Melkior Resources Inc.

Condensed Interim Financial Statements

For the six-month period ended February 28, 2015

(Unaudited)

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

Melkior Resources Inc.
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Melkior Resources Inc.

Condensed Interim Statements of Financial Position
February 28, 2015
(In Canadian dollars)

	February 28, 2015	August 31, 2014
	$	$
Assets		
Current assets		
Cash (Note 5)	**336,391**	254,579
Sales tax receivable and other receivables	**16,861**	26,899
Tax credits receivable	**3,037**	8,488
Prepaid expenses	**3,582**	10,288
Listed shares (Note 6)	**125,080**	185,406
	484,951	485,660
Non-current assets		
Exploration and evaluation assets (Note 7)		
Mining properties	**418,854**	418,711
Exploration and evaluation expenses	**7,301,262**	7,141,048
	7,720,116	7,559,759
Total assets	**8,205,067**	8,045,419
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**13,308**	29,341
Shareholders' Equity		
Share capital (Note 8)	**42,894,423**	42,582,023
Contributed surplus	**4,207,498**	4,121,898
Deficit	**(38,901,162)**	(38,687,843)
Total equity	**8,191,759**	8,016,078
Total liabilities and equity	**8,205,067**	8,045,419

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

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on April 27, 2015.

(s) Jens E. Hansen

Jens E. Hansen
President and Director

(s) Norman Farrell

Norman Farrell
Director

Melkior Resources Inc.
Condensed Interim Statements of Comprehensive loss
February 28, 2015
(In Canadian dollars)

	Three-month period ended		Six-month period ended	
	February 28, 2015	February 28, 2014	**February 28, 2015**	February 28, 2014
	$	$	**$**	$
Expenses				
Salaries and employee benefits expenses	**5,146**	85	**5,268**	158
Office Expenses	**15,257**	22,802	**34,868**	44,641
Travelling and promotion	**321**	1,209	**634**	2,146
Investors and shareholders relations	**8,509**	24,116	**18,140**	33,366
Professional and consulting fees	**16,786**	26,251	**57,456**	59,471
Exploration	**380**	1,746	**500**	2,047
Stock-based compensation	**-**	16,000	**-**	16,000
Write-off of exploration and evaluation Assets	**6,056**	1,450	**8,865**	1,450
	52,455	93,658	**125,730**	159,306
Operating loss	**(52,455)**	(93,658)	**(125,730)**	(159,306)
Interest income	**2,131**	579	**2,782**	1,148
Other income	**-**	20,909	**1,186**	32,176
Loss on sale of exploration and evaluation assets	**-**	-	**-**	-
Change in value of listed shares	**(43,349)**	(4,625)	**(65,255)**	(19,375)
Loss before income taxes	**(41,217)**	(76,795)	**(61,286)**	(145,357)
Deferred income taxes recovery	**-**	10,830	**-**	10,830
Net loss and comprehensive loss for the period	**(93,672)**	(65,965)	**(187,017)**	(134,527)
Basic and diluted net loss per share	**(0.00)**	(0.00)	**(0.00)**	(0.00)
Weighted average number of outstanding common shares	**131,799,537**	123,530,833	**129,685,228**	121,910,255

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

Melkior Resources Inc.
Condensed Interim Statements of Changes in Equity
February 28, 2015
(In Canadian dollars)

	Number of shares outstanding	Capital Stock	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	7,810,000	390,500	-	-	390,500
Value attributed to warrants	-	(78,100)	78,100	-	-
Share issue expenses	-	-	7,500	(35,303)	(27,803)
Net loss and comprehensive loss	-	-	-	(187,017)	(187,017)
Balance at February 28, 2015	**131,799,537**	**42,894,423**	**4,207,498**	**(38,910,162)**	**8,191,759**

	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	4,066,667	210,000	-	-	210,000
Common shares issued capitalized in exploration and evaluation expense	200,000	8,000	-	-	8,000
Value attributed to warrants	-	(73,000)	73,000	-	-
Share issue expenses	-	-	2,000	(6,550)	(4,550)
Flow through premium		(19,700)	-	-	(19,700)
Stock-based compensation	-	-	16,000	-	16,000
Net loss and comprehensive loss	-	-	-	(134,527)	(134,527)
Balance February 28, 2014	**123,789,537**	**42,574,023**	**4,121,898**	**(35,180,527)**	**11,515,095**
Common shares issued capitalized in exploration and evaluation expense	200,000	8,000	-	-	8,000
Net loss and comprehensive loss	-	-	-	(3,438,455)	(3,438,455)
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 condensed interim financial statements.

Melkior Resources Inc.

Condensed Interim Statements of Cash Flows
February 28, 2015
(In Canadian dollars)

	Six months ended	
	February 28, 2015	February 28, 2014
	$	$
Operating activities		
Net loss	(187,017)	(134,527)
Non-cash items:		
Stock-based compensation	-	16,000
Change in value of listed shares	65,255	19,375
Interest accrued on short-term investments	(1,138)	(1,148)
Write-off of exploration and evaluation assets	8,865	1,450
Deferred income taxes recovery	-	(10,830)
	(114,035)	(109,680)
Changes in non-cash working capital items		
Sales tax receivable and other receivables	11,698	(22,485)
Prepaid expenses	6,706	12,028
Accounts payable and accrued liabilities	(16,031)	16,359
	2,373	5,902
Cash flows used in operating activities	(111,662)	(103,778)
Investing activities		
Additions to mining properties	(580)	-
Tax credits cashed	-	23,434
Exploration and evaluation expenses	(168,643)	(183,524)
Cash flows used in investing activities	(169,223)	(160,090)
Financing activities		
Issuance of common shares	390,500	210,000
Share issue expenses	(27,803)	(4,550)
Cash flows from financing activities	362,697	205,450
Net changes in cash	81,812	(58,419)
Cash, beginning of period	254,579	437,185
Cash, end of period	336,391	376,766

See note 9 on supplemental disclosure of cash flow information

The accompanying notes are an integral part of the condensed interim 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 February 28, 2015, the Company has a cumulated deficit of $38,910,162 ($38,687,843 as at August 31, 2014). 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.

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

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, taking into account the accounting policies that the Company intends to adopt for its financial statements for the year ending August 31, 2015. Accordingly, these condensed interim financial statements do not include all of the information required for full annual financial statements required by IFRS and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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.

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

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.

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.

IFRS 9, Financial Instruments
IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment
IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

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.

4.1 Significant management judgment (Cont'd)

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.

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 $7,205 for the six months ended February 28, 2015 ($1,450 – February 28, 2014). The total impairment loss of the exploration and evaluation assets recognized in profit or loss amounts to $1,660 for the six months ended February 28, 2015 ($NIL – February 28, 2014). 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.

(in Canadian dollars)

4.2 Estimation uncertainty (Cont'd)

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).

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

	February 28, 2015	**August 31, 2014**
	$	**$**
Cash	**164,819**	**254,579**
Cash for Canadian mining properties exploration	**171,572**	**-**
Total Cash	**336,391**	**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 flow through financing arrangement. As at February 28, 2015, the Company had incurred expenditures of $160,353 according to the restrictions imposed by this financing arrangement and had an obligation of $171,572.

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 February 28, 2015, the following securities were included in the listed shares:

(in Canadian dollars)

6. Listed shares (Cont'd)

	Acquisition Cost	Fair value adjustment	Fair value
Common shares	$	$	$
Arrowhead Gold Corp. - 243,750 common shares	1,248,000	(1,228,500)	19,500
Northcore Resources Inc. - 50,000 common shares	60,000	(58,500)	1,500
Green Swan Capital Corp. - 1,800,000 common shares	180,000	(126,000)	54,000
Lakeside Minerals Inc. - 187,500 common shares	52,500	(50,625)	1,875
Zara Resources Inc. - 316,000 common shares	27,429	(25,849)	1,580
Leo Resources Inc. - 22,500 common shares	-	1,125	1,125
Total	**1,567,929**	**(1,488,349)**	**79,580**
Preferred shares			
Zara Resources Inc. - 455,000 shares	45,500	-	45,500
Total	**45,500**	**-**	**45,500**
Total listed shares	**1,613,429**	**(1,488,349)**	**125,080**

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 a value of $4,929, which is equal to the accrued dividends receivable as at January 26, 2015.

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)

7. Exploration and evaluation assets

During the six months ended February 28, 2015, the Company incurred mining properties costs of $580 and exploration and evaluation expenses of $168,643 (August 2014 - $238,762). The Company also had write-offs of $6,769 (August 2014 – $611,670) and impairment losses of $1,660 (August 2014 – $2,868,535) of mining properties and exploration and evaluation expenses.

Mining properties	August 31, 2014	Acquisitions	Impairment	Write-off	February 28, 2015
	$	$	$	$	$
Quebec					
Valliant (Raglan)	3,300	-	-	-	3,300
Launay	251,256	-	-	-	251,256
Tiblemont	9,984	84	-	-	10,068
Ontario					
Carscallen (Timmins)	139,805	60	-	-	139,865
Big Marsh (Timmins)	14,366	-	-	-	14,366
Long Lac	-	236	-	(236)	-
Rim Nickel (McFaulds)	-	200	-	(200)	-
	418,711	580	-	(436)	418,854

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)

Exploration and evaluation expenses	August 31, 2014	Expenditures	Impairment	Write-off	February 28, 2015
	$	$	$	$	$
Quebec					
Launay	648,791	1,700	-	-	650,491
Tiblemont	790	-	-	-	790
Ontario					
Carscallen (Timmins)	6,259,875	157,664	-	-	6,417,539
Big Marsh (Timmins)	231,592	850	-	-	234,442
Bristol (Timmins)	-	6,369	-	(6,369)	-
Long Lac	-	400	-	(400)	-
Rim Nickel (McFaulds)	-	1,660	(1,660)	-	-
	7,141,048	168,643	(1,660)	(6,769)	7,301,262

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

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.

7. Exploration and evaluation assets (Cont'd)

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.

As at February 28, 2015, Beaufield incurred $372,314 of exploration expenditures on this property and has earned its initial 10% interest in the property. Melkior has remained the operator.

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 $NIL of Kenty Lake property ($1,450 on the Ungava property in 2014).

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.

7. Exploration and evaluation assets (Cont'd)

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.

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. Management assessed the property as impaired and the Company recognized a write-off of exploration and evaluation expenses of $6,369 (2014 – $36,161).

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.

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 $60 and $400 respectively (2014 - $19,885 and $427,771 respectively).

j) Rim Nickel - McFaulds

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.

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.

2015 Fiscal year issuances

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 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 warrants, valued at $7,500, using the Black Scholes valuation model, for a total share issue expenses of $35,303 accounted into the deficit. The broker's warrants had the same terms as the placement warrants.

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.

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.

(in Canadian dollars)

8. Share capital (Cont'd)

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 six months ending February 28, 2015, and the year ended August 31, 2014:

	February 28, 2015		August 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted Average exercise price
		$		$
Balance at beginning of the period	8,100,000	0.18	8,900,000	0.20
Granted	-	-	600,000	0.10
Cancelled/forfeited	(1,100,000)	0.20	(700,000)	0.28
Expired	(600,000)	0.36	(700,000)	0.27
Balance at end of the period	6,400,000	0.16	8,100,000	0.18
Exercisable at the end of the period	6,400,000	0.16	8,100,000	0.18

During the six months ended February 28, 2015, 1,100,000 stock options granted to consultants were forfeited. The options had a weighted average exercise price of $0.20 and expired between July and April 2018.

The following table summarizes information about common share purchase options outstanding and exercisable as at February 28, 2015 and August 31, 2014:

February 28, 2015			August 31, 2014		
Number of options	Exercise Price	Expiry date	Number of options	Exercise Price	Expiry date
	$			$	
1,200,000	0.20	July 16, 2015	600,000	0.36	December 30, 2014
1,500,000	0.27	December 23, 2015	1,600,000	0.20	July 16, 2015
3,100,000	0.10	April 30, 2018	1,900,000	0.27	December 23, 2015
600,000	0.10	December 18, 2018	3,400,000	0.10	April 30, 2018
6,400,000			600,000	0.10	December 18, 2018
			8,100,000		

There were no stock options granted in the six months ended February 28, 2015.

(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:

	February 28, 2015		August 31, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance at beginning of the period	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 period	11,826,667	0.05	4,668,667	0.06

Warrants outstanding as at February 28, 2015, and August 31, 2014 are as follows:

	February 28, 2015		August 31, 2014	
Expiry date	Number of warrants	Exercise Price	Number of warrants	Exercise Price
		$		$
October 16, 2015	3,400,000	0.05	602,000	0.10
December 23, 2015	666,667	0.06	3,400,000	0.05
October 20, 2014	7,810,000	0.05	666,667	0.06
	11,826,667		4,668,667	

d) Warrants issued as compensation

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

	February 28, 2015		August 31, 2014	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance at beginning of the period	120,000	0.05	-	-
Issued	555,750	0.05	120,000	0.05
Balance at end of the period	675,750	0.05	120,000	-

(in Canadian dollars)

8. Share capital (Cont'd)

The average fair value of the broker's warrants issued of $0.01 was determined using the Black-Scholes option pricing model and based on the following average assumptions:

	February 28, 2015
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	$0.014
Estimated fair value	$7,500

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 $8,191,759 as of February 28, 2015 ($8,016,078 as of August 31, 2014). 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. Statement of cash flows

	February 28,	
	2015	**2014**
	$	**$**
Additional information		
Additions of E&E expenses included in accounts payable and accrued liabilities	2,956	7,950
Common shares to be issued included in E&E expenses	-	8,000

10. 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)

10. 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:

	Six months ended	
	February 28, 2015	February 28, 2014
	$	$
Short-term benefits		
Salaries including benefits	557	557
Professional fees	22,149	14,910
Professional fees capitalized in E&E expenses	15,187	12,057
Total short-term benefits	37,893	27,524
Stock-based compensation	-	16,000
Total compensation	37,893	43,524

b) Transactions with other related party

In the normal course of operations for the six months ended February 28, 2015, and 2014, in addition to the amounts listed above in the compensation to key management, a company controlled by a Company's officer charged rent totaling $9,000 ($9,000 in 2014) expensed in office expenses.

As at February 28, 2015, the balance due to the related parties amounted to $903 (August 31, 2014 - $4,610) and was recorded in accounts payable and accrued liabilities.

11. 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:

	February 28, 2015		August 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
At amortized cost				
Cash	336,391	336,391	254,579	254,579
Other receivables [(1)]	190	190	22,024	22,024
	336,581	336,581	276,603	276,603
At fair value through profit or loss				
Listed shares	79,580	79,580	139,906	139,906
Preferred shares	45,500	45,500	45,500	45,500
	125,080	125,080	185,406	185,406
Financial liabilities				
At amortized cost				
Accounts payable and accrued liabilities	13,308	13,308	16,963	16,963

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

11. Financial Instruments (Cont'd)

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 February 28, 2015, and August 31, 2014, are classified in Level 1. Common share purchase warrants and preferred shares of mining exploration companies measured at fair value as at February 28, 2015, and August 31, 2014, are classified in Level 2.

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 11 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 February 28, 2015, and August 31, 2014, net loss and equity would have changed by $15,916 and $37,081 respectively.

(in Canadian dollars)

11. Financial Instruments (cont'd)

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 February 28, 2015, and August 31, 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:

	February 28, 2015	August 31, 2014
	$	$
Cash	336,391	254,579
Other receivables	190	22,024
Total	336,581	276,603

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 2015 and 2014, the Company did not record any impairment loss on its other receivables.

As at February 28, 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.

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:

	February 28, 2015 carrying amount	August 31, 2014 carrying amount
	$	**$**
Within three months:		
Accounts payable and accrued liabilities	13,308	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.

12. 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 February 28, 2015, the Company had outstanding un-incurred flow through renunciation liabilities of $171,572 ($NIL – August 31, 2014).

13. Event after the reporting period

There were no significant events after the reporting date.