through its Audit Committee, the Board of Directors oversees management's responsibility with regard to presentation of the information, review and approval of the financial statements.

The Audit Committee is appointed by the Board of Directors. All its members are independent directors. The Audit Committee meets from time to time with management as well as the external auditors to discuss matters related to internal controls, audit results, accounting principles and related subjects.

PricewaterhouseCoopers, LLP/s.r.l./s.e.n.c.r.l., a partnership of Chartered Professional Accountants, was appointed to audit the Company's financial statements and issue an opinion on them.

On the recommendation of the Audit Committee, the Board of Directors has approved the Company's financial statements for the years ended December 31, 2013 and 2012.

(Signed) Guy Hébert	(Signed) Yvon Robert
Guy Hébert	Yvon Robert
President and Chief Executive Officer	Vice President Finance

Boucherville, Canada
March 19, 2014

March 19, 2014

Independent Auditor's Report

To the Shareholders of Strateco Resources Inc.

We have audited the accompanying financial statements of Strateco Resources Inc., which comprise the statements of financial position as at December 31, 2013 and 2012 and the statements of income, comprehensive income, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Strateco Resources Inc. as at December 31, 2013 and 2012 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 financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast substantial doubt about Strateco Resources Inc's ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

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

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STRATECO RESOURCES INC.
Statements of Financial Position

(in Canadian dollars)

	As at December 31, 2013	As at December 31, 2012
	$	$
ASSETS		
Current assets		
Cash	1,843,106	429,254
Tax credits receivable (Note 5)	1,080,864	3,606,099
Sales tax receivable	106,261	373,461
Prepaid expenses and other receivables	105,920	369,560
	3,136,151	4,778,374
Non-current assets		
Non-current portion of tax credits receivable (Note 5)	1,856,641	2,961,889
Available-for-sale investments (Note 6)	93,992	20,000
Mining properties (Note 7)	100,000	3,351,929
Deferred exploration and evaluation expenses (Note 7)	-	75,718,754
Property and equipment (Note 8)	1,105,413	8,637,820
Total assets	6,292,197	95,468,766
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges	928,229	2,118,296
Provisions (Note 9)	1,830,000	-
Loans payable (Note 10)	-	268,730
Current portion of obligations under finance leases (Note 11)	15,426	15,448
	2,773,655	2,402,474
Non-current liabilities		
Obligations under finance leases (Note 11)	-	15,426
Loans payable (Note 10)	2,981,941	-
Convertible notes (Note 10)	6,151,853	8,958,647
Deferred income tax liabilities (Note 16)	-	10,746,310
Asset retirement obligations (Note 12)	2,259,419	2,269,620
Total liabilities	14,166,868	24,392,477
EQUITY (DEFICIT)		
Share capital (Note 13)	83,238,116	82,551,146
Equity component of convertible notes (Note 10)	4,933,323	4,933,323
Warrants (Note 13)	439,747	2,575,671
Contributed surplus	13,065,410	11,229,519
Accumulated other comprehensive loss	(35,211)	(30,000)
Deficit	(109,516,056)	(30,183,370)
Total equity (deficit)	(7,874,671)	71,076,289
Total liability and equity (deficit)	6,292,197	95,468,766

Going concern (Note 1)
Commitments (Note 23)
The accompanying notes are an integral part of these financial statements.

STRATECO RESOURCES INC.

Statements of Income

For the years ended December 31, 2013 and 2012

(in Canadian dollars)

	2013	2012
	$	$
EXPENSES		
Mining properties costs (Note 19)	4,774	-
Exploration and evaluation expenses, net (Note 19)	4,011,300	-
General and administrative expenses (Note 20)	1,434,135	2,297,295
Impairment of mining properties, deferred exploration and evaluation expenses and property and equipment (Note 4)	87,241,070	-
Gain on disposal of mining properties (Note 6)	(119,203)	-
Gain on disposal of property and equipment	(9,494)	-
Operating loss	(92,562,582)	(2,297,295)
Finance income	(21,733)	(68,339)
Finance costs		
Accretion expense on convertible notes	2,381,001	1,885,040
Accretion expense and changes in estimates for asset retirement obligations	(10,201)	91,059
Accretion expense on loans payable	231,270	119,993
Interest and bank charges	314,703	149,996
Interest on obligations under finance leases	2,143	3,463
Other gains and losses		
Gain on exchange of convertible notes (Note 10)	(5,125,105)	-
Impairment of available-for-sale financial assets	30,000	-
Loss before income tax	(90,364,660)	(4,478,507)
Current income tax expense (recovery)	122,984	(176,896)
Deferred income tax expense (recovery) (Note 4)	(11,154,958)	123,502
Income tax expense (recovery) (Note 16)	(11,031,974)	(53,394)
NET LOSS	(79,332,686)	(4,425,113)
NET LOSS PER SHARE, BASIC AND DILUTED	(0.46)	(0.03)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	174,234	163,580

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

STRATECO RESOURCES INC.

Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

(in Canadian dollars)

	2013	2012
	$	$
Net loss	(79,332,686)	(4,425,113)
Other comprehensive income (loss) that may be reclassified subsequently to net income		
Changes in fair value of available-for-sale investments	(35,211)	(20,000)
Impairment of available-for-sale financial assets in the statement of income	30,000	-
Other comprehensive income (loss)	(5,211)	(20,000)
COMPREHENSIVE INCOME (LOSS)	(79,337,897)	(4,445,113)

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

STRATECO RESOURCES INC.
Statements of Cash Flows
For the years ended December 31, 2013 and 2012

(in Canadian dollars)

	2013	2012
	$	$
Cash flow provided by (used in)		
OPERATING ACTIVITIES		
Net loss	(79,332,686)	(4,425,113)
Non-cash items:		
Stock-based compensation	-	225,273
Accretion expenses and change in estimate associated with the asset retirement obligations	2,602,070	2,096,092
Depreciation of property and equipment	5,664	31,091
Impairment of mining properties, deferred exploration and evaluation expenses and property and equipment	87,241,070	-
Gain on disposal of mining properties	(119,203)	-
Gain on disposal of property and equipment	(9,494)	-
Gain on exchange of convertible notes	(5,125,105)	
Impairment of available-for-sale financial assets	30,000	-
Deferred income tax expense (recovery)	(11,154,958)	123,502
	(5,862,642)	(1,949,155)
Changes in non-cash working capital items		
Tax credit receivable	851,983	(176,896)
Sales tax receivable	267,200	10,677
Prepaid expenses and other receivables	309,792	44,487
Exploration supplies	260,381	-
Accounts payable and accrued charges	126,724	60,484
Provisions	1,830,000	-
	3,646,080	(61,248)
Cash flow from operating activities	(2,216,562)	(2,010,403)
INVESTING ACTIVITIES		
Tax credit received	3,242,545	5,645,263
Acquisition of mining properties	(106,619)	(1,044,269)
Increase in deferred exploration and evaluation expenditures	(2,600,794)	(13,663,807)
Additions to property and equipment	(167,054)	(2,138,545)
Proceeds from the sale of mining properties	10,000	-
Proceeds from the sale of property and equipment	10,763	-
Cash flow from investing activities	388,841	(11,201,358)
FINANCING ACTIVITIES		
Share capital and warrants issuance	822,319	12,999,988
Issue costs	(26,734)	(702,985)
Loans payable, net of financing costs (Note 10)	5,461,436	500,000
Payments on obligations under finance leases	(15,448)	(14,129)
Repayment of a loan payable (Note 10)	(3,000,000)	(3,000,000)
Cash flow from financing activities	3,241,573	9,782,874
NET CHANGE IN CASH	1,413,852	(3,428,887)
Cash, beginning of period	429,254	3,858,141
CASH, END OF PERIOD	1,843,106	429,254

Cash transactions		
Interest received	21,733	68,339
Interest paid	308,968	148,663

Supplemental cash flow information (Note 22)

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

STRATECO RESOURCES INC.

Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

(in Canadian dollars)

	Number of common shares outstanding	Share Capital	Equity component of convertible notes	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
		$	$	$	$	$	$	$
Balance at January 1, 2012	**144,998,110**	**72,285,878**	**4,933,323**	**3,442,107**	**9,766,175**	**(10,000)**	**(25,758,257)**	**64,659,226**
Net loss	-	-	-	-	-	-	(4,425,113)	(4,425,113)
Other comprehensive income (loss)	-	-	-	-	-	(20,000)	-	(20,000)
Comprehensive income (loss)	-	-	-	-	-	(20,000)	(4,425,113)	(4,445,113)
Private placements (Note 13)	22,025,620	11,012,810	-	-	-	-	-	11,012,810
Warrants issued in connection with private placements	-	(340,322)	-	340,322	-	-	-	-
Issue costs, net of income taxes of $189,103 (Note 13)	-	(510,391)	-	(3,491)	-	-	-	(513,882)
In consideration of issue costs, net of income taxes of $24,210	180,000	14,000	-	10,210	-	-	-	24,210
Deferred income tax	-	(10,829)	-	-	-	-	-	(10,829)
In consideration of issue costs of loans payable (Note 10)	549,451	100,000	-	92,706	-	-	-	192,706
Stock-based compensation (Note 14)	-	-	-	-	343,088	-	-	343,088
Expiry of warrants, net of income taxes of $185,927 (Note 13)	-	-	-	(1,306,183)	1,120,256	-	-	(185,927)
Balance at December 31, 2012	**167,753,181**	**82,551,146**	**4,933,323**	**2,575,671**	**11,229,519**	**(30,000)**	**(30,183,370)**	**71,076,289**
Balance at January 1, 2013	**167,753,181**	**82,551,146**	**4,933,323**	**2,575,671**	**11,229,519**	**(30,000)**	**(30,183,370)**	**71,076,289**
Net loss	-	-	-	-	-	-	(79,332,686)	(79,332,686)
Other comprehensive income (loss)	-	-	-	-	-	(5,211)	-	(5,211)
Comprehensive income (loss)	-	-	-	-	-	(5,211)	(79,332,686)	(79,337,897)
Private placements (Note 13)	16,446,389	822,319	-	-	-	-	-	822,319
Issue costs (Note 13)	-	(26,734)	-	-	-	-	-	(26,734)
In consideration of issue costs (Note 13)	328,927	-	-	-	-	-	-	-
Deferred income tax	-	(108,615)	-	-	-	-	-	(108,615)
Expiry of warrants, net of income taxes of $300,033 (Note 13)	-	-	-	(2,135,924)	1,835,891	-	-	(300,033)
Balance at December 31, 2013	**184,528,497**	**83,238,116**	**4,933,323**	**439,747**	**13,065,410**	**(35,211)**	**(109,516,056)**	**(7,874,671)**

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

(in Canadian dollars)

1. INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN

Strateco Resources Inc. ("the Company") is incorporated under the *Canada Business Corporations Act* and is engaged in the acquisition, the exploration and evaluation and the development of mining properties. As of December 31, 2013, the Company's objectives are the development of new uranium properties in Saskatchewan, and the care and maintenance of the Matoush camp and to cover costs essential to the viability of the Matoush project in the light of the events described in Note 4. The address of its registered office and principal place of business is 1225 Gay-Lussac Street, Boucherville, Quebec, J4B 7K1, Canada. The Company's shares are listed on the Toronto Stock Exchange TSX.

The Company has not yet determined whether the mining properties have economically recoverable ore reserves. Recovery of amounts indicated under mining properties are subject to the Company's ability to obtain the financing required to complete exploration, evaluation and development, and eventually, construction and eventually, the profitable future production on its assets.

The accompanying financial statements have been prepared using generally accepted accounting principles ("GAAP") 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 lend a significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of GAAP applicable to a going concern, as described in the following paragraph. 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 were the going concern assumption would not be appropriate. These adjustments could be material.

The Company recorded a net loss of $79,332,686 for the year ended December 31, 2013, and has an accumulated deficit of $109,516,056 as at December 31, 2013. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and existing commitments for exploration and evaluation programs and pay general and administration costs. As at December 31, 2013, the Company had working capital of $362,496 including cash and cash equivalents of $1,843,106. Management considers that these funds are insufficient for the Company to continue operating. Any future funding shortfall may be met in a number of ways, including the issuance of new equity instruments, cost reductions and other measures. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding or initiatives will be available to the Company or that they will be available on terms 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 these financial statements.

The Company's financial year ends on December 31, 2013. These financial statements were approved for issue by the Board of Directors on March 19, 2014.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements.

The Company has consistently applied the same accounting policies throughout all the periods presented in these financial statements.

(in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the Company's financial statements are described below:

BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank balances and highly-liquid short-term investments maturing within three months of their acquisition date.

EXPLORATION AND EVALUATION

Exploration and evaluation ("E&E") assets are comprised at deferred E&E expenditures and mining properties. Expenditures incurred on activities that precede E&E of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, as well as the costs incurred by the Company subsequent to an impairment and which are not deemed recoverable on a property, are expensed immediately. Expensed costs are included under operating activities in the cash flow statements.

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

Mining rights are recorded at acquisition cost less accumulated impairment losses. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded in property costs when the payments are made or received.

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also 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. E&E 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;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- 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, E&E expenditures are capitalized to mine development costs in property and equipment.

E&E expenditures include overhead expenses directly attributable to the related activities.

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statement of cash flows under the heading Acquisition of mining properties and Increase in deferred exploration and evaluation expenditures.

GOVERNMENT ASSISTANCE

Quebec refundable credits on mining duties for losses are recorded in the statement of income as a current income tax recovery. The Company is entitled to a refundable tax credit for resources on qualified mining E&E expenses incurred in the province of Quebec, which are recorded against the deferred E&E expenditures reported in the statement of financial position or against expenses if the costs have been expensed.

EXPLORATION SUPPLIES

Materials and consumables used in the E&E are valued at the lower of purchase price determined using the FIFO method ("first in first out") and net realizable value. Costs include acquisition, freight and other directly attributable costs.

PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment consists of the purchase price which may include construction or development of an item of property and equipment, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling the item and restoring the site on which it is located.

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

Depreciation of property and equipment, if related to E&E activities, is capitalized in deferred E&E expenditures. The depreciation expense for assets not related to E&E activities and for property and equipment used on fully-impaired mining properties is recognized in the statement of income.

Property and equipment, including assets recorded under capital leases, are depreciated based on the cost of an item of property and equipment less its estimated residual value, using the straight line method until 2017, which is the year that the licence from the Canadian Nuclear Security Commission ("CNSC") expires, with the exception of certain vehicles, certain portion of the camp and some of the infrastructure, rolling stock and equipment, which are amortized over a three to ten year period based on their estimated useful lives.

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each significant part. Residual values, method 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 included as part of other gains or losses in the statement of income.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets and E&E capitalized expenses and assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. 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 cash generating unit ("CGU") to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. 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 depreciation or amortization charge for the 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 made under operating leases (net of any incentives received from the lessor) are charged to the statement of income or as deferred E&E expenditures over the period of the lease.

The Company leases certain equipment. Leases of equipment 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 the present value of the minimum lease payments.

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

CONVERTIBLE NOTES

The liability, equity and other (when applicable) components of convertible notes are presented separately on the statement of financial position, starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the nominal value of the convertible notes at maturity which is recorded in the statement of income as finance cost.

The carrying amount of other components (when applicable), such as warrants, for example, is determined using the Black-Scholes option pricing model.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible notes, and is presented in Equity as an equity component of convertible notes. The equity component is not re-measured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are distributed between liability, equity and other (when applicable) components, on a pro-rata basis according to their carrying amounts.

RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS AND PROVISIONS

Provisions for environmental restoration costs and legal claims, where applicable, are recognized when: (i) the Company has a present legal or constructive obligation as a result of previous events; (ii) it is likely that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 cost. Changes in assumptions or estimates are reflected in the period in which they occur.

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration and evaluation, development or ongoing production of a mineral property. Such costs arising from the decommissioning of property and equipment and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. 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 related liability is adjusted for each period for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company also records a corresponding asset amount which is amortized in a logical and systematic manner.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of share options granted to employees are recognized in the statement of income, or capitalized to deferred E&E expenditures over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

SHARE CAPITAL AND WARRANTS

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model to determine the fair value of warrants issued.

FLOW-THROUGH SHARES

The Company finances some E&E expenditures through the issuance of flow-through shares. The Company renounced the resource expenditure deductions for income tax purposes to investors in accordance with the appropriate income tax legislation. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors pay for the shares (the "premium") calculated using the residual value is recognized as other liability which is reversed in the results as recovery of deferred income taxes when eligible expenditures have been made.

INCOME TAXES

Income tax expense (recovery) on the profit for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining activities and are classified as income taxes since such taxes are based on a percentage of mining profits.

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not provided for if they arise from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period during which the deferred tax is realized or recovered.

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

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

INCOME (LOSS) PER SHARE

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding at the end of the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the EPS. The treasury stock method is used to determine the dilutive effect of the warrants, share options and the if-converted method is used for convertible debentures. 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 warrants, share options and convertible notes.

BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets when it is probable that they will result in future economic benefits to the Company, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as finance cost in the statements of income in the period in which they are incurred.

SEGMENT DISCLOSURE

The Company currently operates in a single segment: the acquisition, exploration, evaluation and development of mineral properties. All of the Company's activities are conducted in Quebec and Saskatchewan, Canada.

FINANCIAL INSTRUMENTS

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

(in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss
A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within other gains or losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of income as part of finance income. When an available-for-sale asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and are included in other gains or losses.

Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or Management expects to sell them within twelve months.

(iv) Financial liabilities at amortized cost
Financial liabilities at amortized cost include accounts payable and accrued liabilities, loans payable and convertible notes. Accounts payable and liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Loans payable, obligations under capital leases and convertible notes are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified its financial instruments as follows:

Category	**Financial instrument**
Loans and receivables	Cash and cash equivalents
Available-for-sale financial assets	Available-for-sale financial assets
Financial liabilities at amortized cost	Accounts payable and accrued charges
	Obligations under finance leases
	Loans payable
	Convertible notes

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date of the statement of financial position, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

Financial assets carried at amortized cost

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

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the statement of income.

Available-for-sale financial assets

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of income.

Impairment losses on available-for-sale equity financial assets are not reversed.

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 currency of the Company is the Canadian dollar.

ACCOUNTING STANDARDS ADOPTED IN 2013

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 January 1, 2013. Many of these updates are not relevant to the Company and are therefore not discussed herein.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Company adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The changes were incorporated in the statement of comprehensive loss.

The Corporation adopted IFRS 13 on January 1, 2013, on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013, but the additional disclosure has been included in these financial statements.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

The Company adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 9*, Financial instruments ("IFRS 9")*

In November 2009 and October 2010, the International Accounting Standards Board ("IASB") issued the first phase of IFRS 9, *Financial Instruments*. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized.

This standard is part of a wider project to replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. The mandatory effective date is not yet determined; however, early adoption of the new standard is still permitted. The Company does not intend to early adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRIC 21*, Levies ("IFRIC 21")*

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, Levies. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Company will adopt IFRIC 21 in its financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of IFRIC 21 has not yet been determined.

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Many of the amounts included in the financial statements require Management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the financial statements include:

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

1. Impairment of non-financial assets
   - The Company's evaluation of the recoverable amount with respect to the non-financial assets is based on numerous assumptions and may differ significantly from actual values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The Company's recoverable amount estimates are based on numerous assumptions. The recoverable amount estimates may differ from actual values and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to: the right to explore in the specific area will expire during the period or in the near future and is not expected to be renewed; substantive E&E expenditures in a specific area are neither budgeted nor planned; E&E of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale, significant negative industry or economic trends, a significant drop in uranium prices or the Company's incapacity to obtain permits needed to carry out the underground exploration program at the Matoush project.

   - On October 16, 2012, the CNSC issued the Company a licence for the underground exploration program at the Matoush project.

   - On January 17, 2013, the Company filed a motion for *mandamus* and declaratory judgement with the Quebec Superior Court. Among other things, the motion is intended to ensure that the Quebec ministry of sustainable development, environment, wildlife and parks (*Ministère du Développement durable, de l'Environnement, de la Faune et des Parcs*, or "MDDEFP") comes to a decision on the authorization required for the execution of the Matoush project underground exploration program. At the initial case management session held in Québec City on March 20, 2013, on its motion for *mandamus* and declaratory judgment, the Company informed the Superior Court of Quebec that it had decided to amend its petition to limit it to the motion for *mandamus* in order to accelerate the judicial process.

   - On March 28, 2013, the MDDEFP announced that it would initiate studies on the uranium industry ahead of a mandate given to the office of public hearings on the environment (*Bureau d'audiences publiques sur l'environnement*, or "BAPE"). This mandate will address the social and environmental impacts of uranium exploration and operations in Quebec. The MDDEFP also announced that no certificates authorizing uranium exploration and operations projects within the province would be issued until the BAPE had tabled its report.

   - In the light of the events of March 28, 2013, the Company tested its non-financial assets for impairment.

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

- All the Company's mining properties and the associated deferred E&E expenditures have been fully impaired by $3,358,548 and $76,663,675 respectively, given the Company's inability to proceed with its underground exploration program for the Matoush project, the uncertainty surrounding the uranium industry in Quebec and the lack of significant planned E&E expenditures. The Company's property and equipment have also been impaired by $7,218,847 based on Management's best estimate of their recoverable value, which was $1,106,682. The recoverable value of assets is equal to their fair value net of disposal costs. Recoverable value was assessed based on the residual value of the assets, that is, the estimated amount the Company would obtain from their disposal on March 28, 2013, net of estimated disposal costs. Given the Company's inability to determine whether or not they were recoverable, all E&E and mining property expenditures incurred by the Company, including those for the care and maintenance of the Matoush project, were recorded in the statement of income following the impairment (Note 19).

- As at the date of the present financial statements, the legal proceedings were still pending.

- The choice of method and estimated losses for impairment purposes requires the exercise of judgment by Management, and are based on information available as at the date of these financial statements.

2. Recognition of deferred income tax assets and the measurement of income tax expense
   - 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.

   - The impairment described in the first point created a reversal of the deferred income tax liability and a corresponding deferred income tax recovery for the financial year ended December 31, 2013.

3. Asset retirement obligations
   - Asset retirement obligations arise from the development, construction and normal operation of mining property and equipment as mining activities are subject to laws and regulations governing the protection of the environment. The Company intends to make in the future, expenditures to comply with such laws and regulations. The estimated present value of reclamation liabilities is recorded in the period in which the liability is incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability will be increased each period to reflect the interest element and will also be adjusted for changes in the discount rates and in the estimate of the amount, timing and cost of the work to be carried out.

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

- Future remediation costs are accrued based on Management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires Management to make estimates of the future costs that the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Given the uncertainty surrounding the legal proceedings, at December 31, 2013, the environmental restoration and rehabilitation obligations were still measured based on the Company's estimate that the environmental restoration and rehabilitation costs required to comply with the laws and regulations will be incurred in 2017, the year the CNSC licence expires, and the obligation is therefore included in non-current liabilities. At December 31, 2013, if the Company had estimated that rehabilitation was to take place in fiscal year 2014, the obligation would have increased by $111,335, and would have been transferred from non-current liabilities to current liabilities, resulting in a decrease of $2,370,754 in working capital and the recognition of an additional $111,335 charge. Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to activities for reclamation and remediation.

4. Uncertain tax positions
    - The refundable credit for resources and credit on duties refundable for losses (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 he 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.

(in Canadian dollars)

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

- Quebec refundable credits on mining duties for losses
  The Company received notices of assessment from a tax authority in 2011 and 2013 for the financial years ended December 31, 2006, 2007, 2008, 2009 and 2010, refusing certain expenditures in the calculation of the Quebec refundable credits on mining duties for losses amounting approximately $1,950,000 for those five years. The Company disagrees with the notices of assessment and initiated an objection process to support its claims. Without prejudice to the overall legal and objection proceedings, the Company believes that its maximum exposure is a reduction in the Quebec refundable credits on mining duties for losses amounting to a total of approximately $2,300,000 at December 31, 2013, if all the expenditures mentioned in the notices of assessment are definitively refused, and also taking into account the impact of any future refusal of expenses on the same basis by the tax authorities in later notices of assessment for the Quebec refundable credits on mining duties for losses recorded for the financial years ended December 31, 2011 and 2012, which were not subject to notices of assessment as at the date of these financial statements. These Quebec refundable credits on mining duties for losses are classified as non-current assets.

  As at December 31, 2013, due to the uncertainties mentioned above, the Company recorded a provision of $580,000 against Quebec refundable credits on mining duties for losses still to be received by the Company, despite the fact that it disagrees with the notices of assessment.

- Refundable tax credit for resources
  In 2014, the Company received draft notices of assessment from a tax authority for the financial years ended December 31, 2009, 2010, 2011 and 2012, refusing certain expenditures in the calculation of the refundable tax credits for resources amounting approximately $4,446,000 for those four years. The Company disagrees with certain adjustments proposed in the draft notices of assessment and is preparing additional representations that will be submitted to the tax authority's auditor for discussion before the notices of assessment are issued. Without prejudice to the overall legal and objection proceedings that may ensue, the Company believes that its maximum exposure represents a demand for repayment of previously received refundable tax credits for resources amounting to a total of approximately $4,446,000 at December 31, 2013, if all the expenditures mentioned in the notices of assessment are definitively refused.

  As at December 31, 2013, the Company recorded a specific provision of $1,830,000 in the statement of financial position (Note 9), despite its disagreement with the draft notices of assessment, as the Company had already received the refundable tax credits for resources for the periods in question, in addition to a $162,000 provision recognized against its refundable tax credits for resources receivable due to the uncertainties mentioned above, despite the fact that it disagrees with the draft notice of assessment, as these tax credits are still receivable by the Company.

5. 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.

(in Canadian dollars)

5. TAX CREDITS RECEIVABLE

	December 31, 2013	December 31, 2012
	$	$
Quebec refundable credits on mining duties for losses, net (Note 4)	1,856,641	2,961,889
Refundable tax credit for resources, net (Note 4)	1,080,864	3,606,099
	2,937,505	6,567,988
Less: Non-current portion of tax credits receivable *(i)*	1,856,641	2,961,889
Current portion of tax credits receivable	1,080,864	3,606,099

(i) Due to delays in the processing of claims for Quebec refundable credits on mining duties for losses and the objection process (see Note 4 "Uncertain Tax Positions"), the Company has classified all of its Quebec refundable credits on mining duties for losses as non-current assets.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Subsequent to a share consolidation on the basis of one new share for five old shares on July 9, 2013, the Company owned 200,000 shares of Pacific Bay Minerals Ltd. ("Pacific Bay") as at December 31, 2013 (1,000,000 at December 31, 2012). Pacific Bay shares were trading at $0.025 as at December 31, 2013 ($0.02 at December 31, 2012). On December 31, 2013, the Company impaired its investment by $30,000 due to the sustained decrease in share price, and $30,000 was therefore reclassified to net loss.

On December 5, 2013, the Company announced the signature of a formal agreement with Canada Strategic Metals ("Strategic Metals") for the acquisition of the Apple property. The agreement provides for Strategic Metals to acquire 100% of the Apple property, wholly-owned by the Company, in consideration of $10,000 in cash and 4,000,000 common shares of Strategic Metals, which are subject to resale restriction periods of 4 to 24 months, and which were valued at $109,203 at the time of the transaction based on restriction-related discounts of 27% to 59% on the quoted price. The common shares issued to the Company are subject to resale restriction periods as follows:

- 800,000 common shares within 4 months of final TSX-V approval;
- 800,000 common shares within 9 months of final TSX-V approval;
- 800,000 common shares within 12 months of final TSX-V approval;
- 800,000 common shares within 18 months of final TSX-V approval; and
- 800,000 common shares within 24 months of final TSX-V approval.

The agreement also provides for a 2% net smelter royalty (NSR) payable to Virginia Mines Inc., half of which can be bought back for $1,000,000, which is transferred to and assumed by Strategic Metals under the agreement. The Company recorded a gain of $119,203 on the sale of the Apple property.

As at December 31, 2013, the Company held 4,000,000 shares of Strategic Metals and the price of the shares of Strategic Metals was $0.04, while the discounted value of the shares, taking into account the resale restriction periods, was $0.02. A 5% change in the restriction-related discounts would have had an impact of about $4,000 on the value of the investment as at December 31, 2013.

(in Canadian dollars)

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

	Pacific-Bay	Strategic Metals	Total
	$	$	$
Balance as at December 31, 2012	20,000	-	20,000
Additions	-	109,203	109,203
Total	20,000	109,203	129,203
Fair value as at December 31, 2013	5,000	88,992	93,992
Changes during the year ended December 31, 2013	(15,000)	(20,211)	(35,211)
Impairment in the statement of income			30,000
Other comprehensive loss for the year ended December 31, 2013			**(5,211)**

7. MINING PROPERTIES AND DEFERRED E&E EXPENDITURES

Mining properties	Interest	December 31, 2012	Additions	Impairment (Note 4)	December 31, 2013
		$	$	$	$
Matoush project					
Matoush	100%	1,339,982	-	(1,339,982)	-
Matoush Extension	100%	40,775	-	(40,775)	-
Eclat	100%	1,290,671	-	(1,290,671)	-
Pacific Bay-Matoush	60%	661,782	-	(661,782)	-
Jasper Lake project	Option of 49%	-	100,000	-	100,000
Other project					
Mistassini	60%	18,719	6,619	(25,338)	-
		3,351,929	106,619	(3,358,548)	100,000

Mining properties	Interest	December 31, 2011	Additions	December 31, 2012
		$	$	$
Matoush project				
Matoush	100%	339,929	1,000,053	1,339,982
Matoush Extension	100%	21,626	19,149	40,775
Eclat	100%	1,285,901	4,770	1,290,671
Pacific Bay-Matoush	60%	641,485	20,297	661,782
Other project				
Mistassini	60%	18,719	-	18,719
		2,307,660	1,044,269	3,351,929

Deferred E&E expenditures	December 31, 2013	December 31, 2012
	$	$
Deferred E&E expenditures	-	75,212,699
Exploration supplies	-	506,055
	-	75,718,754

(in Canadian dollars)

7. MINING PROPERTIES AND DEFERRED E&E EXPENDITURES (CONT'D)

Deferred E&E expenditures	December 31, 2012	Additions	Tax Credits	Impairment (Note 4)	December 31, 2013
	$	$	$	$	$
Matoush project					
Matoush	67,308,630	1,896,391	(456,826)	(68,748,195)	-
Matoush Extension	663,891	5,193	(2,012)	(667,072)	-
Eclat	4,397,255	9,407	(3,645)	(4,403,017)	-
Pacific Bay-Matoush	1,881,763	3,207	(1,243)	(1,883,727)	-
Other project					
Mistassini	961,160	823	(319)	(961,664)	-
	75,212,699	1,915,021	(464,045)	(76,663,675)	-

Deferred E&E expenditures	December 31, 2011	Additions	Tax Credits	December 31, 2012
	$	$	$	$
Matoush project				
Matoush	54,650,711	16,793,808	(4,135,889)	67,308,630
Matoush Extension	519,013	236,536	(91,658)	663,891
Eclat	4,387,900	15,274	(5,919)	4,397,255
Pacific Bay-Matoush	1,865,637	26,329	(10,203)	1,881,763
Other project				
Mistassini	950,164	17,953	(6,957)	961,160
	62,373,425	17,089,900	(4,250,626)	75,212,699

MATOUSH

The Company owns 100% of the Matoush property, located about 270 km north of Chibougamau. The property is no longer subject to a 2% Net Smelter Return ("NSR") royalty as the Company completed the repurchase of the NSR on December 20, 2012, for an amount of $1,000,000 to Ditem Explorations Inc., the NSR holder.

MATOUSH EXTENSION

The Company owns 100% of the Matoush Extension property.

ECLAT

The Company owns a 100% interest on all minerals, except diamonds, on all the claims in Eclat property, subject to a 2% NSR royalty and a 2% of gross proceeds of carbon emission rights in favor of Vija Ventures Corporation.

PACIFIC BAY-MATOUSH

On January 14, 2008, the Company signed the final agreement that it could acquire a 60% interest in the Pacific Bay-Matoush property owned by Pacific Bay located in the Matoush District of Quebec's Otish Mountains. The agreement calls for the Company would pay Pacific Bay a total of $500,000, issue 200,000 common shares and would incur $3 million in E&E expenditures over four years, including a minimum of 10,000 metres of drilling at a rate of 2,500 metres per year.

In October 2011, having met its obligations, the Company exercised its option and, effective October 29, 2011, now holds a 60% undivided interest in the property.

7. MINING PROPERTIES AND DEFERRED E&E EXPENDITURES (CONT'D)

MISTASSINI

On May 16, 2011, the Company and Majescor Resources Inc. signed a definitive joint venture agreement with the entry into force has been set for February 14, 2011, the date on which the Company has fulfilled its obligations under the agreement of option. The Company now holds a 60% stake in the uranium rights of the Mistassini property which is the main asset of the joint venture.

The Mistassini property is subject to a royalty of 2% of the proceeds from the all sales of uranium oxide.

JASPER LAKE PROJECT

On December 16, 2013, the Company entered into an option agreement with Denison Mines Corp. ("Denison") on the Jasper Lake project in Saskatchewan. The Company can earn up to a 60% interest in the project, which is comprised of four Denison properties formerly known as Jasper Lake, Minor Bay, Ahenakew Lake and North Wedge. The Company will be the project operator during the earn-in period.

According to the agreement, to obtain an initial undivided 49% interest in the project, the Company will make total cash payments of $1,000,000 and incur $4,000,000 in exploration expenditures over three years. Payments will be made on the following schedule:

- $100,000 within ten days of signature of the agreement (paid on December 23, 2013);
- $250,000 by June 30, 2014;
- $350,000 by June 30, 2015; and
- $300,000 by June 30, 2016.

Furthermore, a minimum of $1,000,000 must be spent on exploration by December 31, 2014.

Under the agreement, to obtain an additional 11% interest for a total undivided 60% interest in the project, the Company must make additional payments of $2,000,000 and incur an additional $8,000,000 in exploration expenditures over the subsequent three years, such that the additional payments are to be:

- $200,000 within ten days of the signature of a letter of intent to earn the additional 11% interest;
- $500,000 by June 30, 2017;
- $700,000 by June 30, 2018; and
- $600,000 by June 30, 2019.

(in Canadian dollars)

8. PROPERTY AND EQUIPMENT

	Buildings and infrastructure	Vehicles and rolling stock *(i)*	Equipment	Total *(ii)*
	$	$	$	$
Year ended December 31, 2012				
Net book value, beginning of year	8,226,561	92,531	353,708	8,672,800
Additions	2,074,165	27,120	9,056	2,110,341
Depreciation	(1,914,711)	(58,355)	(172,255)	(2,145,321)
Net book value, end of year	8,386,015	61,296	190,509	8,637,820
As at December 31, 2012				
Cost	14,803,040	526,486	1,088,308	16,417,834
Accumulated depreciation	(6,190,365)	(465,190)	(897,799)	(7,553,354)
Accumulated impairment charges	(226,660)	-	-	(226,660)
Net book value	8,386,015	61,296	190,509	8,637,820
Year ended December 31, 2013				
Net book value, beginning of year	8,386,015	61,296	190,509	8,637,820
Additions	51,554	-	-	51,554
Dispositions	-	-	(1,269)	(1,269)
Depreciation	(328,405)	(10,837)	(24,603)	(363,845)
Impairment charges (Note 4)	(7,132,250)	(17,757)	(68,840)	(7,218,847)
Net book value, end of year	976,914	32,702	95,797	1,105,413
As at December 31, 2013				
Cost	14,446,494	526,486	1,052,069	16,025,049
Accumulated depreciation	(6,337,330)	(476,027)	(887,432)	(7,700,789)
Accumulated impairment charges	(7,132,250)	(17,757)	(68,840)	(7,218,847)
Net book value	976,914	32,702	95,797	1,105,413

(i) There was no depreciation expense relating to finance leases in the statement of income. The depreciation expense relating to property and equipment under finance lease of $3,932 was capitalized in deferred E&E expenditures for the year ended December 31, 2013 ($15,792 as at December 31, 2012).

Included in Vehicles and rolling stock, there are vehicles and rolling stock under a finance lease with net book values of $18,806 as at December 31, 2013 ($29,567 as at December 31, 2012).

(ii) All property and equipment are located in Canada.

(in Canadian dollars)

9. PROVISIONS

	Refundable tax credits for resources	Total
	$	$
As at December 31, 2012	-	-
Additions	1,830,000	1,830,000
As at December 31, 2013	**1,830,000**	**1,830,000**
Current	1,830,000	1,830,000
Non-current	-	-

As at December 31, 2013, the Company recorded a specific provision of $1,830,000 in the statement of financial position (Note 4) that resulted in an increase in E&E expenditures in the statement of income, while net tax credits for the fiscal year ended December 31, 2013, totalled $1,493,369 (Note 19).

10. LOANS PAYABLES AND CONVERTIBLE NOTES

	Convertible notes (a)	Loans payable (b, c and d)
	$	$
As at December 31, 2011	7,073,607	2,880,007
Additions	-	268,730
Accretion expense	1,885,040	119,993
Reimbursement	-	(3,000,000)
As at December 31, 2012	8,958,647	268,730
Exchange of notes / additions, net	6,072,966	5,481,941
Exchange of notes / reimbursement	(11,260,761)	(3,000,000)
Accretion expense	2,381,001	231,270
As at December 31, 2013	6,151,853	2,981,941

(a) On January 27, 2010, the Company closed a private placement with Sentient Executive GP III, Limited ("Sentient III"), part of The Sentient Group, including $14,905,000 of convertible notes accompanied by common share purchase warrants. Each tranche of $1,000 in notes is accompanied by approximately 527 warrants. Each warrant entitles its holder to purchase one share for $1.00 during a 24-month period following the closing and for $1.05 during the subsequent period of 24 to 36 months after the closing.

The notes do not bear interest and are unsecured. They mature on February 27, 2015. They are convertible into shares by the holder during that period at a price of $0.95 per share. Until the notes mature, Sentient III has the option of converting the notes in tranches of $1,000 into 1,053 shares on the basis of a conversion price of $0.95 per share, for a total of 15,689,474 shares.

At the maturity date, the Company may at its sole discretion elect to repay the principal amount of the notes, in whole or in part, in common shares. The number of common shares to be issued will be calculated by dividing the elected portion of the principal amount by 95% of the weighted-average price of five trading days on the TSX. According to the subscription agreement, the Company will not issue more than 30,451,608 common shares following the conversion of the notes and will not issue the common share at a price lower than $0.7018 without the prior consent of the shareholders. If the consent of the shareholders is not granted, the Company will have to settle the difference between the weighted average price of the share on the TSX for five trading days and the floor price of $0.7018 in cash.

10. LOANS PAYABLES AND CONVERTIBLE NOTES (CONT'D)

If there is a change in control, the holder may elect to receive the reimbursement of the outstanding principal amount multiplied by 101%.

When initially recorded, the debt component was evaluated first using an effective rate of 25% corresponding to a rate that the Company would have obtained for a similar financing without the conversion option. Subsequently, the Company evaluated the fair value of the warrants with the same methodology and same assumptions as the warrants issued with the units. The residual was attributed to the equity component and is presented in the shareholder's equity.

On December 20, 2013, the Company exchanged the convertible notes issued in January 2010 and maturing in February 2015.

The Company and Sentient III agreed to the same terms as in the January 2010 agreement, but with the maturity of the convertible notes postponed to February 2016, with an option for Sentient III to extend the maturity one year at a time for a maximum of three additional years.

The Company retains its right to force conversion of the notes into shares rather than repaying the notes in cash at the new note maturity date, at the amended price of the lower of the weighted average price of the shares traded on the TSX for the 20 days preceding the conversion date or $0.25 per share.

In addition, Sentient III's option to convert some or all of the notes into common shares was amended to postpone the right to exercise this option until after December 31, 2014.

The convertible note agreement is secured by a hypothec on all of the Company's assets.

As this was an exchange of notes, the Company recorded a gain of $5,125,105 on the exchange date, considering the book value of exchanged notes and the fair value of the liability component of the new notes issued as the exchanged notes are substantially different from the old notes and the transaction must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. On recognition, the liability component was measured using an effective interest rate of 50%, corresponding to the estimated market rate the Company would have received for a similar financing without the conversion right. In connection with this transaction, the Company paid $62,690 in fees, which were recorded as a reduction of the convertible notes.

(b) On December 20, 2013, Sentient Executive GP IV, Limited ("Sentient IV"), part of the Sentient Group, granted the Company a $3,000,000 loan. The loan is also secured by a first-ranking hypothec on all of the Company's assets, and is repayable at the end of a two-year term. The loan bears interest at a rate of 10%, payable quarterly in cash or by the issuance of common shares priced at the weighted average share price for the 20 trading days preceding the interest payment date, at the Company's option. The Company incurred fees of $18,059 in connection with the loan, which were recorded as a reduction of the loan.

(c) On December 20, 2012, Sentient IV granted the Company a $3,000,000 loan. The funds were disbursed in two installments: $500,000 on December 20, 2012, and $2,500,000 on January 14, 2013. The loan was secured by the 2012 refundable tax credits for resources and was repayable within 10 business days of the receipt by the Company of the 2012 refundable tax credits for resources, or by December 10, 2013, at the latest. The loan bore interest at an annual rate of 10%.

In connection with the loan, the Company issued 1,500,000 common share purchase warrants. Each warrant entitles the holder to acquire one common share of the Company for 30 months at a price of $0.24 per share.

10. LOANS PAYABLES AND CONVERTIBLE NOTES (CONT'D)

The Company also issued 549,451 common shares at the price of $0.182 per share representing $100,000 as transaction fees recorded as a reduction of the loan.

The estimated fair value of $0.062 per warrant for an aggregate of $92,706 was determined using the Black-Scholes pricing model using the following assumptions: risk-free interest rate of 1.14%, expected volatility of 70%, no expected dividend yield and an expected life of the warrants of 30 months. This amount and the $38,564 in issuance costs in connection with this financing were recorded as a reduction of the loan.

The Company repaid the $3,000,000 loan to Sentient IV in full, along with $233,895 in interest, on December 20, 2013.

(d) The Company received a $3,000,000 loan from SIDEX, Limited Partnership, ("SIDEX") on December 29, 2011. The loan was secured by the 2011 refundable tax credits for resources and was repayable within 30 days of the receipt of the 2011 refundable tax credits for resources or by December 31, 2012. The loan bore interest at an annual rate of 8%. The Company repaid the entire $3,000,000 SIDEX loan on August 7, 2012.

11. OBLIGATIONS UNDER FINANCE LEASES

	December 31, 2013	December 31, 2012
	$	$
Obligations under finance leases	15,426	30,874
Current portion of the obligations under finance leases	(15,426)	(15,448)
	-	15,426

The aggregate capital amount of the obligations under finance leases is as follows:

	$
2014	16,126
Less: imputed interest calculated at 9%	(700)
	15,426

(in Canadian dollars)

12. ASSET RETIREMENT OBLIGATIONS

	December 31, 2013	December 31, 2012
	$	$
Balance, beginning of year	2,269,620	1,994,709
Accretion expense on asset retirement obligations	71,731	91,059
New obligations and changes in estimates with respect to obligations previously ascertained	(81,932)	183,852
Balance, end of year	2,259,419	2,269,620

The estimated undiscounted cash flows required to settle the asset retirement obligations are $2,197,100. The Company is reviewing, at each period, the amount and the expected timing of payment of the cash flows required to settle the obligations and adjusts the asset retirement obligations accordingly. A discount rate of 3.39% (3.12% as at December 31, 2012) was used to evaluate the obligations at December 31, 2013 and the calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2017, the year the CNSC licence expires. If the Company is unable to go into production on the Matoush property, it is assumed that the asset retirement obligations will be settled in 2017 (Note 4).

13. EQUITY

SHARE CAPITAL

AUTHORIZED
An unlimited number of common shares without par value.

An unlimited number of preferred shares without par value issuable in series with rights, privileges, restrictions and conditions to be determined by the Board of Directors.

(a) On August 12, 2013, the Company closed a non-brokered private placement with Sentient IV of 16,446,389 common shares priced at $0.05 each for gross proceeds of $822,319. Sentient IV received 328,927 additional shares evaluated at $16,446 representing 2% of the gross proceeds of the placement, as a transaction fee. In connection with this financing, the Company incurred fees and issue costs totaling $26,734, which were charged against share capital.

(b) On February 29, 2012, the Company closed a private placement of 16,025,620 flow-through shares priced at $0.60 and $0.65 per share with a syndicate of agents for gross proceeds of $9,999,988. In accordance with the terms of the flow-through share subscription agreements, the Company has undertaken to renounce $9,999,988 in eligible expenditures to eligible investors effective December 31, 2012.

    The Company paid $549,999 in cash an agents' commission representing 5.5% of the gross proceeds of this flow-through private placement and issuance costs of $122,214 in connection with this financing, for a total of $672,213.

(c) On February 29, 2012, the Company closed a second non-brokered private placement with Sentient IV of 6,000,000 units priced at $0.50 each for gross proceeds of $3,000,000.

    Each unit consisted of one common share and one half of one warrant. Each warrant entitles its holder to purchase one common share at $0.65 per share up until March 1, 2014. The estimated fair value of the warrants of $0.11 per warrant was determined using the Black-Scholes model with no expected dividend yield, an expected volatility of 67.1%, a risk-free interest rate of 1.12% and an expected life of warrants of 24 months. An amount of $340,322 was thus recognized as warrants and has reduced the share capital.

13. EQUITY (CONT'D)

Sentient IV received 180,000 additional units evaluated at $90,000, representing 3% of the gross proceeds of the placement, as a transaction fee. An amount of $10,210 was allocated to warrants and deducted from share capital. In connection with this financing, the Company incurred fees and issue costs totaling $30,772, which were accounted in reduction of the share capital and warrants, for the respective amounts of $27,281 and $3,491.

SHARE PURCHASE WARRANTS

Each warrant entitles its holder to purchase one share of the Company. Changes to the outstanding warrants are shown in the following table:

	2013			2012		
	Number	**Weighted -average exercise price**	**Total**	**Number**	**Weighted -average exercise price**	**Total**
		$	**$**		**$**	**$**
Balance, beginning of year	13,379,474	0.86	2,575,671	15,309,024	1.01	3,442,107
Private placements	-	-	-	3,000,000	0.65	340,322
In consideration of issue costs	-	-	-	90,000	0.65	10,210
Issue costs	-	-	-	-	-	(3,491)
In consideration of issuance costs of loans to pay (Note 10)	-	-	-	1,500,000	0.24	92,706
Warrants expiration	(8,789,474)	1.03	(2,135,924)	(6,519,550)	1.05	(1,306,183)
Balance, end of year	4,590,000	0.52	439,747	13,379,474	0.86	2,575,671

Outstanding warrants as at December 31, 2013, are shown in the following table:

Number of warrants	Exercise price	Expiry date
3,090,000	$0.65	March 1, 2014
1,500,000	$0.24	June 19, 2015
4,590,000		

14. STOCK OPTION PLAN

The Company has a stock option plan for its officers, directors and consultants. The Board of Directors sets the conditions for acquiring the common stock options according to quantity and exercise price. The strike price of the options granted may not be less than the market price, which corresponds to the weighted-average price based on the volume and price of the shares traded on the Toronto Stock Exchange for the five days preceding the option grant. The options granted are valid for a period established by the Board of Directors, not to exceed five years from the date the options are granted. The maximum number of common shares issuable under the plan is 10,654,586. The maximum number of options that can be granted to any participant may not exceed 5% of the issued and outstanding shares of the share capital.

(in Canadian dollars)

14. STOCK OPTION PLAN (CONT'D)

Changes to the stock options under the plan are shown in the following table:

	2013		2012	
	Number	Weighted-average exercise price	Number	Weighted-average exercise price
		$		$
Balance, beginning of year	5,426,000	0.99	5,437,500	1.62
Granted	-	-	1,360,000	0.40
Exercised	-	-	-	-
Forfeited	-	-	(4,000)	0.50
Expired	(1,876,500)	1.55	(1,367,500)	2.93
Balance, end of year	3,549,500	0.69	5,426,000	0.99

As at December 31, 2013, the Company had the following outstanding options:

Number of outstanding options	Number of exercisable options	Exercise price	Expiry date
		$	
777,000	777,000	1.00	June 8, 2014
7,000	7,000	1.00	September 14, 2014
14,000	14,000	1.00	January 4, 2015
500,000	500,000	1.00	May 26, 2015
252,500	252,500	1.00	June 6, 2015
880,000	880,000	0.50	June 27, 2016
1,119,000	1,119,000	0.40	May 29, 2017
3,549,500	3,549,500		

Stock-based compensation expenses of nil were recorded in the statements of income for the year ended December 31, 2013 ($225,273 in 2012), and a nil amount was capitalized to deferred E&E expenditures ($117,815 in 2012).

The Company did not grant any stock options during the year ended December 31, 2013, while in 2012, 1,360,000 options with an expected life of five years were granted to officers, directors and consultants, all of which vested immediately. The fair value of each option granted was determined using the Black-Scholes option-pricing model. The weighted-average fair value of the stock options granted was $0.245 in 2012 per option. The market price of the Company' share was lower than the exercise price at the grant dates.

The following weighted-average assumptions were used in the calculations:

	2012
Risk-free interest rate	1.31%
Expected life	5 years
Expected volatility	81%
Expected dividend yield	0%
Expected forfeiture rate for the options not vesting immediately	1%

15. COMPENSATION OF KEY MANAGEMENT

In 2011, the Company had a service agreement with a related party to provide management services to the Company, including senior executives (Note 21).

Key management includes directors and senior executives. Employment contracts in force for senior executives include a variable pay mechanism for up to 50% of their annual base salary.

The compensation paid or payable for key management services is presented below:

	2013	2012
	$	$
Salaries and benefits	916,000	260,000
Senior executives services and directors fees	56,000	1,324,000
Share-based compensation	-	232,000
	972,000	1,816,000

Termination and Change of Control Benefits

Certain employment agreements between the executive team and the Company contain termination and change of control provisions. If a termination or change of control involving material changes in the duties assigned to senior executives had occurred as at December 31, 2013, the amounts payable for the executive team would have totalled $1,695,000 and $2,595,000, respectively.

16. INCOME TAXES

	2013	2012
	$	$
Taxes payable		
Taxes payable on net loss for the year	-	-
Credits on duties refundable for losses	122,984	(176,896)
Total income taxes expense (recovery)	122,984	(176,896)
Deferred taxes		
Rise and reversal of temporary differences relating to:		
Income taxes	(1,376,987)	557,413
Mining taxes	(9,777,971)	1,553,267
Premium on flow-through share issuance	-	(1,987,178)
Total deferred taxes (recovery)	(11,154,958)	123,502
Income tax expenses (recovery)	(11,031,974)	(53,394)

The income tax provision differs from the amount resulting from the application of the combined Canadian statutory income tax rate. The combined statutory tax rate is the sum of the rate of federal income taxes of 15% (15% in 2012), Provincial of 11.9% (11.9% in 2012) and the Quebec mining tax rate of 16% (16% in 2012). The mining tax rate is considered net of income tax on income related thereto of 4.304% (4.304% in 2012).

(in Canadian dollars)

16. INCOME TAXES (CONT'D)

	2013	2012
	$	$
Loss before income tax	(90,364,660)	(4 478 507)
Combined Canadian statutory income tax rate	38.596%	38.596%
Income tax recovery at the combined statutory income tax rate	(34,877,144)	(1 728 525)
Stock-based compensation	-	60 598
Changes in fair value of the available-for-sale investment	701	2 690
Non-deductible and other expenses	80,415	(124 695)
Expenses non-taxable for mining tax	893,830	481 073
Unrecognized temporary differences	22,747,240	154 941
Renounced E&E expenses	-	3 264 598
Premium on flow-through shares	-	(1 987 178)
Credits on mining duties for losses	122,984	(176 896)
	(11,031,974)	(53 394)

The following table presents an analysis of deferred tax assets and liabilities.

	2013	2012
	$	$
Deferred tax assets		
Deferred tax assets to be recovered in more than 12 months	(2,371,869)	(5,380,698)
Deferred tax assets to be recovered in less than 12 months	-	(2,317)
Deferred tax liabilities		
Deferred tax liabilities to be settled in more than 12 months	2,371,869	15,737,595
Deferred tax liabilities to be settled in less than 12 months	-	391,730
Deferred tax liabilities, net	-	10,746,310

The following table presents the evolution of the deferred tax account.

	2013	2012
	$	$
As at January 1	10,746,310	8,652,187
Amount recognized as an expense in the statement of income (recovery)	(11,154,958)	2,110,680
Tax expense (recovery) related to the share capital	408,648	(16,557)
As at December 31	-	10,746,310

The following table shows the changes in deferred tax assets and liabilities during the year, regardless of compensation balances relating to the same taxation authority.

(in Canadian dollars)

16. INCOME TAXES (CONT'D)

Deferred tax assets

	Non-capital losses	Property and equipment	Asset retirement obligations	Mining tax	Other	Total
	$	$	$	$	$	$
As at December 31, 2011	(2,143,392)	(388,640)	(299,206)	(1,233,706)	(384,443)	(4,449,387)
Amount debited (credited) in the statement of income	(554,588)	(68,002)	(41,237)	(232,990)	(20,254)	(917,071)
Amount debited (credited) in the share capital	-	-	-	-	(16,557)	(16,557)
As at December 31, 2012	(2,697,980)	(456,642)	(340,443)	(1,466,696)	(421,254)	(5,383,015)
Amount debited (credited) in the statement of income	2,697,980	181,905	(267,341)	1,466,696	(1,476,742)	2,602,498
Amount debited (credited) in the share capital	-	-	-	-	408,648	408,648
As at December 31, 2013	-	(274,737)	(607,784)	-	(1,489,348)	(2,371,869)

Deferred tax liabilities

	Deferred E&E expenditures	Convertible notes	Mining tax	Other	Total
	$	$	$	$	$
As at December 31, 2011	3,684,162	1,174,709	8,224,704	17,999	13,101,574
Amount debited (credited) in the statement of income	1,740,549	(282,756)	1,553,267	16,691	3,027,751
Amount debited (credited) in the share capital	-	-	-	-	-
As at December 31, 2012	5,424,711	891,953	9,777,971	34,690	16,129,325
Amount debited (credited) in the statement of income	(5,424,711)	1,462,643	(9,777,971)	(17,417)	(13,757,456)
Amount debited (credited) in the share capital	-	-	-	-	-
As at December 31, 2013	-	2,354,596	-	17,273	2,371,869

The following deferred tax assets related to deferred E&E expenditures, property and equipment, mining taxes and unused tax losses expiring from 2027 to 2033 were not recognized in financial statements:

	2013	2012
	$	$
Deferred E&E expenditures	14,156,311	-
Property and equipment	2,460,143	-
Mining tax	3,543,918	-
Non-capital losses	5,348,376	1,700,000
Deferred tax assets	25,508,748	1,700,000

17. CAPITAL DISCLOSURES

In terms of capital management, the objectives of the Company are to preserve its ability to continue as a going concern and to pursue its mining E&E activity as a going concern. The Company's capital includes shareholders' equity, loans payable, convertible notes and the long-term portion of obligations under capital leases reduced by cash, for a negative total amount of $583,983 (positive total of $79,636,556 in 2012). Management reviews its capital management policies on a going concern approach and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the year ended December 31, 2013. The Company doesn't have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Company closes a flow-through private placement in which case the funds are restricted in use for E&E expenses. The changes in capital are presented in the statement of changes in equity.

18. FINANCIAL INSTRUMENTS

FINANCIAL RISK FACTORS

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's Management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risks exposure and its financial policies are as follows:

(a) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and fair value.

(i) Interest risk
The Company has cash balances and the Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts of major Canadian chartered banks. As of December 31, 2013 and 2012, the Company had invested no amount in term deposits.

The obligation under capital leases and the loans payable bear interest at a fixed rate while the convertible debenture does not bear interest. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

(ii) Price risk
The Company is exposed to market risk in trading its investments in Pacific Bay and Canada Strategic Metals, TSX Venture issuers active in mineral exploration. As of December 31, 2013, a 10% decrease (increase) in price on the stock market would result in an estimated increase (decrease) of approximately $9,400 in these available-for-sale investments.

(in Canadian dollars)

18. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair value

The fair value of financial instruments is summarized as follows:

	December 31, 2013		December 31, 2012	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	$	**$**	**$**	**$**
Financial assets				
Cash	1,843,106	1,843,106	429,254	429,254
Available-for-sale financial assets	93,992	93,992	20,000	20,000
Financial liabilities				
Accounts payable and accrued charges	928,229	928,229	2,118,296	2,118,296
Obligations under finance leases	15,426	15,426	30,874	30,874
Loans payable	2,981,941	3,000,000	268,730	500,000
Convertible notes	6,151,853	6,211,090	8,958,647	9,206,882

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments.

As at December 31, 2013, the Company's financial instruments consisted of cash, available-for-sale financial assets, accounts payable and accrued charges and loans payable, obligations under finance leases and convertible notes. The fair value of these financial instruments, discussed above, approximated their carrying value due to their short maturity and current market rates with the exception of the loans payable and the convertible notes.

Fair value hierarchy
The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities: available-for-sale financial assets (mineral exploration company – Pacific Bay);
- Level two includes inputs that are observable other than quoted prices included in level one: none;
- Level three includes inputs that are not based on observable market data: available-for-sale financial assets (mineral exploration company – Strategic Metals).

(c) Credit risk

The financial instruments which expose the Company to market risk and concentrations of credit risk include cash. The Company invests cash with a Canadian chartered bank.

(in Canadian dollars)

18. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity risk

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its E&E programs. The Company also ensures that it has sufficient working capital available to meet its day-to-day commitments.

As at December 31, 2013, the Company had cash of $1,843,106 ($429,254 as at December 31, 2012) to settle current liabilities of $2,773,655 ($2,402,474 as at December 31, 2012).

As at December 31, 2013, Management estimates that funds available will not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2014 (Note 1).

Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity instruments, further expenditures reductions or other measures. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for 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 these financial statements.

The following are the contractual maturities of financial liabilities, including interest where applicable as at December 31, 2013 and 2012:

			2013		
	Carrying amount	**Contractual cash flows**	**From 0 to 12 months**	**From 12 to 24 months**	**More than 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payables and accrued charges	928,229	928,229	928,229	-	-
Loans payable	2,981,941	3,600,000	300,000	3,300,000	-
Obligations under finance leases	15,426	16,126	16,126	-	-
Convertible notes	6,151,853	14,905,000	-	-	14,905,000

			2012		
	Carrying amount	**Contractual cash flows**	**From 0 to 12 months**	**From 12 to 24 months**	**More than 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payables and accrued charges	2,118,296	2,118,296	2,118,296	-	-
Loans payable	268,730	548,630	548,630	-	-
Obligations under finance leases	30,874	33,718	17,592	16,126	-
Convertible notes	8,958,647	14,905,000	-	-	14,905,000

(in Canadian dollars)

19. MINING PROPERTY COSTS AND E&E EXPENDITURES

Mining properties costs	**For the year ended December 31, 2013**	
	Interest	**Total**
		$
Matoush project		
Matoush	100%	1,302
Matoush Extension	100%	760
Eclat	100%	-
Pacific Bay-Matoush	60%	-
Other project		
Mistassini	60%	2,712
		4,774

E&E Expenditures	**For the year ended December 31, 2013**		
	Additions	**Tax Credits, Net (Notes 4 and 9)**	**Total**
	$	**$**	**$**
Matoush project			
Matoush	2,511,596	1,488,196	3,999,792
Matoush Extension	1,758	(843)	915
Eclat	512	(272)	240
Pacific Bay-Matoush	2,820	4,809	7,629
Other project			
Mistassini	1,245	1,479	2,724
	2,517,931	1,493,369	4,011,300

20. GENERAL AND ADMINISTRATIVE EXPENSES

	For the years ended December 31,	
	2013	**2012**
	$	**$**
Salaries and benefits	630,060	194,391
Consulting and professional fees	427,037	1,136,519
Stock-based compensation	-	225,273
Communication and promotion expenses	152,093	551,385
Office expenses	133,372	146,968
General exploration expenses	85,909	11,668
Depreciation of property and equipment	5,664	31,091
	1,434,135	**2,297,295**

(in Canadian dollars)

21. RELATED-PARTY TRANSACTIONS

On August 10, 2011, the Company renewed a service agreement, on a monthly basis and effective as of August 1, 2011, with BBH Géo-Management Inc. (“BBH”), a related company because:

(a) the president and director of BBH is also the president and director of the Company;
(b) an officer of BBH is also an officer and director of the Company, until October 15, 2012.

Under the terms of the Services Agreement, BBH provides the Company with management services, including E&E work until October 15, 2012. The Company pays: a fixed monthly fee of $5,500 to be reviewed each year on July 31 for the use of office space, office equipment and computer hardware and software; a 5% management fee on all costs related to E&E program and property and equipment expenditures related to the Matoush property until October 15, 2012; a 10% management fee on all costs related to E&E programs on the other properties: Matoush Extension, Eclat, Pacific Bay-Matoush, Mistassini, Apple and other properties until October 15, 2012; and a 5% fee on any purchases related to E&E projects or option agreement on the Matoush Extension, Eclat, Pacific Bay-Matoush, Mistassini, Apple and other properties until October 15, 2012.

While complying with the non-solicitation provision of the Services Agreement with BBH, the Company took into account the fact that on issuance of the CNSC license or when other events occur, it would have to incur expenses and fees to attract and hire personnel to manage its affairs and carry out its mineral exploration and development programs. Thus, the Company entered into an employee transfer agreement with BBH on November 8, 2011, which is also effective August 1, 2011 (the “Transfer Agreement”).

Among other things, the Transfer Agreement grants BBH the right to claim fees for the transfer of senior staff and permanent employees from BBH to the Company. In the Transfer Agreement, the Company undertakes to pay BBH, for the transfer of each senior staff member and any future transfer of permanent employees within 30 days of their commencement of employment with the Company, a fee based on a percentage of their base salary payable by the Company.

Upon receipt of the CNSC license on October 16, 2012, the Company asked BBH to transfer ten senior staff who were formerly employees of BBH and who became employees of the Company as at that date (“Senior Staff”).

Pursuant to the Transfer Agreement, fees for Senior Staff previously billed by BBH to the Company under the Services Agreement ceased to apply as of October 16, 2012, and the same applies to management fees related to the management of work of the E&E programs on the Company’s mineral properties listed above and management of administrative work, which are assumed by the Company as of the Senior Staff transfer date.

The Transfer Agreement also provides for the future transfer of other permanent employees of BBH who could eventually become employees of the Company but who were still employees of BBH as at March 19, 2014 (the“Permanent Employees”).

All the other provisions of the Services Agreement regarding services still rendered by the Permanent Employees to the Company and the fixed monthly charge of $5,500 for the use of office space and BBH equipment continue to apply.

(in Canadian dollars)

21. RELATED-PARTY TRANSACTIONS (CONT'D)

During the year ended December 31, 2013:

BBH charged:

- i) fees of $355,000 ($3,387,000 in 2012) included in deferred E&E expenditures;
- ii) management fees:
  - 1) of $0 ($481,000 in 2012) included in deferred E&E expenditures;
  - 2) of $0 ($89,000 in 2012) included in property and equipment;
- iii) professional fees for a total amount of $223,000 ($964,000 in 2012);
- iv) exploration and evaluation expenditures fees of $395,000 expensed through income ($0 in 2012);
- v) rental fees of $66,000 ($64,000 in 2012);
- vi) interest of $13,500 charged on balances in arrears ($0 in 2012).

At December 31, 2013, accounts payable and accrued liabilities include an amount of $71,000 ($598,000 at December 31, 2012) owed to BBH. Fees charged by BBH for services rendered to the Company by BBH employees are marked up by 1.85 to cover fringe benefits and other risks assumed by BBH as the employer. BBH invoices are payable upon receipt and bear interest at a rate of 5%.

Subsequent to the transactions described in Notes 10 and 13, the Sentient Group has significant influence over the Company and thus is considered a related party. All agreements and transactions with the Sentient Group are already disclosed in these financial statements and are therefore not described in this note.

22. SUPPLEMENTAL CASH FLOW INFORMATION

	2013	2012
	$	$
Non-cash transactions		
Deferred E&E expenditures included in accounts payable and accrued charges	78,652	1,322,128
Additions to property and equipment included in accounts payable and accrued charges	-	115,500
Issue costs of loans payable and convertible notes included in accounts payable and accrued charges	80,749	38,564
Tax credits receivable presented as a reduction in deferred E&E expenditures	464,045	4,250,626
Property and equipment recorded pursuant to asset retirement obligations	-	183,852
Depreciation of property and equipment included in deferred E&E expenditures	358,181	2,114,230
Units issued for share issue costs, net of the tax impact of $0 ($24,210 in 2012)	16,446	65,790
Units issued for issue costs of loans payable	-	100,000
Stock-based compensation capitalized in deferred E&E expenditures	-	117,815

23. COMMITMENTS

The following table lists the Company's contractual obligations over the next years ending December 31.

	2014	2015 and thereafter
	$	$
Operating leases	38,500	-

The CNSC has attached a condition, among others, to the license obtained on October 16, 2012, to be met before the work foreseeing that the Company will have to deposit a financial guarantee of nearly $6,000,000 to fund decommissioning.