Melkior Resources Inc.

(an exploration company)

Annual Financial Statements

Years ended August 31, 2009 and 2008

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To the shareholders of
Melkior Resources Inc.

We have audited the balance sheets of Melkior Resources Inc. as at August 31, 2009 and 2008 and the statements of earnings and comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP [1]

Val-d'Or, October 23, 2009

1 Chartered accountant auditor permit no. 13953

Melkior Resources Inc.

(an exploration company)

Balance Sheets

	August 31	
	2009	2008
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 4)	585,654	1,110,658
Short-term investments (Note 5)	2,781,533	3,018,060
Sales tax receivable	31,122	47,126
Due from partners, without interest, on demand	60,000	90,568
Taxes credits receivable	94,229	71,995
Prepaid expenses	24,973	19,978
Listed shares held for trading	82,000	615,000
	3,659,511	4,973,385
Prepaid exploration expenses	-	62,690
Exploration funds (Note 4)	-	373,930
Equipment (Note 6)	4,134	9,630
Mining assets (Note 7)		
Mining properties	1,640,472	1,755,750
Deferred exploration expenses	3,803,409	7,496,106
	9,107,526	14,671,491
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	159,705	524,487
Due to a partner, without interest, on demand	2,596	-
	162,301	524,487
Shareholders' Equity		
Share capital (Note 8)	35,684,352	34,684,977
Contributes surplus (Note 8d)	1,435,096	1,249,429
Deficit	(28,174,223)	(21,787,402)
	8,945,225	14,147,004
	9,107,526	14,671,491

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

(s) Jens E. Hansen
Jens E. Hansen
President and Director

(s) Norman Farrell
Norman Farrell
Director

Melkior Resources Inc.

(an exploration company)

Statement of Earnings and Comprehensive Loss and Deficit

	Year ended August 31	
	2009	**2008**
	$	**$**
Expenses		
General and administrative	154,316	123,700
Travelling and promotion	6,788	20,771
Investors and shareholders relations	71,940	126,610
Professional and consulting fees	193,770	227,639
General exploration	5,406	1,225
Stock-based compensation	129,000	672,000
Amortization	5,496	2,748
Fair value variation on financial instruments held for trading	542,491	683,249
Write-off of mining assets	5,346,461	-
Taxes credits related to a mining asset disposed previously	(31,852)	-
	6,423,816	1,857,942
Income		
Interest income	61,685	181,471
Management fees	2,710	24,231
Gain on disposal of mining assets	49,571	1,062,206
	113,966	1,267,908
Loss before income taxes	(6,309,850)	(590,034)
Future income taxes (Note 9)	-	323,000
Net loss and comprehensive loss	(6,309,850)	(267,034)
Basic and diluted net loss per share	(0.07)	-
Weighted average number of outstanding common shares	85,973,284	77,420,830
Deficit, beginning of year	(21,787,402)	(20,989,814)
Net loss	(6,309,850)	(267,034)
Future income taxes related to flow-through shares	-	(323,000)
Share issue expenses	(76,971)	(207,554)
Deficit, end of year	(28,174,223)	(21,787,402)

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

Melkior Resources Inc.
(an exploration company)

Statement of Cash Flows

	Year ended August 31	
	2009	**2008**
	$	**$**
Operating activities		
Net loss	(6,309,850)	(267,034)
Non-cash items:		
Stock-based compensation	129,000	672,000
Amortization	5,496	2,748
Fair value variation on financial instruments held for trading	542,760	682,980
Interest accrued on interest income	89,767	(114,040)
Gain on disposal of mining assets	(49,571)	(1,062,206)
Write-off off mining assets	5,346,461	-
Future income taxes	-	(323,000)
	(245,937)	(408,552)
Changes in non-cash working capital items		
Sales tax receivable	16,004	150,303
Due from partners	14,842	(14,842)
Prepaid expenses	57,695	(192)
Accounts payable and accrued liabilities	(12,575)	45,732
Due to a partner	296	-
	76,262	181,001
Cash flows from operating activities	(169,675)	(227,551)
Investing activities		
Purchase of short-term investments	(3,488,000)	(3,340,000)
Disposal of short-term investments	3,625,000	450,000
Exploration funds	373,930	(373,930)
Prepaid exploration expenses	-	(62,690)
Additions to mining properties	(410,946)	(50,368)
Disposal of mining properties	-	500,000
Deferred exploration expenses	(1,500,641)	(2,335,985)
Payments received from partners for exploration costs	26,904	298,495
Taxes credits cashed	67,520	241,308
Cash flows from investing activities	(1,306,233)	(4,673,170)
Financing activities		
Issuance of shares	999,375	2,352,525
Share issue expenses	(48,471)	(131,796)
Cash flows from financing activities	950,904	2,220,729
Net changes in cash and cash equivalents	(525,004)	(2,679,992)
Cash and cash equivalents, beginning of year	1,110,658	3,790,650
Cash and cash equivalents, end of year (Note 4)	585,654	1,110,658

See Note 13 for additional information on the statement of cash flows

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

1. Governing statutes and nature of operations

Melkior Resources Inc. (the 'Company'), incorporated under the Canada Business Corporation Act, is a mineral exploration enterprise.

The Company is in the process of exploring and evaluating its mining properties and projects and has not yet determined whether its properties contain ore reserves that are economically recoverable.

Although the Company has taken steps to verify title to mining properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property's titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Accounting changes

Accounting changes adopted recently

Taking effect September 1, 2008, according to the transition dispositions, the Company adopted the following new accounting policies published by the Canadian Institute of Chartered Accountants ("CICA")*:*

a) Section 1535, "Capital disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. Disclosure and presentation requirements pertaining to this section are contained in Note 8e) and have no impact on the Company's financial results.

b) Section 1400, "General Standards of Financial Statement Presentation", requires that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but not limited to, twelve months from the balance sheet date. The new requirements only address disclosures and have no impact on the Company's financial results.

c) Section 3862, "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" describe the required disclosure and presentation for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which entity is exposed and how the entity manages those risks. Disclosure and presentation requirements pertaining to this section are contained in Note 14 and have no impact on the Company's financial results.

d) The Emerging issues committee published the EIC 174: "Mining exploration costs" on March 27, 2009. The EIC 174 provides additional guidance for mining exploration enterprises on the exploration expenses that can be capitalized as asset and on when an impairment test is required. This abstract was applied during the current year. The adoption of this standard did not have an impact on the Company's method of accounting of mining exploration costs.

e) Other new standards were issued, but are not expected to have a material impact on the Company's financial requirements.

2. Accounting changes (Cont'd)

Future accounting changes
Adoption of International Financial Reporting Standard in Canada
In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRSs"). The Company will get the training on the IFRS and will elaborate a plan to be ready for the Fiscal year 2012 conversion.

3. Accounting policies

Accounting Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include the carrying value of mining properties, deferred exploration expenses and stock-based compensation. Actual results may differ from those estimates.

Basis of presentation
The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

Cash and cash equivalents
The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date in cash and cash equivalents.

Exploration funds
These funds are restricted in use for exploration expenses pursuant to flow-through financing agreements.

Equipment
Equipment is amortized over its estimated useful life using the straight line depreciation method over a period of 3 years.

Mining assets
Acquisition cost and exploration expenses relating to a non-producing property are deferred until the mining property is brought into production or abandoned. If commercial production is achieved, the capitalized costs are amortized over the estimated useful life of the project. Upon abandonment or if the costs to date are determined to be unrecoverable, the accumulated costs are charges to earnings. Government assistance, mining duties credits and other credits related to exploration work are applied against the deferred exploration expenses.

The recoverability of amounts shown for mining properties and deferred exploration expenses is dependent upon the ability of the Company to obtain necessary financing to complete the acquisition, exploration and development thereof, and upon future profitable production or proceed from the disposal of properties in excess of the accounting value.

Basic or diluted net loss per share
Basic net loss per share is calculated over the weighted average number of shares outstanding during the year. The diluted net loss per share, which is calculated using the treasury method, is equal to the basic net loss per share due to the anti-dilution effect of stock options and share purchase warrants outstanding and described in Note 8.

3. Accounting policies (Cont'd)

Share Capital
Share Capital issued for non-monetary consideration is generally recorded at the fair market value on the date the shares were issued, or the date the agreement to issue the shares was entered into, as determined by the Board of Directors of the Company.

Share issue expenses
Expenses relating to the issue of shares are accounted for in the statement of deficit during the year they are incurred.

The resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting, considering EIC-146, income taxes related to the temporary differences are recorded on the date that the Company renounces the deductions to investors together with a corresponding charge in the statement of deficit as share issue expenses.

Stock–Based Compensation Plans
The Company has a stock option plan as described in Note 8. The Company uses the fair value method based on the Black-Scholes pricing model to record the compensation cost related to the issue of stock options to its employees, directors, officers and consultant. When the options are granted, the compensation charge is recorded in the statement of earnings or in deferred exploration expense and the counterpart is credited to contributed surplus. The expense is recorded over the vesting period for employees and over the performance period for consultants. On exercise of stock options, any consideration paid and the contributed surplus related to these options are credited to capital stock.

Fair value of the warrants
Proceeds from unit placements are allocated between shares and warrants issued using the residual method to determine the fair value of warrants issued. Proceeds are first allocated to shares according to their market value at the time of issuance and any residual in the proceeds is allocated to warrants.

Income taxes
The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to difference between the carrying amounts and tax bases of assets and liabilities. They are measured be applying substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

Financial assets and liabilities
On initial recognition, all financial assets and liabilities are measured and recognized at their fair value, except for financial assets and liabilities resulting from certain related party transactions. Subsequently, financial assets and liabilities are measured and recognized as follows:

- Held for trading financial assets are measured at their fair value and changes in fair value are recognized in earnings. Changes in fair value that are recognized in earnings exclude interest income and are presented under fair value variation on financial instruments held for trading. Cash and cash equivalents, short-term investments, listed shares as well as exploration funds are classified as held for trading;
- Loans and receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts. Due from partners is classified as loans and receivable;

3. Accounting policies (Cont'd)

- Other financial liabilities are measured at amortized cost using the effective interest method. Interest calculated using the effective interest method is presented in general and administrative expenses. Accounts payable and accrued liabilities and due to a partner are classified as other financial liabilities.

4. Cash and cash equivalents and exploration funds

	2009	2008
	$	$
Cash	585,654	108,943
Treasury bills	-	1,375,645
Less: Exploration funds	-	(373,930)
Cash and cash equivalents	585,654	1,110,658

As of August 31, 2008, cash and cash equivalents and exploration funds included treasury bills of $1,375,645 for which the nominal value was $1,378,000 with effective interest rates between 2.11% and 2.23%, maturing between September 18 and October 16, 2008. The exploration funds were spent before December 31, 2008.

5. Short term investments

As of August 31, 2009, short term investments include guaranteed investments from a Canadian financial institution totalling $2,781,533 cashable at any time without penalties, maturing between November 4, 2009 and May 31, 2010 and bearing interest rates between 0.40% and 2.05%.

As of August 31, 2008, short term investments included guaranteed investments certificates from a Canadian financial institution of which $1,045,652 was cashable without penalties at maturity on November 3, 2008 bearing interest of 4.9%. Amounts totalling $1,972,408 were cashable at any time without penalties, maturing on November 3, 2008, bearing interest rates between 4.55% and 4.8%.

6. Equipment

As of August 31, 2009	**Cost**	**Accumulated depreciation**	**Net book value**
	$	$	$
Equipment	16,500	12,366	4,134

As of August 31, 2008	**Cost**	**Accumulated depreciation**	**Net book value**
	$	$	$
Equipment	16,500	6,870	9,630

7. Mining assets

Mining properties	August 31 2008	Acquisitions	Disposals	Write-offs	August 31 2009
	$	$	$		$
Quebec					
Launay	374,981	14,150	-	-	389,131
Ungava	201,800	-	-	(201,800)	-
Mont Otish	39,155	12,758	-	(19,578)	32,335
Ontario					
Timmins	251,090	22,119	(380)	-	272,829
Henderson	3,118	2,257	-	-	5,375
Long Lac	19,824	-	-	-	19,824
Rim Nickel – McFaulds	865,782	55,196	-	-	920,978
	1,755,750	106,480	(380)	(221,378)	1,640,472

Mining properties	August 31 2007	Acquisitions	Disposals	August 31 2008
	$	$	$	$
Quebec				
Launay	374,531	450	-	374,981
Ungava	201,800	-	-	201,800
Mont Otish	201,176	17,153	(179,174)	39,155
Ontario				
Timmins	155,467	95,623	-	251,090
Henderson	3,118	-	-	3,118
Long Lac	-	19,824	-	19,824
Rim Nickel – McFaulds	-	865,782	-	865,782
	936,092	998,832	(179,174)	1,755,750

Deferred exploration expenses	August 31 2008	Expendi-tures	Tax credits	Dispo-sals	Write-offs	August 31 2009
	$	$	$	$		$
Quebec						
Launay	4,235,839	58,913	(17,132)	-	(3,872,631)	404,989
Ungava	1,134,915	18,210	(7,092)	-	(1,146,033)	-
Mont Otish	147,618	36,869	-	-	(106,419)	78,068
Troilus		461,547	(67,206)	-	-	394,341
Ontario						
Timmins	1,499,088	696,665	-	(10,049)	-	2,185,704
Henderson	11,254	3,677	-	-	-	14,931
Long Lac	73,281	29,180	-	-	-	102,461
Rim Nickel - McFaulds	394,111	228,804	-	-	-	622,915
	7,496,106	1,533,865	(91,430)	(10,049)	(5 125 083)	3,803,409

7. Mining assets (Cont'd)

Deferred exploration expenses	**August 31 2007**	**Expenditures**	**Tax credits**	**Disposals**	**August 31 2008**
	$	**$**	**$**	**$**	**$**
Quebec					
Launay	3,933,257	304,094	(1,512)	-	4,235,839
Ungava	1,134,915	-	-	-	1,134,915
Mont Otish	522,268	218,688	(21,953)	(571,385)	147,618
Ontario					
Timmins	361,272	1,137,816	-	-	1,499,088
Henderson	10,554	700	-	-	11,254
Long Lac	-	73,281	-	-	73,281
Rim Nickel - McFaulds	-	394,111	-	-	394,111
	5,962,266	2,128,690	(23,465)	(571,385)	7,496,106

Quebec

a) Launay and Launay-Trojan

The Company holds claims located in the Launay township of Quebec. Certain claims are subject to a 1% Net Smelter Return royalty ("NSR") royalty that can be repurchased for a $1,000,000 cash payment while other claims are subject to a 2% NSR royalty of which half (1%) may be repurchased for $1,000,000. During the year, the Company reviewed the exploration expenses and wrote-off the exploration expenses incurred more than three years ago.

b) Ungava

The Company holds a 49% interest in the Delta-Kenty property located in the Ungava region in Quebec.

Considering the market conditions that prevailed in fiscal 2009 where it was difficult to finance an exploration program for the Ungava project located in the far north, the Company doesn't expect to do extensive work on the property in the near future and consequently wrote-off the mining property costs and deferred exploration expenses for $1,347,833.

c) Mont Otish

i) Mont Otish

On January 9, 2007, the Company and Santoy Resources Ltd ("Santoy") had agreed to explore for Uranium and other metals in the Otish Mountains of Quebec. The Company has retained the right to explore for diamonds for its own account on these lands.

ii) Otish Majescor

On February 8, 2007, the Company and Santoy (50% each) have entered into an option agreement with Majescor Resources Inc. ("Majescor") to earn 66 2/3% interest in 317 claims in the Lac Laparre area in the Otish Mountains of Quebec. On February 8, 2008, Melkior issued 100,000 shares to Majescor valued at $20,000, to comply with its obligation following the agreement signed February 8, 2007.

iii) Sale to Otish Energy inc.

On December 18, 2007, the Company signed a letter of intent for the sale of its Otish Basin uranium interests to Kakanda Resources Corp (now called Otish Energy Inc.). Santoy will retain its interest and become operator of the project. The terms of the letter of intent are as follows:

7. Mining assets (Cont'd)

- Otish Energy paid Melkior $500,000 cash;
- Otish Energy issued 4,100,000 of its common shares to Melkior. These shares were valued at the market value on the date the letter of intent was signed which is $1,312,000;
- Melkior retains a 100% right to any kimberlite (for diamonds);
- Melkior retains a 1% Net Smelter Return ("NSR") royalty on 968 claims;
- Melkior retains a 0.25% NSR on the 13 Marc-André claims.

A $1,062,206 gain was realized during this transaction.

iv) Otish MacCleod
In April 2007, the Company acquired claims located 30 kilometres northwest from the Otish basin. This copper and molybdenum property was not sold to Otish Energy.

Following the airborne survey completed in the fall 2008 on the McLeod molybdenum property in the Otish Mountains, the Company decided to drop half of the claims and consequently wrote off half of the mining property costs and deferred exploration expenses for $97,645. In addition, the Company wrote-off the deferred exploration expenses relating to the exploration rights on diamonds in the Otish Mountains for $28,352.

d) Troilus
On October 20, 2008, the Company signed an agreement whereby it has the option to earn a 50% interest in some Troilus properties in Quebec from Beaufield Resources Inc. ("Beaufield") by spending $500,000 on exploration over a three year period. Of the above amount, $250,000 had to be spent before June 30, 2009. The President of the Company is also the President of Beaufield. The Boards of Directors of both companies have approved this transaction.

Beaufield is the operator and the Company spent an amount of $461,547 for exploration cost as at August 31, 2009. An amount of $2,596 due to the partner as at August 31, 2009 was paid to Beaufield in October 2009.

e) Other properties in Québec
The Company holds claims for the Vauquelin and Tiblemont properties. The Vauquelin and Tiblemont properties and their deferred exploration expenses were written off as of August 31, 2005.

Ontario

f) Timmins
i) Carscallen
The Company holds a 100% interest in the Timmins West property. Some of the claims are subject to a 1.5% NSR royalty while 2 other groups of claims are subject to a 2% NSR of which the Company has the right to buy out half (1%) of the NSR for $1,000,000 for each group.
ii)Eldorado
The Eldorado property was staked by the Company in 2006.
iii) Loveland
On November 2, 2007, the Company signed a letter of intent to acquire 100% interest in the Loveland property in consideration of $4,400 cash and 200,000 common shares of the Company, valued at $90,000. The property is located in the Loveland Township in Ontario.

7. Mining assets (Cont'd)

iv) Bristol

In 2009, the Company staked the claims in the Bristol Township, West Timmins. On August 19, 2009, the Company signed a letter of intent with Big Red Diamond Corporation ("Big Red") whereby Bid Red can acquire a 50% interest in the Bristol property. Big Red will issue 1,000,000 of its common share to the Company (valued at $60,000 as per the value on the stock exchange of Big Red on August 19, 2009) on regulatory approval and undertake $400,000 of exploration work over a period of 48 months on the claims to earn the 50% interest. Melkior will be the operator.

v) Big Marsh

On December 15, 2008, the Company acquired claims in the Carscallen Township near Timmins, Ontario for $5,000. The vendors retain a 2% Net Smelter Return royalty of which 1% can be repurchased for $1,000,000.

vi) Shaw

The property is located approximately 13 kilometres south-east of the City of Timmins and was staked in 2009.

vii) Fripp

The property is located 25 kilometres south-west of the City of Timmins and was staked in 2009.

g) Henderson

On February 5, 2007, the Company acquired the Henderson property by staking claims in the Raglan Township in south-eastern Ontario. The claims are part of the agreement with Santoy but Santoy opted out of the agreement in 2009.

On August 4, 2009, the Company signed an agreement with First Nickel Inc., ("FNI") whereby FNI has the right to earn up to 80% on the Henderson property. FNI can earn 50% by spending $60,000 on exploration in the first year. At the 50-50 point the Company will decide whether or not to participate. If the Company doesn't participate FNI can earn up to 80% by spending an additional $100,000 in the second year. At the 80% point the Company will participate or dilute to a 1.5% NSR Royalty.

The Company can continue to explore for uranium independently from the FNI agreement.

h) Long Lac

The Company acquired the Long Lac property through staking in Beardmore-Geraldton Ontario.

7. Mining assets (Cont'd)

i) Rim Nickel - McFaulds

i) Rive Nickel East and West

Following an agreement signed on April 9, 2008 and amended on June 2, 2008, the Company acquired 100% of the East Rim Nickel property and a 100% interest in an agreement concluded by the vendors and Bold Ventures Inc. with regards to the West Rim Nickel property in consideration for $306,000 in cash and the issuance of 2,500,000 shares, valued $550,000. A director and the President of the Company, who is also a director, will receive $110,000 in cash which represents the reimbursement of their staking costs incurred in this property. The East Rim Nickel property is subject to a 2% NSR royalty, of which half (1%) can be repurchased by the Company for $2,000,000. The West Rim Nickel property is subject to a 1% NSR royalty, of which half (0.5%) can be repurchased by the Company for $1,000,000.

The claims are located in the McFaulds Lake area in Ontario. The Company is the initial operator.

Bold Ventures Inc. ("Bold") has acquired 50% of the West Rim Nickel property, following the completing of $125,000 in exploration work.

ii) Riverside

Adjoining the East Rim Nickel, Melkior staked in June 2008, jointly with MacDonald Mines Exploration Ltd ("MacDonald"), the Riverside property. Melkior owns a 50% interest and MacDonald the other 50%.

8. Share capital

Authorized:

The Company's authorized share capital consists of:

a) an unlimited number of common shares of no par value, voting and participating
b) an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at the request of the Company at paid up capital.

Issued:

Changes in the Company's common share capital were as follows:

	2009		2008	
	Number	Amount	Number	Amount
		$		$
Balance at beginning of year	82,815,603	34,134,977	72,693,598	31,623,313
Private placements	4,758,928	999,375	5,000,000	1,000,000
Flow-through private placements	-	-	3,636,360	1,200,000
Exercise of warrants	-	-	435,645	67,525
Value of warrants exercised	-	-	-	26,139
Exercise of options	-	-	750,000	85,000
Value of option exercised	-	-	-	23,000
Acquisition of mining properties (Note 7)	2,500,000	550,000	300,000	110,000
	90,074,531	35,684,352	82,815,603	34,134,977
To be issued:				
Acquisition of mining properties	-	-	2,500,000	550,000
Balance at end of year	90,074,531	35,684,352	85,315,603	34,684,977

8. Share capital (Cont'd)

a) Private placements

On November 1, 2007, the Company completed a first brokered private placement of 3,030,300 flow-through common shares at a price of $0.33 per flow-through share for gross proceeds of $1,000,000. In consideration for its services, the agent received a cash commission of $80,000 representing 8% of the gross proceeds and 303,030 broker warrants equal to 10% of the number of flow-through shares sold under the private placement. Each broker warrant shall entitle the agent to purchase one additional common share of the Company at a price of $0.33 for a period of 24 months from the closing date. The total agent warrant fair value amount to $75,758 and this fair value was estimated using the Black-Scholes pricing model with no expected dividend yield, an expected volatility of 92%, a risk-free interest rate of 4.25% and an expected life of options of 2 years. The Company has also completed a second private placement for $200,000 of 606,060 flow-through shares.

On June 9, 2008, the Company closed a private placement with Sprott Asset Management Inc. of 5,000,000 units at a price of $0.20 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant shall entitle the holder thereof to purchase one additional common share at a price of $0.35 per common share for a period of 24 months following the closing date.

On June 30, 2009, the Company closed a private placement of 4,758,928 units at a price of $0.21 per unit for gross proceeds of $999,375. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant will entitle its holder to purchase one additional common share at a price of $0.35 per common share for a period of 24 months following the closing date. The Company paid a cash finder's fee to PI Financial Corp. ("PI") equivalent to 7 % of the gross proceeds raised by the finder, in the amount of $22,050 plus 10% in finder's warrants, in the amount of 150,000 warrants. Each finder's warrant entitles PI to purchase one additional common share of the Company at a price of $0.25 per common share for a period of 24 months following the closing date. The total finder's warrant cost amount to $28,500 and this fair value was estimated using the Black-Scholes model with no expected dividend yield, an expected volatility of 112%, a risk-free interest rate of 1.76% and an expected life of options of 2 years.

No value was attributed to the warrants.

b) Stock option plan

As of January 15, 2007, the Company's Board of directors has approved the 2007 Stock Option Plan replacing the existing plan. The Stock Option Plan was renewed by the shareholders on February 11, 2009. The aggregate number of optioned shares to be delivered upon the exercise of all options granted under the plan shall not exceed 10% of the number of issued and outstanding common shares at the time of the option grant. If any option granted hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased optioned shares subject thereto shall again be available for the purposes of the plan.

8. Share capital (Cont'd)

The purchase price of the Common Shares, upon exercise of each option granted under the Plan, shall be a price fixed for such option by the Board of Directors upon grant of each such option, but such price shall not be less than the market price at closing of transactions the day prior to the grant. Each option, unless sooner terminated in accordance with the terms, conditions and limitations thereof, or unless sooner exercised, shall expire on the date determined by the Board of Directors when the option is granted or, failing such determination and in any event, not later than upon the fifth anniversary of the grant of the option. Options are vested at the time of the grant, unless the Board of directors determines other conditions.

The total number of options granted to any one individual in any 12 month period, will not exceed 5% of the issued common shares. The total number of options granted to any one person providing ongoing services to the Company, in any 12 month period, will not exceed 2% of the issued common shares at the time of grant. The total number of options granted to persons employed in investor relations activities, in any 12 month period, will not exceed 2% of the common shares issued to persons employed in investor relations activities at the time of grant. Options issued to consultant performing investor relations activities must vest in stages over 12 months with no more than 25% of the options vesting in any three month period; provided, however, that if the number of common shares taken up under the option during any such three month period is less than 25% of the common shares originally covered by the option, the optionee shall have the right, at any time during the remainder of the option period, to purchase such number of common shares subject to the option that were purchasable, but not purchased by the optionee, during such three month period.

A summary of changes of the Company's common share purchase options is presented below:

	2009		2008	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		$
Balance at beginning of year	5,870,000	0.31	3,820,000	0.18
Granted	700,000	0.27	2,800,000	0.44
Exercised	-	-	(750,000)	0.11
Expired	(100,000)	0.35	-	-
Balance at end	6,470,000	0.31	5,870,000	0.31
Exercisable at the end of year	6,470,000	0.31	5,745,000	0.31

8. Share capital (Cont'd)

Stock compensation cost fair value was calculated on options based on the following assumptions:

Fiscal 2009 **Grant date**	**November 7** **2008**	**August 7** **2009**
Optionee	Director	Director
Number of options	300,000	400,000
Exercise price	$0.10	$0.40
Risk free interest	3.82%	2.62%
Average expected volatility	98%	107%
Expected dividend	-	-
Expected life (years)	5	5
Vesting	Immediate	Immediate
Estimated fair value per option	$0.06	$0.30 $
Estimated fair value	$18,000	$120,000

Fiscal 2008 **Grant date**	**October 26, 2007**	**December 17, 2007**	**February 25, 2008**
Optionee	Consultants	Directors and officers	Consultant and officer
Number of options	500,000	1,900,000	400,000
Exercise price	$0.35	$0.50	$0.25
Risk free interest	4.25%	4.26%	3.60%
Average expected volatility	114%	112%	99%
Expected dividend	-	-	-
Expected life (years)	5	5	5
Vesting	Over 4 quarters	Immediate	Immediate
Estimated fair value per option	$0.23	$0.32	$0.16
Estimated fair value	$115,000	$608,000	$64,000

For fiscal year 2009, a total of 700,000 options were granted. These options were granted at an exercise price superior at the closing market value of the shares the previous day of the grant. The total fair value of these options amount to $138,000 of which $129,000 is accounted for in stock-based compensation and the remaining $9,000 was capitalized in the deferred exploration expenses. The hypotheses used include an average interest rate without risk of 3.13%, an average expected life of the options of 5 years, an expected dividend yield of nil, an estimated average volatility of 103% and a weighted average fair value per option of $0.20.

For fiscal year 2008, a total of 2,800,000 options were granted. These options were granted at the closing market value of the shares the previous day of the grant. The total fair value of these options amount to $787,000 of which $672,000 are accounted for in stock-based compensation in 2008 and $19,167 ($95,833 in 2008) were capitalized in the deferred exploration expenses in 2009. The hypotheses used include an average interest rate without risk of 4.16%, an average expected life of the options of 5 years, an expected dividend yield of nil, an estimated average volatility of 111% and a weighted average fair value per option of $0.29.

8. Share capital (Cont'd)

Concerning the October 26, 2007 grant, the stock options were granted to consultants involved in the exploration work and the cost was capitalized in the deferred exploration expenses. As of August 31, 2008, $95,833 was capitalized based on the vesting period.

The following table summarizes information about common share purchase options outstanding and exercisable as at August 31, 2009:

Number of options outstanding	Exercise price	Expiry date
	$	
1,200,000	0.10	November 11, 2010
270,000	0.125	February 9, 2011
200,000	0.20	May 8, 2011
1,400,000	0.30	January 15, 2012
400,000	0.35	October 26, 2012
1,900,000	0.50	December 17, 2012
400,000	0.25	February 25, 2013
300,000	0.10	November 7, 2013
400,000	0.40	August 7, 2014
6,470,000		

c) *Warrants*

A summary of changes of the Company's warrants is presented below:

	2009		2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance at beginning	12,508,885	0.41	7,641,500	0.44
Issued	4,908,928	0.35	5,303,030	0.35
Exercised	-	-	(435,645)	0.155
Expired	(473,683)	0.52	-	-
Balance at end	16,944,130	0.39	12,508,885	0.41

Warrants outstanding as at August 31, 2009 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
303,030	0.33	November 1, 2009
4,758,928	0.35	June 30, 2011
150,000	0.25	June 30, 2011
2,903,226	0.25	December 18, 2011 [1)]
1,659,999	0.60	March 13, 2012 [2)]
590,000	0.60	March 27, 2012 [3)]
1,578,947	0.60	May 8, 2012 [4)]
5,000,000	0.35	June 9, 2013 [5)]
16,944,130		

8. Share capital (Cont'd)

Note:
1) The expiry date was extended from December 18, 2008 to December 18, 2011.
2) The expiry date was extended from March 13, 2008 to March 13, 2012.
3) The expiry date was extended from March 27, 2008 to March 27, 2012.
4) The expiry date was extended from May 8, 2008 to May 8, 2012.
5) The expiry date was extended from June 9, 2009 to June 9, 2013

d) Contributed surplus

A summary of changes of the Company's contributed surplus is presented below:

	2009	2008
	$	$
Balance at beginning	1,249,429	454,977
Agent warrants (Note 8a)	28,500	75,758
Exercise of agent warrants cost credited to share capital	-	(26,139)
Stock-based compensation in favour of directors and officers (Note 8b)	138,000	640,000
Stock-based compensation in favour of consultants (Note 8b)	19,167	127,833
Exercise of stock options credited to share capital	-	(23,000)
Balance at end	1,435,096	1,249,429

e) Policies and processes for managing capital

The capital of the Company consists of the items included in shareholders' equity of $8,945,225 as of August 31, 2009 ($14,147,004 as of August 31, 2008). The Company's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Company raises funds through private placements. The Company doesn't use long term debts since it doesn't generate operating revenues. There is no dividend policy. 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 where the funds are restricted in use for exploration expenses.

9. Income taxes

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

	2009	2008
	$	$
Loss before income taxes	(6,309,850)	(590,034)
Income taxes at the combined federal and provincial tax rate of 31% (31% in 2008)	(1,949,700)	(184,500)
Share issue expenses deductible	(43,400)	(41,500)
Stock-based compensation	39,900	210,100
Fair value variation on financial instruments held for trading	167,600	213,700
Non taxable gain on disposal of mining assets	(15,300)	(291,400)
Change in enacted rates	-	137,400
Other items non deductible	1,900	1,900
Unrecognized tax benefit	1,799,000	(368,700)
Income taxes	-	(323,000)

9. Income taxes (Cont'd)

Future income tax assets and liabilities result from the differences between the carrying amount and the tax basis of the following:

	2009	**2008**
	$	**$**
Future income tax assets		
Share issue expenses deductible	81,000	106,000
Operating losses carried forward	528,000	433,000
Listed shares held for trading	331,000	126,000
Equipment	3,000	6,000
Mining assets	1,332,000	9,000
	2,275,000	680,000
Less valuation allowance	(2,275,000)	(680,000)
Future income tax liabilities	-	-

The future income tax asset resulting from operating losses carried forward is not recorded. Operating losses available to reduce income taxes in future years are detailed as follows:

2010	$ 135,000
2014	387,000
2015	226,000
2026	222,000
2027	230,000
2028	292,000
2029	470,000
	$ 1,962,000

The Company will also be able to deduct in the future share issue expenses for which the future income tax asset is not recorded. These expenses total $300,334.

10. Royalties

The Company has the possibility to receive a 13.5% interest in a royalty of 2% of the gross revenue from ore sales following the sale of its interest in the Souart property. The Company has the right to receive a 1% net smelter return royalty as per a former agreement for the sale of its interest in 17 mining claims being part of the Joubi property, Dubuisson Township.

11. Related party transactions

In the normal course of operations for fiscal 2009:

a) Companies controlled by an officer charged:
   i) Professional fees relating to geology amounting to $49,950 ($69,239 for fiscal year 2008) capitalised in deferred exploration expenses;
   ii) Management fees amounting to $45,160 ($37,350 for fiscal year 2008) expensed in professional and consulting fees;
   iii) Rent totalling $36,000 ($36,360 for fiscal year 2008) expensed in general and administrative;

b) A company controlled by an officer charged professional fees of $75,469 ($66,938 for fiscal year 2008) of which $75,469 ($63,313 in fiscal year 2008) was expenses and $3,625 in Fiscal year 2008 was recorded as share issue expenses;

11. Related party transactions (Cont'd)

c) A director (nominated November 7, 2008) charged:
   i) Professional fees relating to geophysics or geology of $33,975 capitalised in deferred exploration expenses or mining properties;
   ii) Consulting fees of $11,500 expensed in investors and shareholders relations or professional and consulting fees.

d) From February 14, 2008 (date of his nomination) to August 31, 2008, a firm in which an officer is a partner charged professional fees amounting to $48,373 of which $3,900 was recorded as share issue expenses.

e) As at August 31, 2009, the balance due to the related parties amounted to $33,358 (August 31, 2008 – $16,592) and was recorded in accounts payable and accrued liabilities. This amount is subject to the same conditions as those of non related parties.

Not in the normal course of business:

f) In November 2007, officers of the Company participated in private placements of flow-through shares (Note 8a) for a total consideration of $44,900.

g) As part of the acquisition of the Rim Nickel property, a director and the president of the Company received $110,000 cash on September 22, 2008 which represent the reimbursement of their costs incurred in this transaction for the staking (Note 7i). As of August 31, 2008, this amount is recorded in accounts payable and accrued liabilities and is subject to the same conditions as those of non related parties.

These related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

12. Contingencies

Flow through share financing

The Company is partly financed by issuance of flow-through common shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian explorations expenses, even if the Company has taken all the necessary measures for this purpose. The refusal of some expenses by the fiscal authorities would have a negative fiscal impact on investors.

13. Additional information to the statement of cash flows

	2009	2008
	$	$
Interest cashed	153,788	80,656
Issuance of shares for acquisition of mining properties	-	660,000
Agent warrants granted for raising capital	28,500	75,758
Future income taxes accounted for in share issue expenses	-	323,000
Tax credits receivable applied against deferred exploration expenses	89,754	27,848
Exercise of options credited to share capital on exercise	-	23,000
Exercise of broker warrants credited to share capital on exercise	-	26,139
Additions of mining properties included in accounts payable and accrued liabilities	1,534	306,000
Additions of deferred exploration expenses included in accounts payable and accrued liabilities	98,129	145,870
Due from partners included in deferred exploration expenses	10,429	75,726
Proceed of disposal of a mining asset included in due from partners	49,571	-
Amortization included in deferred exploration expenses	-	2,748
Listed shares received on disposal of mining assets	-	1,312,000
Stock-based compensation included in deferred exploration expenses	28,167	95,833

14. Financial instruments

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk
The short term investments, exploration funds and cash and cash equivalents bear interest at a fixed rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. Interest rates 1% higher would have decreased the fair value of these by $12,690 as of August 31, 2009. Since the interest rates are lower that 1%, a decrease of interest down to 0% would increase de fair value of these by $4,986 as of August 31, 2009. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Credit Risk
The Company is subject to concentrations of credit risk through cash and cash equivalents, short-term investments and exploration funds. The Company maintains substantially all of its cash and cash equivalents, short term investments and exploration funds in financial instruments guaranteed by either a major Canadian financial institution or by the Canadian Government. The maximum credit risk is equivalent to the carrying value. The Company aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on due from partners.

14. Financial instruments (Cont'd)

Liquidity risk
Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at his disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even tough the Company was successful in the past, there is no guarantee that it will succeed in the future.

Market risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company is exposed to market risk in trading its listed shares and unfavourable market conditions could result in the disposal of its listed shares at less than favourable prices.

The listed shares held by the Company are exclusively shares from a Venture issuer who's activities are in the mineral exploration field. Those shares were obtained following the sale of mining assets in the Otish Basin in December 2007 and the original value based on the closing price on the stock market was $1,312,000. As of August 31, 2009, the value of these listed shares is $82,000.

As of August 31, 2009, a 10% decrease (increase) in the closing price on the stock market would result in an estimated increase (decrease) in net after-tax loss of approximately $8,200.

Fair Value
The fair value of the listed shares held for trading is based on the closing price on the stock market.

The faire value of financial instruments is summarized as follows:

	2009		2008	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair value**
	$	**$**	**$**	**$**
Financial assets				
Held for trading				
Cash and cash equivalents	585,654	585,654	1,110,658	1,110,658
Short-term investments	2,781,533	2,781,533	3,018,060	3,018,060
Listed share	82,000	82,000	615,000	615,000
Exploration funds	-	-	373,930	373,930
Loans and receivables				
Due from partners	60,000	60,000	90,568	90,568
Financial liabilities				
Other liabilities				
Accounts payable and accrued liabilities	159,705	159,705	524,487	524,487
Due to a partner	2,596	2,596	-	-

15. Subsequent events

In October 2009, the Company granted 225,000 options exercisable at $0,30 until November 1, 2011 were granted to an investor relation company. These options were granted at an exercise price superior at the closing market value of the shares the previous day of the grant. The fair value of these options amount to $33,750 accounted for in stock-based compensation. The hypotheses used include an interest rate without risk of 1.51%, an expected life of the options of 2 years, an expected dividend yield of nil, an estimated volatility of 109% and a fair value per option of $0.15.