Melkior Resources Inc.

Condensed Interim Financial Statements

For the three-month period ended November 30, 2011

(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
November 30, 2011
(Unaudited, in Canadian dollars)

	November 30, 2011	August 31, 2011	September 1, 2010
	$	**$**	**$**
Assets			
Current assets			
Cash	353,106	50,092	117,421
Cash held for exploration expenses	-	-	638,342
Short term investments	920,995	2,226,396	5,056,988
Sales tax receivable and other receivables	34,424	185,998	133,806
Due from partners, without interest, on demand	29,794	29,794	8,337
Taxes credits receivable	35,444	33,684	25,914
Prepaid expenses	10,548	20,467	24,299
Listed shares	112,500	146,750	218,625
	1,496,811	2,693,181	6,223,732
Exploration and evaluation assets (Note 5)			
Mining properties	1,515,843	1,515,443	1,812,930
Exploration and evaluation expenses	10,165,042	10,064,817	6,714,836
	13,177,696	14,273,441	14,751,498
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	98,715	1,057,635	738,643
Due to a partner, without interest, on demand	-	4,894	20,000
Other liabilities	-	-	47,307
	98,715	1,062,529	805,950
Shareholders' Equity			
Share capital (Note 6)	41,493,723	41,493,723	41,291,673
Contributes surplus	3,722,924	2,978,022	2,136,614
Deficit	(32,137,666)	(31,260,833)	(29,482,739)
	13,078,981	13,210,912	13,945,548
	13,177,696	14,273,441	14,751,498

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

Melkior Resources Inc.

Interim Statement of Comprehensive Income
Three-month period ended November 30, 2011
(Unaudited, in Canadian dollars except data per share)

	Three-month period ended November 30,	
	2011	2010
	$	$
Expenses		
Salaries and employee benefits expenses	4,751	10,737
Office Expenses	26,047	27,055
Travelling and promotion	375	3,900
Investors and shareholders relations	27,945	23,615
Professional and consulting fees	55,513	42,996
Exploration	18	4,271
Stock-based compensation	47,166	4,526
Fair value variation on financial instruments	37,140	(62,373)
Write-off of exploration and evaluation assets	615	-
	199,570	54,727
Other income		
Interest income	3,737	11,998
Project management fees	-	2,405
	3,737	14,403
Loss before income taxes	(195,833)	(40,324)
Deferred income taxes	-	47,307
Net income (loss) and comprehensive income (loss) for the period	(195,833)	6 983
Basic and diluted net loss per share	-	-
Weighted average number of outstanding common shares	110,950,370	110,108,941

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

Melkior Resources Inc.

Interim Statement of Change in Equity
Three-month period ended November 30, 2011
(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	-	-	-	(195,833)	(195,833)
Share issue expenses	-	-	-	(2,100)	(2,100)
Stock-based compensation	-	-	66,002	-	66,002
Warrants extension	-	-	678,900	(678,900)	-
Balance at November 30, 2011	**110,950,370**	**41,493,723**	**3,722,924**	**(32,137,666)**	**13,078,981**

	Number of shares outstanding	Capital stock	Contributed surplus	Deficit	Total equity
Balance at September 1, 2010	110,480,370	41,291,673	2,136,614	(29,482,739)	13,945,548
Net income (loss) and comprehensive income (loss)	-	-	-	6,983	6,983
Options exercises	1,200,000	144,000	(24,000)	-	120,000
Stock-based compensation	-	-	14,152	-	14,152
Balance at November 30, 2010	**110,680,370**	**41,435,673**	**2,126,766**	**(29,475,756)**	**14,086,683**

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)

	Three-month period ended November 30,	
	2011	2010
	$	$
Operating activities		
Net income (loss) and comprehensive income (loss) for the period	(195,833)	6,983
Non-cash items:		
Stock-based compensation	47,166	4,526
Fair value variation on listed shares	34,250	(61,500)
Fair value variation on short-term investments	2,890	(873)
Write-off of exploration and evaluation assets	615	-
Interest accrued on interest income	1,741	(10,757)
Deferred income taxes	-	(47,307)
	(109,171)	(108,928)
Changes in non-cash working capital items		
Sales tax receivable and other receivables	151,574	10,031
Due from partners	-	749
Prepaid expenses	9,919	11,158
Accounts payable and accrued liabilities	(91,691)	46,613
Due to a partner	(598)	4,048
	69,204	72,599
Cash flows used in operating activities	(39,967)	(36,329)
Investing activities		
Disposal of short term investments	1,300,770	880,000
Additions to mining properties	(7,750)	(16,963)
Exploration and evaluation expenses	(947,939)	(1,078,893)
Payments received from partners for exploration costs	-	18,530
Cash flows used in investing activities	345,081	(197,326)
Financing activities		
Issuance of common shares	-	120,000
Share issue expenses	(2,100)	-
Cash flows from financing activities	(2,100)	120,000
Net changes in cash	303,014	(113,655)
Cash, beginning of period	50,092	117,421
Cash, end of period	353,106	3,766

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. Summary of significant accounting policies

The significant accounting policies used in the preparation of these condensed interim financial statements are described below.

a) 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 these condensed interim financial statements. 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 February 24, 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 8 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.

b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except for listed shares which are measured at fair value.

2. Summary of significant accounting policies (Cont'd)

c) Standards issued that are not yet effective but have been early adopted by the Company

IFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement. Specifically, IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As required by IFRS 9, financial assets are measured at amortized cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met, the financial assets are classified as at fair value through profit or loss ("FVTPL").

However, the Company may choose at initial recognition to designate a financial asset that meets the amortized cost criteria as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the current year, the Company has not elected to designate any financial instruments to be classified as at FVTPL.

Financial instruments that are subsequently measured at amortized cost are subject to impairment.

Investments in equity instruments are classified and measured as at FVTPL except when the equity investment is not held for trading and is designated by the Company as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except dividend income that is generally recognized in profit or loss in accordance with IAS 18, Revenue, are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

As at September 1, 2010, the directors have reviewed and assessed the Company's existing financial assets and liabilities. The initial application of IFRS 9 has had no impact on financial assets and liabilities.

d) Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Company and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Company's activities are conducted through jointly controlled assets and exploration activities, the financial statements include the assets that the Company controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Company incurs and its share of the income that it earns from the joint operation.

2. Summary of significant accounting policies (Cont'd)

e) Financial instruments

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and liabilities are initially measured and recognized at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial asset and liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for financial assets that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortized cost and effective interest method

Income is recognized on an effective interest basis for financial assets measured subsequently at amortized cost. Interest income is recognized in profit or loss and is included in the interest income line item. Discounting is omitted where the effect of discounting is immaterial.

Cash, cash held for exploration expenses, short term investments and due from partners are measured at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the 'fair value variation on financial instruments' line item. Fair value of listed shares is based on the last bid price on the stock market at the end of the period.

Financial assets are reclassified from amortized cost to FVTPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of financial assets that are designated as at FVTPL on initial recognition is not allowed.

Dividend income on investments in equity instruments at FVTPL is recognized in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18, Revenue, and is included in dividend income line.

The Company's listed shares fall into this category of financial instruments.

2. Summary of significant accounting policies (Cont'd)

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognizing or when the continuing involvement approach applies.

Accounts payable and accrued liabilities, due to partners and other liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

f) Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

For the purpose of calculating diluted loss per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. The diluted loss per share is equal to the basic loss per share as a result of the anti-dilutive effect of the outstanding options and warrants.

g) Cash held for exploration expenses

The cash held for exploration expenses represents the balance on flow-through financing not spent according to the restrictions imposed by these financing arrangements. The Company has to dedicate these funds to mining properties exploration expenses.

h) Mining taxes credits receivable

The Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. In accordance with IAS 20, the exploration tax credits have been applied against the costs incurred.

2. Summary of significant accounting policies (Cont'd)

Furthermore, the Company is entitled to a refundable credit on duties for losses under the Mining Duties Act applicable on exploration costs incurred in the Province of Quebec. In accordance with IAS 20, the credit on duties has been applied against the cost incurred since the Company intends to realize the value of its exploration and evaluation assets through sale.

i) Exploration and evaluation assets

Exploration and evaluation ("E&E") expenses are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake E&E activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake E&E activities has been obtained, the costs of acquiring mineral rights, expenses related to the E&E of mining properties and refundable tax credits and credits on duties related to these expenses are charged to the cost of E&E assets. Expenses related to E&E include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the E&E phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of a mineral resource has been demonstrated.

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

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded when they are made or received. Proceeds on the sale of exploration properties are applied by property in reduction of the exploration properties, then in reduction of the E&E expenses and any residual is recorded in the statement of operations unless there is contractual work required in which case the residual gain is deferred and will reduced the contractual disbursements when done. Governmental assistance, mining duties credits and other credits related to exploration work are applied against the E&E expenses.

2. Summary of significant accounting policies (Cont'd)

Funds received from partners on certain properties where the Company is the operator in order to perform exploration work as per agreements, are accounted for in the statement of financial position as advances received for exploration work. These advances are reduced gradually when the exploration work are performed. The project management fees received when the Company is the operator are recorded in the statement of operations. When the partner is the operator, the management fees are recorded in the statement of financial position as E&E expenses.

j) Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive income or capitalized in the exploration and evaluation assets on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged to income as they are incurred.

k) Impairment of exploration and evaluation assets

E&E assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs.

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

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

l) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

2. Summary of significant accounting policies (Cont'd)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company a right and intention to set off current tax assets and liabilities from the same taxation authority.

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

Under the provisions of tax legislation relating to flow-through shares, the Company is required to renounce tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has renounced or has the intention to renounce to its tax deductions and has incurred its admissible expenditures, the sale of tax deductions is recognized in profit or loss as a reduction to deferred tax expense 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.

m) Equity

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

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued 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 warrants.

Flow-through placements

Issuance of flow-through shares is accounted for similarly to the issuance of a compound financial instrument. The liability component (benefit related to flow-through shares renunciation) 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 and any warrants 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 then to warrants according to the fair value of the warrants at the time of issuance and any residual in the proceeds is allocated to the liability component. The fair value of the warrants are estimated using the Black-Scholes model. The liability component recorded initially on the issuance of shares is reversed on renouncement of tax deductions to the investors (or when the Company has the intention to renounce of tax deductions to the investors) and when admissible expenses are incurred. A deferred tax liability is recognized at the same time.

Other elements of equity

Contributed surplus includes charges related to share options and warrants until such equity instruments are exercised. Retained deficit includes all current and prior period retained profits or losses.

n) Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plans (share options plans) for its eligible directors, officers, employees and consultants. None of the Company's plans feature any options for a cash settlement.

2. Summary of significant accounting policies (Cont'd)

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or service received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees are rewarded using share-based payments, the fair value of the services rendered by the employees is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Warrants to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the share options recorded in contributed surplus are then transferred to share capital.

o) Segmental reporting
The Company presents and discloses segmental information based on information that is regularly reviewed by the president and the Board of Directors. The president and the Board of Directors have joint responsibility for allocating resources and assessing performance. The Company is of the opinion that there is only a single segment of business being the exploration and evaluation of mineral resources.

3. Accounting standard issued but not yet applied

IAS 1, Presentation of Financial Statements, ("IAS 1")
IAS 1 was amended to change the disclosure of items presented in Other comprehensive income ("OCI"), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. This amendment is required to be applied for years beginning on or after July 1, 2012. This amendment has no impact on the Company.

IFRS 10, Consolidated Financial Statements, ("IFRS 10")
IFRS 10 replaces parts of IAS 27, Consolidated and Separate Financial Statements and all of SIC-12, Consolidation – Special Purpose Entities. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27, Separate Financial Statements, now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not currently applicable in the Company's financial statements.

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

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.

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 10 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.

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

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 $615 for the three-month period ended November 30, 2011 and $486,650 for the year ended August 31, 2011. No reversal of impairment losses has been recognized for the reporting periods.

Deferred taxes
The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

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

Share-based payments
The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

Provisions and contingent liabilities
Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty.

5. Exploration and evaluation assets

Mining properties	August 31, 2011	Acquisitions	Impairment	November 30, 2011
	$	$	$	$
Quebec				
Launay	400,734	-	-	400,734
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	-	-	28,134
Rim Nickel – McFaulds	731,965	-	-	731,965
	1,515,443	1,015	(615)	1,515,843

Exploration and evaluation expenses	August 31, 2011	Expendi-tures	Tax credits	Impairment	November 30, 2011
	$	$	$	$	$
Quebec					
Launay	459,958	4,416	(1,760)	-	462,614
Troilus	394,829	-	-	-	394,829
Ontario					
Timmins	5,550,052	80,322	-	-	5,630,374
Henderson	55,830	-	-	-	55,830
Long Lac	266,830	5,215	-	-	272,045
Eldorado	336,649	-	-	-	336,649
Rim Nickel - McFaulds	3,000,669	12,032	-	-	3,012,701
	10,064,817	101,985	(1,760)	-	10,165,042

6. Share capital

a) Stock option plan

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

	Three-month period ended November 30, 2011	
	Number of options	Weighted average exercise price
		$
Balance at beginning and end of period	9,700,000	0.31
Option exercisable at end of period	8,500,000	0.32

6. Share capital (Cont'd)

The following table summarizes information about common share purchase options outstanding and exercisable as at November 30, 2011:

Number of options outstanding	Number of options exercisable	Exercise price	Expiry date
		$	
1,400,000	1,400,000	0.30	January 15, 2012 (not exercised)
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	1,100,000	0.27	December 23, 2015
200,000	100,000	0.27	February 16, 2016
9,700,000	8,500,000		

b) Warrants

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

	Three-month period ended November 30, 2011	
	Number of warrants	Weighted average exercise price
		$
Balance at beginning and end of period	21,112,599	0.39

Warrants outstanding as at November 30, 2011 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
2,903,226	0.25	December 18, 2011 (not exercised)
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)]
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)]
21,112,599		

6. Share capital (Cont'd)

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.

c) *Warrants issued as compensation*

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

	Three-month period ended November 30, 2011	
	Number of warrants	Weighted average exercise price
		$
Balance at beginning and end of period	1,656,605	0.32

Warrants issued as compensation outstanding as at November 30, 2011 are as follows:

Number of warrants	Exercise price	Expiry date
	$	
665,965	0.30	December 15, 2011 (not exercised)
965,640	0.33	December 15, 2011 (not exercised)
25,000	0.30	December 17, 2011 (not exercised)
1,656,605		

7. Statement of cash flows

	Three-month period ended November 30,	
	2011	2010
	$	$
Additional information		
Exercise of options credited to share capital	-	24,000
Tax credits receivable applied against E&E expenses	1,760	15,438
Additions of mining properties included in accounts payable and accrued liabilities	-	6,507
Additions of E&E expenses included in accounts payable and accrued liabilities	30,721	165,043
Due from partners included in E&E expenses and mining properties	25,223	5,927
Due to a partner included in E&E expenses	-	40,476
Stock-based compensation included in E&E expenses	18,836	9,626

8. 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;
c) Adjustments to the statement of cash flows;
d) Additional IFRS information for the year ended August 31, 2011.

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.

8. 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:

		September 1, 2010			November 30, 2010			August 31, 2011			
Canadian GAAP description	**Notes**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**	**IFRS description**
ASSETS											**ASSETS**
Current assets											*Current assets*
Cash		117,421	-	117,421	3,766	-	3,766	50,092	-	50,092	Cash
	2	-	638,342	638,342	-	-	-	-	-	-	Cash held for exploration expenses
Short term investments		5,056,988	-	5,056,988	4,826,960	-	4,826,960	2,226,396	-	2,226,396	Short term investments
Sales tax receivable and other receivables		133,806	-	133,806	123,775	-	123,775	185,998	-	185,998	Sales tax receivable and other receivables
Due from partners, without interest, on demand		8,337	-	8,337	1,661	-	1,661	29,794	-	29,794	Due from partners, without interest, on demand
Taxes credits receivable		25,914	-	25,914	41,352	-	41,352	33,684	-	33,684	Taxes credits receivable
Prepaid expenses		24,299	-	24,299	13,141	-	13,141	20,467	-	20,467	Prepaid expenses
Listed shares held for trading		218,625	-	218,625	280,125	-	280,125	146,750	-	146,750	Listed shares
		5,585,390	638,342	6,223,732	5,290,780	-	5,290,780	2,693,181	-	2,693,181	
Exploration funds	2	638,342	(638,342)	-	-	-	-	-	-	-	
Mining assets											Exploration and evaluation assets
Mining properties		1,812,930	-	1,812,930	1,832,827	-	1,832,827	1,515,443	-	1,515,443	Mining properties
Deferred exploration expenses		6,714,836	-	6,714,836	7,458,846	-	7,458,846	10,064,817	-	10,064,817	Exploration and evaluation expenses
		14,751,498	-	14,751,498	14,582,453	-	14,582,453	14,273,441	-	14,273,441	
LIABILITIES											**LIABILITIES**
Current											*Current*
Accounts payable and accrued liabilities		738,643	-	738,643	451,246	-	451,246	1,057,635	-	1,057,635	Accounts payable and accrued liabilities
Due to a partner, without interest, on demand		20,000	-	20,000	44,524	-	44,524	4,894	-	4,894	Due to a partner, without interest, on demand
	1	-	535,694	47,307	-	535,694	-	-	535,694	-	Other liabilities
	1		(488,387)			(535,694)			(535,694)		
		758,643	47,307	805,950	495,770	-	495,770	1,062,529	-	1,062,529	
SHAREHOLDERS' EQUITY											**SHAREHOLDERS' EQUITY**
Share capital		41,827,367	(535,694)	41,291,673	41,971,367	(535,694)	41,435,673	42,029,417	(535,694)	41,493,723	Share capital
Contributed surplus		2,136,614		2,136,614	2,126,766		2,126,766	2,978,022		2,978,022	Contributed surplus
Deficit	1	(29,971,126)	488,387	(29,482,739)	(30,011,450)	488,387	(29,475,756)	(31,796,527)	488,387	(31,260,833)	Deficit
						47,307			47,307		
		13,992,855	(47,307)	13,945,548	14,086,683	-	14,086,683	13,210,912	-	13,210,912	
		14,751,498	-	14,751,498	14,582,453	-	14,582,453	14,273,441	-	14,273,441	

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

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

		November 30, 2010			August 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**
		-	10,737	10,737		54,485	54,485	Salaries and employee benefits expenses
General and administrative		37,792	(10,737)	27,055	166,891	(54,485)	112,406	Office expenses
Travelling and promotion		3,900	-	3,900	23,916	-	23,916	Travelling and promotion
Investors and shareholders relations		23,615	-	23,615	108,124	-	108,124	Investors and shareholders relations
Professional and consulting fees		42,996	-	42,996	208,397	-	208,397	Professional and consulting fees
General exploration		4,271	-	4,271	3,991	-	3,991	Exploration
Stock-based compensation		4,526	-	4,526	283,712	-	283,712	Stock-based compensation
Amortization		-	-	-	-	-	-	Depreciation
Fair value variation on financial instruments held for trading		(62,373)	-	(62,373)	53,807	-	53,807	Fair value variation on financial instruments
Write-off of mining assets		-	-	-	486,650		486,650	Write-off of exploration and evaluation assets
		54,727	-	54,727	1,335,488	-	1,335,488	
Other income								**Other income**
Interest income		11,998	-	11,998	37,143	-	37,143	Interest income
Project management fees		2,405	-	2,405	4,944	-	4,944	Project management fees
		14,403	-	14,403	42,087	-	42,087	
Loss before income taxes		(40,324)	-	(40,324)	(1,293,401)	-	(1,293,401)	Loss before income taxes
Future income taxes	1	-	47,307	47,307	-	47,307	47,307	Deferred income taxes
Net loss and comprehensive loss		(40,324)	47,307	6,983	(1,293,401)	47,307	(1,246,094)	**Net income (loss) and comprehensive income (loss)**
Basic and diluted net loss per share		-	-	-	-	-	(0.01)	**Basic and diluted net loss per share**
Weighted average number of outstanding common shares		110,108,941	-	110,108,941	110,704,342	-	110,704,342	**Weighted average number of outstanding common shares**

8. 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.

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

c) Adjustments to the statement of cash flows;

The transition from Canadian GAAP to IFRS had no significant impact on the statement of cash flow.

d) Additional IFRS information for the year ended August 31, 2011.

Fair value of financial instruments
The fair value of financial instruments is summarized as follows:

	2011	
	Carrying amount	Fair value
	$	$
Financial assets		
At amortized cost		
Cash	50,092	50,092
Short-term investments	2,226,396	2,226,396
Due from partners	29,794	29,794
Other receivables	-	-
At fair value through profit or loss		
Listed share	146,750	146,750
Financial liabilities		
At amortized cost		
Accounts payable and accrued liabilities	1,057,635	1,057,635
Due to partners	4,894	4,894

Transactions 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 November 30,		Year ended August 31
	2011	2010	2011
	$	$	$
Short-term benefits			
Salaries including benefits	5,299	11,285	55,014
Professional fees	44,910	27,768	112,707
Salaries capitalized in E&E expenses	-	24 270	47,574
Professional fees capitalized in E&E expenses	11,600	21 600	58,270
Total short-term benefits	61,809	84,923	273,565
Stock-based compensation	43,706	-	265,792
Total compensation	105,515	84,923	539,357

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.

9. Subsequent event

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 totalling $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) Transaction with Green Swan

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.

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 escrow and will be released to the Company over a period of thirty-six months.