Melkior Resources Inc.

Annual Financial Statements

For the years ended August 31, 2015 and 2014

Melkior Resources Inc.
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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MELKIOR RESOURCES INC.

We have audited the accompanying financial statements of Melkior Resources Inc., which comprise the statement of financial position as at August 31, 2015, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the year 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 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Other Matter
The financial statements of Melkior Resources Inc. as at August 31, 2014 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on November 28, 2014.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 3, 2015

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Melkior Resources Inc.
Statements of Financial Position
As at August 31, 2015 and 2014
(in Canadian dollars)

	August 31, 2015	August 31, 2014
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 5)	**167,583**	254,579
Sales tax receivable and other receivables	**8,588**	26,899
Tax credits receivable	**-**	8,488
Prepaid expenses	**10,288**	10,288
Listed shares (Note 6)	**73,586**	185,406
	260,045	485,660
Non-current assets		
Exploration and evaluation assets (Note 7)		
Mining properties	**404,888**	418,711
Exploration and evaluation	**7,174,392**	7,141,048
	7,579,280	7,559,759
Total assets	**7,839,325**	8,045,419
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**22,591**	29,341
Shareholders' Equity		
Share capital (Note 8)	**42,894,423**	42,582,023
Contributed surplus	**4,264,678**	4,121,898
Deficit	**(39,342,367)**	(38,687,843)
Total equity	**7,816,734**	8,016,078
Total liabilities and equity	**7,839,325**	8,045,419

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

These annual financial statements were approved and authorized for issue by the Board of Directors on December 3, 2015.

(s) Jens E. Hansen

Jens E. Hansen
President and Director

(s) Norman Farrell

Norman Farrell
Director

Melkior Resources Inc.
Statements of Comprehensive Loss
For the years ended August 31, 2015 and 2014
(in Canadian dollars)

	Year ended August 31,	
	2015	**2014**
	$	**$**
Expenses		
Salaries and employee benefits	21,974	450
Office	59,957	86,606
Travelling and promotion	4,134	4,857
Investors and shareholders relations	39,740	50,101
Professional and consulting fees	74,434	85,776
General exploration expenditures	4,411	4,367
Stock-based compensation (Note 8)	-	16,000
Impairment of exploration and evaluation assets (Note 7)	1,860	2,868,535
Write-off of exploration and evaluation assets (Note 7)	256,642	611,670
Operating loss	**(463,152)**	**(3,728,362)**
Interest and dividend income	5,008	2,417
Other income (Note 7)	6,352	36,045
Change in value of listed shares (Note 6)	(116,749)	28,656
Loss before income taxes	(568,541)	(3,661,244)
Deferred income tax recovery (Note 10)	-	19,700
Net loss and comprehensive loss for the year	(568,541)	(3,641,544)
Basic and diluted net loss per share (Note 9)	(0.004)	(0.030)
Weighted average number of outstanding common shares	130,729,674	123,208,167

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

Melkior Resources Inc.

Statements of Changes in Shareholders' Equity
For the years ended August 31, 2015 and 2014
(in Canadian dollars)

	Notes	Number of shares outstanding	Share capital	Contributed surplus	Deficit	Total equity
			$	$	$	$
Balance at September 1, 2014		123,989,537	42,582,023	4,121,898	(38,687,843)	8,016,078
Common shares issued in private placement	8 a)	7,810,000	390,500	-	-	390,500
Value attributed to warrants	8 a) c)	-	(78,100)	78,100	-	-
Share issue expenses	8 a)	-	-	7,500	(35,303)	(27,803)
Warrant extension	8 c)	-	-	50,680	(50,680)	-
Stock-based compensation	8 b)	-	-	6,500	-	6,500
Net loss and comprehensive loss		-	-	-	(568,541)	(568,541)
Balance at August 31, 2015		**131,799,537**	**42,894,423**	**4,264,678**	**(39,342,367)**	**7,816,734**

	Notes	Number of shares outstanding	Share capital	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)	4,066,667	210,000	-	-	210,000
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 a)	-	-	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**

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

Melkior Resources Inc.
Statements of Cash Flows
For the years ended August 31, 2015 and 2014
(in Canadian dollars)

	Year ended August 31,	
	2015	2014
	$	$
Operating activities		
Net loss	(568,541)	(3,641,544)
Non-cash items:		
Stock-based compensation	-	16,000
Change in value of listed shares	116,749	(28,656)
Impairment of exploration and evaluation assets	1,860	2,868,535
Write-off of exploration and evaluation assets	256,642	611,670
Interest accrued on short-term investments	(2,275)	2,275
Deferred income tax recovery	-	(19,700)
	(195,565)	(191,420)
Changes in non-cash working capital items		
Sales tax receivable and other receivables	15,657	(16,841)
Prepaid expenses	-	7,155
Accounts payable and accrued liabilities	(4,913)	(6,493)
	10,744	(16,179)
Cash flows used in operating activities	(184,821)	(207,599)
Investing activities		
Additions to mining properties	(1,809)	(11,473)
Exploration and evaluation expenses	(269,580)	(195,455)
Tax credits received	6,517	26,471
Cash flows used in investing activities	(264,872)	(180,457)
Financing activities		
Issuance of common shares in private placement	390,500	210,000
Share issue expenses	(27,803)	(4,550)
Cash flows from financing activities	362,697	205,450
Net changes in cash and cash equivalents	(86,996)	(182,606)
Cash and cash equivalents, beginning of the year	254,579	437,185
Cash and cash equivalents, end of the year	167,583	254,579

See Note 11 on supplemental disclosure of cash flow information

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

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

Melkior Resources Inc. (the ''Company''), incorporated under the *Business Corporations Act* (Canada), is a junior mining exploration company operating in Canada. The Company's operations include the acquisition and exploration of mining properties. The address of the registered office is 3208 Richmond Road, Ottawa, Ontario, Canada, K2H 5B6. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") 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.

The Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable and has not yet generated income or cash flows from its operations. As at August 31, 2015, the Company has an accumulated deficit of $39,342,367 (2014 - $38,687,843). 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 doing so in the past, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities and expenses presented in the financial statements and the classifications used in the statements 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"), as issued by the International Accounting Standards Board.

b) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is 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 ("FVTPL")) 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 FVTPL 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; and
- financial assets at FVTPL.

All financial assets, except for those at FVTPL, 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-derivative 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 cash equivalents 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.

Financial assets at fair value through profit or loss

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.

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

c) Financial instruments (Cont'd)

Classification and subsequent measurement of financial assets (Cont'd)

Financial assets at fair value through profit or loss (Cont'd)

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 techniques 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 liabilities 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 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 in the period when there is reasonable assurance with regard to collections and assessments and that the Company will comply with conditions associated with them.

f) Mining properties and exploration and evaluation expenses

Exploration and evaluation ("E&E") expenses are costs incurred in the course of the 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)

f) Mining properties and exploration and evaluation expenses (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) are capitalized under mining properties. E&E expenses 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 impaired 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, 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 agreements

On the disposal of interest in connection with option agreements, 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). Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, a cash-generating unit is reviewed for impairment.

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

g) Impairment of exploration and evaluation assets (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 at period end and 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; and
- 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 the 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.

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

h) Income taxes (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 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.

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.

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

i) Equity (Cont'd)

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. 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, including warrants issued from unit placements, is credited to contributed surplus and debited directly into deficit.

j) Equity-settled share-based payments

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

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. The Company uses the Black-Scholes valuation model to estimate fair value.

Equity-settled share-based payments (except finders' warrants to brokers) are ultimately recognized as an expense in profit or loss or capitalized as an E&E asset, depending on the nature of the payment, with a corresponding credit to contributed surplus in equity. Finders' warrants to brokers, in respect of an equity financing are recognized as an 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 periods 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 a single segment of business, being the exploration and evaluation of mineral resources in Canada.

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

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.

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, 2014. The mandatory adoption of the following new and revised accounting standards had no significant impact on the Company's financial statements for the periods presented.

Information on the new standards that are relevant for the Company is presented below:

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

Amends IAS 36 *Impairment of Assets* to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

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

m) New and revised standards that are effective (Cont'd)

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 has concluded that this new standard has no impact on the Company's financial statements.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*

The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. Management has concluded that this new standard has no impact on the Company's financial statements.

IAS 24 *Related Party Disclosures*

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. Management has concluded that this new standard has no 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

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 early-adopted 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* (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual period beginning September 1, 2018.

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

Applicable to the Company's annual period beginning September 1, 2016.

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

Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

- **IFRS 5** — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for distribution accounting is discontinued
- **IFRS 7** — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- **IAS 9** — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- **IAS 34** — Clarify the meaning of “elsewhere in the interim report” and require a cross reference

Applicable to the Company's annual period beginning September 1, 2016.

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 that 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.

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.

Bifurcation of units

The Company uses the residual value method when valuing equity components and other liabilities related to flow-through shares. Management’s judgment is used in the method used to established fair value of the components.

4. Judgments, estimates and assumptions (Cont'd)

4.2 Estimation uncertainty

Bifurcation of units (Cont'd)

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.

Impairment of E&E 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.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or 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 and 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 an expenditure is capitalized, information becomes available suggesting that the recovery of the 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 E&E assets impairment analysis.

The total write-off of the E&E assets where property is abandoned and recognized in profit or loss amounts to $256,642 for the year ended August 31, 2015 (2014 - $611,670). The total impairment loss of the E&E assets where impairment indicators exist and are recognized in profit or loss amounts to $1,860 for the year ended August 31, 2015 (2014 - $2,868,535). The fair value of $nil recoverable value as at August 31, 2015 was estimated in accordance with Level 3 of the fair value hierarchy. No reversal of impairment losses has been recognized for the years ended August 31, 2015 and 2014.

No impairment was assessed on the Vaillant (Raglan), Launay, Tiblemont and Carscallen properties. The Company continues significant fieldwork on the Carscallen property.

Management judged that there was no impairment during 2015 on these properties. Despite unfavorable changes in 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 meet 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.

(in Canadian dollars)

4.2 Estimation uncertainty (Cont'd)

Share-based payments, warrants and warrants extension

The estimation of value requires the selection of an appropriate valuation model, data and consideration as to the volatility of the Company's shares, the probable life of share options and warrants granted, issued and modified and the time of exercise of those share options and warrants. Option pricing models require the inputs of subjective assumptions including expected price volatility, interest rate and forfeiture rate. The model used by the Company is the Black-Scholes valuation model (Note 8). Changes to the input assumptions can materially affect the fair value estimate and contributed surplus.

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.

5. Cash and cash equivalents

	August 31, 2015	August 31, 2014
	$	$
Cash and cash equivalents	**102,945**	**254,579**
Cash for Canadian mining properties exploration	**64,638**	**-**
Total cash and cash equivalents	**167,583**	**254,579**

On October 20, 2014, the Company raised $390,500 in a private placement, of which $331,925 is subject to the restrictions imposed by a flow-through financing arrangement. As at August 31, 2015, the Company had incurred expenditures of $267,287 according to the restrictions imposed by this financing arrangement and had a remaining obligation of $64,638. Cash equivalents are deposited in money market investments that are cashable on demand.

(in Canadian dollars)

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, 2015, the following securities were included in the listed shares:

	Acquisition cost	Fair value adjustment	Fair value
Common shares	$	$	$
Arrowhead Gold Corp. - 243,750 shares	1,248,000	(1,241,906)	6,094
Northcore Resources Inc. - 50,000 shares	60,000	(58,750)	1,250
Green Swan Capital Corp. - 1,800,000 shares	180,000	(162,000)	18,000
Lakeside Minerals Inc. - 187,500 shares	52,500	(51,563)	937
Zara Resources Inc. - 316,000 shares	27,429	(25,849)	1,580
Tempus Capital Inc. - 90,000 shares	-	-	-
Leo Resources Inc. - 22,500 shares	-	225	225
Total	**1,567,929**	**(1,539,843)**	**28,086**
Preferred shares			
Zara Resources Inc. - 455,000 shares	45,500	-	45,500
Total	**45,500**	**-**	**45,500**
Total listed shares	**1,613,429**	**(1,539,843)**	**73,586**

On January 26, 2015, the Company received 91,000 common shares of Zara Resources Inc. ("Zara"), as payment for the accrued dividends on the Zara preferred shares. These shares were initially recorded at $4,929, which is equal to the accrued dividends receivable as at January 26, 2015. Zara preferred shares were received upon the disposal of the Riverbank claims and are entitled to cumulative dividends of 5% per annum. The Zara preferred shares have a fixed value of $45,500 and are convertible to common shares equivalent to the fixed value at Zara's option. The Zara preferred shares do not trade on a securities exchange.

On August 5, 2015, the Company received 90,000 common shares of Tempus Capital Inc. ("Tempus") as a one-time dividend on its Green Swan Capital Corp. investment. The dividend was recorded at a value of $Nil as the shares of Tempus do not trade on a securities exchange.

(in Canadian dollars)

6. Listed shares (Cont'd)

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 shares	1,248,000	(1,232,157)	15,843
Northcore Resources Inc. - 50,000 shares	60,000	(55,000)	5,000
Green Swan Capital Corp. - 1,800,000 shares	180,000	(81,000)	99,000
Lakeside Minerals Inc. - 187,500 shares	52,500	(45,937)	6,563
Zara Resources Inc. - 225,000 shares	22,500	(21,375)	1,125
Leo Resources Inc. - 22,500 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**

7. Exploration and evaluation assets

During the year ended August 31, 2015, the Company incurred mining properties costs of $1,809 (2014 - $19,473) and E&E expenses of $274,243 (2014 - $219,289). The Company also had write-offs of $256,642 (2014 - $611,670) and impairment losses of $1,860 (2014 - $2,868,535) of mining properties and E&E expenses.

Mining properties	August 31, 2014	Acquisitions	Impairment	Write-off	August 31, 2015
	$	$	$	$	$
Quebec					
Valliant (Raglan)	3,300	-	-	-	3,300
Kenty Lake	-	830	-	(830)	-
Launay	251,256	-	-	-	251,256
Tiblemont	9,984	83	-	-	10,067
Ontario					
Carscallen (Timmins)	139,805	460	-	-	140,265
Big Marsh (Timmins)	14,366	-	-	(14,366)	-
Long Lac	-	236	-	(236)	-
Rim Nickel (McFaulds)	-	200	(200)	-	-
	418,711	1,809	(200)	(15,432)	404,888

(in Canadian dollars)

7. Exploration and evaluation assets (Cont'd)

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

E&E expenses	**August 31, 2014**	**Expenditures**	**Impairment**	**Write-off**	**Tax credits**	**August 31, 2015**
	$	**$**	**$**	**$**	**$**	**$**
Quebec						
Launay	648,791	830	-	-	1,971	651,592
Kenty Lake	-	400		(400)	-	-
Tiblemont						
Ontario	790	2,753	-	-	-	3,543
Carscallen (Timmins)	6,259,875	259,382	-	-	-	6,519,257
Big Marsh (Timmins)	231,592	2,450	-	(234,042)	-	-
Bristol (Timmins)	-	6,368	-	(6,368)	-	-
Long Lac	-	400	-	(400)	-	-
Rim Nickel (McFaulds)	-	1,660	(1,660)	-	-	-
	7,141,048	274,243	(1,660)	(241,210)	1,971	7,174,392

(in Canadian dollars)

7. Exploration and evaluation assets (Cont'd)

E&E 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

All impairment charges (or reversals, if any) are included within impairment of E&E assets in profit or loss. All write-offs are presented separately and included within write-off of E&E assets in profit or loss.

Quebec

a) Launay

The Company holds 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, 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 expenditures.

As at August 31, 2015, Beaufield has incurred $374,114 of exploration expenditures on this property and has earned its initial 10% interest in the property. The Company has remained the operator. Other income includes management fees of 10% of expenditures incurred on behalf of Beaufield. Cost recoveries have been credited against E&E expenses.

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 the Kenty Lake property no longer fit into the Company's strategic plans and would not renew the claims when they expired. The property was classified as secondary project. As a result, the Company has written off the deferred exploration expenses of $400 and property acquisition costs of $830 for the Kenty Lake property (deferred exploration of $1,450 and property acquisition costs of $Nil on the Kenty Lake property in 2014).

7. Exploration and evaluation assets (Cont'd)

c) Valliant (Raglan)

On April 16, 2013, the Company acquired claims located in the Ungava nickel, copper and 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 the Company has a 100% ownership in the claims and there is no NSR.

d) Tiblemont

The Company owns 100% interest in three mineral claims in Tiblemont Township located 43 kilometers east of Val-d'Or, Quebec. The Company owns a 100% interest in 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% NSR 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 its 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 while another group of claims is subject to a 2% NSR of which the Company has the right to buy out one-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 Nation. Under the new *Ontario Mining Act*, mineral exploration companies are required to undertake consultation with the First Nation 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 Nation.

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 TSX-V 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.

7. Exploration and evaluation assets (Cont'd)

Ontario (Cont'd)

f) Timmins (Cont'd)

ii) Bristol (Cont'd)

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 was classified as secondary project. During the year ended August 31, 2015, management continued to assess the property as impaired and recognized a write-off of E&E expenses of $6,368 (2014 - $36,161).

iii) Big Marsh

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

During the year ended August 31, 2015, the property has been written off to align with the Company's strategic objective that this will be a secondary project. Management assessed the property as impaired and the Company recognized a write-off of exploration and evaluation expenses of $234,042 (2014 - $Nil) and property acquisition costs of $14,366 (2014 - $Nil).

g) 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. The property was classified as secondary project. As a result, the Company wrote off property cost and deferred exploration expenses of $236 and $400, respectively (2014 - $19,885 and $427,771, respectively) during the year ended August 31, 2015.

h) Rim Nickel East – McFaulds

The Company holds 100% of the Rim Nickel East property located in the McFaulds Lake area. The property is subject to a 2% NSR, one-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. During the year ended August 31, 2015, the Company further impaired deferred exploration costs of $1,660 and property maintenance costs of $200.

8. Share capital

Authorized

The Company's authorized share capital consists of:

i) an unlimited number of common shares without par value, voting and participating
ii) an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at the request of the Company at paid up capital

a) Share issuances

2015 fiscal year issuances

On October 20, 2014, the Company issued 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 that 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 warrants was recorded to contributed surplus.

In connection with this private placement, the Company paid a finders’ fee of up to $27,803 cash commission and 555,750 broker’s warrants, valued at $7,500, using the Black Scholes valuation model, for total share issue expenses of $35,303 debited into deficit. The broker’s warrants had the same terms as the placement warrants.

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 Nation 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 debited into 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 commissions paid in relation to the private placement.

8. Share capital (Cont'd)

a) Share issuances (Cont'd)

On December 23, 2013, the Company's share closed at $0.02 on the TSX-V. 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 tax recovery. The $0.008 of the warrants was valued with the Black-Scholes option pricing 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 two years and no dividend yield. The underlying expected volatility was determined by reference to historical data of the Company's shares on the TSX-V 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 three mineral claims in the Tiblemont Township.

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.

Unless indicated otherwise by the Board at the time of grant, one-sixth 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.

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 or any other regulations by the TSX-V. 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.

(in Canadian dollars)

8. Share capital (Cont'd)

b) Stock option plan (Cont'd)

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 ended August 31, 2015 and 2014:

	August 31, 2015		**August 31, 2014**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted Average exercise price**
		$		$
Balance at beginning of the year	8,100,000	0.18	8,900,000	0.20
Granted	300,000	0.10	600,000	0.10
Expired	(2,900,000)	0.23	(1,400,000)	0.27
Balance at end of the year	5,500,000	0.15	8,100,000	0.18
Exercisable at the end of the year	5,500,000	0.15	8,100,000	0.18

During the year ended August 31, 2015, 1,100,000 stock options granted to consultants and directors expired due to the optionees ceasing to be an eligible person. The options had a weighted average exercise price of $0.20 and expiry dates between July 2015 and April 2018.

The following table summarizes information about common share purchase options outstanding and exercisable as at August 31, 2015 and 2014:

August 31, 2015			**August 31, 2014**		
Number of options	**Exercise price**	**Expiry date**	**Number of options**	**Exercise price**	**Expiry date**
	$			**$**	
1,500,000	0.27	December 23, 2015	600,000	0.36	December 30, 2014
3,100,000	0.10	April 30, 2018	1,600,000	0.20	July 16, 2015
600,000	0.10	December 18, 2018	1,900,000	0.27	December 23, 2015
300,000	0.10	December 15, 2019	3,400,000	0.10	April 30, 2018
5,500,000			600,000	0.10	December 18, 2018
			8,100,000		

On December 15, 2014, the Company granted 300,000 options to a consultant for a period of five years at an exercise price of $0.10 per options. The stock options have a Black-Scholes option pricing value of $6,500 and have been capitalized in E&E expenses.

(in Canadian dollars)

8. Share capital (Cont'd)

b) Stock option plan (Cont'd)

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

Grant date	2015	2014
Number of options	300,000	600,000
Exercise price	$0.10	$0.10
Exercise price compared to the market	Higher	Higher
Risk free interest	1.46%	1.13%
Expected volatility	71.18%	164.62%
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	$0.05	$0.03
Estimated fair value per option	$0.02	$0.03
Estimated fair value	$6,500	$16,000
Forfeiture rate	0.00%	0.00%

The underlying expected volatility was determined by reference to historical data of the Company's shares on the TSX-V 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, $6,500 (2014 - $Nil) of the stock-based payments (all of which related to equity-settled share-based payment transactions) were capitalized in E&E assets and $Nil (2014 - $16,000) were included in stock-based compensation in profit or loss for the reporting period ended August 31, 2015 and credited to contributed surplus.

c) Warrants

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

	August 31, 2015		August 31, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance at beginning of the year	4,668,667	0.06	10,080,999	0.36
Issued	7,810,000	0.05	4,066,667	0.05
Expired	(602,000)	0.10	(9,478,999)	0.38
Balance at end of the year	11,876,667	0.05	4,668,667	0.06

(in Canadian dollars)

8. Share capital (Cont'd)

c) Warrants (Cont'd)

Warrants outstanding as at August 31, 2015 and 2014 are as follows:

	August 31, 2015		August 31, 2014	
Expiry date	**Number of warrants**	**Exercise price**	**Number of warrants**	**Exercise price**
		$		$
December 28, 2014	-	-	602,000	0.10
October 16, 2017 (1)	3,400,000	0.05	3,400,000	0.05
December 23, 2015	666,667	0.06	666,667	0.06
October 20, 2016	7,810,000	0.05	-	-
	11,876,667		4,668,667	

(1) On August 31, 2015, the Company extended the life of 3,400,000 existing warrants expiring on October 16, 2015, for two additional years. The pricing of the warrants remained unchanged.

(2) Warrants have an accelerator clause after 12 months where they must be exercised within 30 days if the Company's shares trade above $0.10.

The weighted average fair value of the extended warrants as at August 31, 2015 was determined using the Black-Scholes option pricing model and based on the following weighted average assumptions:

	August 31, 2015
Average share price at the date of extension	$0.02
Average exercise price at the date of extension	$0.05
Average risk free interest rate	1.39%
Expected average volatility	195.74%
Expected dividend	-
Expected life (years)	2
Estimated fair value per warrant	$0.015
Estimated fair value	$50,680
Forfeiture rate	0.00%

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

(in Canadian dollars)

8. Share capital (Cont'd)

d) Warrants issued as compensation (finder's warrants)

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

	August 31, 2015		August 31, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance at beginning of the year	120,000	0.05	-	-
Issued	555,750	0.05	120,000	0.05
Balance at end of the year	675,750	0.05	120,000	-

Warrants outstanding as at August 31, 2015 and 2014 are as follows:

	August 31, 2015		August 31, 2014	
Expiry date	Number of warrants	Exercise price	Number of warrants	Exercise price
		$		$
October 16, 2015 (1)	120,000	0.05	120,000	0.05
October 20, 2016	555,750	0.05	-	-
	675,750		120,000	

(1) 120,000 warrants expired unexercised subsequent to August 31, 2015.

The average fair value of the broker's warrants issued of $0.013 was determined using the Black-Scholes option pricing model and based on the following average assumptions:

	August 31, 2015	August 31, 2014
Share price at the date of grant	$0.04	$0.04
Exercise price at the date of grant	$0.05	$0.05
Risk free interest rate	1.04%	1.10%
Expected volatility	73.36%	87.98%
Expected dividend	-	-
Expected life (years)	2	2
Estimated fair value per warrant	$0.013	$0.02
Estimated fair value	$7,500	$2,000
Forfeiture rate	0.00%	0.00%

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

(in Canadian dollars)

8. Share capital (Cont'd)

e) Policies and processes for managing capital

The capital of the Company consists of the items included in shareholders' equity of $7,816,734 as of August 31, 2015 (2014 - $8,016,078). 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 as it does not generate operating revenues. There is no dividend policy. The Company does not have any externally imposed capital requirements, neither regulatory nor contractual, 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. The Company has not changed its policies and procedures in the past year.

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. No adjustment to net loss was necessary in the years ended August 31, 2015 and 2014.

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:

	August 31, 2015	August 31, 2014
	$	$
Loss before income taxes	(568,541)	(3,661,244)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9%	(152,937)	(984,875)
Adjustments for the following items:		
Changes in temporary differences not recorded	99,152	847,161
Tax effect of issuance of flow-through shares (mineral property expenditures renounced)	69,467	9,808
Reversal of the other liabilities attributable to issuance of flow-through shares	-	(19,700)
Stock-based compensation	-	4,304
Change in the value of listed shares	(15,703)	(3,854)
Realization of a deferred tax liability not previously recorded on mining property	-	20,552
Non-deductible items and others	21	106,904
Deferred income tax recovery	-	(19,700)

(in Canadian dollars)

10. Income taxes (cont'd)

The major components of deferred tax recovery are outlined below:

	August 31, 2015	August 31, 2014
	$	$
Origination and reversal of temporary differences	(168,619)	(856,969)
Tax effect of issuance of flow-through shares	69,467	9,808
Reversal of the other liabilities attributable to issuance of flow-through shares	-	(19,700)
Changes in temporary differences not recorded	99,152	847,161
Total deferred tax recovery	-	(19,700)

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

	August 31, 2015	August 31, 2014
	$	$
E&E assets	6,203,551	7,545,208
Property and equipment	20,530	20,530
Listed shares	784,922	726,547
Share issue expenses	40,875	35,446
Non-capital losses	4,293,429	4,255,862
Deductible capital losses	53,437	-
Non-refundable ITC	2,581,454	-
	13,978,198	12,583,593

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
	$	$
2026	222,000	190,000
2027	263,000	245,000
2028	292,000	292,000
2029	470,000	469,000
2030	820,000	819,000
2031	676,000	673,000
2032	610,000	608,000
2033	423,000	422,000
2034	302,000	302,000
2035	216,000	216,000
	4,294,000	4,236,000

As at August 31, 2015, accumulated capital losses of $106,874 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 (2014 - $643,648), which are available up to 2027 to reduce the federal income taxes.

The Company has unrecorded resources tax credits of $50,763 (2014 - $50,763), which are available up to 2017 to reduce the Quebec income taxes.

(in Canadian dollars)

11. Supplemental disclosure of cash flow information

	Year ended August 31,	
	2015	**2014**
	$	**$**
Additional information		
Other receivables (dividends on Zara preferred shares) received in common shares	4,929	-
Tax credit receivables applied against E&E expenses	-	8,488
Additions of E&E expenses included in accounts payable and accrued liabilities	17,034	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	6,500	-

12. Compensation to key management and related party disclosures

The Company's related parties include a company controlled by an officer, close family members of directors 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.

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	
	2015	**2014**
	$	**$**
Short-term benefits		
Salaries including benefits	1,235	450
Professional and consulting fees	33,176	28,886
Professional fees capitalized in E&E expenses	22,075	24,303
Total short-term benefits	56,486	53,639
Stock-based compensation	-	16,000
Total compensation	56,486	69,639

b) Transactions with other related parties

In the normal course of operations for the years ended August 31, 2015 and 2014:

- In addition to the amounts listed above in the compensation to key management, a company controlled by the Company's officer charged rent totaling $18,000 (2014 - $18,000) expensed in office expenses and professional fees totaling $Nil (2014 - $Nil) expensed in professional and consulting fees; and
- A close family member of a director provided secretarial services totaling $17,600 (2014 - $Nil).

As at August 31, 2015, the balance due to the related parties amounted to $1,546 (2014 - $4,610) and was recorded in accounts payable and accrued liabilities.

(in Canadian dollars)

13. Financial Instruments

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, 2015		August 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	**$**	**$**	**$**	**$**
At amortized cost				
Cash and cash equivalents	167,583	167,583	254,579	254,579
Other receivables (1)	1,327	1,327	22,024	22,024
	168,910	168,910	276,603	276,603
At FVTPL				
Listed shares	28,086	28,086	139,906	139,906
Preferred shares	45,500	45,500	45,500	45,500
	73,586	73,586	185,406	185,406
Financial liabilities				
At amortized cost				
Accounts payable and accrued liabilities	22,591	22,591	29,341	29,341

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

The carrying values of cash, other receivables, and accounts payable and accrued liabilities are considered to be a reasonable approximation of fair value due to 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:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
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
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, 2015 and 2014, are classified as Level 1. Preferred shares of mining exploration companies measured at fair value as at August 31, 2015 and 2014, are classified as 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 13a).

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 due to changes in market prices. The Company is exposed to other price risk. The Company's exposure to foreign currency risk and interest rate risk is not material.

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 increased or decreased by 20% as at August 31, 2015 and 2014, net loss and equity would have changed by $5,617 and $27,981, 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, 2015 and 2014, 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, 2015	**August 31, 2014**
	$	$
Cash and cash equivalents	167,583	254,579
Other receivables	1,327	22,024
Total	168,910	276,603

The other receivables are from exploration costs and management fees charged to Beaufield on the Launay project, as well as dividends receivable from the preferred shares acquired from Zara. The exposure to credit risk for the Company's receivables has to be monitored continuously. In 2015 and 2014, the Company did not record any impairment loss on its other receivables.

As at August 31, 2015, 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 E&E 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, 2015 Carrying amount	**August 31, 2014 Carrying amount**
	$	**$**
Within three months:		
Accounts payable and accrued liabilities	22,591	29,341

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 committed to using the financing proceeds for 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; or
- 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.

The Company renounced the flow-through financing proceeds from October 20, 2014 as at December 31, 2014.

As at August 31, 2015, the Company had outstanding un-incurred flow-through renunciation commitments of $64,638 (2014 - $Nil).