Melkior Resources Inc.

Condensed Interim Financial Statements

For the six-month period ended February 29, 2012

(Unaudited)

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

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Melkior Resources Inc.

Interim Statement of Financial Position
February 29, 2012
(Unaudited, in Canadian dollars)

	February 29, 2012	August 31, 2011
	$	$
Assets		
Current assets		
Cash	98,254	50,092
Short term investments (Note 5)	1,394,611	2,226,396
Sales tax receivable and other receivables	46,803	185,998
Due from partners, without interest, on demand	29,794	29,794
Taxes credits receivable	41,564	33,684
Prepaid expenses	5,208	20,467
Listed shares	475,000	146,750
	2,091,234	2,693,181
Exploration and evaluation assets (Note 6)		
Mining properties	1,348,164	1,515,443
Exploration and evaluation expenses	10,295,766	10,064,817
	13,735,164	14,273,441
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	111,828	1,057,635
Due to a partner, without interest, on demand	-	4,894
Other liabilities	45,520	-
	157,348	1,062,529
Shareholders' Equity		
Share capital (Note 7)	42,005,823	41,493,723
Contributes surplus	3,767,260	2,978,022
Deficit	(32,195,267)	(31,260,833)
	13,577,816	13,210,912
	13,735,164	14,273,441

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

Melkior Resources Inc.

Interim Statement of Comprehensive Income
Six-month period ended February 29, 2012
(Unaudited, in Canadian dollars except data per share)

	Three-month period ended		Six-month period ended	
	February 29, 2012	**February 28, 2011**	**February 29, 2012**	**February 28, 2011**
	$	**$**	**$**	**$**
Expenses				
Salaries and employee benefits expenses	8,118	18,172	12,869	28,909
Office Expenses	27,099	24,124	53,146	51,179
Travelling and promotion	3,695	5,627	4,070	9,527
Investors and shareholders relations	31,991	31,053	59,936	54,668
Professional and consulting fees	75,528	73,916	131,041	116,912
Exploration	-	253	18	4,524
Stock-based compensation	28,810	100,222	75,976	104,748
Write-off of exploration and evaluation assets	682	472,124	1,297	472,124
	175,923	725,491	338,353	842,591
Operating loss	(175,923)	(725,491)	(338,353)	(842,591)
Interest income	989	8,644	4,726	20,642
Project management fees	-	2,539	-	4,944
Change in value of listed shares	135,390	(10,623)	98,250	51,750
Loss before income taxes	(39,544)	(724,931)	(235,377)	(765,255)
Deferred income taxes recovery	11,380	-	11,380	47,307
Net loss and comprehensive loss for the period	(28,164)	(724,931)	(223,997)	(717,948)
Basic and diluted net loss per share	-	(0.01)	-	(0.01)
Weighted average number of outstanding common shares	116,202,678	110,827,370	115,625,253	110,466,171

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

Melkior Resources Inc.

Interim Statement of Change in Equity
Six-month period ended February 29, 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	-	-	-	(223,997)	(223,997)
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	-	-	-	(31,537)	(31,537)
Stock-based compensation	-	-	110,338	-	110,338
Warrants extension	-	-	678,900	(678,900)	-
Balance at February 29, 2012	**116,640,370**	**42,005,823**	**3,767,260**	**(32,195,267)**	**13,577,816**

Balance at September 1, 2010	110,480,370	41,291,673	2,136,614	(29,482,739)	13,945,548
Net loss and comprehensive loss	-	-	-	(717,948)	(717,948)
Options exercises	1,470,000	202,050	(48,300)	-	153,750
Stock-based compensation	-	-	134,704	-	134,704
Balance at February 28, 2011	**111,950,370**	**41,493,723**	**2,223,018**	**(30,200,687)**	**13,516,054**

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)

	Six-month period ended	
	February 29, 2012	February 28, 2011
	$	$
Operating activities		
Net loss and comprehensive loss for the period	(223,997)	(717,948)
Non-cash items:		
Stock-based compensation	75,976	104,748
Fair value variation on listed shares	(97,067)	(51,750)
Write-off of exploration and evaluation assets	1,297	472,124
Interest accrued on interest income	(168)	(3,963)
Deferred income taxes recovery	(11,380)	(47,307)
	(255,339)	(244,096)
Changes in non-cash working capital items		
Sales tax receivable and other receivables	139,195	40,552
Due from partners	-	(3,644)
Prepaid expenses	15,259	17,254
Accounts payable and accrued liabilities	(74,648)	(55,988)
Due to a partner	(598)	(5,472)
	79,208	(7,298)
Cash flows used in operating activities	(176,131)	(251,394)
Investing activities		
Purchase of short term investments	(700,000)	(2,650,770)
Disposal of short term investments	1,530,770	4,403,204
Additions to mining properties	(9,065)	(34,852)
Disposal of mining properties	25,000	-
Exploration and evaluation expenses	(1,159,875)	(1,743,462)
Payments received from partners for exploration costs	-	18,530
Cash flows used in investing activities	(313,170)	(7,350)
Financing activities		
Issuance of common shares	569,000	153,750
Share issue expenses	(31,537)	-
Cash flows from financing activities	537,463	153,750
Net changes in cash	48,162	(104,994)
Cash, beginning of period	50,092	117,421
Cash, end of period	98,254	12,427

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 April 27, 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. Note 10 discloses IFRS information for the year ended August 31, 2011 not provided in the 2011 annual financial statements and is considered material in understanding the condensed interim financial statements.

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 $1,297 for the six-month period ended February 29, 2012 and $486,650 for the year ended August 31, 2011. No reversal of impairment losses has been recognized for the reporting periods.

(Unaudited, in Canadian dollars)

4. Critical accounting estimates, judgments and assumptions (Cont'd)

Going concern

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

5. Short term investments

The balance on flow-through financing not spent according to the restrictions imposed by this financing arrangement represents $453,785 (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	Acqui-sitions	Write-off	Disposal	February 29, 2012
	$	$	$		$
Quebec					
Launay	400,734	433	-	-	401,167
Ungava	-	615	(615)	-	-
Troilus	4,279	-	-	-	4,279
Ontario					
Timmins	325,071	400	-	-	325,471
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	2,248	(615)	(168,912)	1,348,164

Exploration and evaluation expenses	August 31, 2011	Expendi-tures	Tax credits	Write-off	Dispo-sal	February 29, 2012
	$	$	$	$		$
Quebec						
Launay	459,958	19,039	(7,880)	-	-	471,117
Ungava	-	600		(600)	-	-
Troilus	394,829	-	-	-	-	394,829
Ontario						
Timmins	5,550,052	196,279	-	-	-	5,746,331
Henderson	55,830	-	-	-	-	55,830
Long Lac	266,830	58,291	-	-	-	325,121
Eldorado	336,649	1,792	-	-	-	338,441
Rim Nickel – McFaulds	3,000,669	49,516	-	-	(86,088)	2,964,097
	10,064,817	325,517	(7,880)	(600)	(86,088)	10,295,766

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 (the fair value being $200,000) and 1,000,000 share purchase warrants (the fair value being $30,000) and by incurring $1,600,000 in work expenditures on the properties by no later than December 2014.

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 February 29, 2012, these warrants were revaluated to $62,000 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 1.875 years and no dividend yield.

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 and 1,000,000 share purchase warrants as per the Option Agreement. 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.

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.

(Unaudited, in Canadian dollars)

7. Share capital (Cont'd)

b) Stock option plan

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

	Six-month period ended February 29, 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	7,500,000	0.32

The following table summarizes information about common share purchase options outstanding and exercisable as at February 29, 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	1,466,667	0.27	December 23, 2015
200,000	133,333	0.27	February 16, 2016
8,300,000	7,500,000		

c) Warrants

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

	Six-month period ended February 29, 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	(2,903,226)	0.25
Balance at end of period	21,054,373	0.37

(Unaudited, in Canadian dollars)

7. Share capital (Cont'd)

Warrants outstanding as at February 29, 2012 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
1,659,999	0.60	March 13, 2012 1)
590,000	0.60	March 27, 2012 1)
1,578,947	0.60	May 8, 2012
4,758,928	0.35	June 30, 2012 2)
2,845,000	0.25	December 7, 2012
5,000,000	0.35	June 9, 2013
4,496,499	0.50	December 15, 2013 3)
125,000	0.50	December 17, 2013 3)
21,054,373		

1) These warrants are subject to an accelerated expiry if the volume weighted average price of the common shares is at least $0.80 for any period of 20 consecutive trading days. The Company may then, within five business days of such 20 trading day period, provide notice by press release to the holders of warrants that the warrants shall terminate on the earlier of the date that is 25 days following the date of the Accelerated Expiry Notice or the warrants expiry date.
2) 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.
3) 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.

d) Warrants issued as compensation

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

	Six-month period ended February 29, 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	-	-

(Unaudited, in Canadian dollars)

8. Statement of cash flows

	Six-month period ended	
	February 29, 2012	**February 28, 2011**
	$	**$**
Additional information		
Tax credits receivable applied against E&E expenses	7,880	29,348
Additions of E&E expenses included in accounts payable and accrued liabilities	26,792	54,844
Due from partners included in E&E expenses and mining properties	765	765
Due to a partner included in E&E expenses	24,458	24,458
Listed shares and warrants received on disposal of mining assets	230,000	-
Stock-based compensation included in E&E expenses	34,362	29,956

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		Six-month period ended	
	February 29, 2012	**February 28, 2011**	**February 29, 2012**	**February 28, 2011**
	$	**$**	**$**	**$**
Short-term benefits				
Salaries including benefits	9,551	17,057	14,850	28,342
Professional fees	48,001	41,549	92,911	69,317
Salaries capitalized in E&E expenses	-	18,244	-	42,514
Professional fees capitalized in E&E expenses	20,800	10,270	32,400	31,870
Total short-term benefits	78,352	87,120	140,161	172,043
Stock-based compensation	27,827	95,580	71,533	95,580
Total compensation	106,179	182,700	211,694	267,623

During the year ended August 31, 2011, 1,200,000 and 270,000 shares options where exercised at a price of $0.10 and $0.125 by a director and officers.

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 8b) 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:

			February 28, 2011		
Canadian GAAP description	**Notes**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**	**IFRS description**
ASSETS					**ASSETS**
Current assets					*Current assets*
Cash		12,427	-	12,427	Cash
Short term investments	2	3,946,859	-	3,946,859	Short term investments
Sales tax receivable and other receivables		93,254	-	93,254	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		55,262	-	55,262	Taxes credits receivable
Prepaid expenses		7,045	-	7,045	Prepaid expenses
Listed shares held for trading		270,375	-	270,375	Listed shares
		4,415,016	-	4,415,016	
Exploration funds	2	-	-	-	
Mining assets					Exploration and evaluation assets
Mining properties		1,513,342	-	1,513,342	Mining properties
Deferred exploration expenses		7,894,661	-	7,894,661	Exploration and evaluation expenses
		13,823,019	-	13,823,019	
LIABILITIES					**LIABILITIES**
Current					*Current*
Accounts payable and accrued liabilities		231,938	-	231,938	Accounts payable and accrued liabilities
Due to a partner, without interest, on demand		75,027	-	75,027	Due to a partner, without interest, on demand
	1	-	-	-	Other liabilities
	1	306,965	-	306,965	
SHAREHOLDERS' EQUITY					**SHAREHOLDERS' EQUITY**
Share capital		42,029,417	(535,694)	41,493,723	Share capital
Contributed surplus		2,223,018	-	2,223,018	Contributed surplus
Deficit	1	(30,736,381)	535,694	(30,200,687)	Deficit
		13,516,054	-	13,516,054	
		13,823,019	-	13,823,019	

(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 February 28, 2011			Six-month period ended February 28, 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		18,172	18,172		28,909	28,909	Salaries and employee benefits expenses
General and administrative	4	42,296	(18,172)	24,124	80,088	(28,909)	51,179	Office expenses
Travelling and promotion		5,627	-	5,627	9,527		9,527	Travelling and promotion
Investors and shareholders relations		31,053	-	31,053	54,668	-	54,668	Investors and shareholders relations
Professional and consulting fees		73,916	-	73,916	116,912	-	116,912	Professional and consulting fees
General exploration		253	-	253	4,524	-	4,524	Exploration
Stock-based compensation		100,222	-	100,222	104,748	-	104,748	Stock-based compensation
Amortization		-	-	-	-	-	-	Depreciation
Fair value variation on financial instruments held for trading	4	11,994	(11,994)	-	(50,379)	50,379	-	Fair value variation on financial instruments
Write-off of mining assets		472,124	-	472,124	472,124	-	472,124	Write-off of exploration and evaluation assets
		737,485	(11,994)	725,491	792,212	50,379	842,591	
Other income								**Other income**
Interest income	4	10,015	(1,371)	8,644	22,013	(1,371)	20,642	Interest income
Project management fees		2,539	-	2,539	4,944	-	4,944	Project management fees
	4	-	(10,623)	(10,623)	-	51,750	51,750	Fair value variation of listed shares
Loss before income taxes		(724,931)	-	(724,931)	(765,255)	-	(765,255)	Loss before income taxes
Future income taxes	1	-	-	-	-	47,307	47,307	Deferred income taxes recovery
Net loss and comprehensive loss		(724,931)	-	(724,931)	(765,255)	47,307	(717,948)	**Net loss and comprehensive income**
Basic and diluted net loss per share		(0,01)	-	(0,01)	(0,01)	-	(0,01)	**Basic and diluted net loss per share**
Weighted average number of outstanding common shares		110,827,370	-	110,827,370	110,466,171	-	110,466,171	**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.