Melkior Resources Inc.

Condensed Interim Financial Statements

For the three months ended November 30, 2015

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
As at November 30, 2015
(in Canadian dollars)

	November 30, 2015	August 31, 2015
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 5)	**118,464**	167,583
Sales tax receivable and other receivables	**4,519**	8,588
Prepaid expenses	**6,355**	10,288
Listed shares (Note 6)	**94,643**	73,586
	223,981	260,045
Non-current assets		
Exploration and evaluation assets (Note 7)		
Mining properties	**404,915**	404,888
Exploration and evaluation	**7,185,370**	7,174,392
	7,590,285	7,579,280
Total assets	**7,814,266**	7,839,325
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**6,234**	22,591
Shareholders' Equity		
Share capital (Note 8)	**42,894,423**	42,894,423
Contributed surplus	**4,264,678**	4,264,678
Deficit	**(39,351,069)**	(39,342,367)
Total equity	**7,808,032**	7,816,734
Total liabilities and equity	**7,814,266**	7,839,325

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 January 22, 2016.

(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
For the three months ended November 30, 2015 and 2014
(in Canadian dollars)

	Three months ended November 30,	
	2015	**2014**
	$	**$**
Expenses		
Salaries and employee benefits	7,508	121
Office	7,148	19,611
Travelling and promotion	-	313
Investors and shareholders relations	1,595	9,631
Professional and consulting fees	12,076	40,670
General exploration expenditures	-	120
Impairment of exploration and evaluation assets (Note 7)	-	1,660
Write-off of exploration and evaluation assets (Note 7)	2,000	1,149
Operating loss	**(30,328)**	**(73,276)**
Interest and dividend income	569	651
Other income (Note 7)	-	1,186
Change in value of listed shares (Note 6)	21,057	(21,906)
	(21,626)	(20,069)
Net loss and comprehensive loss for the period	(8,702)	(93,334)
Basic and diluted net loss per share (Note 9)	(0.00)	(0.00)
Weighted average number of outstanding common shares	131,799,537	127,594,152

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

Melkior Resources Inc.

Condensed Interim Statements of Changes in Shareholders' Equity
For the three months ended November 30, 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)
Net loss and comprehensive loss					(93,334)	(93,334)
Balance at November 30, 2014		**131,799,537**	**42,894,423**	**4,207,498**	**(38,816,490)**	**8,258,431**
Warrant extension	8 c)	-	-	50,680	(50,680)	-
Stock-based compensation	8 b)	-	-	6,500	-	6,500
Net loss and comprehensive loss		-	-	-	(475,207)	(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, 2015		131,799,537	42,894,423	4,264,678	(39,342,367)	7,816,734
Net loss and comprehensive loss		-	-	-	(8,702)	(8,702)
Balance at November 30, 2015		**131,799,537**	**42,894,423**	**4,264,678**	**(39,351,069)**	**7,808,032**

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

Melkior Resources Inc.

Statements of Cash Flows
For the three months ended November 30, 2015 and 2014
(in Canadian dollars)

	Three months ended November 30,	
	2015	2014
	$	$
Operating activities		
Net loss	(8,702)	(93,334)
Non-cash items:		
Change in value of listed shares	(21,057)	21,906
Impairment of exploration and evaluation assets	-	1,660
Write-off of exploration and evaluation assets	2,000	1,149
Interest accrued on short-term investments	(569)	(569)
	(28,328)	(69,118)
Changes in non-cash working capital items		
Sales tax receivable and other receivables	4,637	(7,027)
Prepaid expenses	3,933	2,001
Accounts payable and accrued liabilities	(16,356)	36,954
	(7,786)	31,928
Cash flows used in operating activities	(36,113)	(37,260)
Investing activities		
Additions to mining properties	(28)	(204)
Exploration and evaluation expenses	(12,978)	(68,813)
Cash flows used in investing activities	(13,005)	(69,017)
Financing activities		
Issuance of common shares in private placement	-	390,500
Share issue expenses	-	(27,803)
Cash flows from financing activities	-	362,697
Net changes in cash and cash equivalents	(49,119)	256,420
Cash and cash equivalents, beginning of the year	167,583	254,579
Cash and cash equivalents, end of the year	118,464	510,999

See Note 11 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 *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 November 30, 2015, the Company has an accumulated deficit of $39,351,069 (August 31, 2014 - $39,342,367). 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 classification 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

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").

The policies applied in these condensed interim financial statements are based on IFRSs issued and outstanding as of November 30, 2015. The same accounting policies and methods of computation are followed in these condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended August 31, 2015.

b) Functional and presentation currency

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

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

c) 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.

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 2d); 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 2d) 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.

d) 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)

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.

e) 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.

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.

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.

4.2 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 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 $2,000 for the three months ended November 30, 2015 (2014 - $1,149). The total impairment loss of the E&E assets where impairment indicators exist and are recognized in profit or loss amounts to $Nil for the three months ended November 30, 2015 (2014 - $1,660). The fair value of $nil recoverable value as at November 30, 2015 was estimated in accordance with Level 3 of the fair value hierarchy. No reversal of impairment losses has been recognized for the three months ended November 30, 2015 and 2014.

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

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.

(in Canadian dollars)

4.2 Estimation uncertainty (Cont'd)

Tax credits receivable

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

5. Cash and cash equivalents

	November 30, 2015	August 31, 2015
	$	$
Cash and cash equivalents	**66,804**	**102,945**
Cash for Canadian mining properties exploration	**51,660**	**64,638**
Total cash and cash equivalents	**118,464**	**167,583**

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 November 30, 2015, the Company had incurred expenditures of $280,265 according to the restrictions imposed by this financing arrangement and had a remaining obligation of $51,660. Cash equivalents are deposited in money market investments that are cashable on demand.

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 November 30, 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	(1,240,687)	7,313
Northcore Resources Inc. - 50,000 shares	60,000	(58,750)	1,250
Green Swan Capital Corp. - 1,800,000 shares	180,000	(144,000)	36,000
Lakeside Minerals Inc. - 187,500 shares	52,500	(50,625)	1,875
Zara Resources Inc. - 31,600 shares	27,429	(25,849)	1,580
Tempus Capital Inc. - 90,000 shares	-	-	-
Leo Resources Inc. - 22,500 shares	-	225	1,125
Total	**1,567,929**	**(1,519,686)**	**49,143**
Preferred shares			
Zara Resources Inc. - 455,000 shares	45,500	-	45,500
Total	**45,500**	**-**	**45,500**
Total listed shares	**1,613,429**	**(1,519,686)**	**94,643**

(in Canadian dollars)

6. Listed shares (Cont'd)

	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.

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, 2015**	**Acquisitions**	**Impairment**	**Write-off**	**November 30, 2015**
	$	**$**	**$**	**$**	**$**
Quebec					
Valliant (Raglan)	3,300	-	-	-	3,300
Launay	251,256	-	-	-	251,256
Tiblemont	10,067	-	-	-	10,067
Ontario					
Carscallen (Timmins)	140,265	28	-	-	140,293
	404,888	28	-	-	404,915

(in Canadian dollars)

7. Exploration and evaluation assets (Cont'd)

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

E&E expenses	**August 31, 2015**	**Expenditures**	**Impairment**	**Write-off**	**Tax credits**	**November 30, 2015**
	$	**$**	**$**	**$**	**$**	**$**
Quebec						
Launay	651,592	800	-	-	-	652,392
Kenty Lake	-	1,200		(1,200)	-	-
Tiblemont	3,543	1,200	-	-	-	4,743
Ontario						
Carscallen (Timmins)	6,519,257	8,978	-	-	-	6,528,235
Big Marsh (Timmins)	-	800	-	(800)	-	-
	7,141,048	12,978	-	(2,000)	-	7,185,370

(in Canadian dollars)

7. Exploration and evaluation assets (Cont'd)

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	790	2,753	-	-	-	3,543
Ontario						
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

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.

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 November 30, 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 three months ended November 30, 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 $1,200 for the Kenty Lake property (deferred exploration of $1,450 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 half (1%) of the NSR for $1,000,000.

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

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

7. Exploration and evaluation assets (Cont'd)

ii) 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.

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).

8. Share capital

Authorized

The Company's authorized share capital consists of:

a) an unlimited number of common shares with no par value, voting and participating
b) an unlimited number of preferred shares with an 8% non-cumulative dividend, redeemable at the request of the Company at paid up capital

a) 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 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 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.

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 Canadian dollars)

8. Share capital (Cont'd)

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.

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 three months ending November 30, 2015, and the year ended August 31, 2015:

	November 30, 2015		August 31, 2015	
	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	8,100,000	0.18
Granted	300,000	0.10	300,000	0.10
Expired	(2,900,000)	0.23	(2,900,000)	0.23
Balance at end of the period	5,500,000	0.15	5,500,000	0.15
Exercisable at the end of the period	5,500,000	0.15	5,500,000	0.15

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.

(in Canadian dollars)

8. Share capital (Cont'd)

The following table summarizes information about common share purchase options outstanding and exercisable as at November 30, 2015 and August 31, 2015:

November 30, 2015			August 31, 2015		
Number of options	**Exercise price**	**Expiry date**	**Number of options**	**Exercise price**	**Expiry date**
	$			**$**	
1,500,000	0.27	December 23, 2015	1,500,000	0.27	December 23, 2015
3,100,000	0.10	April 30, 2018	3,100,000	0.10	April 30, 2018
600,000	0.10	December 18, 2018	600,000	0.10	December 18, 2018
300,000	0.10	December 15, 2019	300,000	0.10	December 15, 2019
5,500,000			**5,500,000**		

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.

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

Grant date	**2015**
Number of options	300,000
Exercise price	$0.10
Exercise price compared to the market	Higher
Risk free interest	1.46%
Expected volatility	71.18%
Expected dividend	-
Expected life (years)	5
Vesting	100% at date of grant
Share price at the date of grant	$0.05
Estimated fair value per option	$0.02
Estimated fair value	$6,500
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 options. No special features inherent in the options granted were incorporated into measurement of fair value.

In total, $Nil (2014 - $6,500) 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 - $Nil) were included in stock-based compensation in profit or loss for the reporting period ended November 31, 2015 & August 31, 2015 and credited to contributed surplus.

(in Canadian dollars)

8. Share capital (Cont'd)

c) Warrants

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

	November 30, 2015		August 31, 2015	
	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	4,668,667	0.06
Issued	7,810,000	0.05	7,810,000	0.05
Expired	(602,000)	0.10	(602,000)	0.10
Balance at end of the period	11,876,667	0.05	11,876,667	0.05

Warrants outstanding as at November 30, 2015 and August 31, 2015 are as follows:

	August 31, 2015		August 31, 2014	
Expiry date	Number of warrants	Exercise price	Number of warrants	Exercise price
		$		$
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	7,810,000	0.05
	11,876,667		11,876,667	

(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.

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)

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

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

	November 30, 2015		August 31, 2015	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Balance at beginning of the period	120,000	0.05	120,000	0.05
Issued	555,750	0.05	555,750	0.05
Expired	(120,000)	-	-	
Balance at end of the period	555,750	0.05	675,750	0.05

Warrants outstanding as at November 30, 2015 and August 31, 2015 are as follows:

	November 30, 2015		August 31, 2015	
Expiry date	Number of warrants	Exercise price	Number of warrants	Exercise price
		$		$
October 16, 2015	-	-	120,000	0.05
October 20, 2016	555,750	0.05	555,750	0.05
	675,750		675,750	

(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
Share price at the date of grant	$0.04
Exercise price at the date of grant	$0.05
Risk free interest rate	1.04%
Expected volatility	73.36%
Expected dividend	-
Expected life (years)	2
Estimated fair value per warrant	$0.013
Estimated fair value	$7,500
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 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 $7,808,032 as of November 30, 2015 (August 31, 2015 - $7,816,734). 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. Statement of cash flows

	Three months ended November 30,	
	2015	2014
	$	$
Additional information		
Additions of E&E expenses included in accounts payable and accrued liabilities	1,205	48,840
Common shares issued included in E&E expenses (Note 7)	-	8,000
Stock-based compensation included in E&E expenses	-	6,500

10. 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:

	Three months ended November 30	
	2015	2014
	$	$
Short-term benefits		
Salaries including benefits	6,909	239
Professional and consulting fees	7,123	13,998
Professional fees capitalized in E&E expenses	7,675	81,87
Total short-term benefits	21,707	22,424
Stock-based compensation	-	-
Total compensation	21,707	22,424

(in Canadian dollars)

10. Compensation to key management and related party disclosures (Cont'd)

b) Transactions with other related parties

In the normal course of operations for the three months ended November 30, 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 $Nil (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 $6,600 (2014 - $Nil).

As at November 30, 2015, the balance due to the related parties amounted to $1,546 (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:

	November 30, 2015		August 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	$	$	$	$
At amortized cost				
Cash and cash equivalents	118,464	118,464	167,583	167,583
Other receivables [(1)]	1,896	1,896	1,327	1,327
	120,360	120,360	168,910	168,910
At FVTPL				
Listed shares	49,143	49,143	28,086	28,086
Preferred shares	45,500	45,500	45,500	45,500
	94,643	94,643	73,586	73,586
Financial liabilities				
At amortized cost				
Accounts payable and accrued liabilities	6,234	6,234	22,591	22,591

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

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

(in Canadian dollars)

11. Financial Instruments (Cont'd)

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 November 30, 2015 and August 31, 2015, are classified as Level 1. Preferred shares of mining exploration companies measured at fair value as at November 30, 2015 and August 31, 2015, are classified as 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 11a).

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 November 30, 2015 and August 31, 2015, net loss and equity would have changed by $9,829 and $5,617, 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 November 30, 2015 and August 31, 2015, the Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date, as summarized below:

	November 31, 2015	**August 31, 2015**
	$	$
Cash and cash equivalents	118,464	167,583
Other receivables	1,896	1,327
Total	120,360	168,910

(in Canadian dollars)

11. Financial Instruments (Cont'd)

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 November 30, 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 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:

	November 30, 2015 Carrying amount	August 31, 2015 Carrying amount
	$	$
Within three months:		
Accounts payable and accrued liabilities	6,234	22,591

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 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.

12. Contingencies and commitments (Cont'd)

As at November 30, 2015, the Company had outstanding un-incurred flow-through renunciation commitments of $51,660 (August 31, 2015 - $64,638).