Azimut Exploration Inc.

(an exploration company)

Financial Statements

August 31, 2008 and 2007

PRICEWATERHOUSECOOPERS

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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, 2008 and 2007 and the statements of earnings and comprehensive loss, shareholders' equity 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, 2008 and 2007 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[1]

Quebec, Quebec, Canada
December 18, 2008

[1] Chartered accountant auditor permit No. 7451

Azimut Exploration Inc.

(an exploration company)

Balance Sheets

As at August 31, 2008 and 2007

	2008 $	2007 $
Assets		
Current assets		
Cash and cash equivalents	1,291,771	1,356,649
Amounts receivable (note 3)	2,535,911	1,158,978
Prepaid expenses	39,300	20,668
	3,866,982	2,536,295
Long-term investments (notes 2 and 4)	340,050	738,950
Property, plant and equipment (less accumulated depreciation of $33,786; $15,014 in 2007) (note 5)	85,371	38,730
Intangible assets (less accumulated amortization of $1,656; nil in 2007)	9,380	-
Deferred charges (notes 2 and 13)	92,063	-
Mining properties (note 6)	1,244,727	459,524
	5,638,573	3,773,499
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		
Related parties (note 8)	50,014	19,893
Others	2,756,363	533,023
	2,806,377	552,916
Shareholders' Equity		
Share capital		
Authorized		
Unlimited number of common shares, without par value, voting and participating		
Issued and fully paid		
16,821,755 common shares (16,771,755 as at August 31, 2007)	7,943,186	7,924,286
Stock options (note 7)	1,919,992	1,128,367
Deficit	(6,357,232)	(5,832,070)
Accumulated other comprehensive loss	(673,750)	-
	2,832,196	3,220,583
	5,638,573	3,773,499

Nature of activities and going concern (note 1)

Subsequent events (note 13)

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.

(an exploration company)

Statements of Earnings and Comprehensive Loss

For the years ended August 31, 2008 and 2007

	2008 $	2007 $
Revenues		
Interest income	38,968	39,521
Gain on sale of options on mining properties	1,679,696	1,019,261
Management fees	199,046	72,245
Gain on sale of long-term investments	10,150	53,543
Other income	-	60,000
	1,927,860	1,244,570
Expenses		
Salaries and fringe benefits	438,604	241,442
Professional and maintenance fees	106,573	136,163
Management fees and office expenses	195,421	281,437
Travelling and entertainment	111,506	95,327
Interest and bank charges	2,479	2,318
Depreciation of property, plant and equipment	18,772	9,596
Amortization of intangible assets	1,656	-
Search for properties	85,681	161,853
Credit on duties refundable for loss and refundable tax credit for resources	(29,324)	(76,692)
Cost of mining properties abandoned or written off	49,531	73,104
Professional fees related to the decision of not proceeding with a proposed transaction	405,864	-
Part XII.6 tax	-	852
Writeoff of intangible assets	-	1,170
Allowance for bad debts (note 3)	267,734	-
Stock options	798,525	452,873
	2,453,022	1,379,443
Loss for the year (note 10)	(525,162)	(134,873)
Other comprehensive loss		
Decrease in value of long-term investments (note 4)	(611,050)	-
Comprehensive loss for the year	(1,136,212)	(134,873)
Basic and diluted loss per share (note 11)	(0.031)	(0.008)

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

Azimut Exploration Inc.

(an exploration company)

Statements of Shareholders' Equity

For the years ended August 31, 2008 and 2007

	Share capital Common shares		**Stock options**		**Deficit**	**Accumulated other comprehensive loss**	**Total**
	Number	**$**	**Number**	**$**	**$**	**$**	**$**
Balance as at September 1, 2006	16,121,755	6,022,948	1,227,000	774,422	(5,697,197)	-	1,100,173
Private placements	418,000	1,711,200	-	-	-	-	1,711,200
Stock options exercised (note 7)	232,000	265,128	(232,000)	(98,928)	-	-	166,200
Stock options granted (note 7)	-	-	600,000	452,873	-	-	452,873
Share issue expenses	-	(74,990)	-	-	-	-	(74,990)
Loss for the year	-	-	-	-	(134,873)	-	(134,873)
Balance as at August 31, 2007	16,771,755	7,924,286	1,595,000	1,128,367	(5,832,070)	-	3,220,583
Balance as at September 1, 2007	16,771,755	7,924,286	1,595,000	1,128,367	(5,832,070)	-	3,220,583
Impact of adopting new accounting standards (note 2)	-	-	-	-	-	(62,700)	(62,700)
Stock options exercised (note 7)	50,000	18,900	(50,000)	(6,900)	-	-	12,000
Stock options granted (note 7)	-	-	360,000	798,525	-	-	798,525
Loss for the year	-	-	-	-	(525,162)	-	(525,162)
Decrease in fair value of available-for-sale investments	-	-	-	-	-	(611,050)	(611,050)
Balance as at August 31, 2008	16,821,755	7,943,186	1,905,000	1,919,992	(6,357,232)	(673,750)	2,832,196

Total deficit and accumulated other comprehensive loss amount to $7,030,982 and $5,832,070 as at August 31, 2008 and 2007, respectively.

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

Azimut Exploration Inc.

(an exploration company)

Statements of Cash Flows

For the years ended August 31, 2008 and 2007

	2008 $	2007 $
Cash flows from operating activities		
Loss for the year	(525,162)	(134,873)
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	18,772	9,596
Amortization of intangible assets	1,656	-
Gain on sale of long-term investments	(10,150)	(53,543)
Cost of mining properties abandoned or written off	49,531	73,104
Writeoff of intangible assets	-	1,170
Gain on sale of options on mining properties	(1,679,696)	(1,019,261)
Allowance for bad debts	267,734	-
Stock options	798,525	452,873
	(1,078,790)	(670,934)
Net change in non-cash working capital items		
Amounts receivable	(1,192,139)	(189,826)
Prepaid expenses	(18,632)	106,947
Accounts payable and accrued liabilities	2,259,464	135,679
	1,048,693	52,800
	(30,097)	(618,134)
Cash flows from financing activities		
Issuance of share capital, net of share issue expenses	12,000	1,802,410
Cash flows from investing activities		
Proceeds from sale of long-term investments	49,200	62,843
Additions to property, plant and equipment	(65,411)	(23,900)
Additions to intangible assets	(11,038)	-
Increase in mining properties	(1,578,102)	(1,215,998)
Proceeds from sale of options on mining properties	1,650,633	1,120,000
Additions to deferred charges	(92,063)	-
	(46,781)	(57,055)
Net change in cash and cash equivalents	(64,878)	1,127,221
Cash and cash equivalents – Beginning of year	1,356,649	229,428
Cash – End of year	1,291,771	1,356,649
Additional information		
Tax credit and mining rights receivable applied against mining properties (note 3)	(520,528)	(35,230)
Interest cashed, net of interest paid	36,489	32,545
Shares received and receivable in consideration of the sale of a mining property	665,900	705,700
Acquisition of mining properties included in accounts payable and accrued liabilities	-	6,003
Cash proceeds from sale of options on mining properties included in amounts receivable	80,000	500,000

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

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, 2008, the Company recorded a loss of $525,162 ($134,873 in 2007). 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.

While the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, certain adverse conditions and events cast significant doubt upon the validity of this assumption. These financial statements 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. Significant estimates include the valuation of credit on duties refundable for loss and the refundable tax credit for resources, future income tax assets and liabilities, the recoverability of long-term investments and mining properties, the fair value of stock options granted and certain liabilities. Actual results could differ from those estimates.

Cash and cash equivalents

In fiscal year 2007, cash and cash equivalents consisted 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

The Company has elected to classify its long-term investments as available-for-sale securities; therefore, they are carried at fair value in the balance sheet, and any changes in their fair value are reflected in comprehensive loss. Upon the disposal of these assets, accumulated changes in their fair value are reclassified in the statements of earnings.

Prior to September 1, 2007, long-term investments were 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 5.

Intangible assets and amortization

Intangible assets, which consist of software, are recorded at cost less accumulated amortization and are amortized using the declining balance method at an annual rate of 30%.

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 6).

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 6).

Share capital

Share capital issued for non-monetary consideration is generally recorded at fair value.

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.

Share issue expenses

Costs directly identifiable with the raising of capital are charged against the related capital account. Costs related to securities not yet issued are recorded as deferred financing costs. These costs are presented as other assets until the issuance of the securities, to which the costs relate, at which time the costs are charged against the related capital account or charged to earnings if the securities are not issued.

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 7. 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.

New accounting standards

Accounting changes adopted

On September 1, 2007, in accordance with the applicable transitional provisions, the Company applied the recommendations of new Section 1506, "Accounting Changes", of the Canadian Institute of Chartered Accountants' ("CICA") Handbook. This new section, effective for the years beginning on or after October 1, 2006, prescribes the 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. Furthermore, the new standard requires the communication of the new primary sources of GAAP that are issued but not yet effective or not yet adopted by the Company. The new standard has no impact on the Company's financial results for the year ended August 31, 2008.

Financial instruments

On September 1, 2007, the Company adopted new accounting policies resulting from the application of new accounting standards published by the CICA relating to financial instruments:

- Section 3855, "Financial Instruments – Recognition and Measurement", provides guidance on when a financial instrument must be recognized on the balance sheet and how it must be measured. It also provides guidance on the presentation of gains and losses on financial instruments.

- Section 1530, "Comprehensive Income", requires an entity to recognize certain gains and losses in a separate statement, until such gains and losses are recognized in the statement of earnings.

- Section 3251, "Equity", establishes standards for the presentation of equity and changes in equity during the reporting fiscal year.

- 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 AcG-13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosure is necessary when it is applied.

- Section 3861, " Financial Instruments – Disclosure and Presentation" deals with the disclosure of financial instruments and non-financial derivatives in the financial statements.

After initial recognition, the measurement of financial instruments depends on their classification: held for trading, available for sale, loans and receivables and other than held-for-trading liabilities.

- **Held for trading** – Financial assets and financial liabilities required to be classified or designated as held for trading are measured at fair value, with gains, losses and transaction costs recorded in net earnings for the period in which they arise. Section 3855 allows an entity to designate any financial instrument as held for trading on initial recognition or adoption of the accounting standard if reliable fair values are available, even if that instrument would not otherwise satisfy the definition of a security held for trading. Transaction costs are recorded immediately in net earnings.

- **Available for sale** – Financial assets classified as available for sale are measured at fair value. Unrealized gains and losses are recognized directly in other comprehensive income, except for impairment losses, which are recognized in net earnings. Upon derecognition of the financial asset, the accumulated gains or losses previously recognized in Accumulated other comprehensive income are reclassified to net earnings. Transaction costs are added to the carrying amount of the financial instrument.

- **Loans and receivables** – Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method. Interest income or expenses are included in net earnings over the expected life of the financial instrument.

- **Other than held-for-trading liabilities** – Financial liabilities classified as other than held-for-trading liabilities are measured at amortized cost using the effective interest method, which corresponds to costs due to their short term to maturity.

Following is a summary of the classifications the Company has elected to apply to each of its significant categories of financial instruments outstanding as of September 1, 2007:

Cash	Held for trading
Amounts receivable	Loans and receivables
Long-term investments	Available for sale
Accounts payable and accrued liabilities	Other than held-for-trading liabilities

Transitional adjustment

On September 1, 2007, the Company made adjustments to its financial instruments in the balance sheet. These adjustments made to the previous carrying value of investments have been recognized as adjustments to the opening balances of deficit and accumulated other comprehensive loss. The following table presents the impact of the application of CICA Handbook Section 3855 on the balance sheet.

	As at August 31, 2007 $	**Adjustments $**	**As at September 1, 2007 $**
Assets			
Long-term investments	738,950	(62,700)	676,250
Shareholders' Equity			
Accumulated other comprehensive loss	-	(62,700)	(62,700)

Future accounting changes

Going concern

The CICA modified Section 1400, "General Standards of Financial Statement Presentation", in order to require that management make an assessment of the Company's ability to continue as a going concern over a period which is at least, but is not limited to, twelve months from the balance sheet date. These new requirements are effective for fiscal years beginning on or after January 1, 2008, and the Company will implement them as of September 1, 2008. The new requirements only address disclosures and will have no impact on the Company's financial results.

Capital disclosures

The CICA published new Section 1535, "Capital Disclosures". The new section establishes standards for disclosing information about an entity's capital and how it is managed. This new standard is effective for fiscal years beginning on or after October 1, 2007, and the Company will implement it as of September 1, 2008. The new accounting standard only addresses disclosures and will have no impact on the Company's financial results.

Financial instruments – Disclosures and Financial Instruments – Presentation

Section 3862 replaces the disclosure portion of Section 3861, "Financial Instruments – Disclosure and Presentation". The new standard places increased emphasis on disclosures regarding risks associated with both recognized and unrecognized financial instruments and how these risks are managed. It is also intended to remove any duplicate disclosures and simplify the disclosures about concentrations of risk, credit risk, liquidity risk and price risk currently found in Section 3861. These new standards will apply to the fiscal year beginning on September 1, 2008. The Company is presently evaluating the impact of these new standards on its financial statements.

3 Amounts receivable

	2008 **$**	**2007** **$**
Tax credit and mining rights receivable	842,091	114,205
Commodity taxes	500,296	108,626
Trade accounts receivable	1,461,258	931,488
Interest receivable on term deposit	-	4,659
	2,803,645	1,158,978
Allowance for bad debts	(267,734)	-
	2,535,911	1,158,978

4 Long-term investments

	2008		2007	
	Amortized cost $	Carrying value $	Carrying value $	Market value $
Eastmain Resources Inc.	17,200	50,000	32,250	51,000
NWT Uranium Corp.	219,500	33,250	163,500	175,000
Majescor Resources Inc.	428,850	166,600	270,700	147,000
Silver Spruce Resources Inc.	253,000	55,500	220,000	256,000
D'Arianne Resources Inc.	47,250	24,200	52,500	47,250
Channel Resources Inc.	48,000	10,500	-	-
	1,013,800	340,050	738,950	676,250

5 Property, plant and equipment

		2008		2007	
	Depreciation rate %	Cost $	Accumulated depreciation $	Cost $	Accumulated depreciation $
Office furniture	20	20,542	7,256	16,769	4,408
Office equipment	20	19,095	4,174	8,989	1,707
Computer equipment	30	23,270	8,306	13,153	4,060
Specialist equipment	30	56,250	14,050	14,833	4,839
		119,157	33,786	53,744	15,014
Less: Accumulated depreciation		33,786		15,014	
Net amount		85,371		38,730	

6 Mining properties

All mining properties are located in the Province of Quebec.

For the year ended August 31, 2008

Ungava Bay		**Undivided interest** %	**Balance as at August 31, 2007** $	**Costs incurred** $	**Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources** $	**Balance as at August 31, 2008** $
North Rae (1,853 claims)	(h)					
Mining properties		100	-	-	-	-
Exploration costs			2,726	778,393	(371,985)	409,134
			2,726	778,393	(371,985)	409,134
South Rae (2,854 claims)	(i)					
Mining properties		100	-	-	-	-
Exploration costs			-	12,423	(10,291)	2,132
			-	12,423	(10,291)	2,132
Daniel Lake (972 claims)	(j)					
Mining properties		100	-	-	-	-
Exploration costs			-	160,121	(73,913)	86,208
			-	160,121	(73,913)	86,208
Kangiq (1,743 claims)	(k)					
Mining properties		100	-	(14,382)	14,382	-
Exploration costs			-	1,637	(1,637)	-
			-	(12,745)	12,745	-
Others (1,350 claims)						
Mining properties		100	28,520	124,659	-	153,179
Exploration costs			312	1,483	(683)	1,112
			28,832	126,142	(683)	154,291
Total Ungava Bay			31,558	1,064,334	(444,127)	651,765

Central Quebec		**Undivided interest %**	**Balance as at August 31, 2007 $**	**Costs incurred $**	**Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2008 $**
North Minto (2,272 claims)	(l)					
Mining properties		100	-	-	-	-
Exploration costs			-	5,908	(5,469)	439
			-	5,908	(5,469)	439
South Minto (1,609 claims)	(m)					
Mining properties		100	-	-	-	-
Exploration costs			-	6,224	(5,742)	482
			-	6,224	(5,742)	482
Central Minto (1,146 claims)	(n)					
Mining properties		100	-	33,150	(33,150)	-
Exploration costs			-	1,637	(1,637)	-
			-	34,787	(34,787)	-
West Minto (952 claims)	(o)					
Mining properties		100	-	-	-	-
Exploration costs			-	8,652	(8,070)	582
			-	8,652	(8,070)	582
South Bienville (1,929 claims)	(p)					
Mining properties		100	-	14,890	(14,890)	-
Exploration costs			-	1,637	(1,637)	-
			-	16,527	(16,527)	-
Hudson Bay (661 claims)	(q)					
Mining properties		100	-	-	-	-
Exploration costs			-	2,195	(2,187)	8
			-	2,195	(2,187)	8
(forward)			-	74,293	(72,782)	1,511

Central Quebec *(continued)*		**Undivided interest** %	**Balance as at August 31, 2007** $	**Costs incurred** $	**Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources** $	**Balance as at August 31, 2008** $
(brought forward)			-	74,293	(72,782)	1,511
West Bienville (288 claims)	(r)					
Mining properties		100	-	-	-	-
Exploration costs			-	10,015	(4,010)	6,005
			-	10,015	(4,010)	6,005
Kativik (1,861 claims)	(v)					
Mining properties		100	126,024	(7,747)	(118,277)	-
Exploration costs			258	72,455	(34,105)	38,608
			126,282	64,708	(152,382)	38,608
Quutsuki (19 claims)						
Mining properties		100	1,862	-	-	1,862
Exploration costs			-	-	-	-
			1,862	-	-	1,862
Total Central Quebec			128,144	149,016	(229,174)	47,986

James Bay		**Undivided interest %**	**Balance as at August 31, 2007 $**	**Costs incurred $**	**Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2008 $**
Opinaca A-A East (497 claims)	(a)					
Mining properties		100	-	-	-	-
Exploration costs			-	6,924	(6,924)	-
			-	6,924	(6,924)	-
Opinaca B-B North (220 claims)	(b)					
Mining properties		100	-	-	-	-
Exploration costs			-	5,452	(5,452)	-
			-	5,452	(5,452)	-
Eleonore South (282 claims)	(c)					
Mining properties		33.33	-	-	-	-
Exploration costs			-	15,667	(15,667)	-
			-	15,667	(15,667)	-
Opinaca D (188 claims)	(d)					
Mining properties		100	-	-	-	-
Exploration costs			-	1,485	(1,485)	-
			-	1,485	(1,485)	-
Eastmain W (167 claims)						
Mining properties		100	-	-	-	-
Exploration costs			661	8,260	(3,535)	5,386
			661	8,260	(3,535)	5,386
(forward)			661	37,788	(33,063)	5,386

James Bay *(continued)*		**Undivided interest %**	**Balance as at August 31, 2007 $**	**Costs incurred $**	**Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2008 $**
(brought forward)			661	37,788	(33,063)	5,386
Wabamisk (755 claims)	(f)					
Mining properties		100	-	-	-	-
Exploration costs			-	8,391	(7,551)	840
			-	8,391	(7,551)	840
Comptoir (796 claims)						
Mining properties		100	59,450	-	-	59,450
Exploration costs			15,024	4,060	(1,872)	17,212
			74,474	4,060	(1,872)	76,662
Gold (2,277 claims)						
Mining properties		100	-	229,490	-	229,490
Exploration costs			-	3,140	(1,404)	1,736
			-	232,630	(1,404)	231,226
Total James Bay			75,135	282,869	(43,890)	314,114

North Shore		**Undivided interest %**	**Balance as at August 31, 2007 $**	**Costs incurred $**	**Mining properties written off, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2008 $**
Manitou *						
Mining properties		100	45,439	-	(45,439)	-
Exploration costs			516	741	(1,257)	-
			45,955	741	(46,696)	-
Mont Merry *						
Mining properties		100	3,000	-	(3,000)	-
Exploration costs			130	39	(169)	-
			3,130	39	(3,169)	-
Grenium (494 claims)						
Mining properties		100	8,480	54,450	(6,496)	56,434
Exploration costs			(243)	12,771	(5,465)	7,063
			8,237	67,221	(11,961)	63,497
North Havre (209 claims)	(t)					
Mining properties		100	-	-	-	-
Exploration costs			-	7,879	(7,879)	-
			-	7,879	(7,879)	-
Nickel (1,896 claims)						
Mining properties		100	167,340	-	-	167,340
Exploration costs			25	-	-	25
			167,365	-	-	167,365
Total North Shore			224,687	75,880	(69,705)	230,862
Total mining properties			459,524	1,572,099	(786,896)	1,244,727

* Properties abandoned in 2008

For the year ended August 31, 2007

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			-	53,461	(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

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

Central Quebec *(continued)*		**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 $**
(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

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)	-
			-	3,269	(3,269)	-
Opinaca B-B North (220 claims)	(b)					
Mining properties		100	-	-	-	-
Exploration costs			-	2,538	(2,538)	-
			-	2,538	(2,538)	-
Opinaca C (166 claims)	(c)					
Mining properties		100	-	-	-	-
Exploration costs			-	9,503	(9,503)	-
			-	9,503	(9,503)	-
Opinaca D (188 claims)	(d)					
Mining properties		100	-	-	-	-
Exploration costs			-	1,935	(1,935)	-
			-	1,935	(1,935)	-
Eastmain West (167 claims)	(e)					
Mining properties		100	-	-	-	-
Exploration costs			-	1,155	(494)	661
			-	1,155	(494)	661
Wabamisk (755 claims)	(f)					
Mining properties		100	-	-	-	-
Exploration costs			-	3,029	(3,029)	-
			-	3,029	(3,029)	-
Comptoir (796 claims)	(g)					
Mining properties		100	57,560	21,890	(20,000)	59,450
Exploration costs			14,988	67	(31)	15,024
			72,548	21,957	(20,031)	74,474
Obamsca *						
Mining properties		100	1,872	-	(1,872)	-
Exploration costs			1,221	67	(1,288)	-
			3,093	67	(3,160)	-
Total James Bay			75,641	43,453	(43,959)	75,135

North Shore		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 $
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
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
Total mining properties			652,296	1,222,001	(1,414,773)	459,524

* Properties abandoned in 2007

Change in mining properties

	Years Ended August 31,	
	2008 **$**	**2007** **$**
Balance – Beginning of year	459,524	652,296
Expenses incurred during the year		
Claims and permits	435,830	1,132,381
Geological surveys	870,477	82,702
Geochemical surveys	28,361	-
Geophysical surveys	229,944	-
Administration and others	7,487	6,918
	1,572,099	1,222,001
Mining properties abandoned or written off	(49,531)	(73,104)
Option payments	(216,837)	(1,306,439)
Credit on duties refundable for loss and refundable tax credit for resources	(520,528)	(35,230)
	(786,896)	(1,414,773)
Balance – End of year	1,244,727	459,524

(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, 2008, Everton had made a cumulative payment of $120,000 ($90,000 in 2007) in cash and had carried out exploration work totalling a cumulative amount of $2,800,000 ($1,476,429 in 2007).

(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, 2008, Everton had made a cumulative payment of $100,000 ($80,000 in 2007) in cash and had carried out exploration work totalling a cumulative amount of $2,000,000 ($1,534,192 in 2007).

(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 earned a 33.33% interest in the Eleonore South property by making a cumulative cash payment of $185,000 to the Company, funding a total of $4.0 million in work expenditures and granting 30,000 common shares.

The Company announced that Les Mines Opinaca Ltée ("Opinaca"), a wholly-owned subsidiary of Goldcorp, had exercised its right to increase its interest by 6.67% to a total of 40% in the Eleonore South joint venture, located in the James Bay region in Quebec. To earn the additional interest, Opinaca must fund a minimum of $500,000 in exploration expenditures, make option payments to the Company and prepare a bankable feasibility study by June 2015. As at August 31, 2008, Opinaca had incurred work expenditures totalling a cumulative amount of $1,104,323.

(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, 2008, Eastmain had made a cumulative payment of $110,000 ($80,000 in 2007) in cash, granted 45,000 common shares and had carried out exploration work totalling a cumulative amount of $976,289 ($487,325 in 2007).

(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 in cash, had carried out exploration work totalling a cumulative amount of $346,000 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, 2008, Goldcorp had made a cumulative payment of $300,000 ($200,000 in 2007) in cash and had carried out exploration work totalling a cumulative amount of $1,158,845 ($811,275 in 2007).

(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 in cash, had carried out exploration work totalling a cumulative amount of $221,813 and decided to terminate the option.

(h) In March 2006, the Company granted NWT Uranium Corp. (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, 2008, NWT had made a cumulative payment of $110,000 ($80,000 in 2007) in cash, granted 150,000 (150,000 in 2007) common shares to the Company and had carried out exploration work totalling a cumulative amount of $2,900,000 ($1,434,857 in 2007).

On July 5, 2008, the Company and NWT concluded an agreement to terminate the option agreements previously granted by the Company to NWT on the North Rae and Daniel Lake properties (note j) located in the Ungava Bay region, Nunavik, Quebec.

The termination of the option agreements is conditional upon the Company making a cash payment within 90 days – which has been extended to December 31, 2008 – to NWT of $4,000,000, which the Company plans to finance by way of an equity financing, and issuing of 1,100,000 common shares of the Company to NWT. The shares to be issued to NWT will be subject to a one-year hold period commencing on the date of issuance. In the event that the Company is unable to satisfy these conditions, the termination agreement will have no further force or effect and the current option agreements will remain valid and enforceable. The share issuance and the termination of the option agreements are conditional on the approval of the TSX Venture Exchange.

(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, 2008, Majescor had made a cumulative payment of $183,000 ($100,000 in 2007) in cash, had issued 1,420,000 common shares (710,000 in 2007) and had carried out exploration work totalling a cumulative amount of $1,876,339 ($428,404 in 2007).

(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, 2008, NWT had made a cumulative payment of $80,000 ($50,000 in 2007) in cash, had issued 200,000 common shares (100,000 in 2007) and had carried out exploration work totalling a cumulative amount of $208,286 ($208,286 in 2007).

On July 5, 2008, the Company and NWT concluded an agreement to terminate the option agreements previously granted by the Company to NWT on the Daniel Lake and North Rae properties (note h) located in the Ungava Bay region, Nunavik, Quebec.

(k) In July 2007, the Company granted Central Uranium Corporation ("Central") (now Abitex Resources Inc.) 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, 2008, Central had made a cumulative payment of $210,000 ($130,000 in 2007) in cash and had carried out exploration work totalling a cumulative amount of $1,068,314 ($201,287 in 2007).

(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, 2008, Rukwa had made a cumulative payment of $180,000 ($100,000 in 2007) in cash, had paid $200,000 cash ($100,000 in 2007) in lieu of $200,000 ($100,000 in 2007) worth of its common shares and had carried out exploration work totalling a cumulative amount of $1,584,599 ($540 in 2007).

(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, 2008, Rukwa had made a cumulative payment of $180,000 ($100,000 in 2007) in cash, had paid $200,000 cash ($100,000 in 2007) in lieu of $200,000 ($100,000 in 2007) worth of its common shares and had carried out exploration work totalling a cumulative amount of $1,187,696 ($540 in 2007).

(n) In May 2007, the Company granted Central Uranium Corporation ("Central") (now Abitex Resources Inc.) 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, 2008, Central had made a cumulative payment of $160,000 ($100,000 in 2007) 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 $995,113 ($135,210 in 2007).

(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, 2008, Majescor had made a cumulative payment of $150,000 ($100,000 in 2007) in cash, had issued 540,000 common shares (270,000 in 2007) and had carried out exploration work totalling a cumulative amount of $652,023 ($234,559 in 2007).

(p) In May 2007, the Company granted Central Uranium Corporation ("Central") (now Abitex Resources Inc.) 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, 2008, Central had made a cumulative payment of $200,000 ($120,000 in 2007) 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 $1,505,813 ($716,147 in 2007).

(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, 2008, Silver had made a cumulative payment of $100,000 ($50,000 in 2007) in cash, had issued 300,000 common shares (200,000 in 2007) and had carried out exploration work totalling a cumulative amount of $623,352 ($111,353 in 2007).

(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, 2008, Channel had made a cumulative payment of $30,000 ($30,000 in 2007) in cash, had issued 300,000 common shares (300,000 in 2007) and had carried out exploration work totalling a cumulative amount of $92,686.

(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 on the three selected targets and decided to terminate the option.

Also in March 2006, the Company granted 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 on the four selected targets and decided to terminate the option.

(t) In June 2007, the Company granted D'Arianne Resources Inc. ("Arianne") the option to acquire a 50% interest in the North Havre property for an issuance of 850,000 common shares of Arianne and $0.7 million in work expenditures. Arianne may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2008, Arianne had issued 600,000 common shares (350,000 in 2007), had carried out exploration work totalling $313,637 ($254,378 in 2007) and decided to terminate the option in December 2008.

(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 and decided to terminate the option.

(v) In November 2007, the Company granted Kativik Resources Inc. ("Kativik") the option to acquire a 50% interest in the Kativik property for a 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. As at August 31, 2008, Kativik had made a cumulative payment of $120,000 in cash and had carried out exploration work totalling a cumulative amount of $890,000.

7 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 as follows: (i) 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.

The following tables present the stock option activity since September 1, 2006 and summarize information about fixed stock options outstanding and exercisable as at August 31:

	2008		2007	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of year	1,595,000	2.19	1,227,000	0.99
Granted	360,000	3.03	600,000	4.08
Exercised	(50,000)	0.24	(232,000)	0.72
Cancelled	-	-	-	-
Outstanding – End of year	1,905,000	2.40	1,595,000	2.19
Exercisable – End of year	1,437,500	2.07	1,145,000	1.45

Exercise prices $	**Options outstanding**	**Options exercisable**	**Weighted average remaining contractual life (years)**
0.30	290,000	290,000	0.53
0.64	30,000	30,000	1.81
0.86	105,000	105,000	2.04
1.50	50,000	50,000	2.48
1.55	300,000	300,000	2.50
1.75	150,000	150,000	2.53
1.80	20,000	20,000	2.64
3.03	360,000	90,000	4.61
3.85	300,000	150,000	3.52
4.30	300,000	252,500	3.51
	1,905,000	1,437,500	2.88

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:

Number of options granted	360,000
Risk-free interest rate	3.50%
Expected volatility	68.53%
Dividend yield	Nil
Weighted average expected life	5 years
Weighted average fair value of options granted	$1.80

The fair value of stock options granted during the year amounts to $648,000. An amount of $162,000, representing the fair value of options granted and exercisable, has been included in the statements of earnings and comprehensive loss under item "Stock options" as well as in "Shareholders' Equity" under item "Stock options". The balance of $486,000 will be included in the statements of earnings and comprehensive loss for respective amounts of $319,500 in 2009, $117,000 in 2010 and $49,500 in 2011 under item " Stock options", and in Shareholders' Equity under item "Stock options".

The fair value of stock options granted during the preceding year amounts to $1,634,700. An amount of $636,525 ($447,735 in 2007), representing the fair value of options granted, has been included in the statements of earnings and comprehensive loss under item "Stock options" as well as in Shareholders' Equity under item "Stock options". The balance will be included in the statements of earnings and comprehensive loss for respective amounts of $265,940 in 2009 and $284,500 in 2010 under item "Stock options" and in Shareholders' Equity under 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.

8 Related party transactions

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

	2008 $	2007 $
Reimbursement of expenses	4,933	13,027

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.

9 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, which timeframe was extended by an additional six-month period, as agreed by the Company on September 25, 2008, 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.

10 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,	
	2008 **$**	**2007** **$**
Loss for the year	(525,162)	(134,873)
Combined federal and provincial income tax at 31.65% (31.57% as at August 31, 2007)	(166,000)	(42,600)
Loss related to resources taxable for income tax purposes	-	9,000
Non-deductible expenses for income tax purposes	255,600	141,200
Expiry of operating losses carried forward	-	56,500
Share issue expenses not affecting earnings	-	(23,700)
Change in valuation allowance	(13,000)	(132,000)
Change in future tax rates	44,200	4,000
Non-taxable gain on sale of long-term investments	(1,600)	-
Increase in value of long-term investments not affecting earnings	(106,000)	-
Other	(13,200)	(12,400)
Future income taxes	-	-

As at August 31, 2008, 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	124,000	93,000
	390,000	319,000

- The Company has accumulated capital losses of approximately $13,000 ($17,000 in 2007).

- The tax value of mining properties exceeds the carrying value by approximately $261,000 at the federal level ($286,000 in 2007) and $335,000 at the provincial level ($359,000 in 2007). 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 $331,000 ($29,000 in 2007) and $326,000 ($24,000 in 2007), respectively.

- The tax value of long-term investments exceeds the carrying value by approximately $695,000 ($27,000 in 2007). 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 $48,000 ($71,000 in 2007) and will be deductible during the next four years.

11 Loss per share

For the years ended August 31, 2008 and 2007, the diluted loss per share was the same as the basic loss per share since the dilutive effect of stock options was not included in the calculation; otherwise the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those years was calculated using the basic weighted average number of shares outstanding (16,798,804 in 2008 and 16,526,496 in 2007).

	Years Ended August 31,	
	2008	**2007**
Loss used in the basic and diluted loss per share calculation	(525,162)	(134,873)
Basic weighted average number of shares outstanding	16,798,804	16,526,496
Stock options	700,487	1,381,656
Diluted weighted average number of shares outstanding	17,499,291	17,908,152
Items excluded from the calculation of the diluted loss per share because the exercise price was greater than the average market price of the common shares		
Stock options	86,713	-

12 Commitments

The Company's minimum aggregate commitments under a four-year lease agreement amount to $150,051 Minimum lease payments under this agreement are as follows:

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

13 Subsequent events

Private placements

On November 21, 2008, the Company completed the first portion of a non-brokered private placement financing totalling $1,900,000 with Quebec-based institutions and certain of the Company's board members. The remaining $140,000 financing has been completed as at December 10, 2008. The proceeds will be used for general purposes, technical work and business development.

The $940,000 convertible debentures will expire in 36 months and bear interest at a rate of 12% per year, payable in cash or shares every six months, subject to the TSX Venture Exchange approval. During the first 2 years, the debentures are convertible into units at a price of $0.54. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at $0.65. At the third year, the debentures are convertible into units at a price of $0.60; each unit consists of one common share and one-half of a share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.75.

The $500,000 debenture is to be reimbursed over a 5 year-period in payments of $100,000 per year. It bears interest at a rate of 12% per year payable in cash.

The $500,000 secured convertible loan is to be reimbursed in two equal payments in 2009 and 2010 and bears interest at a rate of 12% per year, payable in cash or shares every six months subject to the TSX Venture Exchange approval. This loan is convertible into units at a price of $0.54 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of $0.65 for a 24-month period following the conversion date or until the term of the loan. The loan is secured by a hypothec on the Company's movable property, including tax credits to be received.

The $100,000 private placement equity investment consists of 250,000 of the Company's common shares at a price of $0.40 per share. The issued shares are subject to a four-month hold period. This placement gives the right to purchase 125,000 additional Company common shares at a price of $0.65 per share for a 24-month period.

Short form prospectus and deferred charges

On November 21, 2008, the Company has decided not to proceed with its financing by way of a short form prospectus, which was announced on August 25, 2008.

Deferred charges consist of expenses of $92,063 incurred in connection with the preparation of the short form prospectus. These deferred charges were capitalized during the year and will be written off accordingly during the first quarter of 2009.

14 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 available-for-sale long-term investments is established using the bid price on the most beneficial active market for this instrument that is readily available to the Company. When a bid price is not available, the Company uses the closing price of the most recent transaction on such instrument.

Credit risk

Cash and cash equivalents are deposited in bank accounts with Canadian chartered banks or invested in a diversified manner in securities having an investment-grade rating.

The credit risk associated with receivables from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from option payments and exploration work carried out on properties under option and operated by the Company.

Interest rate risk

As at August 31, 2008 and 2007, the Company's exposure to interest rate risk is summarized as follows:

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

15 Comparative figures

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