

Azimut Exploration Inc.
(an exploration company)

Financial Statements
August 31, 2007 and 2006

Auditors' Report

To the Shareholders of Azimut Exploration Inc.

We have audited the balance sheets of **Azimut Exploration Inc.** (an exploration company) as at August 31, 2007 and 2006 and the statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Quebec, Quebec, Canada
December 12, 2007

Azimut Exploration Inc.

(an exploration company)

Balance Sheets

As at August 31, 2007 and 2006

	2007 \$	2006 \$
Assets		
Current assets		
Cash and cash equivalents	1,356,649	229,428
Amounts receivable (note 3)	1,158,978	385,922
Prepaid expenses (note 4)	20,668	127,615
	<u>2,536,295</u>	<u>742,965</u>
Long-term investments (quoted market value of \$692,400; \$124,600 in 2006) (note 5)	738,950	90,550
Property, plant and equipment (less accumulated depreciation of \$15,014; \$5,418 in 2006) (note 6)	38,730	24,426
Intangible assets (less accumulated amortization of nil; \$329 in 2006)	-	1,170
Mining properties (note 7)	459,524	652,296
	<u>3,773,499</u>	<u>1,511,407</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		
Related parties (note 10)	19,893	38,161
Others	533,023	373,073
	<u>552,916</u>	<u>411,234</u>
Shareholders' Equity		
Share capital (note 8)	7,924,286	6,022,948
Stock options (note 9)	1,128,367	774,422
Deficit	(5,832,070)	(5,697,197)
	<u>3,220,583</u>	<u>1,100,173</u>
	<u>3,773,499</u>	<u>1,511,407</u>
Going concern (note 1)		
Commitments (note 14)		
Subsequent events (note 15)		

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

Approved by the Board of Directors

(s) Dennis Wood, Director

(s) Jean-Marc Lulin, Director

Azimut Exploration Inc.

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Statements of Deficit

For the years ended August 31, 2007 and 2006

	2007	2006
	\$	\$
Balance – Beginning of year	5,697,197	4,802,480
Net loss for the year	134,873	894,717
Balance – End of year	<u>5,832,070</u>	<u>5,697,197</u>

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

Azimut Exploration Inc.

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Statements of Earnings

For the years ended August 31, 2007 and 2006

	2007 \$	2006 \$
Revenues		
Interest income	39,521	16,881
Gain on the sale of options on mining properties	1,019,261	230,287
Management fees	72,245	53,673
Gain on the sale of long-term investments	53,543	-
Other income	60,000	90,000
	<hr/>	<hr/>
	1,244,570	390,841
Expenses		
Salaries and fringe benefits	454,817	556,677
Professional and maintenance fees	136,163	126,046
Management fees and office expenses	468,855	396,263
Travelling and entertainment	95,327	41,026
Interest and bank charges	2,318	1,438
Depreciation of property, plant and equipment	9,596	2,284
Amortization of intangible assets	-	127
Search for properties	213,933	184,476
Credit on duties refundable for loss and refundable tax credit for resources	(76,692)	(14,108)
Writedown of long-term investments	-	15,000
Cost of mining properties abandoned	73,104	7,300
Part XII.6 tax	852	-
Writeoff of intangible assets	1,170	-
	<hr/>	<hr/>
	1,379,443	1,316,529
Loss before income taxes	(134,873)	(925,688)
Future income taxes (note 12)	-	30,971
	<hr/>	<hr/>
Net loss for the year	(134,873)	(894,717)
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Basic and diluted net loss per share (note 13)	(0.008)	(0.059)

Going concern (note 1)

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

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Statements of Cash Flows

For the years ended August 31, 2007 and 2006

	2007 \$	2006 \$
Cash flows from operating activities		
Net loss for the year	(134,873)	(894,717)
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	9,596	2,284
Amortization of intangible assets	-	127
Future income taxes	-	(30,971)
Gain on the sale of long-term investments	(53,543)	-
Writedown of long-term investments	-	15,000
Cost of mining properties abandoned	73,104	7,300
Writeoff of intangible assets	1,170	-
Gain on the sale of options on mining properties	(1,019,261)	(230,287)
Stock options	452,873	677,242
	<u>(670,934)</u>	<u>(454,022)</u>
Net change in non-cash working capital items		
Amounts receivable	(189,826)	(145,870)
Prepaid expenses	106,947	(117,660)
Accounts payable and accrued liabilities	135,679	301,912
	<u>52,800</u>	<u>38,382</u>
	<u>(618,134)</u>	<u>(415,640)</u>
Cash flows from financing activities		
Issuance of share capital, net of share issue expenses	<u>1,802,410</u>	<u>144,294</u>
Cash flows from investing activities		
Proceeds from the sale of long-term investments	62,843	-
Additions to property, plant and equipment	(23,900)	(20,290)
Additions to intangible assets	-	(1,000)
Increase in mining properties	(1,215,998)	(693,390)
Proceeds from the sale of options on mining properties	1,120,000	350,000
	<u>(57,055)</u>	<u>(364,680)</u>
Net change in cash and cash equivalents	1,127,221	(636,026)
Cash and cash equivalents – Beginning of year	<u>229,428</u>	<u>865,454</u>
Cash and cash equivalents – End of year	<u>1,356,649</u>	<u>229,428</u>
Additional information		
Tax credit and mining rights receivable applied against mining properties (note 3)	(35,230)	(15,415)
Interest cashed (net of interest paid)	32,545	15,443
Shares received and receivable in consideration of the sale of a mining property	705,700	64,000
Shares issued in consideration of the conversion of convertible debentures	-	388,200
Acquisition of mining properties included in accounts payable and accrued liabilities	6,003	26,400
Share issue expenses resulting from the renunciation of tax deductions included in share capital	-	30,971
Cash proceeds from the sale of options on mining properties included in amounts receivable	500,000	-

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

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Notes to Financial Statements

August 31, 2007 and 2006

1 Incorporation, nature of activities and going concern concept

The Company, incorporated under Part 1A of the Québec Companies Act, is in the business of acquiring and exploring mining properties. It has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

For the year ended August 31, 2007, the Company recorded a net loss of \$134,873. In addition to ongoing working capital requirements, the Company must secure sufficient funding for meeting its existing commitments for exploration and development programs and general and administration costs.

Management is periodically seeking additional forms of financing through the issuance of new equity instruments and the exercise of stock options to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

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

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, and do not reflect the adjustment to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption appropriate. These adjustments could be material.

2 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates.

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Notes to Financial Statements

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Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as highly liquid short-term investments with original maturities of three months or less at the acquisition date.

Long-term investments

Long-term investments are recorded at cost, less any permanent impairment in value.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost less accumulated depreciation and are depreciated using the declining balance method at the rates mentioned in note 6.

Intangible assets and amortization

Intangible assets, which consisted of software, were recorded at cost less accumulated amortization and were amortized using the declining balance method at rates of 20% and 30%. Intangible assets were written off during the year.

Mining properties

The Company records its interests in mining properties and areas of geological interest at cost less option payments and other recoveries. Exploration and development costs relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining properties on a regular basis to determine whether any writedowns are necessary. These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss on mining exploration expenses incurred in Quebec. This tax credit has been applied against the costs incurred (note 7).

Furthermore, the Company is entitled to the refundable tax credit for resources on qualified expenditures. The refundable tax credit may reach 38.75% of qualified expenditures incurred. This tax credit has been applied against the costs incurred (note 7).

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Share capital

Share capital issued for non-monetary consideration is generally recorded at the quoted market price of the shares over a reasonable period of time before and after the date the agreement to issue the shares was announced.

Flow-through shares are issued in consideration of the proceeds received, which represent their fair value. Upon the acquisition of mining properties, the carrying value may exceed the tax basis since the Company renounces the deductions in favour of the investors concerned. The Company also issues flow-through shares without any premium or discount regarding the renunciation of the tax benefits in favour of investors.

Share issue expenses and future income taxes arising from the difference between the carrying amount and the tax basis are recorded as a reduction of share capital.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Basic and diluted earnings per share

Basic earnings per share are determined using the weighted average number of participating shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of participating shares outstanding during the year, plus the effects of dilutive potential participating shares outstanding during the year. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential participating shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase participating shares of the Company at the average market value of the participating shares during the year.

Stock-based compensation plan

The Company offers its directors, officers and employees a stock-based compensation plan, which is described in note 9. Any consideration received from the participants to the plan upon the exercise of options is credited to share capital.

In accordance with Canadian generally accepted accounting principles, the Company uses the fair value method for recording stock options. Consequently, stock-based compensation costs are recorded at fair value at the date of grant and are recognized in the statement of earnings over the period of acquisition.

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New accounting standards

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued four new accounting standards in relation with financial instruments: Section 3855, "Financial Instruments – Recognition and Measurement", Section 3865, "Hedges", Section 1530, "Comprehensive Income", and Section 3251, "Equity".

Section 3855 expands on Section 3860, "Financial Instruments – Disclosure and Presentation", by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented in the financial statements.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG13, "Hedging Relationships", and the hedging guidance in Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Section 1530, "Comprehensive Income", introduces a new requirement to temporarily present certain gains and losses outside net income.

Consequently, Section 3250, "Surplus" has been revised as Section 3251, "Equity".

Effective September 1, 2007, the Company adopted CICA Handbook Section 1506 "Accounting Changes". This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. Furthermore, this section requires disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. Such disclosures are provided below.

Sections 1530, 3251, 3855 and 3865 apply to fiscal years beginning on or after October 1, 2006. These sections will be adopted by the Company on September 1, 2007, and these transition adjustments will not have a material impact on the Company's financial statements.

As a result of the implementation of these new accounting standards, the recognition of financial assets and liabilities will be established as follows:

Transition

The recognition, derecognition and measurement methods used as well as the hedge accounting policies used to prepare the financial statements of periods prior to the effective date of the new standards were unchanged and, therefore those financial statements will not be restated.

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Sections 1530, 3251, 3855 and 3865 will be adopted by the Company on September 1, 2007. As of this date, the Company will recognize all of its financial assets and liabilities in the balance sheet according to their classification. Any adjustment made to a previous carrying amount will be recognized as an adjustment to the balance of deficit at that date or as the opening balance of a separate item in "Accumulated other comprehensive income", net of income taxes, if any.

The difference between the carrying amount and the fair value of investments classified as available for sale will be recognized as an adjustment to the opening balance of "Accumulated other comprehensive income", net of income taxes.

Future accounting changes

The CICA published the following new sections that will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007:

- Section 3862, "Financial Instruments – Disclosures". This section describe the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.
- Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".
- Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.

The CICA also amended Section 1400, "General Standards of Financial Statement Presentation" to include requirements to assess and disclose an entity's ability to continue as a going concern (going concern assumption). This section will apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

The Company has not yet assessed the effect of these new standards on its financial statements.

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Notes to Financial Statements

August 31, 2007 and 2006

3 Amounts receivable

	2007 \$	2006 \$
Tax credit and mining rights receivable	114,205	55,766
Interest receivable on term deposit	4,659	-
Commodity taxes	108,626	76,680
Trade accounts receivable	931,488	253,476
	<hr/>	<hr/>
	1,158,978	385,922
	<hr/>	<hr/>

4 Prepaid expenses

	2007 \$	2006 \$
Permits and claims	-	112,760
Others	20,668	14,855
	<hr/>	<hr/>
	20,668	127,615
	<hr/>	<hr/>

5 Long-term investments

	Interest %	2007 \$	2006 \$
Public mining exploration companies			
Eastmain Resources Inc. (quoted market value: \$52,500; \$49,500 in 2006)	0.11 (0.11 in 2006)	32,250	32,250
NWT Uranium Corp. (previously Northwestern Mineral Ventures) (quoted market value: \$175,000; \$49,000 in 2006)	0.24 (0.10 in 2006)	163,500	49,000
Majescor Resources Inc. (quoted market value: \$151,900)	1.00	270,700	-
Silver Spruce Resources Inc. (quoted market value: \$264,000)	0.70	220,000	-
D'Arianne Resources Inc. (quoted market value: \$49,000)	0.64	52,500	-
Target Exploration and Mining Corp. (previously Leicester Diamond Mines Ltd.), sold during the year (quoted market value: \$26,100 in 2006)	(1.5 in 2006)	-	9,300
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		738,950	90,550
		<hr/>	<hr/>

Azimut Exploration Inc.

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Notes to Financial Statements

August 31, 2007 and 2006

6 Property, plant and equipment

	Depreciation rate %	2007		2006	
		Cost \$	Accumulated depreciation \$	Cost \$	Accumulated depreciation \$
Office furniture	20	16,769	4,408	5,336	2,746
Office equipment	20	8,989	1,707	2,208	734
Computer equipment	30	13,153	4,060	7,467	1,382
Specialist equipment	30	14,833	4,839	14,833	556
		53,744	<u>15,014</u>	29,844	<u>5,418</u>
Less:					
Accumulated depreciation		<u>15,014</u>		<u>5,418</u>	
Net amount		<u>38,730</u>		<u>24,426</u>	

7 Mining properties

For the year ended August 31, 2007

James Bay	Undivided interest %	Balance as at August 31, 2006 \$	Costs incurred \$	Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2007 \$
Opinaca A-A East (497 claims) (a)					
Mining properties	100	-	26	(26)	-
Exploration costs		-	3,243	(3,243)	-
		-	<u>3,269</u>	<u>(3,269)</u>	-
Opinaca B-B North (220 claims) (b)					
Mining properties	100	-	-	-	-
Exploration costs		-	2,538	(2,538)	-
		-	<u>2,538</u>	<u>(2,538)</u>	-
Opinaca C (166 claims) (c)					
Mining properties	100	-	-	-	-
Exploration costs		-	9,503	(9,503)	-
		-	<u>9,503</u>	<u>(9,503)</u>	-
(forward)		-	<u>15,310</u>	<u>(15,310)</u>	-

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August 31, 2007 and 2006

		Undivided interest %	Balance as at August 31, 2006 \$	Costs incurred \$	Mining properties abandoned, option payments, credit on duties refundable for loss and tax credit for resources \$	Balance as at August 31, 2007 \$
James Bay (continued)						
(brought forward)			-	15,310	(15,310)	-
Opinaca D (188 claims)	(d)	100	-	-	-	-
Mining properties			-	-	(1,935)	-
Exploration costs			-	1,935	(1,935)	-
			-	1,935	(1,935)	-
Eastmain West (167 claims)	(e)	100	-	-	-	-
Mining properties			-	-	(494)	661
Exploration costs			-	1,155	(494)	661
			-	1,155	(494)	661
Wabamisk (755 claims)	(f)	100	-	-	-	-
Mining properties			-	-	(3,029)	-
Exploration costs			-	3,029	(3,029)	-
			-	3,029	(3,029)	-
Comptoir (796 claims)	(g)	100	57,560	21,890	(20,000)	59,450
Mining properties			14,988	67	(31)	15,024
Exploration costs						
			72,548	21,957	(20,031)	74,474
Obamsca *		100	1,872	-	(1,872)	-
Mining properties			1,221	67	(1,288)	-
Exploration costs						
			3,093	67	(3,160)	-
Total James Bay			75,641	43,453	(43,959)	75,135

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August 31, 2007 and 2006

Ungava Bay		Undivided interest %	Balance as at August 31, 2006 \$	Costs incurred \$	Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2007 \$
North Rae (1,845 claims)	(h)					
Mining properties	100	-	41,324	(41,324)	-	
Exploration costs			-	(50,735)	2,726	
			-	94,785	(92,059)	2,726
South Rae (2,080 claims)	(i)					
Mining properties	100	95,060	87,318	(182,378)	-	
Exploration costs		-	7,360	(7,360)	-	
		95,060	94,678	(189,738)	-	
Daniel Lake (886 claims)	(j)					
Mining properties	100	-	60,090	(60,090)	-	
Exploration costs		368	1,353	(1,721)	-	
		368	61,443	(61,811)	-	
Kangiq (1,770 claims)	(k)					
Mining properties	100	-	179,490	(179,490)	-	
Exploration costs		-	-	-	-	
		-	179,490	(179,490)	-	
George River West (280 claims)						
Mining properties	100	-	28,520	-	28,520	
Exploration costs		-	581	(269)	312	
		-	29,101	(269)	28,832	
Total Ungava Bay			95,428	459,497	(523,367)	31,558

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		Undivided interest %	Balance as at August 31, 2006 \$	Costs incurred \$	Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2007 \$
Central Quebec						
Quutsuki (19 claims)		100	-	1,862	-	1,862
Mining properties			-	-	-	-
Exploration costs			-	-	-	-
			-	1,862	-	1,862
North Minto (2,042 claims)	(l)	100	105,056	73,010	(178,066)	-
Mining properties			-	885	(885)	-
Exploration costs			-	-	-	-
			105,056	73,895	(178,951)	-
South Minto (1,304 claims)	(m)	100	63,210	64,582	(127,792)	-
Mining properties			-	931	(931)	-
Exploration costs			-	-	-	-
			63,210	65,513	(128,723)	-
Central Minto (1,146 claims)	(n)	100	33,026	79,686	(112,712)	-
Mining properties			-	-	-	-
Exploration costs			-	-	-	-
			33,026	79,686	(112,712)	-
West Minto (918 claims)	(o)	100	64,680	25,284	(89,964)	-
Mining properties			-	633	(633)	-
Exploration costs			-	-	-	-
			64,680	25,917	(90,597)	-
South Bienville (1,929 claims)	(p)	100	102,410	87,124	(189,534)	-
Mining properties			-	-	-	-
Exploration costs			-	-	-	-
			102,410	87,124	(189,534)	-
Hudson Bay (537 claims)	(q)	100	34,790	17,836	(52,626)	-
Mining properties			-	685	(685)	-
Exploration costs			-	-	-	-
			34,790	18,521	(53,311)	-
Retty *		100	29,460	-	(29,460)	-
Mining properties			34,983	121	(35,104)	-
Exploration costs			-	-	-	-
			64,443	121	(64,564)	-
(forward)			467,615	352,639	(818,392)	1,862

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				Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources	
	Undivided interest %	Balance as at August 31, 2006 \$	Costs incurred \$	\$	Balance as at August 31, 2007 \$
Central Quebec (continued)					
(brought forward)		467,615	352,639	(818,392)	1,862
West Bienville (220 claims)	(r)				
Mining properties	100	-	22,440	(22,440)	-
Exploration costs		-	45	(45)	-
		-	22,485	(22,485)	-
Kativik (1,234 claims)					
Mining properties	100	-	126,024	-	126,024
Exploration costs		-	480	(222)	258
		-	126,504	(222)	126,282
Total Central Quebec		467,615	501,628	(841,099)	128,144
North Shore					
Manitou (403 claims)	(s)				
Mining properties	100	(47)	45,535	(49)	45,439
Exploration costs		4,968	468	(4,920)	516
		4,921	46,003	(4,969)	45,955
Aguanish *					
Mining properties	100	-	-	-	-
Exploration costs		443	(291)	(152)	-
		443	(291)	(152)	-
Baskatong *					
Mining properties	100	-	-	-	-
Exploration costs		453	(109)	(344)	-
		453	(109)	(344)	-
Mont Merry (46 claims)					
Mining properties	100	-	3,000	-	3,000
Exploration costs		262	(132)	-	130
		262	2,868	-	3,130
Grenium (1,813 claims)	(s)				
Mining properties	100	8,480	-	-	8,480
Exploration costs		(947)	1,229	(525)	(243)
		7,533	1,229	(525)	8,237
(forward)		13,612	49,700	(5,990)	57,322

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August 31, 2007 and 2006

				Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources	
	Undivided interest %	Balance as at August 31, 2006 \$	Costs incurred \$	\$	Balance as at August 31, 2007 \$
North Shore (continued)					
(brought forward)		13,612	49,700	(5,990)	57,322
North Havre (468 claims)	(t)				
Mining properties	100	-	-	-	-
Exploration costs		-	338	(338)	-
		-	338	(338)	-
Nickel (1,896 claims)	(u)				
Mining properties	100	-	167,340	-	167,340
Exploration costs		-	45	(20)	25
		-	167,385	(20)	167,365
Total North Shore		13,612	217,423	(6,348)	224,687
		652,296	1,222,001	(1,414,773)	459,524

* Properties abandoned in 2007

For the year ended August 31, 2006

				Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources	
	Undivided interest %	Balance as at August 31, 2005 \$	Costs incurred \$	\$	Balance as at August 31, 2006 \$
James Bay					
Opinaca A-A East (424 claims)	(a)				
Mining properties	100	157	-	(157)	-
Exploration costs		(95)	1,400	(1,305)	-
		62	1,400	(1,462)	-
Opinaca B-B North (220 claims)	(b)				
Mining properties	100	-	-	-	-
Exploration costs		-	176	(176)	-
		-	176	(176)	-
(forward)		62	1,576	(1,638)	-

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				Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources	
	Undivided interest %	Balance as at August 31, 2005 \$	Costs incurred \$	\$	Balance as at August 31, 2006 \$
James Bay <i>(continued)</i>					
(brought forward)		62	1,576	(1,638)	-
Opinaca C (166 claims)	(c)				
Mining properties	100	-	-	-	-
Exploration costs		62	452	(514)	-
		62	452	(514)	-
Opinaca D (188 claims)	(d)				
Mining properties	100	-	-	-	-
Exploration costs		-	452	(452)	-
		-	452	(452)	-
Eastmain West (167 claims)	(e)				
Mining properties	100	-	-	-	-
Exploration costs		-	-	-	-
		-	-	-	-
Wabamisk (755 claims)	(f)				
Mining properties	100	20,980	-	(20,980)	-
Exploration costs		1,500	9,991	(11,491)	-
		22,480	9,991	(32,471)	-
Comptoir (796 claims)	(g)				
Mining properties	100	46,750	40,810	(30,000)	57,560
Exploration costs		-	25,258	(10,270)	14,988
		46,750	66,068	(40,270)	72,548
Obamsca (39 claims)					
Mining properties	100	-	1,872	-	1,872
Exploration costs		-	1,221	-	1,221
		-	3,093	-	3,093
Total James Bay		69,354	81,632	(75,345)	75,641

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			Balance as at August 31, 2005 \$	Costs incurred \$	Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2006 \$
Ungava Bay		Undivided interest %				
North Rae (701 claims)	(h)	100	-	21,470	(21,470)	-
Mining properties			-	1,641	(1,641)	-
Exploration costs			-	23,111	(23,111)	-
South Rae (970 claims)	(i)	100	-	95,060	-	95,060
Mining properties			-	-	-	-
Exploration costs			-	95,060	-	95,060
Daniel Lake	(j)	100	-	-	-	-
Mining properties			-	368	-	368
Exploration costs			-	368	-	368
Total Ungava Bay			-	118,539	(23,111)	95,428
Central Quebec						
North Minto (1,072 claims)	(l)	100	-	105,056	-	105,056
Mining properties			-	-	-	-
Exploration costs			-	105,056	-	105,056
South Minto (645 claims)	(m)	100	-	63,210	-	63,210
Mining properties			-	-	-	-
Exploration costs			-	63,210	-	63,210
Central Minto (337 claims)	(n)	100	-	33,026	-	33,026
Mining properties			-	-	-	-
Exploration costs			-	33,026	-	33,026
(forward)			-	201,292	-	201,292

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			Balance as at August 31, 2005 \$	Costs incurred \$	Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2006 \$
Central Quebec <i>(continued)</i>	Undivided interest %					
(brought forward)			-	201,292	-	201,292
West Minto (660 claims)	(o)	100	-	64,680	-	64,680
Mining properties			-	-	-	-
Exploration costs			-	64,680	-	64,680
South Bienville (1,045 claims)	(p)	100	-	102,410	-	102,410
Mining properties			-	-	-	-
Exploration costs			-	102,410	-	102,410
Hudson Bay (355 claims)	(q)	100	-	34,790	-	34,790
Mining properties			-	-	-	-
Exploration costs			-	34,790	-	34,790
Retty (153 claims)		100	26,912	2,548	-	29,460
Mining properties			42,283	-	(7,300)	34,983
Exploration costs			69,195	2,548	(7,300)	64,443
Total Central Quebec			69,195	405,720	(7,300)	467,615
North Shore						
Manitou (2,478 claims)	(s)	100	(47)	-	-	(47)
Mining properties			432	5,208	(672)	4,968
Exploration costs			385	5,208	(672)	4,921
Aguanish (102 claims)		100	-	-	-	-
Mining properties			-	443	-	443
Exploration costs			-	443	-	443
(forward)			385	5,651	(672)	5,364

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	Undivided interest %	Balance as at August 31, 2005 \$	Costs incurred \$	Mining properties abandoned, option payments, credit on duties refundable for loss and refundable tax credit for resources \$	Balance as at August 31, 2006 \$
North Shore (continued)					
(brought forward)		385	5,651	(672)	5,364
Baskatong (107 claims)	100	-	-	-	-
Mining properties		-	453	-	453
Exploration costs		-	453	-	453
Mont Merry (12 claims)	100	-	-	-	-
Mining properties		-	262	-	262
Exploration costs		-	262	-	262
Grenium (2,230 claims) (s)	100	-	108,480	(100,000)	8,480
Mining properties		-	(947)	-	(947)
Exploration costs		-	107,533	(100,000)	7,533
Total North Shore		385	113,899	(100,672)	13,612
		138,934	719,790	(206,428)	652,296

Statements of deferred costs

	Years Ended August 31,	
	2007 \$	2006 \$
Balance – Beginning of year	652,296	138,934
Expenses incurred during the year		
Claims and permits	1,132,381	673,412
Geological surveys	82,702	46,378
Administration and others	6,918	-
	1,222,001	719,790
Mining properties abandoned	(73,104)	(7,300)
Option payments	(1,306,439)	(183,713)
Credit on duties refundable for loss and refundable tax credit for resources	(35,230)	(15,415)
	(1,414,773)	(206,428)
Balance – End of year	459,524	652,296

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- (a) In December 2004, the Company granted Everton Resources Inc. ("Everton") the option to acquire a 50% interest in the Opinaca A, A East property for a cash consideration of \$180,000 and \$2.8 million in work expenditures. Everton may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2007, Everton had made a cumulative payment of \$90,000 (\$70,000 in 2006) in cash and had carried out exploration work totalling a cumulative amount of \$1,476,429 (\$980,238 in 2006).
- (b) In December 2004, the Company granted Everton the option to acquire a 50% interest in the Opinaca B, B North property for a cash consideration of \$160,000 and \$2.0 million in work expenditures. Everton may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2007, Everton had made a cumulative payment of \$80,000 (\$60,000 in 2006) in cash and had carried out exploration work totalling a cumulative amount of \$1,534,192 (\$479,562 in 2006).
- (c) In March 2005, the Company granted Eastmain Resources Inc. ("Eastmain") the option to acquire a 50% interest in the Opinaca C property for a cash consideration of \$160,000, 30,000 common shares of Eastmain and \$2.7 million in work expenditures. In April 2006, the Company signed a letter of intent to form a three-way Joint Venture with Goldcorp Inc. ("Goldcorp") and Eastmain on the Eleonore South property, which includes 166 claims of the Opinaca C property and 116 claims owned by Goldcorp. Eastmain has an option to earn a 33.33% interest in the Eleonore South property by continuing to make cash payments to the Company and funding a total of \$4.0 million in work expenditures. Eastmain may also acquire an additional 6.67% interest for a total of 40% by delivering a feasibility study. As at August 31, 2007, Eastmain had made a cumulative payment of \$100,000 (\$75,000 in 2006) in cash, granted 30,000 common shares and had carried out exploration work totalling a cumulative amount of \$2,847,405 (\$1,298,225 in 2006).
- (d) In March 2005, the Company granted Eastmain the option to acquire a 50% interest in the Opinaca D property for a cash consideration of \$140,000, 45,000 common shares of Eastmain and \$1.9 million in exploration work. Eastmain may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2007, Eastmain had made a cumulative payment of \$80,000 (\$55,000 in 2006) in cash, granted 45,000 common shares and had carried out exploration work totalling a cumulative amount of \$487,325 (\$454,119 in 2006).
- (e) In April 2005, the Company granted IAMGOLD-Québec Management Inc. ("IAMGOLD" – formerly Cambior Inc.) the option to acquire a 50% interest in the Eastmain West property for a cash consideration of \$200,000 and \$2.0 million in work expenditures. IAMGOLD may also acquire an additional 15% interest by delivering a feasibility study. As at August 31, 2007, IAMGOLD had made a cumulative payment of \$60,000 (\$60,000 in 2006) in cash, had carried out exploration work totalling a cumulative amount of \$346,000 (\$233,000 in 2006) and decided to terminate the option.
- (f) In May 2005, the Company granted Placer Dome (CLA) Ltd. (now Goldcorp Inc.) the option to acquire a 51% interest in the Wabamisk property for a cash consideration of \$500,000 and \$4.0 million in work expenditures. Goldcorp may also acquire an additional 19% interest by delivering a feasibility study. As at August 31, 2007, Goldcorp had made a cumulative payment of \$200,000 (\$100,000 in 2006) in cash and had carried out exploration work totalling a cumulative amount of \$811,275 (\$469,042 in 2006).

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- (g) In June 2006, the Company granted IAMGOLD the option to acquire a 50% interest in the Comptoir property for a cash consideration of \$270,000 and \$3.2 million in work expenditures. IAMGOLD may also acquire an additional 15% interest by delivering a feasibility study. As at August 31, 2007, IAMGOLD had made a cumulative payment of \$50,000 (\$30,000 in 2006) in cash, had carried out exploration work totalling a cumulative amount of \$221,813 (\$116,199 in 2006) and decided to terminate the option.
- (h) In March 2006, the Company granted NWT Uranium Co. formerly (Northwestern Mineral Ventures Inc.) ("NWT") the option to acquire a 50% interest in the North Rae property for a cash consideration of \$210,000, 150,000 common shares of NWT and \$2.9 million in work expenditures. NWT may also acquire an additional 15% interest by delivering a feasibility study. As at August 31, 2007, NWT had made a cumulative payment of \$80,000 (\$50,000 in 2006) in cash, granted 150,000 (100,000 in 2006) common shares to the Company and had carried out exploration work totalling a cumulative amount of \$1,434,857 (\$615,848 in 2006).
- (i) In January 2007, the Company granted Majescor Resources Inc. ("Majescor") the option to acquire a 50% interest in the South Rae property for a cash consideration of \$333,000, 1,420,000 common shares of Majescor and \$4.6 million in work expenditures. Majescor may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Majescor had made a cumulative payment of \$100,000 in cash, had issued 710,000 common shares and had carried out exploration work totalling a cumulative amount of \$428,404.
- (j) In January 2007, the Company granted NWT the option to acquire a 50% interest in the Daniel Lake property for a cash consideration of \$230,000, 200,000 common shares of NWT and \$2.6 million in work expenditures. NWT may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, NWT had made a cumulative payment of \$50,000 in cash, had issued 100,000 common shares and carried out exploration work totalling a cumulative amount of \$285,371.
- (k) In July 2007, the Company granted Central Uranium Corporation ("Central") the option to acquire a 50% interest in the Kangiq property for a cash consideration of \$410,000, \$300,000 worth of common shares of Central and \$4.2 million in work expenditures. Central may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Central had made a cumulative payment of \$130,000 in cash and had carried out exploration work totalling a cumulative amount of \$201,287.
- (l) In April 2007, the Company granted Rukwa Uranium Ltd. ("Rukwa") the option to acquire a 50% interest in the North Minto property for a cash consideration of \$360,000, \$200,000 worth of common shares of Rukwa and \$4.2 million in work expenditures. Rukwa may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Rukwa had made a cumulative payment of \$100,000 in cash, had paid \$100,000 cash in lieu of \$100,000 worth of its common shares and had carried out exploration work totalling a cumulative amount of \$540.

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- (m) In April 2007, the Company granted Rukwa Uranium Ltd. ("Rukwa") the option to acquire a 50% interest in the South Minto property for a cash consideration of \$340,000, \$200,000 worth of common shares of Rukwa and \$4.0 million in work expenditures. Rukwa may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Rukwa had made a cumulative payment of \$100,000 in cash, had paid \$100,000 cash in lieu of \$100,000 worth of its common shares and carried out exploration work totalling a cumulative amount of \$540.
- (n) In May 2007, the Company granted Central Uranium Corporation ("Central") the option to acquire a 50% interest in the Central Minto property for a cash consideration of \$340,000, \$200,000 worth of common shares of Central and \$4.0 million in work expenditures. Central may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Central had made a cumulative payment of \$100,000 in cash and had carried out exploration work totalling a cumulative amount of \$135,210.
- (o) In March 2007, the Company granted Majescor Resources Inc. ("Majescor") the option to acquire a 50% interest in the West Minto property for a cash consideration of \$300,000, 540,000 common shares of Majescor and \$3.8 million in work expenditures. Majescor may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Majescor had made a cumulative payment of \$100,000 in cash, had issued 270,000 common shares and had carried out exploration work totalling a cumulative amount of \$234,559.
- (p) In May 2007, the Company granted Central Uranium Corporation ("Central") the option to acquire a 50% interest in the South Bienville property for a cash consideration of \$380,000, \$200,000 worth of common shares of Central and \$4.5 million in work expenditures. Central may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Central had made a cumulative payment of \$120,000 in cash and had carried out exploration work totalling a cumulative amount of \$716,147.
- (q) In April 2007, the Company granted Silver Spruce Resources Inc. ("Silver") the option to acquire a 50% interest in the Hudson Bay property for a cash consideration of \$250,000, 300,000 common shares of Silver and \$2.6 million in work expenditures. Silver may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Silver had made a cumulative payment of \$50,000 in cash, had issued 200,000 common shares and had carried out exploration work totalling a cumulative amount of \$111,353.
- (r) In August 2007, the Company granted Channel Resources Ltd. ("Channel") the option to acquire a 50% interest in the West Bienville property for a cash consideration of \$170,000, 900,000 common shares of Channel and \$1.7 million in work expenditures. Channel may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Channel had made a cumulative payment of \$30,000 in cash and had issued 300,000 common shares.

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- (s) In March 2006, the Company granted Kennecott Exploration Company ("Kennecott") the option to acquire a 60% interest in three selected targets totalling 1,671 claims, which are part of the Manitou property. Kennecott will have to incur \$1.0 million in work expenditures per selected target over a four-year period to earn its interest. Kennecott will pay \$50,000 to the Company per selected target, when a target has advanced to the drilling stage. Kennecott may acquire an additional 20% interest by delivering a feasibility study. As at August 31, 2007, Kennecott has incurred work expenditures totalling a cumulative amount of \$401,386 (\$401,386 in 2006) on the three selected targets and decided to suspend its option.

Also in March 2006, the Company granted Kennecott Exploration Company ("Kennecott") the option to acquire a 60% interest in four selected targets totalling 1,018 claims, which are part of the Grenium property. Kennecott will have to incur \$1.0 million to \$1.8 million in work expenditures per selected target over a four-year period to earn its interest. Kennecott will pay \$50,000 to the Company per selected target, when a target has advanced to the drilling stage. Kennecott may acquire an additional 20% interest by delivering a feasibility study. As at August 31, 2007, Kennecott has incurred work expenditures totalling a cumulative amount of \$1,050,722 (\$265,996 in 2006) on the four selected targets.

- (t) In June 2007, the Company granted D'Ariane Resources Inc. ("Ariane") the option to acquire a 50% interest in the North Havre property for an issuance of 850,000 common shares of Ariane and \$0.7 million in work expenditures. Ariane may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2007, Ariane had issued 350,000 common shares and had carried out exploration work totalling \$254,378.
- (u) In June 2007, the Company granted Kennecott Exploration Company ("Kennecott") the exclusive right during a one-year period to identify targets in the North shore Nickel property. As at August 31, 2007, Kennecott had made a payment of \$60,000 in cash for the delivery of a Target report.

8 Share capital

Authorized

Unlimited number of common shares, without par value, voting and participating

	2007 \$	2006 \$
Issued and fully paid		
16,771,755 common shares (16,121,755 in 2006) *	7,924,286	6,022,948

* no shares (144,784 in 2006) are held in escrow.

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Variation of issued and fully paid share capital:

	2007		2006	
	Number	Amount \$	Number	Amount \$
Balance – Beginning of year	16,121,755	6,022,948	14,687,456	5,521,425
Private placements	418,000	1,711,200	77,100	100,230
Stock options exercised *	232,000	265,128	218,000	46,515
Conversion of two debentures	-	-	1,139,199	388,200
	16,771,755	7,999,276	16,121,755	6,056,370
Share issue expenses for the year	-	(74,990)	-	(33,422)
Balance – End of year	16,771,755	7,924,286	16,121,755	6,022,948

* Representing a cash consideration of \$166,200 upon exercise and a fair value of stock options exercised of \$98,928 compared to a cash consideration of \$35,885 upon exercise and a fair value of stock options exercised of \$10,630 in 2006.

9 Stock option plan

The Company maintains a stock option plan whereby a maximum of 15% of the issued shares at the time of the grant are reserved for issuance to directors, officers, key employees and consultants. In March 2007, the Company increased the number of shares reserved for issuance under the stock option plan from 1,485,745 to 2,488,000. This increase was approved at the shareholders' annual and special meeting held on February 20, 2007 and was accepted by the TSX Venture Exchange on April 27, 2007. The exercise price of the options is set at the closing price of the Company's shares on the TSX Venture Exchange, on the day before the grant date.

The options have a maximum term of five years following the granting date and may be exercised (i) a 10% of the options granted are exercisable at the granting date, (ii) over an 18-month period, for each three-month period following the grant thereof, an additional 15% of the options granted will be exercisable, unless otherwise approved by the Board of Directors.

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The following tables present the stock option activity since September 1, 2005 and summarize information about fixed stock options outstanding and exercisable as at August 31:

	2007		2006	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of year	1,227,000	0.99	785,000	0.26
Granted	600,000	4.08	730,000	1.47
Exercised	(232,000)	0.72	(218,000)	0.22
Cancelled	-	-	(70,000)	0.17
Outstanding – End of year	1,595,000	2.19	1,227,000	0.99
Exercisable – End of year	1,145,000	1.45	1,227,000	0.99

Exercise prices \$	Options outstanding	Options exercis	Weighted average remaining contractual life (years)
0.24	50,000	50,000	0.80
0.30	290,000	290,000	1.53
0.64	30,000	30,000	2.82
0.86	105,000	105,000	3.04
1.50	50,000	50,000	3.48
1.55	300,000	300,000	3.50
1.75	150,000	150,000	3.54
1.80	20,000	20,000	3.64
3.85	300,000	75,000	4.52
4.30	300,000	75,000	4.50
	1,595,000	1,145,000	3.40

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Accounting for the stock-based compensation plan

The fair value of options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2007</u>		<u>2006</u>
Number of options granted			
Risk-free interest rate			
Expected volatility			
Dividend yield	Nil	Nil	Nil
Weighted average expected life			
Weighted average fair value of options granted			

The fair value of stock options granted during the year amounts to \$1,634,700. The amount of \$447,735, representing the fair value of options granted, has been included in the statement of earnings under the items "Search for properties", "Salaries and fringe benefits" and "Management fees and office expenses" as well as in Shareholders' Equity under the item "Stock options". The balance of \$1,186,965 will be included in the statement of earnings for respective amounts of \$650,847 in 2008, \$251,618 in 2009 and \$284,500 in 2010 under the items "Salaries and fringe benefits" and "Management fees and office expenses", and in Shareholders' Equity under the item "Stock options".

The fair value of stock options granted during the preceding year amounts to \$677,242. The entire amount, representing the fair value of options granted, has been included in the statement of earnings under the item "Search for properties", "Salaries and fringe benefits" and "Management fees and office expenses", and in Shareholders' Equity under the item "Stock options".

The Black-Scholes model was developed for use in estimating the fair value of traded options which have no vesting restrictions, and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the stock options granted to officers, directors and key employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide an accurate single measure of the fair value of stock options granted to suppliers, officers, directors and key employees.

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10 Related party transactions

The Company entered into the following transactions with a law firm of which one of the directors is a partner:

	2007	2006
	\$	\$
Professional fees and disbursement of expenses	13,027	3,168

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11 Strategic alliance

On June 18, 2007, the Company delivered a Target Report (the "Report") to Channel Resources Ltd. ("Channel"), which identifies exploration targets in Ecuador, South America. Under the terms of the agreement dated July 11, 2006 forming a strategic alliance between the Company and Channel, the cost of the Report amounting to \$88,213 was funded by Channel, of which an amount of \$40,000 was paid upon signing of the agreement. During the initial six-month period following the delivery of the Report, Channel has the exclusive right and option to acquire any of the targets identified in the Report. Upon acquisition of its first such project, Channel will grant to the Company 250,000 common shares of Channel; 250,000 common share purchase warrants exercisable for two years at the market price on the date of issuance of the warrants; and a 1% net smelter return (NSR) royalty on any and all target properties acquired as a result of the information outlined in the Report.

For the subsequent nine-month period, both Channel and the Company have the right to acquire properties based on the recommendations of the Report. For any target identified by the Company for acquisition during this period, Channel will have a 30-day right of first refusal (the "Right") to acquire such project by assuming all acquisition costs and by granting the Company a 1% NSR royalty thereon. If Channel does not exercise the Right and if the Company then acquires such project, the Company will grant Channel a 1% NSR royalty thereon.

Between fifteen and sixty months following delivery of the Report, both Channel and the Company may each pursue mineral rights on any target recommended in the Report subject only to Channel granting the Company a 1% NSR royalty on any such projects acquired.

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12 Income taxes

The reconciliation of the income tax expense calculated using the combined federal and Quebec provincial statutory tax rate to the income tax expense per the financial statements is as follows:

	Years Ended August 31,	
	2007 \$	2006 \$
Loss before income taxes	(134,873)	(925,688)
Combined federal and provincial income tax at 31.57% (33.57% as at August 31, 2006)	(42,600)	(310,800)
Tax benefits previously unrecognized	-	(30,971)
Loss related to resources taxable for income tax purposes	9,000	15,000
Non-deductible expenses for income tax purposes	141,200	233,400
Expiry of operating losses carried forward	56,500	83,300
Share issue expenses not affecting earnings	(23,700)	(1,000)
Change in valuation allowance	(132,000)	(38,800)
Change in future tax rates	4,000	46,200
Other	(12,400)	(27,300)
Future income taxes	-	(30,971)

The Company is entitled to the following tax benefits, which were not accounted for in the financial statements as at August 31, 2007. As at August 31, 2006, a future income tax asset of \$30,971 had been recorded against a future income tax liability for the same amount.

As at August 31, 2007, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

Expiry Year	Federal \$	Provincial \$
2026	266,000	226,000
2015	229,000	209,000
2014	208,000	197,000
2010	151,000	151,000
2009	92,000	92,000
2008	6,000	7,000
	952,000	882,000

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- The Company has accumulated capital losses of approximately \$17,000 (\$17,000 in 2006).
- The tax value of mining properties exceeds the carrying value by approximately \$286,000 at the federal level (\$556,000 in 2006) and \$359,000 at the provincial level (\$629,000 in 2006). The difference between the tax value and the amounts capitalized in the financial statements mainly results from the renunciation by the Company in favour of investors of the deductions related to exploration costs paid through flow-through share financings, of the non-taxable mining rights tax credit as well as from writeoffs of mining properties.
- The unamortized balance of capital cost for federal and provincial income tax purposes exceeds the net carrying value of property, plant and equipment and intangible assets by \$29,000 (\$13,000 in 2006) and \$24,000 (\$8,000 in 2006), respectively.
- The tax value of long-term investments exceeds the carrying value by approximately \$27,000 (\$52,000 in 2006). The difference between the tax value and the amounts accounted for in the financial statements mainly results from the impairment in value accounted for on these investments.
- The unamortized balance, for income tax purposes, of share issue expenses amounts to \$71,000 (\$19,000 in 2006) and will be deductible during the next four years.

13 Loss per share

For the years ended August 31, 2007 and 2006, the diluted loss per share was the same as the basic loss per share since the dilutive effect of stock options, warrants and convertible debentures was not included in the calculation; otherwise the effect would have been anti-dilutive. Accordingly, the diluted net loss per share for those years was calculated using the basic weighted average number of shares outstanding (16,526,496 in 2007 and 15,222,661 in 2006).

	<u>Years Ended August 31,</u>	
	<u>2007</u>	<u>2006</u>
Loss used in the basic and diluted net loss per share calculation	(134,873)	(894,717)
Basic weighted average number of shares outstanding	16,526,496	15,222,661
Stock options	1,381,656	511,577
Diluted weighted average number of shares outstanding	17,908,152	15,734,238
Items excluded from the calculation of the diluted net loss per share because the exercise price was greater than the average market price of the common shares		
Stock options	-	580,000

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14 Commitments

The Company's minimum aggregate commitments under a five-year lease agreement amount to \$187,221. Minimum lease payments under this agreement are as follows:

	\$
2008	37,170
2009	37,636
2010	38,102
2011	38,568
2012	35,745

15 Subsequent events

The shareholders of the Company approved at the special meeting held on October 10, 2007 the Shareholder Rights Plan (the "Rights Plan") adopted by the Board of Directors on May 31, 2007. The Rights Plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. The Rights Plan will provide the Board of Directors and the shareholders with more time to fully consider any unsolicited takeover bid for the Company without undue pressure, to allow the Board of Directors to pursue, if appropriate, other alternatives to maximize shareholder value and to allow additional time for competing bids to emerge.

On October 17, 2007, the Company announced the staking of 9 claim blocks totalling 1,587 additional claims covering a surface area of 831 km² in the James Bay region in northern Quebec. These claims increased the Company's portfolio of gold projects to 14 properties consisting of 4,395 claims over a surface area of 2,302 km².

On November 15, 2007, the Company granted Kativik Resources Inc. ("Kativik") the option to acquire a 50% interest in the Kativik property for a total cash consideration of \$440,000, \$300,000 worth of common shares of Kativik and \$5.0 million in work expenditures. Kativik may also acquire an additional 15% interest with the delivery of a bankable feasibility study.

16 Financial instruments

Fair value

Cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities are financial instruments whose fair value approximates their carrying value due to their short-term maturity or to current market rates.

The fair value of long-term investments, based on quoted market value, amounts to \$692,400 and \$124,600 as at August 31, 2007 and 2006, respectively.

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Interest rate risk

As at August 31, 2007 and 2006, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing

17 Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.