Melkior Resources Inc.

Annual Financial Statements

Years ended August 31, 2014 and 2013

Melkior Resources Inc.
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Independent Auditor's Report

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To the Shareholders of
Melkior Resources Inc.

We have audited the accompanying financial statements of Melkior Resources Inc., which comprise the statements of financial position as at August 31, 2014 and 2013 and the statements of comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Melkior Resources Inc. as at August 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton L.L.P.[1]

Val-d'Or
November 28, 2014

[1] CPA auditor, CA public accountancy permit no. A107240

Melkior Resources Inc.

Statements of Financial Position
August 31, 2014
(In Canadian dollars)

	August 31, 2014	August 31, 2013
	$	$
Assets		
Current assets		
Cash (Note 5)	254,579	437,185
Sales tax receivable and other receivables	26,899	12,333
Tax credits receivable	8,488	26,471
Prepaid expenses	10,288	17,443
Listed shares (Note 6)	185,406	156,750
	485,660	650,182
Non-current assets		
Exploration and evaluation assets (Note 7)		
Mining properties	418,711	841,401
Exploration and evaluation expenses	7,141,048	9,965,252
	7,559,759	10,806,653
Total assets	8,045,419	11,456,835
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	29,341	16,963
Shareholders' Equity		
Share capital (Note 8)	42,582,023	42,448,723
Contributed surplus	4,121,898	4,030,898
Deficit	(38,687,843)	(35,039,749)
Total equity	8,016,078	11,439,872
Total liabilities and equity	8,045,419	11,456,835

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

These financial statements were approved and authorized for issue by the Board of Directors on November 28, 2014.

(s) Jens E. Hansen

Jens E. Hansen
President and Director

(s) Norman Farrell

Norman Farrell
Director

Melkior Resources Inc.
Statements of Comprehensive loss
August 31, 2014
(In Canadian dollars)

	Year ended August 31, 2014	2013
	$	**$**
Expenses		
Salaries and employee benefits expenses	450	1,137
Office expenses	86,606	98,679
Travelling and promotion	4,857	10,130
Investors and shareholders relations	50,101	66,451
Professional and consulting fees	85,776	172,997
General exploration expenditures	4,367	840
Recovery of allowance for loss on a receivable	-	(28,375)
Stock-based compensation (Note 8)	16,000	96,100
Loss on sale of exploration and evaluation assets	-	104,399
Impairment of exploration and evaluation assets (Note 7)	2,868,535	-
Write-off of exploration and evaluation assets (Note 7)	611,670	863,050
	3,728,362	1,385,408
Operating loss	(3,728,362)	(1,385,408)
Interest and dividend income	2,417	7,514
Other income	36,045	3,125
Change in value of listed shares	28,656	(176,510)
Loss before income taxes	(3,661,244)	(1,551,279)
Deferred income taxes recovery (Note 10)	19,700	51,209
Net loss and comprehensive loss for the year	(3,641,544)	(1,500,070)
Basic and diluted net loss per share	(0.03)	(0.01)
Weighted average number of outstanding common shares	123,208,167	119,522,870

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

Melkior Resources Inc.
Statements of Changes in Equity
August 31, 2014
(In Canadian dollars)

	Notes	Number of shares outstanding	Capital stock	Contributed surplus	Deficit	Total Equity
			$	$	$	$
Balance at September 1, 2013		119,522,870	42,448,723	4,030,898	(35,039,749)	11,439,872
Common shares issued in private placement	8 a)	3,400,000	170,000	-	-	170,000
Common shares issued by flow through private placement	8 a)	666,667	40,000	-	-	40,000
Common shares issued capitalized in exploration and evaluation assets	8 a)	400,000	16,000	-	-	16,000
Value attributed to warrants	8 a) c)	-	(73,000)	73,000	-	-
Share issue expenses	8 d)	-	-	2,000	(6,550)	(4,550)
Flow through premium	8 a)	-	(19,700)	-	-	(19,700)
Stock-based compensation	8 b)	-	-	16,000	-	16,000
Net loss and comprehensive loss		-	-	-	(3,641,544)	(3,641,544)
Balance at August 31, 2014		**123,989,537**	**42,582,023**	**4,121,898**	**(38,687,843)**	**8,016,078**

	Number of shares outstanding	Capital stock	Contributed surplus	Deficit	Total Equity
		$	$	$	$
Balance at September 1, 2012	119,522,870	42,448,723	3,887,998	(33,501,379)	12,835,342
Net loss and comprehensive loss	-	-	-	(1,500,070)	(1,500,070)
Warrants extension	-	-	38,300	(38,300)	-
Stock-based compensation	-	-	104,600	-	104,600
Balance at August 31, 2013	**119,522,870**	**42,448,723**	**4,030,898**	**(35,039,749)**	**11,439,872**

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

Melkior Resources Inc.
Statements of Cash Flows
August 31, 2014
(In Canadian dollars)

	Year ended August 31,	
	2014	2013
	$	$
Operating activities		
Net loss	(3,641,544)	(1,500,070)
Non-cash items:		
Stock-based compensation	16,000	96,100
Change in value of listed shares	(28,656)	176,510
Impairment of exploration and evaluation assets	2,868,535	-
Write-off of exploration and evaluation assets	611,670	863,050
Loss on disposal of exploration and evaluation assets	-	104,399
Interest accrued on short-term investments	2,275	1,370
Deferred income taxes recovery	(19,700)	(51,209)
	(191,420)	(309,850)
Changes in non-cash working capital items		
Sales tax receivable and other receivables	(16,841)	48,044
Prepaid expenses	7,155	(1,808)
Accounts payable and accrued liabilities	(6,493)	(47,198)
Tax credits receivable	(3,037)	(2,660)
	(19,216)	(3,622)
Cash flows used in operating activities	(210,636)	(313,472)
Investing activities		
Disposal of short term investments	-	1,278,000
Disposal of listed shares	-	5,865
Additions to mining properties	(11,473)	(5,559)
Exploration and evaluation expenses	(192,418)	(597,468)
Tax credits cashed	26,471	46,324
Cash flows used in investing activities	(177,420)	727,162
Financing activities		
Issuance of common shares in private placement	170,000	-
Issuance of common shares by flow through private placement	40,000	-
Share issue expenses	(4,550)	-
Cash flows from financing activities	205,450	-
Net changes in cash	(182,606)	413,690
Cash, beginning of the year	437,185	23,495
Cash, end of the year	254,579	437,185

See note 11 on supplemental disclosure of cash flow information

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

1. General information, nature of operations and going concern assumption

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 3208, Richmond Road, Ottawa, Ontario, Canada, K2H 5B6. The Company's shares are listed on the TSX Venture Exchange under the symbol "MKR" and on the OTCQX Exchange in the U.S. under the symbol "MKRIF" and on the Frankfurt Stock Exchange under the symbol "MEK".

The financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable, the Company has not yet generated income or cash flows from its operations, cast a doubt regarding the Company's ability to continue as a going concern. As at August 31, 2014, the Company has a cumulated deficit of $38,687,843 ($35,039,749 as at August 31, 2013). These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

In October 2014, the Company has completed a private placement for a total of $390,500. See Note 15 for the details.

The carrying amounts of assets, liabilities and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. These adjustments could be material.

2. Summary of significant accounting policies

The significant accounting policies and measurement bases used in the preparation of these annual financial statements are described below.

a) Statement of compliance with IFRS

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

b) Functional and presentation currency

The financial statements are presented in Canadian currency which is also the functional currency of the Company.

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

c) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at 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. The subsequent measurement of financial assets and financial liabilities is described below.

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.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets of the Company are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss.

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date to identify whether 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 or principal payment; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within interest and dividend income or finance cost, except for impairment of receivables which is presented in allowance for loss on a receivable, if applicable.

Loans and receivables
Loans and receivables are non-derivate financial assets with fixed or determinable payment that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and other receivables fall into this category of financial instruments.

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.

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

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

Financial assets at FVTPL include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at FVTPL upon initial recognition. The Company's listed shares fall into this category of financial instruments.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair value of financial assets in this category are determined by reference to active market transactions or using valuation technique where no active market exists.

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 the interest and dividend income line.

Classification and subsequent measurement of financial liabilities

The Company's financial liability include accounts payable and accrued liabilities.

Financial liabilities are subsequently measured at amortized cost using the effective interest method.

All interest-related charges are reported in the profit or loss within finance costs, if applicable.

d) Basic and diluted loss per share

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

e) Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with conditions associated to them.

f) Exploration and evaluation expenses and mining properties

Exploration and evaluation ("E&E") expenses are costs incurred in the course of initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake E&E activities are recognized in profit or loss when they are incurred.

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

Once the legal right to undertake E&E activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement), expenses related to the E&E of mining properties less refundable tax credits related to these expenses, are recognized as 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 (see Note 2g); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, E&E assets related to the mining property are transferred to property and equipment in mining assets under construction. Before the reclassification, E&E assets are tested for impairment (see Note 2g) 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.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with option agreement, the Company does not recognize expenses related to E&E performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer is credited against the carrying amount of costs previously capitalized to the property, and the surplus is recognized as a gain on disposal of E&E assets in profit or loss.

g) Impairment of exploration and evaluation assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

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

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

h) 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.

However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

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, associates and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

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 the underlying tax loss or deductible temporary differences will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income or expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

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

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 directly in equity, in which case the related deferred tax is also recognized in equity.

i) Equity

Share capital represents the amount received on the issue of shares. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

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 units represents in substance an issue of common shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the other liabilities 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 other liabilities. The fair value of the warrants is established using the Black-Scholes valuation model. When eligible expenses are incurred and the Company has the intention to renounce its right to tax deductions to the investors, the amount recognized in other liabilities is reversed and is recognized in profit or loss in reduction of deferred income tax expense. A deferred tax liability is also recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

Other elements of equity

Contributed surplus includes charges related to share options and warrants not exercised. When share options and warrants are exercised, the related compensation cost is transferred to share capital. Retained deficit includes all current and prior period retained profits or losses, less issuance costs, net of any underlying income tax benefit from these issuance costs. Any revaluation of warrants based on the extension of warrants issued in the prior years are recorded directly in the deficit.

j) Equity-settled share-based payments

The Company operates equity-settled share-based remuneration plan (share options plan) for its eligible directors, officers and consultants. The Company's plan is not cash-settled.

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. For the transactions with employees and others providing similar services, the Company measured the fair value of the services received by reference to the fair value of the equity instruments granted.

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 expenses are allocated over the vesting period, 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 is different from that estimated on vesting.

k) 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 in Canada.

l) Provisions

Provisions are recognized when present legal and constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

No liability is recognized if an outflow of economic resources as a result of a present obligation is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

m) New and revised standards that are effective

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2013. Information on the new standards that are relevant for the Corporation is presented below:

IFRS 11 – Joint Arrangements
IFRS 11 suppressed IAS 31 Interests in joint venture (IAS 31) and SIC 13 Jointly controlled entities - Non-monetary contribution by venturers. IFRS 11 revises the categories of joint arrangement, and the criteria for classification into the categories (joint ventures or joint operations), with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement.

In addition, IAS 31's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that standard has been eliminated. IFRS 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates). Management has concluded that this new standard has no impact on the financial statements of the Corporation.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Management has concluded that this new standard has no impact on the Corporation's financial statements.

IFRS 13 - Fair Value Measurement
IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect the items that are required to be fair-valued.

The scope of IFRS 13 is broad and applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not to be applied to comparative information in the first year of application. Management reviewed its valuation methodologies and the application of the new standard did not have any effect on the fair value measurement.

3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's financial statements.

3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (cont'd)

IFRS 9, Financial Instruments
In July 2014, the IASB published IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its financial statements.

IFRIC 21, Levies
IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. Management's analysis is that IFRIC 21 will not have a material impact on its financial statements.

4. Judgments, estimates and assumptions

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

4.1 Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company and have the most significant effect on the financial statements.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (Note 2h).

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See note 1 for more information.

4.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

4.2 Estimation uncertainty (cont'd)

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are a subjective process involving judgment and a number of estimates and interpretations in many cases (Note 2g).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expense will be recovered from either future exploration or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See note 7 for exploration and evaluation assets impairment analysis.

The total write-off of the exploration and evaluation assets recognized in profit or loss amounts to $611,670 for the year ended August 31, 2014 ($863,050 – August 31, 2013). The total impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to $2,868,535 for the year ended August 31, 2014 ($NIL – August 31, 2013). No reversal of impairment losses has been recognized for the reporting periods.

No testing for impairment was conducted on the Vaillant (Raglan), Launay, Tiblemont, Carscallen and Big Marsh properties despite the fact that the carrying value of the Company's net assets is superior to its market capitalization and despite the fact that no significant fieldwork was undertaken on these properties during the year.

Management judged that there was no testing for impairment required this year on these properties, because despite unfavorable change of the overall climate of the sector as well as the general situation of the economy that have had an impact on the Company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in share price, the Company has sufficient funds to respect its short term obligations and has both the intention and capacity to keep these properties until the economic context improves and the Company can thus pursue exploration activities on these properties after raising additional capital.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's 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 (Note 8).

(in Canadian dollars)

4.2 Estimation uncertainty (Cont'd)

Tax credits receivable

The calculation of the Company's refundable tax credit on qualifying exploration expenditures incurred and refundable credits involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit, exploration and evaluation assets, and income tax expense in future periods. See Note 2e for more information.

5. Cash

	August 31, 2014	August 31, 2013
	$	$
Cash	254,579	408,367
Cash for Canadian mining properties exploration	-	28,818
Total Cash	254,579	437,185

As at September 1, 2013, the Company had a balance from prior year's flow-through financing of $28,818. As at December 31, 2013, Company had spent these funds according to the restrictions imposed by this financing arrangement and had met its flow through obligations.

On December 23, 2013, the Company raised $40,000 in a private placement of which $39,933 is subject to the restrictions imposed by flow through financing arrangement. As at August 31, 2014, the Company had incurred expenditures of $39,933 according to the restrictions imposed by this financing arrangement and had an obligation of $NIL.

6. Listed shares

All of the listed securities held by the Company were acquired through prior year's property option and sales transactions with the below listed companies. The Company does not purchase shares of publically listed companies on the open market. As at August 31, 2014, the following securities were included in the listed shares:

	Acquisition Cost	Fair value adjustment	Fair value
Common shares	$	$	$
Arrowhead Gold Corp. - 243,750 common shares	1 248 000	(1 232 157)	15 843
Northcore Resources Inc. - 50,000 common shares	60 000	(55 000)	5 000
Green Swan Capital Corp. - 1,800,000 common shares	180 000	(81 000)	99 000
Lakeside Minerals Inc. - 187,500 common shares	52 500	(45 937)	6 563
Zara Resources Inc. - 225,000 common shares	22 500	(21 375)	1 125
Leo Resources Inc. - 22,500 common shares	-	12 375	12 375
Total	**1 563 000**	**(1 423 094)**	**139 906**
Preferred shares			
Zara Resources Inc. - 455,000 shares	45 500	-	45 500
Total	**45 500**	**-**	**45 500**
Total listed shares	**1 608 500**	**(1 423 094)**	**185 406**

(in Canadian dollars)

6. Listed shares (cont'd)

2014 transactions

On January 13, 2014, the 1,000,000 warrants in Green Swan Capital Corp. expired unexercised. The Company realized a loss on the expiry of the warrants of $5,750 that is included in the change in value of the listed shares in the statement of comprehensive loss.

On March 3, 2014, Lakeside Minerals Inc. consolidated their common shares on a 4 pre-consolidated shares for 1 post consolidated share. As a result of the consolidation, the Company's holdings in Lakeside Minerals Inc. were reduced by 562,500 shares.

On April 2, 2014, Arrowhead Gold Corp. consolidated their common shares on a 4 pre-consolidated shares for 1 post consolidated share. As a result of the consolidation, the Company's holdings in Arrowhead Gold Corp. were reduced by 731,250 shares.

On May 12, 2014, Leo Resources Inc. consolidated their common shares on a 5 pre-consolidated shares for 1 post consolidated share. As a result of the consolidation, the Company's holdings in Leo Resources Inc. were reduced by 90,000 shares.

On August 15, 2014, Northcore Resources Inc. consolidated their common shares on a 20 pre-consolidated shares for 1 post consolidated share. As a result of the consolidation, the Company's holdings in Northcore Resources Inc. were reduced by 950,000 shares.

During the year ended August 31, 2014, Melkior did not dispose of any marketable securities.

As at August 31, 2013, the following securities were included in the listed shares:

	Acquisition Cost	Fair value adjustment	Fair value
Common shares	$	$	$
Arrowhead Gold Corp. - 975,000 common shares	1,248,000	(1,233,375)	14,625
Northcore Resources Inc. - 1,000,000 common shares	60,000	(55,000)	5,000
Green Swan Capital Corp. - 1,800,000 common shares	180,000	(117,000)	63,000
Lakeside Minerals Inc. - 750,000 common shares	52,500	(48,750)	3,750
Zara Resources Inc. - 225,000 common shares	22,500	(3,375)	19,125
Leo Resources Inc. - 112,500 common shares	-	-	-
Total	**1,563,000**	**(1,457,500)**	**105,500**
Preferred shares			
Zara Resources Inc. - 455,000 shares	45,500	-	45,500
Total	**45,500**	**-**	**45,500**
Warrants			
Green Swan Capital Corp. - 1,000,000 warrants	30,000	(24,250)	5,750
Total	**30,000**	**(24,250)**	**5,750**
Total listed shares	**1,638,500**	**(1,481,750)**	**156,750**

(in Canadian dollars)

6. Listed shares (Cont'd)

2013 transactions

On April 22, 2013, the Company sold 200,000 common shares of Green Swan Capital Corp. for gross proceeds of $6,000 and realized a loss on the sale of $6,135 that is included in the change in value of the listed shares in the statement of comprehensive loss.

On December 17, 2012, the Company announced the execution of a definitive agreement whereby Zara Resources Inc. ("Zara") acquired 100% of the River bank claims ("River bank") owned by the Company for 225,000 common shares of Zara at a deemed price of $0.10 per share, and 455,000 non-voting Convertible 5% preference shares of Zara at a deemed price of $0.10 per share.

7. Exploration and evaluation assets

During the year ended on August 31, 2014, the Company incurred mining properties and exploration and evaluation expenses of $238,762 (2013 - $515,168). The Company also had write-offs of $611,670 (2013 – $863,050) and impairment losses of $2,868,535 of mining properties and exploration and evaluation expenses. On August 31, 2013, the Company realized dispositions of mining properties and exploration and evaluation expenses of $172,399 for a loss on sale of exploration and evaluation assets of $104,399.

Mining properties	August 31, 2013	Acquisitions	Impairment	Write-off	August 31, 2014
	$	$	$	$	$
Quebec					
Valliant (Raglan)	3,300	-	-	-	3,300
Launay	241,767	9,489	-	-	251,256
Tiblemont	-	9,984	-	-	9,984
Ontario					
Carscallen (Timmins)	139,805	-	-	-	139,805
Big Marsh (Timmins)	14,366	-	-	-	14,366
Fripp (Timmins)	16,850	-	-	(16,850)	-
Henderson	5,375	-	-	(5,375)	-
Long Lac	19,885	-	-	(19,885)	-
Rim Nickel (McFaulds)	400,053	-	(400,053)	-	-
	841,401	19,473	(400,053)	(42,110)	418,711

(in Canadian dollars)

7. Exploration and evaluation assets (Cont'd)

Mining properties	August 31, 2012	Acquisitions	Write-off	Disposals	August 31, 2013
	$	$	$	$	$
Quebec					
Valliant (Raglan)	-	3,300	-	-	3,300
Launay	240,813	954	-	-	241,767
Ontario					
Carscallen (Timmins)	139,805	-	-	-	139,805
Big Marsh (Timmins)	14,166	200	-	-	14,366
Shaw (Timmins)	28,040	-	(28,040)	-	-
Fripp (Timmins)	16,550	300	-	-	16,850
Bristol (Timmins)	-	101	(101)	-	-
Henderson	5,375	-	-	-	5,375
Long Lac	19,885	-	-	-	19,885
Eldorado	28,534	-	(28,534)	-	-
River Bank (McFaulds)	-	104	-	(104)	-
Broke Back (McFaulds)	-	600	(600)	-	-
Rim Nickel (McFaulds)	400,053	-	-	-	400,053
	893,221	5,559	(57,275)	(104)	841,401

Exploration and evaluation expenses	August 31, 2013	Expenditures	Impairment	Write-off	Tax credits	August 31, 2014
	$	$	$	$	$	$
Quebec						
Launay	640,065	13,967	-	-	(5,241)	648,791
Kenty Lake	-	1,450	-	(1,450)	-	-
Tiblemont	-	1,000	-	-	(210)	790
Ontario						
Carscallen (Timmins)	6,071,272	188,603	-	-	-	6,259,875
Big Marsh (Timmins)	230,425	1,167	-	-	-	231,592
Fripp (Timmins)	48,348	-	-	(48,348)	-	-
Bristol (Timmins)	36,161	-	-	(36,161)	-	-
Henderson	55,830	-	-	(55,830)	-	-
Long Lac	415,304	12,467	-	(427,771)	-	-
Rim Nickel (McFaulds)	2,467,847	635	(2,468,482)	-	-	-
	9,965,252	219,289	(2,468,482)	(569,560)	(5,451)	7,141,048

(in Canadian dollars)

7. Exploration and evaluation assets (Cont'd)

Exploration and evaluation expenses	August 31, 2012	Expenditures	Tax credits	Write-off	Disposals	August 31, 2013
	$	$	$	$	$	$
Quebec						
Ungava	-	5,591	-	(5,591)	-	-
Launay	608,467	52,763	(21,165)	-	-	640,065
Ontario						
Carscallen (Timmins)	5,788,625	282,647	-	-	-	6,071,272
Big Marsh (Timmins)	157,608	72,817	-	-	-	230,425
Shaw (Timmins)	83,284	-	-	(83,284)	-	-
Fripp (Timmins)	43,443	4,905	-	-	-	48,348
Bristol (Timmins)	34,559	1,602	-	-	-	36,161
Henderson	55,830	-	-	-	-	55,830
Long Lac	328,520	86,784	-	-	-	415,304
Loveland (Timmins)	-	100	-	(100)	-	-
Eldorado	389,483	-	-	(389,483)	-	-
River Bank (McFaulds)	172,295	-	-	-	(172,295)	-
Broke Back (McFaulds)	327,317	-	-	(327,317)	-	-
Rim Nickel (McFaulds)	2,465,447	2,400	-	-	-	2,467,847
	10,454,878	509,609	(21,165)	(805,775)	(172,295)	9,965,252

All impairment charges (or reversals, if any) are included within Impairment of exploration and evaluation assets in profit or loss. All write-off are presented separately and included within Write-off of exploration and evaluation assets in profit or loss.

Quebec

a) *Launay*

The Company holds 136 claims located in Launay township, Quebec. Certain claims are subject to a 1% Net Smelter Return ("NSR") royalty.

On November 5, 2013, the Company announced that it had entered into an option and joint-venture agreement with Beaufield Resources Inc. ("Beaufield") on its wholly owned Launay gold project (the "Project") located in Launay Township, in the province of Quebec.

Under the terms of the agreement, Beaufield will have the option to earn an interest of up to 50% in the Project by incurring exploration expenditures aggregating $1,250,000 over five years, with a minimum $250,000 of exploration expenditures in the first year. Beaufield will earn 10% interest for each $250,000 of exploration expenses.

During the year ended August 31, 2014, Beaufield incurred $360,454 of exploration expenditures on this property and has earned its initial 10% interest in the property. Melkior has remained the operator.

7. Exploration and evaluation assets (Cont'd)

b) Ungava and Kenty Lake
The Company holds a 49% interest in the Delta-Kenty property located in the Ungava region in Quebec. During the year ended August 31, 2014, management had determined that Kenty Lake property no longer fit into the Company's strategic plans and would not renew the claims when they expired. As a result the Company has written off the deferred exploration expenses of $1,450 of Kenty Lake property ($5,591 on the Ungava property in 2013).

c) Valliant (Raglan)
On April 16, 2013, the Company acquired 33 claims, located in the Ungava nickel, copper platinum group belt of northern Quebec by map staking. The claims are located 25 kilometers east of the Company's 49% owned Kenty Lake property. These claims were acquired by the Company through map staking and as a result Melkior has a 100% ownership in the claims and there is no NSR.

d) *Tiblemont*
The Company owns 100% interest in 3 mineral claims in Tiblemont Township located 43 km east of Val-d'Or, Quebec. The Company owns a 100% interest in 30 adjacent claims covering 480 hectares. The three new Tiblemont claims were acquired for 200,000 common shares (valued at $8,000 based on the closing market price on the date of issuance) and a 2% Net Smelter Return Royalty with an optional buy back of 1% for $1,000,000.

e) Other property in Quebec
The Company holds claims in the Vauquelin property. The Vauquelin property and deferred exploration expenses were written off in 2005.

Ontario

f) Timmins

i) Carscallen

The Company holds a 100% interest in the Carscallen property, west of Timmins. Some claims are subject to a 1.5% NSR royalty while another group of claims is subject to a 2% NSR of which the Company has the right to buy out half (1%) of the NSR for $1,000,000.

In October and November, 2010, the Company signed three agreements to acquire 100% interests in additional mining claims in consideration of $10,000 cash and two 2% NSR royalties of which 1% can be repurchased for $500,000 each.

On October 4, 2013, the Company announced that it has signed a memorandum of understanding ("MOU") with the First Nations. Under the new Ontario Mining Act, mineral exploration companies are required to undertake consultation with the First Nations that have traditional rights and treaty rights on the lands being explored. The MOU indicates a recognition and respect for these rights as part of the consultation process. As part of the MOU, the Company has to issue 200,000 common shares, with a deemed value of $8,000 based on the closing market price, in recognition of the importance of the assistance provided in this process. The Company issued the shares on December 23, 2013.The Company will pay 2% of all exploration costs eligible for assessment credit to the Mattagami First Nations.

7. Exploration and evaluation assets (Cont'd)

ii) *Bristol*
In 2009, the Company staked the claims in the Bristol Township, West Timmins. On August 19, 2009, the Company signed a letter of intent with Northcore Resources Inc. ("Northcore") whereby Northcore can acquire a 50% interest in the Bristol property. Northcore issued 1,000,000 of its common shares to the Company (valued at $60,000 as per the value on the Toronto Venture stock exchange of Northcore shares on August 19, 2009) and will undertake $400,000 of exploration work over a period of 48 months on the claims to earn the 50% interest.

On July 11, 2013, the Company and Northcore amended the August 19, 2009 option agreement. The amendments to the agreement allow Northcore until October 31, 2016 to incur $200,000 of exploration expenses to acquire a 50% interest in the Bristol property.

The Company is the operator.

During the year ended August 31, 2014, the Company assessed that this project no longer fell within the Company's strategic plans and due to Northcore's lack of resources to advance the property, management assessed the property as impaired and the Company recognized a write-off of exploration and evaluation expenses of $36,161 (2013 – $101).

iii) *Big Marsh*
The Company holds claims in the Carscallen Township near Timmins, subject to two 2% NSR, half (1%) of which may be repurchased for $1,000,000 each.

iv) *Fripp*

The Fripp property is 100% owned and is located approximately 25km southwest of Timmins. During the year ended August 31, 2014, management had determined that this property no longer fit into the Company's strategic plans and would not renew the claims when they expired. As a result the Company has written off the property cost and deferred exploration expenses of $16,850 and $48,348 respectively.

v) *Shaw*
The property is located approximately 13km south-east of the City of Timmins and was staked in 2009. Some claims are subject to two 1% NSR royalty, half (0.5%) of which can be repurchased for $1,000,000 each. As at August 31, 2013, all of the claims were dropped and therefore the cost of the property was written off by $28,040 and exploration and evaluation expenses of $83,284.

g) *Henderson*
On February 5, 2007, the Company acquired the Henderson property by staking claims in the Raglan Township in south-eastern Ontario.

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

During the summer 2010, FNI earned its 50% interest and became the operator of the project. The Company chose to participate in the exploration over $60,000.

7. Exploration and evaluation assets (Cont'd)

During the year ended August 31, 2014, management had determined that this property no longer fit into the Company's strategic plans and would not renew the claims when they expired. As a result a write-off of property cost and deferred exploration expenses of $5,375 and $55,830 respectively.

h) *Long Lac*
The Company acquired the Long Lac property through staking in Beardmore-Geraldton and owns 100% of two blocks. During the year ended August 31, 2014, management had determined that this property no longer fit into the Company's strategic plans and would not renew the claims when they expired. As a result a write-off of property cost and deferred exploration expenses of $19,885 and $427,771 respectively.

i) *Eldorado*
The Eldorado property is located approximately 20km southeast of Timmins. All of the claims were dropped and therefore the cost of the property was written off by $28,534 and deferred exploration of $389,483 in the year ended August 31, 2013.

j) *Rim Nickel - McFaulds*

i) *Rim Nickel East*
The Company holds 100% of the Rim Nickel East property located in the McFaulds Lake area. The property is subject to a 2% NSR royalty half (1%) of which can be repurchased by the Company for $2,000,000.

During the year ended August 31, 2014, management had reviewed the existing data and determined that the Company would continue active exploration on this property. However, the claim package would be significantly reduced to focus on the claims with the greatest potential and therefore an impairment charge was recorded for all of property costs and deferred exploration expenses.

ii) Broke Back and River Bank
On December 17, 2012 the Company announced the execution of a definitive agreement whereby Zara Resources Inc. ("Zara") acquired 100% of the River bank claims ("River bank") owned by the Company for the sum of $68,000.

The consideration for 100% of River bank was payable by the issuance of 225,000 common shares of Zara at a deemed price of $0.10 per share, and 455,000 Non Voting Convertible 5% Preference Shares of Zara at a deemed price of $0.10 per share. The Preference Shares annual yield will be payable in common shares of Zara at the prevailing market price, and are convertible at the discretion of Zara into common shares of Zara at the market price at the time of conversion. River bank is also subject to a pre-existing 2% NSR.

As a result of the sale of the River bank property, the Company disposed of $172,399 for the year ended August 31, 2013, of exploration and evaluation assets and recorded a loss on sale of exploration and evaluation assets of $104,399. During the last year, the Company allowed the remaining Broke Back claims to expire in April 2013 and as a result the cost of the property was written off by $600 and exploration and evaluation expenses of $327,317.

8. Share capital

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

a) 2014 Fiscal year issuances

On December 23, 2013, the Company issued 200,000 common shares, with a deemed value of $8,000 based on the closing market price, to the Mattagami First Nations relating to the MOU agreement signed for the Carscallen property (see note 7f)).

On October 16, 2013, the Company closed a non-brokered private placement for aggregate proceeds of $170,000 consisting of the issuance of 3,400,000 units at a price of $0.05 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at a price of $0.05 until October 16, 2015. An amount of $68,000 was allocated to warrants. The Company paid cash commissions totaling $4,550 and issued 120,000 broker’s warrants, valued at $2,000, using the Black Scholes valuation model, for a total share issue expenses of $6,550 accounted into the deficit. The broker’s warrants had the same terms as the placement warrants.

On December 23, 2013, the Company closed a private placement for aggregate proceeds of $40,000 consisting of the issuance of 666,667 units at a price of $0.06 per unit. Each unit is comprised of one flow-through common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at a price of $0.06 until December 23, 2015.

In conjunction with the private placements, insiders have subscribed for aggregate proceeds of $12,000. There were no commission paid in relation to the private placement.

On December 23, 2013, the Company's share closed at $0.02 on the TSX Venture. Of the $0.04 residual value relating to the Unit, $0.008 was allocated to the benefit related to warrants for a value of $5,000 and $0.032 was allocated to the flow-through shares renunciation for a value of $19,700 credited to other liabilities. During the exercise, the complete amount was reversed to deferred income taxes recovery. The $0.008 of the warrants was valued with the Black-Scholes model with the following average assumptions: stock price at date of grant of $0.02, exercise price at date of grant of $0.06, weighted risk-free interest rate of 1.13%, projected volatility of 123.11%, predicted average life of warrants of 2 years and no dividend yield. The underlying expected volatility was determined by reference to historical data of the Company's shares on the TSX Venture Exchange over the expected average life of the warrants.

On May 12, 2014, the Company issued 200,000 common shares with a deemed value of $8,000, based on the closing market price on the date of acquisition, for a 100% interest in 3 mineral claims in the Tiblemont Township located 43 km east of Val-d’Or, Quebec.

b) Stock option plan

The Company maintains a stock option plan (the “Plan”) pursuant to which options to purchase common shares may be granted for its eligible directors, officers and employees of the Company as well as persons providing ongoing services to the Company.

The number of shares to be delivered upon the exercise of all options granted under the plan shall not exceed 10,948,000, being slightly less than 10% of the Company's issued and outstanding shares at the time.

(in Canadian dollars)

8. Share capital (Cont'd)

Unless indicated otherwise by the Board at the time of grant, 1/6 of options granted shall vest every three months from the date of the grant.

In the event that an optionee ceases to be an eligible person prior to the expiry date of his options, the options shall expire 12 months after the termination date or on the expiry date, whichever comes first (except for persons providing investor relations activities who will remain subject to a 30 day expiry period). In the event of termination with cause, the options of an eligible person shall expire on the date of the notice of termination.

Options shall no longer be subject to a 4 month hold period from the date of grant.

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

The total number of options granted to any one individual in any 12 month period, will not exceed 5% of the issued common shares. The total number of options granted to a consultant, in any 12 month period, will not exceed 2% of the issued common shares at the time of grant. The total number of options granted to persons providing investor relations activities, in any 12 month period, will not exceed 2% of the issued common shares at the time of grant. These options must vest in stages over a 12 month period from the date of grant with no more than 25% of the options vesting in any three month period.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

A summary of changes of the Company's common share purchase options is presented below for the years ending August 31, 2014, and August 31, 2013:

	August 31, 2014		**August 31, 2013**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted Average exercise price**
		$		$
Balance at beginning of the year	8,900,000	0.20	8,300,000	0.32
Granted	600,000	0.10	3,400,000	0.10
Cancelled/forfeited	(700,000)	0.28	(600,000)	0.25
Expired	(700,000)	0.27	(2,200,000)	0.47
Balance at end of the year	8,100,000	0.18	8,900,000	0.20
Exercisable at the end of the year	8,100,000	0.18	8,900,000	0.20

On December 18, 2013, the Company announced the appointment of Bruce Deluce as Director. The Board of Directors has granted 600,000 stock options to Bruce Deluce exercisable for a period of 5 years at $0.10 per share. The stock options have a Black-Scholes value of $16,000.

(in Canadian dollars)

8. Share capital (Cont'd)

The following table summarizes information about common share purchase options outstanding and exercisable as at August 31, 2014 and August 31, 2013:

August 31, 2014			August 31, 2013		
Number of options	**Exercise Price**	**Expiry date**	**Number of options**	**Exercise Price**	**Expiry date**
	$			**$**	
600,000	0.36	December 30, 2014	300,000	0.10	November 7, 2013
1,600,000	0.20	July 16, 2015	400,000	0.40	August 7, 2014
1,900,000	0.27	December 23, 2015	800,000	0.36	December 30, 2014
3,400,000	0.10	April 30, 2018	1,800,000	0.20	July 16, 2015
600,000	0.10	December 18, 2018	2,200,000	0.27	December 23, 2015
8,100,000			3,400,000	0.10	April 30, 2018
			8,900,000		

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

Grant date	**2014**	**2013**
Optionee	Director	Directors, officers and consultants
Number of options	600,000	3,400,000
Exercise price	$0.10	$0.10
Exercise price compared to the market	Higher	Higher
Risk free interest	1.13%	1.16%
Expected volatility	164.62%	97.68%
Expected dividend	-	-
Expected life (years)	5	5
Vesting	100% at date of grant	100% at date of grant
Share price at the date of grant	$0.03	$0.05
Estimated fair value per option	$0.03	$0.03
Estimated fair value	$16,000	$94,000

The underlying expected volatility was determined by reference to historical data of the Company's shares on the TSX Venture Exchange over the expected average life of the options. No special features inherent in the options granted were incorporated into measurement of fair value.

In total $16,000 ($96,100 as at August 31, 2013) of the stock-based payments (all of which related to equity-settled share-based payment transactions) were included in stock based compensation, profit or loss, and $NIL ($8,500 as at August 31, 2013) were capitalized in exploration and evaluation assets for the reporting period ended August 31, 2014 and credited to contributed surplus.

(in Canadian dollars)

8. Share capital (Cont'd)

c) Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares, as follows:

	Year ended August 31, 2014		Year ended August 31, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance at beginning of the year	10,080,999	0.36	15,348,999	0.36
Issued	4,066,667	0.05	-	-
Cancelled	-	-	(268,000)	0.25
Expired	(9,478,999)	0.38	(5,000,000)	0.35
Balance at end of the year	4,668,667	0.06	10,080,999	0.36

Warrants outstanding as at August 31, 2014, are as follows:

	August 31, 2014		August 31, 2013	
Expiry date	Number of warrants	Exercise Price	Number of warrants	Exercise Price
		$		$
December 7, 2013 (1)	-	-	2,845,000	0.25
June 28, 2014 (2)	-	-	1,300,000	0.10
July 9, 2014 (2)	-	-	712,500	0.10
December 15, 2013 (4)	-	-	4,496,499	0.50
December 17, 2013 (4)	-	-	125,000	0.50
December 28, 2014 (3)	602,000	0.10	602,000	0.10
October 16, 2015	3,400,000	0.05	-	-
December 23, 2015	666,667	0.06	-	-
	4,668,667		10,080,999	

1) On November 16, 2012, the Company extended the life of 2,845,000 existing warrants expiring on December 7, 2012, for an additional year.
2) On June 3, 2013, the Company extended the life of 1,300,000 and 712,500 existing warrants expiring on June 28, 2013 and July 9, 2013, respectively for an additional year. The warrants were also repriced from $0.25 to $0.10.
3) On August 15, 2013, the Company extended the life of 602,000 existing warrants expiring on December 28, 2013, for an additional year. The warrants were also re priced from $0.30 to $0.10.
4) On November 18, 2011, the Company 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 17, 2013.

(in Canadian dollars)

8. Share capital (Cont'd)

The weighted average fair value of the extended warrants as at August 31, 2013 was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	August 31, 2013
Average share price at the date of grant	$0.07
Average exercise price at the date of grant	$0.18
Average risk free interest rate	1.10%
Expected average volatility	83%
Expected dividend	-
Expected life (years)	1
Estimated fair value per warrant	$0.007
Estimated fair value	$38,300

The underlying expected volatility was determined by reference to historical data of the Company's shares on the TSX Venture Exchange over the expected average life of the warrants.

d) Warrants issued as compensation

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

	August 31, 2014	
	Number of warrants	**Weighted average exercise price**
		$
Balance at beginning of the year	-	-
Issued	120,000	0.05
Balance at end of the year	120,000	0.05

There were no broker's warrants as at August 31, 2013.

On October 16, 2013, the Company issued 120,000 broker warrants, valued at $2,000, as finders' fees in connection with a private placement. Each warrant entitles its holder to purchase one additional common share at a price of $0.05 until October 16, 2015.

(in Canadian dollars)

8. Share capital (Cont'd)

The average fair value of the broker's warrants issued of $0.02 was determined using the Black-Scholes option pricing model and based on the following average assumptions:

	August 31, 2014
Share price at the date of grant	$0.04
Exercise price at the date of grant	$0.05
Risk free interest rate	1.10%
Expected volatility	87.98%
Expected dividend	-
Expected life (years)	2
Estimated fair value per warrant	$0.02
Estimated fair value	$2,000

The underlying expected volatility was determined by reference to historical data of the Company's shares on the TSX Venture Exchange over the expected average life of the warrants issued as compensation.

e) Policies and processes for managing capital

The capital of the Company consists of the items included in shareholders' equity of $8,016,078 as of August 31, 2014 ($11,439,872 as of August 31, 2013). The Company's objectives when managing capital are to safeguard its ability to continue its operations as well as its acquisition and exploration programs. As needed, the Company raises funds through private placements. When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve. The Company doesn't use long term debts since it doesn't generate operating revenues. There is no dividend policy. The Company doesn't have any externally imposed capital requirements neither regulatory nor contractual requirements to which it is subject, unless the Company closes a flow-through private placement where the funds are restricted in use for exploration expenses. The Company complied with the requirements in the fiscal years.

9. Loss per share

In calculating the diluted loss per share, dilutive potential common shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Note 8.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary in 2014 and 2013.

	2014	**2013**
	$	$
Net loss for the year	(3,641,544)	(1,500,070)
Weighted average number of shares in circulation	123,208,167	119,522,870
Basic and diluted loss per share	(0.03)	(0.01)

(in Canadian dollars)

10. Income taxes

The relationship between the expected tax recovery based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive loss can be reconciled as follows:

	2014	2013
	$	$
Loss before income taxes	(3,661,244)	(1,551,279)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9%	(984,875)	(417,294)
Adjustments for the following items:		
Changes in temporary differences not recorded	847,161	284,326
Tax effect of issuance of flow-through shares	9,808	72,596
Reversal of the other liabilities attributable to issuance of flow-through shares	(19,700)	(51,209)
Stock-based compensation	4,304	25,851
Fair value variation non deductible	(3,854)	23,741
Realization of a deferred tax liability not previously recorded on mining property	20,552	11,343
Non-deductible items and others	106,904	(563)
Deferred income tax recovery	(19,700)	(51,209)

The major components of deferred tax recovery are outlined below:

	2014	2013
	$	$
Origination and reversal of temporary differences	(856,969)	(356,922)
Tax effect of issuance of flow-through shares	9,808	72,596
Reversal of the other liabilities attributable to issuance of flow-through shares	(19,700)	(51,209)
Changes in temporary differences not recorded	847,161	284,326
Total deferred tax recovery	(19,700)	(51,209)

Available temporary differences for which no deferred tax asset were recorded:

	August 31, 2014		August 31, 2013	
	Federal	Quebec	Federal	Quebec
	$	$	$	$
E&E assets	6,435,442	12,048,123	3,086,064	8,649,470
Property and equipment	20,530	20,530	20,530	20,530
Listed shares	711,082	711,082	740,875	740,875
Share issue expenses	35,446	35,446	144,645	144,645
Non-capital losses	4,304,000	4,234,000	4,389,000	4,305,000
Deductible capital losses	53,437	53,437	53,437	53,437
	11,559,937	17,102,618	8,434,551	13,913,957

(in Canadian dollars)

10. Income taxes (cont'd)

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position that can be carried over the following years:

	Federal	Quebec
	$	$
2015	226,000	215,000
2026	222,000	190,000
2027	263,000	245,000
2028	292,000	292,000
2029	470,000	469,000
2030	820,000	818,500
2031	676,000	673,000
2032	610,000	607,500
2033	423,000	422,000
2034	302,000	302,000
	4,304,000	4,234,000

As at August 31, 2014, accumulated capital losses of $106,874 ($106,874 in 2013) are available to be applied against future taxable capital gains. These losses may be carried forward indefinitely.

The Company has unrecorded investment tax credits of $643,648 ($636,052 in 2013) which are available up to 2027 to reduce the federal income taxes.

The Company has unrecorded resources tax credits of $50,763 ($50,763 in 2013) which are available up to 2017 to reduce the Quebec income taxes.

11. Statement of cash flows

	Year ended August 31,	
	2014	**2013**
	$	**$**
Additional information		
Tax credit receivables applied against E&E expenses	5,451	21,165
Additions of E&E expenses included in accounts payable and accrued liabilities	18,871	-
Common shares issued included in E&E expenses (Note 7)	8,000	-
Common shares issued included in property acquisition (Note 7)	8,000	-
Stock-based compensation included in E&E expenses	-	8,500
Listed shares and warrants received on disposal of mining assets	-	68,000

12. Compensation to key management and related party disclosures

The Company's related parties include a company controlled by an officer and key management, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(in Canadian dollars)

12. Compensation to key management and related party disclosures (cont'd)

a) Compensation to key management

The Company's key management personnel are members of the Board of Directors (of which the president of the Company is a member) as well as the chief financial officer. Key management compensation is as follows:

	Year ended	
	August 31, 2014	August 31, 2013
	$	$
Short-term benefits		
Salaries including benefits	450	1,137
Professional and consulting fees	28,886	89,165
Professional fees capitalized in E&E expenses	24,303	50,300
Total short-term benefits	53,639	140,602
Stock-based compensation	16,000	88,471
Total compensation	69,639	229,073

b) Transactions with other related party

In the normal course of operations for the year ended August 31, 2014, and 2013, in addition to the amounts listed above in the compensation to key management, a company controlled by a Company's officer charged rent totaling $18,000 ($22,500 in 2013) expensed in office expenses and professional fees totaling $NIL ($7,700 in 2013) expensed in professional and consulting fees.

As at August 31, 2014, the balance due to the related parties amounted to $4,610 (August 31, 2013 - $NIL) and was recorded in accounts payable and accrued liabilities.

(in Canadian dollars)

13. Financial Instruments (cont'd)

a) Categories of financial assets and liabilities

The carrying amounts and fair values of financial instruments presented in the statement of financial position are as follows:

	August 31, 2014		August 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
At amortized cost				
Cash	254,579	254,579	437,185	437,185
Other receivables (1)	22,024	22,024	1,706	1,706
	276,603	276,603	438,891	438,891
At fair value through profit or loss				
Listed shares	139,906	139,906	105,500	105,500
Preferred shares	45,500	45,500	45,500	45,500
Warrants	-	-	5,750	5,750
	185,406	185,406	156,750	156,750
Financial liabilities				
At amortized cost				
Accounts payable and accrued liabilities	29,341	29,341	16,963	16,963

(1) Other receivables does not include sales tax receivable.

The carrying value of cash, other receivables, accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

b) Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
c) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Listed common shares of companies in quoted mining exploration companies measured at fair value as at August 31, 2014, and 2013, are classified in Level 1. Common share purchase warrants and preferred shares of mining exploration companies measured at fair value as at August 31, 2014, and 2013, are classified in Level 2.

(in Canadian dollars)

13. Financial Instruments (cont'd)

c) Financial instrument risk

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities are summarized in Note 13 a).

The most significant financial risks to which the Company is exposed are described below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to other price risk.

The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

Other price risk sensitivity
The Company is exposed to fluctuations in the market prices of its listed shares in quoted mining exploration companies. The fair value of the listed shares represents the maximum exposure to price risk. If the quoted stock price for these securities had changed by ±20% as at August 31, 2014, and August 31, 2013, net loss and equity would have changed by $37,081 and $31,350 respectively.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. As at August 31, 2014, and August 31, 2013, the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	August 31, 2014	August 31, 2013
	$	$
Cash	254,579	437,185
Other receivables	22,024	1,706
Total	276,603	438,891

The other receivables are from joint exploration costs and management fees charged to Beaufield Resources Inc. on the Launay project as well as dividends receivable from the preferred shares acquired from Zara Resources Inc. upon disposal of the River bank claims. The exposure to credit risk for the Company's receivables has to be monitored continuously. In 2014, the Company did not record any impairment loss on its other receivables.

As at August 31, 2014, the Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(in Canadian dollars)

13. Financial Instruments (cont'd)

c) Financial instrument risk *(cont'd)*

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount. Over the past period, the Company has financed its exploration and evaluation programs, its working capital requirements and acquisitions of mining properties through private and flow-through financings.

The following table presents contractual maturities (including interest payments where applicable) of the Company's liabilities:

	August 31, 2014 carrying amount	**August 31, 2013 carrying amount**
	$	**$**
Within three months:		
Accounts payable and accrued liabilities	29,341	16,963

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash, tax credits receivable and listed shares. These financial assets exceed the current cash outflow requirements.

14. Contingencies and commitments

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:
– Two years following the flow-through placements;
– One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

As at August 31, 2014, the Company did not have any outstanding un-incurred flow through renunciation liabilities ($28,818 – 2013). Subsequent to the end of the year, the Company completed a financing and issued flow through shares, see Note 15.

15. Event after the reporting period

On October 20, 2014, the Company sold a total of 781 units, at a price of $500 per unit, for total gross proceeds of $390,500. Each unit consisted of 8,500 flow through and 1,500 non-flow through common shares and 10,000 common share purchase warrants, each warrant entitling the holder thereof to acquire one additional common share of the Company at a price of $0.05 per share for a period of 24 months. All warrants issued in the private placement carry an accelerator clause to which takes effect after 12 months if the Company's stock trades above $0.10 ("the triggering event"). The accelerator clause requires the warrant to be exercised within 30 days of the triggering event prior to the warrant expiring. An amount of $78,100 related to issued warrants was recorded to contributed surplus.

15. Event after the reporting period (cont'd)

In connection with this private placement, the Company paid a finders' fee of up to $27,788 cash commission and 555,750 warrants, valued at $7,500, using the Black Scholes valuation model, for a total share issue expenses of $35,288 accounted into the deficit. The broker's warrants had the same terms as the placement warrants.

Insiders of the Company have subscribed for a total of 34 units for total gross proceeds of $17,000.