Melkior Resources Inc.

Condensed Interim Financial Statements

For the nine-month period ended May 31, 2012

(Unaudited)

The attached financial statements have been prepared by Management of Melkior Resources Inc. and have not been reviewed by an auditor.

Melkior Resources Inc.
1801, McGill College avenue, Suite 1325, Montréal, Québec, Canada, H3A 2N4
Tel.: (613) 721-2919   Fax: (613) 680-1091

Melkior Resources Inc.

Interim Statement of Financial Position
May 31, 2012
(Unaudited, in Canadian dollars)

	May 31, 2012	August 31, 2011
	$	$
Assets		
Current assets		
Cash	32,084	50,092
Short term investments (Note 5)	1,011,522	2,226,396
Sales tax receivable and other receivables	86,245	185,998
Due from partners, without interest, on demand	29,794	29,794
Taxes credits receivable	41,905	33,684
Prepaid expenses	12,984	20,467
Listed shares	304,875	146,750
	1,519,409	2,693,181
Exploration and evaluation assets (Note 6)		
Mining properties	1,219,341	1,515,443
Exploration and evaluation expenses	10,480,633	10,064,817
	13,219,383	14,273,441
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	53,991	1,057,635
Due to a partner, without interest, on demand	-	4,894
Other liabilities	25,036	-
	79,027	1,062,529
Shareholders' Equity		
Share capital (Note 7)	42,005,823	41,493,723
Contributes surplus	3,795,858	2,978,022
Deficit	(32,661,325)	(31,260,833)
	13,140,356	13,210,912
	13,219,383	14,273,441

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

Melkior Resources Inc.

Interim Statement of Comprehensive Income

Nine-month period ended May 31, 2012

(Unaudited, in Canadian dollars except data per share)

	Three-month period ended May 31,		Nine-month period ended May 31,	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Expenses				
Salaries and employee benefits expenses	47	23,352	12,916	52,261
Office Expenses	29,961	31,633	83,107	82,812
Travelling and promotion	7,559	11,928	11,629	21,455
Investors and shareholders relations	35,629	33,130	95,565	87,798
Professional and consulting fees	43,548	40,134	174,589	157,046
Exploration	-	(83)	18	4,441
Stock-based compensation	15,070	109,012	91,046	213,760
Loss on sale of exploration and evaluation assets	128,685	-	128,685	-
Write-off of exploration and evaluation assets	662	123	1,959	472,247
	261,161	249,229	599,514	1,091,820
Operating loss	(261,161)	(249,229)	(599,514)	(1,091,820)
Interest income	2,650	13,446	7,376	34,088
Project management fees	-	-	-	4,944
Change in value of listed shares	(222,625)	(97,698)	(124,375)	(45,948)
Loss before income taxes	(481,136)	(333,481)	(716,513)	(1,098,736)
Deferred income taxes recovery	20,484	-	31,864	47,307
Net loss and comprehensive loss for the period	(460,652)	(333,481)	(684,649)	(1,051,429)
Basic and diluted net loss per share	-	-	(0.01)	(0.01)
Weighted average number of outstanding common shares	116,640,370	110,950,370	114,605,261	110,621,432

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

Melkior Resources Inc.

Interim Statement of Change in Equity
Nine-month period ended May 31, 2012
(Unaudited, in Canadian dollars)

	Number of shares outstanding	Capital stock	Contributed surplus	Deficit	Total equity
		$	$	$	$
Balance at September 1, 2011	110,950,370	41,493,723	2,978,022	(31,260,833)	13,210,912
Net loss and comprehensive loss	-	-	-	(684,649)	(684,649)
Private placement for cash – flow-through shares	5,690,000	569,000	-	-	569,000
Benefit related to flow-through shares renunciation	-	(56,900)	-	-	(56,900)
Share issue expenses	-	-	-	(36,943)	(36,943)
Stock-based compensation	-	-	138,936	-	138,936
Warrants extension	-	-	678,900	(678,900)	-
Balance at May 31, 2012	**116,640,370**	**42,005,823**	**3,795,858**	**(32,661,325)**	**13,140,356**

	Number of shares outstanding	Capital stock	Contributed surplus	Deficit	Total equity
Balance at September 1, 2010	109,480,370	41,291,673	2,136,614	(29,482,739)	13,945,548
Net loss and comprehensive loss	-	-	-	(1,051,429)	(1,051,429)
Options exercises	1,470,000	202,050	(48,300)	-	153,750
Stock-based compensation	-	-	267,206	-	267,206
Balance at May 31, 2011	**110,950,370**	**41,493,723**	**2,355,520**	**(30,534,168)**	**13,315,075**

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

Melkior Resources Inc.

Interim Statement of Cash Flows

(Unaudited, in Canadian dollars)

	Nine-month period ended May 31,	
	2012	**2011**
	$	**$**
Operating activities		
Net loss and comprehensive loss for the period	(684,649)	(1,051,429)
Non-cash items:		
Stock-based compensation	91,046	213,760
Fair value variation on listed shares	124,375	42,422
Loss on disposal of exploration and evaluation assets	128,685	-
Write-off of exploration and evaluation assets	1,959	472,247
Interest accrued on interest income	(896)	(12,560)
Deferred income taxes recovery	(31,864)	(47,307)
	(371,344)	(382,867)
Changes in non-cash working capital items		
Sales tax receivable and other receivables	99,753	27,200
Due from partners	-	(3,644)
Prepaid expenses	7,483	(6,962)
Accounts payable and accrued liabilities	(131,379)	(115,022)
Due to a partner	(598)	-
	(24,741)	(98,428)
Cash flows used in operating activities	(396,085)	(481,295)
Investing activities		
Purchase of short term investments	(700,000)	(2,650,770)
Disposal of short term investments	1,915,770	5,303,204
Disposal of listed shares	-	11,178
Additions to mining properties	(25,575)	(74,977)
Disposal of mining properties	25,000	-
Exploration and evaluation expenses	(1,371,424)	(2,217,623)
Payments received from partners for exploration costs	-	18,531
Taxes credits cashed	2,249	24,008
Cash flows used in investing activities	(153,980)	413,551
Financing activities		
Issuance of common shares	569,000	153,750
Share issue expenses	(36,943)	-
Cash flows from financing activities	532,057	153,750
Net changes in cash	(18,008)	86,006
Cash, beginning of period	50,092	117,421
Cash, end of period	32,084	203,427

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

1. General information and nature of operations

Melkior Resources Inc. (the ''Company''), incorporated under the Canada Business Corporations Act, is a junior mining exploration company operating in Canada. The Company's operations include the acquisition and exploration of mining properties. The address of registered office is 1801, McGill College avenue, suite 1325, Montreal, Quebec, H3A 2N4. The principal place of business is 3208 Richmond road, Ottawa, Ontario, K2H 5B6, Canada. The Company's shares are listed on the TSX Venture Exchange under the symbol MKR.

2. Basis of preparation and adoption of IFRS

The Company's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in the condensed interim financial statements for the year ending August 31, 2012. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and IFRS 1, First-time Adoption of International Financial Reporting Standards, taking into account the accounting policies that the Company intends to adopt for its financial statements for the year ending August 31, 2012. Accordingly, these condensed interim financial statements do not include all of the information required for full annual financial statements required by IFRS and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed interim financial statements were approved and authorized for issue by the Board of Director on July 26, 2012.

The condensed interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended August 31, 2011.

The Company has elected to present the statement of comprehensive income in a single statement.

3. Accounting standard issued but not yet applied

IFRS 11, Joint Arrangements, ("IFRS 11")

IFRS 11 replaces IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. IAS 28, Investments in Associates and Joint Ventures, was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12, Disclosure of Interest in Other Entities, ("IFRS 12")

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard includes disclosure requirements for entities covered under IFRS 10 and IFRS 11.

3. Accounting standard issued but not yet applied (Cont'd)

IFRS 13, Fair Value Measurement, ("IFRS 13")
IFRS 13 provides guidance on how fair value should be applied where its use is already required or permitted by other standards within IFRS, including a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

IFRS 11 to 13 were issued by the IASB on May 12, 2011 and are effective for annual periods beginning on or after January 1, 2013. The Company has not completed its assessment of the impact of these pronouncements on the results, financial position or cash flows of the Company.

4. Critical accounting estimates, judgments and assumptions

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Impairment of exploration and evaluation assets
Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of exploration and evaluation assets requires management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires considerable management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

The total impairment loss of the exploration and evaluation assets amounts to $1,959 for the nine-month period ended May 31, 2012 and $486,650 for the year ended August 31, 2011. No reversal of impairment losses has been recognized for the reporting periods.

Going concern
The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment.

(Unaudited, in Canadian dollars)

5. Short term investments

On May 31, 2012, the balance on flow-through financing not spent according to the restrictions imposed by this financing arrangement represents $249,001 (none as of August 31, 2011 and $638,342 as of September 1, 2010) and is included in the short term investments. The Company has to dedicate these funds to Canadian mining properties exploration.

6. Exploration and evaluation assets

Mining properties	August 31, 2011	Acquisitions	Write-off	Disposal	May 31, 2012
	$	$	$		$
Quebec					
Launay	400,734	444	-	(145,210)	255,968
Ungava	-	615	(615)	-	-
Otish	-	205	(205)	-	-
Troilus	4,279	826	-	-	5,105
Ontario					
Timmins	325,071	15,950	-	-	341,021
Henderson	5,375	-	-	-	5,375
Long Lac	19,885	-	-	-	19,885
Eldorado	28,134	400	-	-	28,534
Rim Nickel – McFaulds	731,965	400	-	(168,912)	563,453
	1,515,443	18,840	(820)	(314,122)	1,219,341

Exploration and evaluation expenses	August 31, 2011	Expenditures	Tax credits	Write-off	Disposal	May 31, 2012
	$	$	$	$		$
Quebec						
Launay	459,958	24,159	(10,470)	-	(35,975)	437,672
Ungava	-	1,139	-	(1,139)	-	-
Troilus	394,829	-	-	-	-	394,829
Ontario						
Timmins	5,550,052	362,310	-	-	-	5,912,362
Henderson	55,830	-	-	-	-	55,830
Long Lac	266,830	58,691	-	-	-	325,521
Eldorado	336,649	52,834	-	-	-	389,483
Rim Nickel – McFaulds	3,000,669	50,355	-	-	(86,088)	2,964,936
	10,064,817	549,488	(10,470)	(1,139)	(122,063)	10,480,633

6. Exploration and evaluation assets (Cont'd)

a) McFaulds - Brokeback and Riverbank

In December 2011, The Company closed the transaction with Green Swan Capital Corp. ("Green Swan") which consists of granting Green Swan the option to acquire up to an undivided 70% interest in the Riverbank and Brokeback properties and constitutes Green Swan's qualifying transaction.

Following the execution of a letter of intent on July 14, 2011, the parties subsequently executed a formal option agreement on August 18, 2011, as amended on December 16, 2011 (collectively, the "Option Agreement"). Under the Option Agreement, Green Swan can acquire an initial 51% undivided interest in the Riverbank and Brokeback properties by paying the Company the sum of $25,000, issuing 2,000,000 common shares of Green Swan and 1,000,000 share purchase warrants and by incurring $1,600,000 in work expenditures on the properties by no later than December 2014.

Following the exercise of the first option, should the Company not elect to form a joint venture on the Riverbank and Brokeback properties, Green Swan will have the option to acquire an additional 19% interest (for a total 70% undivided interest in the Riverbank and Brokeback properties) by incurring an additional $1,000,000 in work expenditures within a delay of twenty-four months.

Following the issuance of the Exchange's final bulletin approving the qualifying transaction on January 13, 2012, Green Swan issued to the Company 2,000,000 common shares at a price of $0.10 per share (the fair value being $200,000) and 1,000,000 share purchase warrants as per the Option Agreement in addition to pay the $25,000 in cash. Each warrant entitles the Company to acquire an additional common share of Green Swan at a price of $0.15 for a twelve month period and at a price of $0.25 per share for the following twelve month period. In accordance with Exchange policies, the securities are subject to an escrow and will be released to the Company over a period of thirty-six months.

On January 13, 2012, the 1,000,000 warrants have been valued with the Black-Scholes model with the following average assumptions: weighted risk-free interest rate of 0.86%, projected volatility of 100%, predicted average life of warrants of 2 years and no dividend yield. As of May 31, 2012, these warrants were revaluated to $28,000 with the Black-Scholes model with the following average assumptions: weighted risk-free interest rate of 1.06%, projected volatility of 100%, predicted average life of warrants of 1.625 years and no dividend yield.

b) Launay

On April 27, 2012, the Company signed a letter agreement were it sold to Lakeside Minerals Corp. (the "Acquirer"), a subsidiary of Lakeside Minerals Inc. ("Lakeside"), 6 claims from the Launay property and the 15 claims composing the Launay-Trojan block. The Acquirer will assume the NSR royalties of those claims. The Company received 750,000 shares of Lakeside valued at $52,500 according to the value of Lakeside shares at the closing on April 27, 2012. Of the $52,500, $15,000 was attributed to Launay and $37,500 was attributed to the Launay-Trojan block. A loss on disposal of exploration and evaluation assets was recorded for $128,685 on the Launay-Trojan block.

(Unaudited, in Canadian dollars)

7. Share capital

a) Private placement

On December, 7, 2011, the Company closed a non-brokered private placement for aggregate proceeds of $569,000 consisting of the issuance of 5,690,000 units at a price of $0.10 per unit. Each unit is comprised of one flow-through common share and one-half a common share purchase warrant. Each full warrant entitles its holder to purchase one additional common share at a price of $0.25 for a period of 12 months following the closing. The Company paid cash commissions totaling $10,200. In conjunction with the private placement, one insider of the Company has subscribed for aggregate proceeds of $40,000.

On December 7, 2011, the Company's share closed at $0.09 on the TSX Venture and the residual value of $0.01 was entirely allocated to the benefit related to flow-through shares renunciation for a total value of $56,900 credited to other liabilities since the warrant valuation was considered non material.

b) Stock option plan

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

	Nine-month period ended May 31, 2012	
	Number of options	Weighted average exercise price
		$
Balance at beginning of period	9,700,000	0.31
Expired	(1,400,000)	0.30
Balance at end of period	8,300,000	0.32
Option exercisable at end of period	7,900,000	0.32

The following table summarizes information about common share purchase options outstanding and exercisable as at May 31, 2012:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
100,000	100,000	0.35	October 26, 2012
1,900,000	1,900,000	0.50	December 17, 2012
200,000	200,000	0.25	February 25, 2013
300,000	300,000	0.10	November 7, 2013
400,000	400,000	0.40	August 7, 2014
900,000	900,000	0.36	December 30, 2014
1,900,000	1,900,000	0.20	July 16, 2015
200,000	200,000	0.20	July 28, 2015
2,200,000	1,833,333	0.27	December 23, 2015
200,000	166,667	0.27	February 16, 2016
8,300,000	7,900,000		

(Unaudited, in Canadian dollars)

7. Share capital (Cont'd)

c) Warrants

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

	Nine-month period ended May 31, 2012	
	Number of warrants	Weighted average exercise price
		$
Balance at beginning of period	21,112,599	0.39
Issued	2,845,000	0.25
Expired	(6,732,172)	0.45
Balance at end of period	17,225,427	0.32

Warrants outstanding as at May 31, 2012 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
4,758,928	0.35	June 30, 2012 [1)]
2,845,000	0.25	December 7, 2012
5,000,000	0.35	June 9, 2013
4,496,499	0.50	December 15, 2013 [2)]
125,000	0.50	December 17, 2013 [2)]
17,225,427		

1) On June 21, 2011, the Corporation extended the life of 4,758,928 existing warrants expiring on June 30, 2011 to June 30, 2012. The increase in the weighted average fair value on the extension date of the warrants awarded was $0.1118 per warrant or $532,000 estimated using the Black-Scholes model and the following average assumptions: risk-free interest rate of 1.76%, projected volatility of 112%, predicted average life of warrants of 1.027 year and no dividend yield.

2) On November 18, 2011, the Corporation extended the life of 4,496,499 existing warrants expiring on December 15, 2011 to December 15, 2013 as well as 125,000 existing warrants expiring on December 17, 2011 to December 2013. The increase in the weighted average fair value on the extension date of the warrants awarded was $0.1469 per warrant or $678,900 estimated using the Black-Scholes model and the following average assumptions: risk-free interest rate of 1.32%, projected volatility of 113%, predicted average life of warrants of 2.077 years and no dividend yield.

(Unaudited, in Canadian dollars)

7. Share capital (Cont'd)

d) Warrants issued as compensation

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

	Nine-month period ended May 31, 2012	
	Number of warrants	Weighted average exercise price
		$
Balance at beginning of period	1,656,605	0.32
Expired	(1,656,605)	0.32
Balance at end of period	-	

8. Statement of cash flows

	Nine-month period ended May 31,	
	2012	2011
	$	$
Exercise of option credited to share capital	-	48 300
Tax credits receivable applied against E&E expenses	10,127	29 348
Additions of E&E expenses included in accounts payable and accrued liabilities	25,686	300 383
Due from partners included in mining assets	25,223	25 223
Listed shares received on disposal of mining assets	282,500	-
Stock-based compensation included in E&E expenses	47,890	53 446

9. Transaction with key management

The Company's key management personnel are members of the board of directors, as well as the president and the chief financial officer. Key management compensation is as follows:

	Three-month period ended May 31,		Nine-month period ended May 31,	
	2012	2011	2012	2011
	$	$	$	$
Short-term benefits				
Salaries including benefits	639	24,349	15,489	52,691
Professional fees	30,671	27,145	123,582	96,462
Salaries capitalized in E&E expenses	-	5,060	-	47,574
Professional fees capitalized in E&E expenses	16,000	11,600	48,400	43,470
Total short-term benefits	47,310	68,154	187,471	240,197
Stock-based compensation	15,407	104,186	86,940	199,766
Total compensation	62,717	172,340	274,411	439,963

10. First-time adoption of IFRS

The effect of the Company's transition from Canadian GAAP to IFRS, as described in Note 2, is summarized in this note as follows:

a) Transition elections;
b) Reconciliation of balance sheet, equity, loss and comprehensive loss as previously reported under Canadian GAAP to IFRS and explanatory notes.

a) Transition elections

IFRS 1, First Time Adoption of IFRS, offers the possibility to utilize certain exemptions from full retrospective application of IFRS. The Company evaluated the options available and elected to adopt the following transition exemptions:

Mandatory exceptions:

1. The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.
2. Financial assets and liabilities that were derecognized before September 1, 2010 pursuant to Canadian GAAP were not recognized under IFRS. The Company has early applied the change in IFRS 1 in this respect regarding the application date of the exception, i.e. September 1, 2010.

Optional exemptions:

3. The Company has chosen not to apply IFRS 2, *Share-based payment*, retrospectively to options granted on or before November 7, 2002 or granted after November 7, 2002 and not vested before the date of transition to IFRS.
4. The Company has elected not to apply IFRS 3, *Business Combinations*, retrospectively to business combinations that occurred before the date of transition. See Note 10b) for an explanation of the effect of the exemption.

(Unaudited, in Canadian dollars)

10. First-time adoption of IFRS (Cont'd)

b) Reconciliation of the Statement of financial position, equity, loss and comprehensive loss and explanatory notes

The following table shows the total effect of the transition on the statement of financial position:

		May 31, 2011			
Canadian GAAP description	**Notes**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**	**IFRS description**
ASSETS					**ASSETS**
Current assets					*Current assets*
Cash		203,427	-	203,427	Cash
Short term investments	2	3,058,982	-	3,058,982	Short term investments
Sales tax receivable and other receivables		106,606	-	106,606	Sales tax receivable and other receivables
Due from partners, without interest, on demand		29,794	-	29,794	Due from partners, without interest, on demand
Taxes credits receivable		31,254	-	31,254	Taxes credits receivable
Prepaid expenses		31,261	-	31,261	Prepaid expenses
Listed shares held for trading		161,500	-	161,500	Listed shares
		3,622,824	-	3,622,824	
Exploration funds	2	-	-	-	
Mining assets					Exploration and evaluation assets
Mining properties		1,516,576	-	1,516,576	Mining properties
Deferred exploration expenses		8,594,120	-	8,594,120	Exploration and evaluation expenses
		13,733,520	-	13,733,520	
LIABILITIES					**LIABILITIES**
Current					*Current*
Accounts payable and accrued liabilities		418,445	-	418,445	Accounts payable and accrued liabilities
Due to a partner, without interest, on demand		-	-	-	Due to a partner, without interest, on demand
	1	-	535 694 (535 694)	-	Other liabilities
	1	418,445	-	418,445	
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Share capital	1	42,029,417	(535 694)	41,493,723	Share capital
Contributed surplus		2,355,520	-	2,355,520	Contributed surplus
Deficit	1	(31,069,862)	488 387 47 307	(30,534,168)	Deficit
		13,315,075	-	13,315,075	
		13,733,520	-	13,733,520	

(Unaudited, in Canadian dollars)

10. First-time adoption of IFRS (Cont'd)

The following table shows the total effect of the transition on the statement of comprehensive income:

		Three-month period ended May 31, 2011			Nine-month period ended May 31, 2011			
Canadian GAAP description	**Notes**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**	**IFRS description**
Expenses								**Expenses**
	4		23,352	23,352	-	52,261	-	Salaries and employee benefits expenses
General and administrative	4	54,985	(23,352)	31,633	135,073	(52,261)	135,073	Office expenses
Travelling and promotion		11,928	-	11,928	21,455	-	21,455	Travelling and promotion
Investors and shareholders relations		33,130	-	33,130	87,798	-	87,798	Investors and shareholders relations
Professional and consulting fees		40,134	-	40,134	157,046	-	157,046	Professional and consulting fees
General exploration		(83)	-	(83)	4,441	-	4,441	Exploration
Stock-based compensation		109,012	-	109,012	213,760	-	213,760	Stock-based compensation
Amortization		-	-	-	-	-	-	Depreciation
Fair value variation on financial instruments held for trading	4	92,801	-	92,801	42,422	-	42,422	Fair value variation on financial instruments
Write-off of mining assets		123	-	123	472,247	-	472,247	Write-off of exploration and evaluation assets
		342,030	-	342,030	1,134,242	-	1,134,242	
Other income								**Other income**
Interest income	4	8,549	-	8,549	30,562	-	30,562	Interest income
Project management fees		-	-	-	4,944	-	4,944	Project management fees
	4		-		-	-	-	Fair value variation of listed shares
Loss before income taxes		(333,481)	-	(333,481)	(1,098,736)	-	(1,098,736)	Loss before income taxes
Future income taxes	1	-	-	-	-	47,307	47,307	Deferred income taxes recovery
Net loss and comprehensive loss		(333,481)	-	(333,481)	(1,098,736)	47,307	(1,051,429)	**Net loss and comprehensive income**
Basic and diluted net loss per share		-	-	-	(0.01)	-	(0.01)	**Basic and diluted net loss per share**
Weighted average number of outstanding common shares		110,950,370	-	110,950,370	110,621,432	-	110,621,432	**Weighted average number of outstanding common shares**

10. First-time adoption of IFRS (Cont'd)

1. *Share issued by flow-through placements*
   Under Canadian GAAP, the entire proceeds received on the issuance of flow-through shares were credited to share capital. When the renouncement of the tax deductions related to the resource expenditure for income tax purposes, temporary taxable differences were created and a deferred income tax was recorded, and the related charge was treated as share issue costs.

   Under IFRS, issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component represents the obligation to revert the tax benefit to the investors. Proceeds from the issuance of shares by flow-through private placements are allocated between shares issued and a liability using the residual method.

   Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to the liability. The accumulation of all these residual proceeds as at September 1, 2010 amount to $535,694, reducing the share capital and creating the other liability benefit related to flow-through shares renunciation.

   This other liability was reversed to deferred income taxes in the statement of comprehensive income when the work is performed. As at October 1, 2010, $488,387 of the other liability was reversed and the remaining $47,307 was revised in the three month period ended November 30, 2010.

   Under IFRS, when the Company has renounced or has the intention to renounce its deductions and has incurred its admissible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction of deferred tax expenses and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of admissible expenditures capitalized as an asset and its tax base.

   Since the share issue expenses are part of the deficit for the Company, the temporary taxable differences were already recorded in the opening deficit, therefore there is no adjustment needed.

   As there is no exemption under IFRS 1 for first-time adopters regarding flow-through shares, the treatment under IFRS needs to be applied retrospectively.

2. *Cash held for exploration expenses*
   Under Canadian GAAP, the cash held for exploration expenses was presented as a long term asset. Under IFRS, the cash held for exploration expenses is presented in short term assets if used within one year.

3. *Business combination*
   The Company has elected not to restate business combinations that occurred before the date of transition to IFRS. No differences has been recorded for the acquisitions, i.e. there is no adjustments to the acquired identifiable assets and liabilities.

4. *IFRS reclassifications*
   Some reclassifications were done to comply with the IFRS presentation.

11. Subsequent events

In June and July 2012, the Company closed private placements for aggregate proceeds of $607,500 consisting of the issuance of 2,262,500 units at a price of $0.20 per unit ("Unit A") and 620,000 units at a price of $0.25 per unit ("Unit B").

Of the 2,262,500 Unit A, 1,550,000 were issued on June 28, 2012 and 712,500 were issued on July 9, 2012. Each Unit A is comprised of one flow-through common share and one common share purchase warrant. Each Unit A warrant entitles its holder to purchase one additional common share at a price of $0.25 for a period of 12 months following the closing.

The 620,000 Unit B were issued on June 28, 2012. Each Unit B is comprised of one flow-through common share and one common share purchase warrant. Each Unit B warrant entitles its holder to purchase one additional common share at a price of $0.30 for a period of 18 months following the closing. If at any time after 4 months and one (1) day after the closing date, the trading price on the TSX Venture Exchange of the common share of the Company is equal or exceeds $0.35 for a period of 20 consecutive trading days, the Company shall be entitled to notify the holders of the warrants of its intention to force the exercise of the warrants of the Unit B. Upon receipt of such notice, the holders of the warrants shall have 30 days to exercise the warrants.

In conjunction with the private placements, insiders have subscribed for aggregate proceeds of $130,000 of which a subscription in the amount of $50,000 of the Unit A offering has closed in trust pending the satisfactory review by the TSX Venture Exchange of the insider's Personal Information Form. The Company paid cash commissions totalling $15,450 in relation to the private placement.

On June 28, 2012, the Company's share closed at $0.145 on the TSX Venture. Of the $0.055 residual value relating to the Unit A, $0.029 was allocated to the benefit related to flow-through shares renunciation for a value of $44,950 credited to other liabilities and $0.026 was allocated to the warrants for a value of $40,300. The $0.026 of the warrants was valued with the Black-Scholes model with the following average assumptions: weighted risk-free interest rate of 1.06%, projected volatility of 87.5%, predicted average life of warrants of 1 year and no dividend yield.

Of the $0.105 residual value relating to the Unit B closed on June 28, 2012, $0.068 was allocated to the benefit related to flow-through shares renunciation for a value of $42,160 credited to other liabilities and $0.037 was allocated to the warrants for a value of $22,940. The $0.037 of the warrants was valued with the Black-Scholes model with the following average assumptions: weighted risk-free interest rate of 1.18%, projected volatility of 95.4%, predicted average life of warrants of 1,5 years and no dividend yield.

On July 9, 2012, the Company's share closed at $0.18 on the TSX Venture. Of the $0.02 residual value relating to the Unit A, none was allocated to the benefit related to flow-through shares renunciation and $0.02 was allocated to the warrants for a value of $14,250. A $0.043 value of the warrants was calculated with the Black-Scholes model and therefore 100% of the $0.02 residual value was attributed to the warrant. The Black-Scholes model used the following average assumptions: weighted risk-free interest rate of 1.06%, projected volatility of 87.6%, predicted average life of warrants of 1 year and no dividend yield.