Azimut Exploration Inc.

Financial Statements
August 31, 2013 and 2012

December 17, 2013

Independent Auditor's Report

To the Shareholders of
Azimut Exploration Inc.

We have audited the accompanying financial statements of Azimut Exploration Inc., which comprise the statements of financial position as at August 31, 2013 and 2012 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2800, Montréal, Quebec, Canada H3B 2G4
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Azimut Exploration Inc. as at August 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

[1] CPA auditor, CA, permit No. A122718

Azimut Exploration Inc.

Statements of Financial Position
(in Canadian dollars)

	As at August 31, 2013 $	As at August 31, 2012 $
Assets		
Current assets		
Cash and cash equivalents (note 5)	2,222,226	1,402,610
Amounts receivable (note 6)	634,263	2,670,013
Prepaid expenses	28,505	26,046
	2,884,994	4,098,669
Non-currents assets		
Mining rights receivable	138,381	205,685
Investments (note 7)	52,320	207,224
Property and equipment (note 8)	270,201	311,917
Intangible (less accumulated amortization of $16,969; $13,997 in 2012)	6,938	9,910
Exploration and evaluation assets (note 9)	6,814,761	8,439,383
	7,282,601	9,174,119
Total assets	10,167,595	13,272,788
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued liabilities	225,301	380,807
Current portion of debenture payable (note 10)	95,400	100,000
	320,701	480,807
Non-current liabilities		
Debenture payable (note 10)	-	77,000
Asset retirement obligations (note 11)	244,676	241,278
	244,676	318,278
Total liabilities	565,377	799,085
Equity		
Share capital (note 12)	20,456,111	20,456,111
Warrants (note 13)	-	426,308
Stock options (note 14)	1,071,581	1,436,434
Contributed surplus	3,062,728	2,159,387
Deficit	(14,987,817)	(11,990,713)
Accumulated other comprehensive loss	(385)	(13,824)
Total equity	9,602,218	12,473,703
Total liabilities and equity	10,167,595	13,272,788

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.

Statements of comprehensive loss
For the years ended August 31, 2013 and 2012
(in Canadian dollars)

	2013 $	2012 $
Expenses		
General and administrative (note 15)	645,483	853,367
General exploration (note 15)	56,554	17,528
Impairment of exploration and evaluation assets (note 9)	2,215,008	390,324
Operating loss	2,917,045	1,261,219
Financing cost, net		
Interest income	(32,080)	(28,918)
Interest expense on debentures	75,755	63,034
Interest and bank charges	2,577	1,751
Unwinding of discount on asset retirement obligations	3,398	3,308
	49,650	39,175
Other gains and losses		
Gain on option payments received on exploration and evaluation assets	(57,956)	(28,076)
Gain on termination of option on exploration and evaluation assets	-	(110,908)
Management fees (note 15)	(6,647)	(28,148)
Gain on sale of available-for-sale investments	(7,817)	-
Other gains (note 16)	(49,014)	-
Impairment on available-for-sale investments	151,843	172,750
	30,409	5,618
Loss before income taxes	2,997,104	1,306,012
Recovery of deferred income tax (note 18)	-	-
Loss for the year	2,997,104	1,306,012
Other comprehensive income (loss)		
Unrealized loss on available-for-sale investments	(64,259)	(179,181)
Reclassification of impairment on available-for-sale investments to loss for the year	77,698	172,750
	13,439	(6,431)
Comprehensive loss for the year	2,983,665	1,312,443
Basic and diluted loss per share (note 19)	0.08	0.04
Basic and diluted weighted average number of shares outstanding	36,470,328	36,097,963

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

Azimut Exploration Inc.

Statements of Changes in Equity
For the years ended August 31, 2013 and 2012
(in Canadian dollars)

	Share capital		Warrants		Stock options		Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total
	Number (1)	**$**	**Number**	**$**	**Number**	**$**	**$**	**$**	**$**	**$**	**$**
Balance as at September 1, 2012	36,470,328	20,456,111	2,666,664	426,308	2,220,000	1,436,434	-	2,159,387	(11,990,713)	(13,824)	12,473,703
Loss for the year	-	-	-	-	-	-	-	-	(2,997,104)	-	(2,997,104)
Other comprehensive income (loss)											
Unrealized loss on available-for-sale investments	-	-	-	-	-	-	-	-	-	(64,259)	(64,259)
Reclassification of impairment on available-for-sale investments to loss for the year										77,698	77,698
Comprehensive income (loss)	-	-	-	-	-	-	-	-	(2,997,104)	13,439	(2,983,665)
Warrants expired (note 13)	-	-	(2,666,664)	(426,308)	-	-	-	426,308	-	-	-
Stock options granted (note 14)	-	-	-	-	710,000	-	-	-	-	-	-
Stock options forfeited (note 14)	-	-	-	-	(370,000)	(477,033)	-	477,033	-	-	-
Stock-based compensation costs (note 14)	-	-	-	-	-	112,180	-	-	-	-	112,180
Balance as at August 31, 2013	36,470,328	20,456,111	-	-	2,560,000	1,071,581	-	3,062,728	(14,987,817)	(385)	9,602,218
Balance as at September 1, 2011	34,438,351	18,837,579	4,573,217	735,046	2,205,000	2,198,030	47,889	1,087,042	(10,595,287)	(7,393)	12,302,906
Loss for the year	-	-	-	-	-	-	-	-	(1,306,012)	-	(1,306,012)
Other comprehensive income (loss)											
Unrealized loss on available-for-sale investments	-	-	-	-	-	-	-	-		(179,181)	(179,181)
Reclassification of impairment on available-for-sale investments to loss for the year	-	-	-	-	-	-	-	-	-	172,750	172,750
Comprehensive loss	-	-	-	-	-	-	-	-	(1,306,012)	(6,431)	(1,312,443)
Issuance of units for payment of interest on convertible debentures (note 12)	12,542	13,129	6,271	1,073	-	-	-	-	-	-	14,202
Conversion of debenture (note 13)	500,000	301,257	250,000	42,750	-	-	(47,889)	-	-	-	296,118
Warrants exercised (note 12)	1,439,435	1,208,488	(1,439,435)	(246,580)	-	-	-	-	-	-	961,908
Warrants expired (note 13)	-	-	(723,389)	(195,395)	-	-	-	195,395	-	-	-
Warrants extended (note 13)	-	-	-	89,414	-	-	-	-	(89,414)	-	-
Stock options exercised (note 14)	80,000	101,280	-	-	(80,000)	(48,480)	-	-	-	-	52,800
Stock options granted (note 14)	-	-	-	-	495,000	-	-	-	-	-	-
Stock options expired (note 14)	-	-	-	-	(400,000)	(876,950)	-	876,950	-	-	-
Stock-based compensation costs (note 14)	-	-	-	-	-	163,834	-	-	-	-	163,834
Share issue expenses	-	(5,622)	-	-	-	-	-	-	-	-	(5,622)
Balance as at August 31, 2012	36,470,328	20,456,111	2,666,664	426,308	2,220,000	1,436,434	-	2,159,387	(11,990,713)	(13,824)	12,473,703

(1) There were no common shares that were unpaid as of August 31, 2013 (Nil in 2012).

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

Azimut Exploration Inc.

Statements of Cash Flows
For the years ended August 31, 2013 and 2012
(in Canadian dollars)

	2013 $	2012 $
Cash flows used in operating activities		
Loss for the year	(2,997,104)	(1,306,012)
Items not affecting cash		
Depreciation of property and equipment	8,832	12,190
Amortization of intangible assets	2,972	4,247
Gain on sale of investments	(7,817)	-
Impairment on available-for-sale investment	151,843	172,750
Impairment of exploration and evaluation assets (note 9)	2,215,008	390,324
Allowance for doubtful accounts	-	40,282
Gain on option payments received on exploration and evaluation assets	(57,956)	(28,076)
Gain on termination of option on exploration and evaluation assets	-	(100,000)
Credits on duties refundable for loss and refundable tax credits relating to resources – net (note 6)	66,499	(13,127)
Accretion expense on debentures payable and convertible debentures	18,400	18,400
Stock-based compensation cost	112,180	163,834
Shares issued for interest payment on debentures	-	14,203
Unwinding of discount on asset retirement obligations	3,398	3,308
Recovery of deferred income taxes	-	-
	(483,745)	(627,677)
Net change in non-cash working capital items		
Amounts receivable	344,040	217,955
Prepaid expenses	(2,459)	5,399
Accounts payable and accrued liabilities	(149,245)	(593,324)
	192,336	(369,970)
	(291,409)	(997,647)
Cash flows from financing activities		
Payment on debenture payable	(100,000)	(100,000)
Issuance of share capital, net of share issue expenses	-	1,009,085
	(100,000)	909,085
Cash flows used in investing activities		
Proceeds from sale of investments	24,317	-
Proceeds from sale of camp materials (note 9f and g)	74,450	-
Additions to exploration and evaluation assets	(703,451)	(2,393,659)
Proceeds from sale of options on exploration and evaluation assets	60,000	50,000
Tax credit and mining rights received	1,755,709	-
	1,211,025	(2,343,659)
Net change in cash and cash equivalents	819,616	(2,432,221)
Cash and cash equivalents – Beginning of year	1,402,610	3,834,831
Cash and cash equivalents – End of year	2,222,226	1,402,610
Interest received	(32,080)	(28,920)
Interest paid	57,351	40,591

Additional cash flow information (note 22)

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

1 Nature of operations, general information and liquidity

Azimut Exploration Inc. (the "Company"), incorporated in Canada under the Québec Corporations Act, is in the business of acquiring and exploring mining properties. The Company's registered office is located at 110 De La Barre Street, Suite 214, Longueuil, Quebec, Canada. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The Company's shares are listed on the TSX Venture Exchange under the symbol AZM.

Until it is determined that a property contains mineral reserves or resources that can be economically mined, it is classified as an exploration property. It has not yet been determined whether the Company's properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and evaluation of its properties, and the profitable sale of the exploration and evaluation assets.

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 and evaluation of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and may not comply with regulatory requirements.

To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

As at August 31, 2013, the Company has working capital of $2,564,293 (2012: $3,617,862) including cash and cash equivalents of $2,222,226 (2012: $1,402,610) and accumulated deficit of $14,987,817 (2012: $11,990,713), and had incurred a loss of $2,997,104 (2012: $1,306,012) for the year then ended.

Management of the Company believes it has sufficient funds to pay its ongoing general and administrative expenses, to pursue its budgeted exploration and evaluation expenditures, and to meet its liabilities, obligations and existing commitments for the ensuing twelve (12) months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but not limited to twelve (12) months from the end of the reporting period. To continue its exploration and evaluation program on its properties and its operation beyond August 31, 2014, the Company will periodically have to raise additional funds through the issuance of new equity instruments, the exercise of stock options, and the search of partners to sign option agreements on certain of its exploration properties. 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 or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

2 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are described below.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures. The accounting policies applied in these financial statements are based on IFRS effective for the year ended August 31, 2013, as issued and outstanding as of December 17, 2013, the date when the Board of Directors approved the statements.

Basis of measurement

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value.

Presentation and functional currency

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

Jointly controlled assets and exploration activities

A jointly controlled asset involves joint control and offers joint ownership by the Company and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Company’s activities are conducted through jointly controlled assets and exploration activities, the financial statements include the Company’s share in the assets and the liabilities as well as in the income and the expenses from the joint operations.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and highly liquid short-term investments with original maturities of three (3) months or less from the date of purchase and which are readily convertible to known amounts of cash.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2 Summary of significant accounting policies (continued)

Financial instruments (cont'd)

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

a) **Available-for-sale investments:** Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve (12) months, or management expects to dispose of them within twelve (12) months. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of comprehensive loss as part of interest income. Dividends on available for sale equity instruments are recognized in the statement of comprehensive loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive loss to the statement of comprehensive loss and are included in other gains and losses. The company's investments are classified within this category.

(b) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. The company's cash and cash equivalents and amounts receivable are classified within this category.

(c) **Financial liabilities at amortized cost:** Financial liabilities at amortized cost include accounts payable and accrued liabilities and debenture payable. Accounts payables and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. Accounts payable and accrued liabilities, are measured at amortized cost using the effective interest method. Debenture payable is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve (12) months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

a) **Financial assets carried at amortized cost:** The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

2 Summary of significant accounting policies (continued)

Impairment of financial assets (cont'd)

b) **Available-for-sale investments:** The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive loss that is reclassified to loss.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive loss during the period in which they are incurred.

Property and equipment are depreciated once available for use using the declining balance method at the rates indicated below, except for the camp and the camp under a finance lease which are amortized using the straight-line method over a forty-eight-month (48-month) period and an eighteen-month (18-month) period respectively. Depreciation of the camp and the camp under a finance lease is capitalized to exploration and evaluation assets.

	Rate
Office furniture	20%
Office equipment	20%
Computer equipment	30%
Specialist equipment	30%
Vehicle	30%

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss.

Identifiable intangible assets

The Company's intangible assets include computer software with finite useful lives. These assets are capitalized and amortized at a 30% declining balance basis.

Exploration and evaluation assets

Exploration and evaluation ("E&E") assets comprise deferred exploration and evaluation expenses and exploration properties. Expenditures incurred on activities prior to the exploration and evaluation of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed as incurred and presented under *General exploration* in the statement of comprehensive loss.

2 Summary of significant accounting policies (continued)

Exploration and evaluation assets (cont'd)

E&E assets includes rights in exploration properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits. Exploration rights are recorded at acquisition cost. Exploration rights and options to acquire undivided interests in exploration rights are depreciated only as these properties are put into commercial production. These costs are impaired when properties are abandoned or when cost recovery or access to resources is uncertain.

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as additions to exploration and evaluation assets when the payments are made or as option payments in reduction of exploration and evaluation assets when payments are received.

Proceeds on the sale of exploration properties are applied by property in reduction of the exploration properties, then in reduction of the exploration costs and any residual is recorded in the statement of comprehensive loss unless there is contractual work required in which case the residual gain is deferred and will be reduced once the contractual disbursements are done. Funds received from partners on certain properties where the Company is the operator, in order to perform exploration work as per agreements, are accounted for in the statement of financial position as advances received for exploration work. These amounts are reduced gradually once the exploration work is performed. The project management fees received when the Company is the operator are recorded in the statement of comprehensive loss.

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore-like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures include the cost of:

- establishing the volume and grade of deposits through core drilling, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

When a project moves into the development phase, E&E expenditures are capitalized to development costs in property and equipment and are tested for impairment.

E&E expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the statements of cash flows.

2 Summary of significant accounting policies (continued)

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses are charged to the statement of comprehensive loss as incurred.

Leases of equipment or base camps for which the Company has substantially all the risks and rewards of ownership are classified as finance leases and are capitalized at the lease's commencement.

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease as the fair value of the leased asset or, if lower, the present value of the lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance charges are expensed as part of interest on obligation under finance lease.

Borrowing costs

Borrowing costs attributable to the acquisition of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statements of comprehensive loss in the period in which they are incurred.

Impairment of non-financial assets

Property and equipment and exploration and evaluation assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Exploration and evaluation assets are reviewed by area of interest. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the statement of comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

2 Summary of significant accounting policies (continued)

Government assistance

The Company is entitled to a refundable tax credit on qualified mining exploration expenses incurred in the province of Quebec and mining duty credits which are recorded against the deferred exploration expenditures or recognized in the statement of comprehensive loss when the related general mining exploration expenses have been recognized in the statement of comprehensive loss.

Provisions and asset retirement obligations

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation, and when the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provisions for asset retirement obligations are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The increase in the provision due to passage of time is recognized in the statement of comprehensive loss. Changes in assumptions or estimates are reflected in the period in which they occur. The Company also records a corresponding asset amount which is amortized in a logical and systematic manner.

Share-based payment transactions

The fair value of share options granted to employees are recognized as an expense, or capitalized to exploration and evaluation assets over the vesting period with a corresponding increase in stock options. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Warrants issued to brokers, in respect of an equity financing, are recognized as share issue expenses reducing the share capital with a corresponding credit to warrants.

Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro-rata basis of their value within the unit using the Black-Scholes pricing model to determine the fair value of warrants issued.

2 Summary of significant accounting policies (continued)

Flow-through shares

The Company finances some exploration and evaluation expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense at the moment the eligible expenditures are incurred. The difference between the quoted price of the common shares and the amount the investors paid for the shares (the "premium"), measured in accordance with the residual value method, is recognized as other liability which is reversed into the statement of comprehensive loss as a deferred tax recovery when eligible expenditures have been made.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.

Mining taxes represent Canadian provincial taxes levied on mining operations and are classified as income taxes since such taxes are based on a percentage of mining profits.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, providing for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. A temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss and the weighted average number of common shares outstanding for the effects of all warrants, brokers' units and stock options that may add to the total number of common shares in the case where they would not have an anti-dilutive impact.

2 Summary of significant accounting policies (continued)

Segment disclosures

The Company currently operates in a single segment: the acquisition, exploration and evaluation of exploration properties. All of the Company's activities are conducted in Quebec, Canada.

3 New accounting standards not yet adopted

The IASB issued or amended the following standards which are relevant but have not yet been adopted by the Corporation: IFRS 9, *Financial Instruments*; IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests in Other Entities*; IFRS 13, *Fair Value Measurement*; amended IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*. Each of the new standards or amendments is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for IFRS 9, *Financial Instruments*. In November 2013, the IASB decided to temporarily defer the mandatory effective date of IFRS 9, *Financial Instruments,* early adoption is still permitted. The Company is monitoring the progress of the IASB's work. Also, there were amendments to IAS 1, *Presentation of Financial Statements* effective for annual periods beginning on or after July 1, 2012.

The following is a brief summary of the new standards.

- IFRS 9 – Financial Instruments – Classification and Measurement

  IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, "Financial Instruments: Recognition and Measurement", for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

  Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

  IFRS 9 effective date of adoption is temporarily deferred, however, early adoption is permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

- IFRS 10 replaces all of the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control focusing on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The renamed IAS 27 continues to be a standard dealing solely with separate financial statements and its guidance is unchanged.

3 New accounting standards not yet adopted (continued)

- IFRS 11 has changed the definitions of joint arrangements reducing the types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today.

- IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

These standards are required to be applied for accounting periods beginning on or after January 1, 2013. The Company is evaluating the impact of the adoption of these standards on its financial statements.

Amendment to others standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements ("IAS 27R"), and IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). IAS 27R addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. We have assessed that the impact of these amendments on our financial statements is not significant.

Moreover, amendments to IAS 1, *Presentation of Financial Statements* have been made to require entities to group items within other comprehensive income that may be reclassified to net income. We have assessed that the impact of these amendments on our financial statements is not significant.

4 Critical accounting estimates, judgments and assumptions

Many of the amounts included in the financial statements require management to make judgments and/or estimates and assumptions. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the financial statements.

4 Critical accounting estimates, judgments and assumptions (continued)

Areas of significant estimates and assumptions affecting the amounts recognized in the financial statements include the following:

a) **Valuation of credit on duties refundable for loss and the refundable tax credit for resources**

Refundable credit on mining duties and refundable tax credit related to resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including credit on mining duties and tax credit related to resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's credit on mining duties and tax credit related to resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until notice of assessments and payments have been received from the relevant taxation authority. Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credit on mining duties and tax credit related to resources, exploration and evaluation assets and expenses, and income tax expense in future periods. The amounts recognized in the financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

b) **Asset retirement obligations**

Asset retirement obligations arise from the development, construction and normal operation of mining property and equipment as mining activities are subject to laws and regulations governing the protection of the environment. Such costs arising from the decommissioning of site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company also records a corresponding asset amount which is amortized over the remaining service life of the asset.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Changes in estimates are reflected in the period during which an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each site. The Company also estimates the timing of the cash outflow, which is subject to change and is currently estimated to be 2015, and represents a significant accounting estimate by the Company. Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to activities for reclamation and remediation.

4 Critical accounting estimates, judgments and assumptions (continued)

Areas of significant judgment affecting the amounts recognized in the financial statements include the following:

a) **Going Concern**

The assessment of the Company's ability to execute its strategy by funding future working capital and exploration and evaluation activities involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas of significant judgments in assessing whether the going concern assumption is appropriate relate to the expected timing of collecting the tax credits receivable from the Quebec government as well as to the expected level of exploration and evaluation activities in the future, which is at least, but not limited to twelve (12) months from the end of the reporting period and estimated at $440,200 for the year ending August 31, 2014.

b) **Impairment of non-financial assets**

The Company's recoverable amounts measurement with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The estimated recoverable amounts may differ from actual recoverable amounts and these differences may be significant and could have a material impact on the Company's financial position and result of operations. Assets are reviewed for an indication of impairment at each statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices.

Based on an impairment analysis performed in 2013, the copper-gold-silver-cobalt-rare earth properties were impaired by $1,130,376 ($142,570 in 2012), the uranium properties by $1,083,730 ($247,754 in 2012) and the chromium-platinum palladium property by $902 (Nil in 2012), representing a total impairment of $2,215,008 ($390,324) given that no exploration and evaluation expenses are budgeted and that some claims were abandoned or are not expected to be renewed (note 9). Despite the current price of uranium of $36/lbs, the uncertainty surrounding the uranium industry in Quebec and the decrease of planned exploration and evaluation expenditure for the year ending August 31, 2014, management believes the fundamental outlook for uranium remains good for the near future and therefore, based on those judgments, no additional impairment charge is required for the remaining Uranium properties for which the net book amount as at August 31, 2013 is $705,962. The estimation of the impairment charge requires judgment from the management.

c) **Recognition of deferred income tax assets and the measurement of income tax expense**

Periodically, the Company evaluates the likelihood of whether some portion of the deferred tax assets will not be realized. Once the evaluation is completed, if we believe that it is probable that some portion of the deferred tax assets will fail to be realized, the Company records only the remaining portion for which it is probable that there will be available future taxable profit against which the temporary differences can be applied. Assessing the recoverability of deferred income tax assets requires management to make significant judgment. If future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted.

(in Canadian dollars)

4 Critical accounting estimates, judgments and assumptions (continued)

d) Impairment of available-for-sale investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, whether there is a significant or prolonged decline in the fair value of the investment which are considered as evidences of impairment. Significant or prolonged decline is defined respectively as a decrease of at least 50% of its fair value and a decline under its cost for over two (2) consecutive fiscal periods. Financial health of short-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow are considered as well by the Company in its evaluation.

5 Cash and cash equivalents

As at August 31, 2013, cash and cash equivalents of $2,222,226 ($1,402,610 in 2012) include $169,361 ($142,449 as of August 31, 2012) of guaranteed investment certificates bearing interest at 0.1% (0.1% - 2012), cashable any time without any penalties.

6 Amounts receivable

	2013 **$**	**2012** **$**
Tax credit receivable (1)	587,712	2,279,421
Commodity taxes	18,156	91,200
Trade accounts receivable	28,395	299,392
	634,263	2,670,013

(1) The Tax authority disallowed tax credits amounting to $131,763 claimed for certain expenditures renounced to Quebec non-residents. A bad debt amount of $131,763 has been recorded for the refundable tax credits relating to resources for 2011, thus reducing current tax credits, of which an amount of $120,968 has been included in exploration and evaluation assets and of which an amount of $10,795 has been recorded in general exploration. There is no amounts receivable past due for which an allowance for doubtful account was not recorded.

(in Canadian dollars)

7 Investments

	As at August 31, 2013			As at August 31, 2012		
	Market price / share $	Adjusted Cost $	Carrying value $	Market price / share $	Adjusted Cost $	Carrying value $
Eastmain Resources Inc. 20,000 shares (20,000 shares in 2012)	0.395	7,900	7,900	0.890	8,600	17,800
NWT Uranium Corp. 350,000 shares (350,000 shares in 2012)	0.011	3,850	4,063	0.080	28,000	28,000
Majescor Resources Inc. 196,000 shares (196,000 shares in 2012)	0.010	1,960	1,960	0.145	28,480	28,420
Silver Spruce Resources Inc. 300,000 shares (300,000 shares in 2012)	0.010	3,000	3,000	0.035	10,500	10,500
Channel Resources Inc. 150,000 shares (150,000 shares in 2012)	0.035	5,250	5,250	0.090	13,500	13,500
ABE Resources Inc.* 50,000 shares (700,000 shares in 2012)	0.040	2,000	2,000	0.020	14,000	14,000
Nemaska Exploration Inc. 209,272 shares (209,272 shares in 2012)	0.130	27,205	27,205	0.390	104,143	81,615
Dynasty Gold Corp. Nil (625,000 shares in 2012)	-	-	-	0.020	12,500	12,500
Monarques Resources Inc. 10,469 shares (10,469 shares in 2012)	0.090	942	942	0.085	1,325	889
		52,107	52,320		221,048	207,224

* Previously "Abitex Resources Inc." and its securities were consolidated on the basis of one (1) new security for ten (10) existing securities.

Unrealized gains and losses on available-for-sale securities resulted from fluctuations in market prices and as at August 31, 2013, the unrealized losses recognized in accumulated other comprehensive income (loss) is $385 ($13,824 in 2012).

The investments are mainly held in common shares of Canadian publicly traded companies. The fair values of the investments in common shares are based on the quoted market prices of those shares on a recognized stock exchange at the end of each reporting period.

(in Canadian dollars)

8 Property and equipment

	Office furniture $	Office equipment $	Computer equipment $	Specialist equipment $	Camp $	Camp under finance lease $	Vehicles $	Total $
Year ended August 31, 2012								
Opening net book amount	6,804	8,198	16,152	14,475	-	46,926	-	92,555
Additions	-	-	-	-	337,970	-	-	337,970
Depreciation for the year	(1,362)	(1,640)	(4,846)	(4,342)	(59,492)	(46,926)	-	(118,608)
Closing net book amount	5,442	6,558	11,306	10,133	278,478	-	-	311,917
As at August 31, 2012								
Cost	20,542	20,081	36,597	56,250	337,970	281,560	-	753,000
Accumulated depreciation	(15,100)	(13,523)	(25,291)	(46,117)	(59,492)	(281,560)	-	(441,083)
Net book amount	5,442	6,558	11,306	10,133	278,478	-	-	311,917
Asset not subject to depreciation included in above * (note 9f)	-	-	-	-	100,000	-	-	100,000
Year ended August 31, 2013								
Opening net book amount	5,442	6,558	11,306	10,133	278,478	-	-	311,917
Additions	-	-	-	-	-	-	3,702	3,702
Transfer from exploration and evaluation assets	-	-	-	-	-	35,194	-	35,194
Depreciation for the year	(1,088)	(1,312)	(3,392)	(3,040)	(59,492)	(11,732)	(556)	(80,612)
Closing net book amount	4,354	5,246	7,914	7,093	218,986	23,462	3,146	270,201
As at August 31, 2013								
Cost	20,542	20,081	36,597	56,250	337,970	316,754	3,702	791,896
Accumulated depreciation	(16,188)	(14,835)	(28,683)	(49,157)	(118,984)	(293,292)	(556)	(521,695)
Net book amount	4,354	5,246	7,914	7,093	218,986	23,462	3,146	270,201
Asset not subject to depreciation included in above * (note 9f)	-	-	-	-	100,000	-	-	100,000

* Assets not subject to depreciation include a field camp not yet built.

(in Canadian dollars)

9 Exploration and evaluation assets

All mining properties are located in the Province of Quebec.

Change in exploration and evaluation assets

Exploration properties Nunavik		Undivided interest	Cost as at August 31, 2012	Additions	Option payments	Proceed received	Tax credit	Cost as at August 31, 2013	Accumulated impairment as at August 31, 2012	Impairment	Accumulated impairment as at August 31, 2013	Net book amount as at August 31, 2013
		%	$	$	$	$	$	$	$	$	$	$
Rex		100										
Mining properties			945,724	14,134	-	-	-	959,858	(55,272)	(607,949)	(663,221)	296,637
Exploration costs (1)			3,760,580	181,313	-	-	5,204	3,947,097	-	-	-	3,947,097
			4,706,304	195,447	-	-	5,204	4,906,955	(55,272)	(607,949)	(663,221)	4,243,734
Rex South	(f)	100										
Mining properties			11,319	37,014	-	(18,900)	-	29,433	-	-	-	29,433
Exploration costs			136,183	156,780	-	-	(57,824)	235,139	-	-	-	235,139
			147,502	193,794	-	(18,900)	(57,824)	264,572	-	-	-	264,572
NCG		100										
Mining properties			616,815	113,696	-	-	-	730,511	(12,864)	(463,670)	(476,534)	253,977
Exploration costs (1)			891,585	46,608	-	-	18,081	956,274	-	-	-	956,274
			1,508,400	160,304	-	-	18,081	1,686,785	(12,864)	(463,670)	(476,534)	1,210,251
Diana		100										
Mining properties			52,211	8,624	-	-	-	60,835	-	(25,425)	(25,425)	35,410
Exploration costs (1)			17,085	10,970	-	-	(4,163)	23,892	-	-	-	23,892
			69,296	19,594	-	-	(4,163)	84,727	-	(25,425)	(25,425)	59,302
Nantais		100										
Mining properties			31,036	13,790	-	-	-	44,826	(7,252)	(33,332)	(40,584)	4,242
Exploration costs (1)			40,910	19,067	-	-	(8,305)	51,672	-	-	-	51,672
			71,946	32,857	-	-	(8,305)	96,498	(7,252)	(33,332)	(40,584)	55,914
Others, copper-gold-silver-cobalt-REE		100										
Mining properties			-	50,132	-	-	-	50,132	-	-	-	50,132
Exploration costs			-	1,850	-	-	(808)	1,042	-	-	-	1,042
			-	51,982	-	-	(808)	51,174	-	-	-	51,174
Total copper-gold-silver-cobalt-rare earth properties			6,503,448	653,978	-	(18,900)	(47,815)	7,090,711	(75,388)	(1,130,376)	(1,205,764)	5,884,947

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties **Nunavik** (cont'd)		**Undivided interest**	**Cost as at August 31, 2012**	**Additions**	**Option payments**	**Proceed received**	**Tax credit**	**Cost as at August 31, 2013**	**Accumulated impairment as at August 31, 2012**	**Impairment**	**Accumulated impairment as at August 31, 2013**	**Net book amount as at August 31, 2013**
		%	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
North Rae	(g)	100										
Mining properties			519,296	17,433	-	(59,209)	-	477,520	-	(430,649)	(430,649)	46,871
Exploration costs (1)			695,087	17,858	-	(41)	(6,942)	705,962	-	(46,871)	(46,871)	659,091
			1,214,383	35,291	-	(59,250)	(6,942)	1,183,482	-	(477,520)	(477,520)	705,962
Daniel Lake *												
Mining properties			386,590	-	-	-	-	386,590	(90,900)	(295,690)	(386,590)	-
Exploration costs			302,146	4,830	-	-	(2,108)	304,868	-	(304,868)	(304,868)	-
			688,736	4,830	-	-	(2,108)	691,458	(90,900)	(600,558)	(691,458)	-
Kangiq *												
Mining properties			5,450	-	-	-	-	5,450	-	(5,450)	(5,450)	-
Exploration costs			202	-	-	-	-	202	-	(202)	(202)	-
			5,652	-	-	-	-	5,652	-	(5,652)	(5,652)	-
Total Uranium properties			1,908,771	40,121	-	(59,250)	(9,050)	1,880,592	(90,900)	(1,083,730)	(1,174,630)	705, 962
Total Nunavik			8,412,219	694,099	-	(78,150)	(56,865)	8,971,303	(166,288)	(2,214,106)	(2,380,394)	6,590,909

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties James Bay		Undivided interest	Cost as at August 31, 2012	Additions	Option payments	Proceed received	Tax credit	Cost as at August 31, 2013	Accumulated impairment as at August 31, 2012	Impairment	Accumulated impairment as at August 31, 2013	Net book amount as at August 31, 2013
		%	$	$	$	$	$	$	$	$	$	$
Opinaca A-A East	(a)	50										
Mining properties			-	-	-	-	-	-	-	-	-	-
Exploration costs (1)			-	3,928	(1,022)	-	(1,677)	1,229	-	-	-	1,229
			-	3,928	(1,022)	-	(1,677)	1,229	-	-	-	1,229
Opinaca B-B-North	(b)	50										
Mining properties			-	-	-	-	-	-	-	-	-	-
Exploration costs			-	3,178	(1,022)	-	(1,386)	770	-	-	-	770
			-	3,178	(1,022)	-	(1,386)	770	-	-	-	770
Eleonore South	(c)	26.4										
Mining properties			-	-	-	-	-	-	-	-	-	-
Exploration costs (1)			5,729	3,050	-	-	(1,317)	7,462	-	-	-	7,462
			5,729	3,050	-	-	(1,317)	7,462	-	-	-	7,462
Opinaca D	(d)	100										
Mining properties			8,979	14,145	-	-	-	23,124	-	-	-	23,124
Exploration costs (1)			5,172	1,526	-	-	(460)	6,238	-	-	-	6,238
			14,151	15,671	-	-	(460)	29,362	-	-	-	29,362
Wabamisk	(e)	49										
Mining properties			-	-	-	-	-	-	-	-	-	-
Exploration costs (1)			9,930	-	-	-	125	10,055	-	-	-	10,055
			9,930	-	-	-	125	10,055	-	-	-	10,055
Total Gold properties in James Bay			29,810	25,827	(2,044)	-	(4,715)	48,878	-	-	-	48,878
Eastmain West		100										
Mining properties			9,923	5,663	-	-	-	15,586	-	(902)	(902)	14,684
Exploration costs (1)			153,718	8,187	-	-	(1,615)	160,290	-	-	-	160,290
Chromium-platinum palladium property			163,641	13,850	-	-	(1,615)	175,876	-	(902)	(902)	174,974
Total James Bay			193,451	39,677	(2,044)	-	(6,330)	224,754	-	(902)	(902)	223,852
Total exploration and evaluation assets			8,605,670	733,775	(2,044)	(78,150)	(63,195)	9,196,057	(166,288)	(2,215,008)	(2,381,296)	6,814,761

* Properties abandoned in the year ended August 31, 2013.
(1) Reduction of the tax credits related to the bad debt amount of $120, 969 recorded for the 2011 tax credits (note 6).

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Change in exploration and evaluation assets

Exploration properties Nunavik		Undivided interest	Cost as at August 31, 2011	Additions	Option payments	Tax credit	Cost as at August 31, 2012	Accumulated impairment as at August 31, 2011	Impairment	Accumulated impairment as at August 31, 2012	Net book amount as at August 31, 2012
		%	$	$	$	$	$	$	$	$	$
Rex		100									
Mining properties			548,040	397,684	-	-	945,724	-	(55,272)	(55,272)	890,452
Exploration costs			3,327,128	724,690	-	(291,238)	3,760,580	-	-	-	3,760,580
			3,875,168	1,122,374	-	(291,238)	4,706,304	-	(55,272)	(55,272)	4,651,032
Rex South	(f)	100									
Mining properties			-	11,319	-	-	11,319	-	-	-	11,319
Exploration costs			-	222,196	-	(86,013)	136,183	-	-	-	136,183
			-	233,515	-	(86,013)	147,502	-	-	-	147,502
NCG		100									
Mining properties			525,632	91,183	-	-	616,815	-	(12,864)	(12,864)	603,951
Exploration costs			607,750	490,417	-	(206,582)	891,585	-	-	-	891,585
			1,133,382	581,600	-	(206,582)	1,508,400	-	(12,864)	(12,864)	1,495,536
Diana		100									
Mining properties			14,388	37,823	-	-	52,211	-	-	-	52,211
Exploration costs			13,934	5,561	-	(2,410)	17,085	-	-	-	17,085
			28,322	43,384	-	(2,410)	69,296	-	-	-	69,296
Nantais		100									
Mining properties			20,256	10,780	-	-	31,036	-	(7,252)	(7,252)	23,784
Exploration costs			326	71,634	-	(31,050)	40,910	-	-	-	40,910
			20,582	82,414	-	(31,050)	71,946	-	(7,252)	(7,252)	64,694
Others, copper-gold-silver-cobalt-REE		100									
Mining properties			49,994	10,976	-	-	60,970	-	(60,970)	(60,970)	-
Exploration costs			3,219	5,281	-	(2,288)	6,212	-	(6,212)	(6,212)	-
			53,213	16,257	-	(2,288)	67,182	-	(67,182)	(67,182)	-
Total copper-gold-silver-cobalt-rare earth properties			5,110,667	2,079,545	-	(619,581)	6,570,631	-	(142,570)	(142,570)	6,428,061

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties **Nunavik** (cont'd)	**Undivided interest** %	**Cost as at August 31, 2011** $	**Additions** $	**Option payments** $	**Tax credit** $	**Cost as at August 31, 2012** $	**Accumulated impairment as at August 31, 2011** $	**Impairment** $	**Accumulated impairment as at August 31, 2012** $	**Net book amount as at August 31, 2012** $
North Rae	100									
Mining properties		494,266	25,030	-	-	519,296	-	-	-	519,296
Exploration costs		690,927	7,342	-	(3,182)	695,087	-	-	-	695,087
		1,185,193	32,372	-	(3,182)	1,214,383	-	-	-	1,214,383
Daniel Lake	100									
Mining properties		386,590	-	-	-	386,590	-	(90,900)	(90,900)	295,690
Exploration costs		302,146	-	-	-	302,146	-	-	-	302,146
		688,736	-	-	-	688,736	-	(90,900)	(90,900)	597,836
Kangiq	100									
Mining properties		5,450	-	-	-	5,450	-	-	-	5,450
Exploration costs		202	-	-	-	202	-	-	-	202
		5,652	-	-	-	5,652	-	-	-	5,652
North Minto **	100									
Mining properties		15,943	-	-	-	15,943	-	(15,943)	(15,943)	-
Exploration costs		11,287	-	-	-	11,287	(11,287)	-	(11,287)	-
		27,230	-	-	-	27,230	(11,287)	(15,943)	(27,230)	-
Central Minto **	100									
Mining properties		15,194	-	-	-	15,194	-	(15,194)	(15,194)	-
Exploration costs		1,041	-	-	-	1,041	(1,041)	-	(1,041)	-
		16,235	-	-	-	16,235	(1,041)	(15,194)	(16,235)	-
South Minto **	100									
Mining properties		11,449	-	-	-	11,449	-	(11,449)	(11,449)	-
Exploration costs		7,445	-	-	-	7,445	-	(7,445)	(7,445)	-
		18,894	-	-	-	18,894	-	(18,894)	(18,894)	-

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties **Nunavik** (cont'd)	**Undivided interest**	**Cost as at August 31, 2011**	**Additions**	**Option payments**	**Tax credit**	**Cost as at August 31, 2012**	**Accumulated impairment as at August 31, 2011**	**Impairment**	**Accumulated impairment as at August 31, 2012**	**Net book amount as at August 31, 2012**
	%	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Kativik **	100									
Mining properties		31,145	-	-	-	31,145	-	(31,145)	(31,145)	-
Exploration costs		27,010	-	-	-	27,010	-	(27,010)	(27,010)	-
		58,155	-	-	-	58,155	-	(58,155)	(58,155)	-
Others, Uranium properties **	100									
Mining properties		29,260	762	-	-	30,022	-	(30,022)	(30,022)	-
Exploration costs		18,646	-	-	-	18,646	-	(18,646)	(18,646)	-
		47,906	762	-	-	48,668	-	(48,668)	(48,668)	-
Total Uranium properties		2,048,001	33,134	-	(3,182)	2,077,953	(12,328)	(247,754)	(260,082)	1,817,871
Total Nunavik		7,158,668	2,112,679	-	(622,763)	8,648,584	(12,328)	(390,324)	(402,652)	8,245,932

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Exploration properties James Bay		Undivided interest	Cost as at August 31, 2011	Additions	Option payments	Tax credit	Cost as at August 31, 2012	Accumulated impairment as at August 31, 2011	Impairment	Accumulated impairment as at August 31, 2012	Net book amount as at August 31, 2012
		%	$	$	$	$	$	$	$	$	$
Opinaca A-A East	(a)	50									
Mining properties			8,460	-	(8,460)	-	-	-	-	-	-
Exploration costs			3,261	2,741	(5,211)	(791)	-	-	-	-	-
			11,721	2,741	(13,671)	(791)	-	-	-	-	-
Opinaca B-B-North	(b)	50									
Mining properties			4,500	-	(4,500)	-	-	-	-	-	-
Exploration costs			2,574	1,491	(3,751)	(314)	-	-	-	-	-
			7,074	1,491	(8,251)	(314)	-	-	-	-	-
Eleonore South	(c)	26.4									
Mining properties			-	-	-	-	-	-	-	-	-
Exploration costs			4,510	2,152	-	(933)	5,729	-	-	-	5,729
			4,510	2,152	-	(933)	5,729	-	-	-	5,729
Opinaca D	(d)	100									
Mining properties			-	8,979	-	-	8,979	-	-	-	8,979
Exploration costs			3,868	2,302	-	(998)	5,172	-	-	-	5,172
			3,868	11,281	-	(998)	14,151	-	-	-	14,151
Wabamisk	(e)	49									
Mining properties			-	-	-	-	-	-	-	-	-
Exploration costs			7,433	4,408	-	(1,911)	9,930	-	-	-	9,930
			7,433	4,408	-	(1,911)	9,930	-	-	-	9,930
Total Gold properties in James Bay			34,606	22,073	(21,922)	(4,047)	29,810	-	-	-	29,810
Eastmain West		100									
Mining properties			9,923	-	-	-	9,923	-	-	-	9,923
Exploration costs			152,124	2,652	-	(1,058)	153,718	-	-	-	153,718
Chromium-platinum palladium property			162,047	2,652	-	(1,058)	163,641	-	-	-	163,641
Total James Bay			196,653	24,725	(21,922)	(6,005)	193,451	-	-	-	193,451
Total exploration and evaluation assets			7,355,321	2,137,404	(21,922)	(628,768)	8,842,035	(12,328)	(390,324)	(402,652)	8,439,383

** Properties abandoned in the year ended August 31, 2012

9 Exploration and evaluation assets (continued)

a) In March 2010, Everton Resources Inc ("Everton") earned a 50% interest in the Opinaca A–A East property by making a cumulative cash payment of $180,000 and carrying out work expenditures totalling $2,800,000.

In September 2010, Azimut and Everton granted Hecla Quebec Inc. "Hecla", formerly Aurizon Mines Ltd ("Aurizon"), the option to earn a 50% interest in the Opinaca A–A East and B–B North properties by making cash payments totalling $580,000 and incurring expenditures of $6,000,000 over four (4) years, including 5,000 metres of diamond drilling by the second anniversary. On November 15, 2013, an amendment was made to extend the work schedule by two additional years. Hecla may also earn an additional interest of 10%, for a total interest of 60%, by making cash payments totalling $300,000 over three (3) years from the election date, incurring expenditures totalling a minimum of $3,000,000 over three (3) years from the election date, and delivering an independent pre-feasibility study on or before the fourth anniversary. The Company will receive 50% of the cash payments of $290,000 on the first option and $150,000 on the second option and its resulting interest will be 20%. In addition, in the event that mineral resources of at least 2,000,000 ounces of gold at an average grade of at least 6 grams of gold per tonne are discovered before the end of the eighth year of the initial option agreement, Hecla shall make a payment of $1,500,000 in Hecla common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.

As at August 31, 2013, Hecla had made a cumulative cash payment of $220,000 ($100,000 in 2012) and had carried out work expenditures totalling $3,192,543. Azimut has cumulatively received an amount of $110,000 ($50,000 in 2012) in cash payments.

b) In March, 2010, Everton earned a 50% interest in the Opinaca B–B North property by making a cumulative cash payment of $160,000 and carrying out work expenditures totalling a cumulative amount of $2,000,000. In September 2010, Azimut and Everton signed an agreement with Hecla, formerly Aurizon, regarding the Opinaca B–B North property as described in (a) above.

c) In April 2006, the Company signed a letter of intent to form a three-way joint venture with Les Mines Opinaca Ltée (a wholly-owned subsidiary of Goldcorp Inc; "Goldcorp") and Eastmain Resources Inc. ("Eastmain") on the Eleonore South property, which includes 166 claims of the Opinaca C property and 116 claims owned by Goldcorp. In February 2008, Eastmain had earned a 33.33% interest in the Eleonore South property by making a cumulative cash payment of $185,000 granting 30,000 common shares to the Company and funding a total of $4.0 million in work expenditures.

As at August 31, 2013, Goldcorp and Eastmain had funded $3.2 million in cumulative work expenditures. Ownership of the property is currently as follows: Azimut 26.4% (26.4% in 2012), Goldcorp 36.8% (36.8% in 2012) and Eastmain 36.8% (36.8% in 2012).

d) In December 2010, the Company granted Dynasty Gold Corp. ("Dynasty") the option to acquire a 50% interest in the Opinaca D property for a cash consideration of $300,000, as well as $150,000 worth of common shares of Dynasty; and $3.2 million in exploration work. Dynasty may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2011, Dynasty paid $50,000 in cash and granted 625,000 of its common shares (worth $50,000) to Azimut. The option was terminated in December 2011.

e) In 2010, Goldcorp earned a 51% interest in Wabamisk property by making a cumulative payment of $500,000 in cash and carrying out work expenditures totalling $4.0 million. In 2011, Goldcorp elected to proceed with the second option to earn an additional 19% interest in the property by delivering a feasibility study during a ten-year (10-year) period.

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

f) In May 2010, the Company granted Aurizon the option to acquire a 50% interest in the Rex South property for a cash consideration of $580,000 and $5.0 million in work expenditures, including a minimum of 5,000 metres of diamond drilling. Aurizon could also acquire an additional 15% interest with the delivery of a bankable feasibility study. On March 24, 2012, Aurizon decided to terminate the option after making a cumulative cash payment of $280,000 ($280,000 in 2011) and carrying out work expenditures totalling $5,628,589 ($5,056,950 in 2011). Following termination of the option, the property and equipment (camp) were bequeathed by Aurizon in favor of Azimut with an estimated net liquidation value of $100,000 in 2012, which has been recorded as a gain on termination of option on exploration and evaluation assets in the statements of comprehensive loss for the year ended August 31, 2012. In 2013, the Company received vehicles for a fair value amount of $3,700 pursuant to the termination of option with Aurizon and sold some camp materials for an amount of $15,200 which has been recorded in reduction of exploration and evaluation assets.

g) The Company sold camp's materials located in Kangiqsualujjuaq, Quebec that were received pursuant to a definitive agreement which was concluded by the Company with NWT Uranium Corp. in 2009, in respect of the North Rae property located in the Ungava Bay region, Nunavik, Quebec. The proceeds received from sale of camp's material amounted to $59,250 (Nil in 2012).

Change in exploration and evaluation assets

	2013 $	2012 $
Balance – Beginning of the year	8,439,383	7,342,993
Exploration and evaluation incurred during the year		
Claims and permits	274,631	594,537
Geological surveys	348,457	982,591
Geochemical surveys	-	178,258
Geophysical surveys	33,152	18,789
Drilling	40,951	237,140
Administration and others	-	19,670
Depreciation of property and equipment	71,778	106,419
Transfer from exploration and evaluation assets to property and equipment	(35,194)	-
	733,775	2,137,404
Impairment of exploration and evaluation assets	(2,215,008)	(390,324)
Vehicles received upon termination (9f)	(3,700)	-
Proceeds received on sale of camp's materials (9f and 9g)	(74,450)	-
Option payments	(2,044)	(21,922)
Credit on duties refundable for loss and refundable tax credit for resources, net (note 6)	(63,195)	(628,768)
Balance – End of the year	6,814,761	8,439,383

(in Canadian dollars)

9 Exploration and evaluation assets (continued)

Change in exploration and evaluation assets (cont'd)

	Mining properties	Exploration costs	Total
Year ended August 31, 2012			
Balance – Beginning of the year	2,170,487	5,172,506	7,342,993
Exploration and evaluation incurred during the year	594,537	1,542,867	2,137,404
Option payments	(12,900)	(8,962)	(21,922)
Credit on duties refundable for loss and refundable tax credit for resources	-	(628,768)	(628,768)
Impairment	(331,011)	(59,313)	(390,324)
Balance – Ending of the year	2,421,053	6,018,330	8,439,383
As at August 31, 2012			
Cost	2,872,983	6,102,223	8,975,206
Accumulated impairment	(451,930)	(83,893)	(535,823)
Net book amount	2,421,053	6,018,330	8,439,383
Year ended August 31, 2013			
Balance – Beginning of the year	2,421,053	6,018,330	8,439,383
Exploration and evaluation incurred during the year	274,631	459,144	733,775
Option payments	-	(2,044)	(2,044)
Proceeds received on sale of camp's materials and others	(78,109)	(41)	(78,150)
Credit on duties refundable for loss and refundable tax credit for resources, net	-	(63,195)	(63,195)
Impairment	(1,863,067)	(351,941)	(2,215,008)
Balance – Ending of the year	754,508	6,060,253	6,814,761
As at August 31, 2013			
Cost	3,069,505	6,496,087	9,565,592
Accumulated impairment	(2,314,997)	(435,834)	(2,750,831)
Net book amount	754,508	6,060,253	6,814,761

(in Canadian dollars)

10 Debenture payable

In November 2008, the Company issued a five-year (5-year) unsecured debenture of $500,000 bearing interest at 12% annually. The principal is to be reimbursed in cash over a five-year period for $100,000 per year. The debt was later decreased by $92,000 and was reflected in the statement of comprehensive loss for the fiscal year ended 2009 as a discount on debenture at the effective interest rate of 20%.

	2013 **$**	**2012** **$**
Principal	100,000	200,000
Less: Unamortized discount	(4,600)	(23,000)
	95,400	177,000
Less: Current portion	(95,400)	(100,000)
	-	77,000

11 Asset retirement obligations

	2013 **$**	**2012** **$**
Balance, beginning of year	241,278	-
New obligations	-	237,970
Unwinding of discount on asset retirement obligations	3,398	3,308
Balance, end of year	244,676	241,278

The estimated undiscounted cash flows required to settle the asset retirement obligations is $251,480. A discount rate of 1.39% (2012 – 1.39%) was used to estimate the obligations in 2013; the calculation uses the assumption that the disbursements necessary to settle the obligations would be made in 2015. If the Company decides not to continue to explore on the Rex, Rex South or NCG properties, it is assumed that the asset retirement obligation will be settled in 2015. Should the Company decide to continue its activity, by itself or through a partner on the Rex, Rex South or NCG properties, the obligation will be settled further into the future. The Company is reviewing, at each period, the expected timing of payment of the cash flows required to settle the obligations and adjusts the asset retirement obligations accordingly.

12 Share capital

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

In October 2011, the Company issued 500,000 units for the reimbursement of the outstanding capital on the unsecured convertible debenture of $300,000. Each unit is comprised of one common share at a price of $0.60 per share and one half (½) share purchase warrant, each warrant entitling the holder to acquire one additional common share of the Company at a price of $0.75 per share until November 20, 2011. The Company has also issued 12,542 units at a price of $1.13 per unit for payment of accrued interest amounting to $14,202. Each unit is comprised of one common share and one-half of a common share purchase warrant, each warrant entitling them to acquire one additional common share of the Company at a price of $1.01 until November 20, 2011 (note 13).

(in Canadian dollars)

12 Share capital (continued)

In 2012, the Company issued 1,439,435 shares upon exercise of warrants for amount of $1,208,488 including the warrants value of $246,580, whereby 4,250 warrants were issued through the 2010 private placement with an exercise price of $0.95 and 1,435,185 warrants were issued through the conversion of debenture with an average exercise price of $0.667.

13 Warrants

The following table presents the warrants activities for the year ended August 31, 2013 and summarizes the information about warrants outstanding and exercisable as at August 31, 2013:

	Number	**Carrying value $**	**Weighted average exercise price $**
Outstanding and exercisable – August 31, 2011	4,573,217	735,046	1.13
Issued	256,271	43,823	0.76
Exercised	(1,439,435)	(246,580)	0.67
Expired	(723,389)	(195,395)	0.95
Extended	-	89,414	1.40
Outstanding and exercisable – August 31, 2012	2,666,664	426,308	1.40
Expired	(2,666,664)	(426,308)	1.40
Outstanding and exercisable – August 31, 2013	-	-	-

The 2,666,664 warrants included in the 5,333,332 units issued under the non-brokered private placement completed in March 2011, having an exercise price of $1.40 and valid until March 19, 2012, were recorded at a value of $336,894 based on the Black-Scholes pricing model using the following assumptions: risk-free interest of 1.25%, expected life of 1 year, annualized volatility rate of 78% and dividend rate of 0%. On March 6, 2012, the Company obtained all regulatory approvals to extend the expiry date of 2,666,664 warrants until March 19, 2013 from the original expiry date of March 19, 2012. Consequently, the fair value of the warrants were re-evaluated using the Black-Scholes pricing model with the following assumption: risk-free interest of 1.04%, expected life of 1 year, annualized volatility rate of 60% and dividend rate of 0%. The adjustment to the fair value in the amount of $89,414 was charged to the deficit. All other terms and conditions of the warrants remain unchanged. The 256,271 warrant included in the units issued in October 2011, pursuant to the conversion of the convertible debentures (capital and interest) have an average exercise price of $0.76, valid until November 20, 2011, and 250,000 warrants were exercised accordingly. The 256,271 warrants were recorded at a value of $43,822 based on a Black-Sholes option pricing model using the assumptions at the time the debenture was issued: risk free interest of 3.5%, expected life of 3 years, annualizes volatility rate of 80% and dividend rate of 0%. The 1,205,470 warrants included in the units issued in November 2010, pursuant to the conversion of the convertible loan (capital and interest), have an average exercise price of $0.66, valid until November 20, 2011 by which time 1,185,185 of these warrants had been exercised. They were recorded at a value of $206,158 based on a Black-Sholes option pricing model using the assumptions at the time the debenture was issued: risk free interest of 3.5%, expected life of 3 years, annualized volatility rate of 80% and dividend rate of 0%.

(in Canadian dollars)

14 Stock option plan

The Company maintains a stock option plan in which a maximum of 3,300,000 stock options may be granted. The number of shares reserved for issuance under the stock option plan is 15% of the shares issued and outstanding. The exercise price of the options is set at the closing price of the Company's shares on the TSX-V, on the day before the grant date. The options have a maximum term of ten (10) years following the grant date; the options granted vest immediately, unless otherwise approved and disclosed by the Board of Directors.

The following tables present the stock option activities for the year ended August 31, 2013 and summarize the information about stock options outstanding and exercisable as at August 31:

	2013		2012	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of the year	2,220,000	0.87	2,205,000	1.43
Granted	710,000	0.19	495,000	0.53
Exercised	-	-	(80,000)	0.66
Expired	(303,334)	2.70	(400,000)	3.57
Forfeited	(66,666)	0.83	-	-
Outstanding – End of the year	2,560,000	0.47	2,220,000	0.87
Exercisable – End of the year	2,560,000	0.47	2,153,334	0.87

The weighted average market share price on the exercise date of November 7, 2011 was $0.94 per share.

Exercise price $	**Options outstanding**	**Options exercisable**	**Weighted average remaining contractual life (years)**
0.19	710,000	710,000	9.91
0.34	495,000	495,000	5.62
0.45	395,000	395,000	8.69
0.60	80,000	80,000	6.90
0.66	410,000	410,000	6.52
0.80	430,000	430,000	7.38
1.25	40,000	40,000	7.59
	2,560,000	2,560,000	7.80

On July 29, 2013, the Company granted 710,000 options to its directors, officers, employees and consultants. The fair value of the options granted amounted to $112,180 and was measured using the Black Scholes option pricing model with the following assumptions: risk-free interest of 1.50%, expected life of 10 years, annualized volatility rate of 85%, and dividend rate of 0%. The exercise price of $0.19 per option granted was equal to the closing price of the Company's share on the TSX-V, on the day before the grant date.

(in Canadian dollars)

14 Stock option plan (continued)

On May 9, 2012, the Company granted 395,000 options to its directors, officers, employees and consultants. The fair value of the options granted amounted to $158,000 and was measured using the Black Scholes option pricing model with the following assumptions: risk-free interest of 2.75%, expected life of 10 years, annualized volatility rate of 98%, and dividend rate of 0%.

On January 6, 2012 the Company granted 100,000 stock options to a consultant involved in business development. Of these, 33,334 stock options were vested immediately, an additional 33,333 stock options will vest after July 6, 2012, and an additional 33,333 stock options will vest after January 6, 2013. The Company was not able to reliably determine the fair value of the services received and therefore used the fair value of the vested options amounting to $5,833 as calculated using the Black Scholes option-pricing model with the following assumptions: risk-free interest of 0.92%, expected life of 9 months, annualized volatility rate of 61%, and dividend rate of 0%. These options were forfeited on October 9, 2012.

15 Expenses by nature

	2013 $	2012 $
Salaries and fringe benefits	235,480	243,740
Professional and maintenance fees	110,449	138,542
Administration and office	50,169	52,989
Business development and administration fees	13,980	42,520
Advertising	6,629	41,396
Rent	39,895	39,820
Insurance	22,583	24,249
Travelling and entertainment	42,314	49,557
Depreciation of property and equipment	8,832	12,190
Amortization of intangible assets	2,972	4,247
Allowance for doubtful accounts	-	40,282
Stock-based compensation	112,180	163,834
General and administrative expenses	645,483	853,367
Salaries for search of properties	79,819	30,655
Credit on duties refundable for loss and refundable tax credit for resources, net (note 6)	(23,265)	(13,127)
General exploration	56,554	17,528
Management – income	37,810	44,344
Salaries	(2,005)	(14,118)
Contractor fees	(5,000)	-
Food and lodging	(2,340)	(781)
Transportation	(21,818)	(1,297)
Management fees	6,647	28,148

(in Canadian dollars)

16 Other gains

	2013 $	2012 $
Rental camp	64,990	-
Salaries	(3,064)	-
Contractor fees	(5,570)	-
Food and lodging	(2,917)	-
Transportation	(4,425)	-
	49,014	-

On June 26, 2013, the Company signed a Statement on Work 2013 Summer Camp Rental and Maintenance ("SOW") with Rio Tinto Canada Diamond Exploration Inc. ("RTCDEI"). The Company agreed to open and close the NCG Camp prior to and following the RTCDEI's field-based 2013 summer program.

Although mobilization to the NCG camp did not take place in 2013, the Company incurred costs as part of readying the camp for occupation by RTCDEI, and has received an amount of $64,990 for the services. The Company and RTCDEI mutually agreed that the Company keeps the balance received in exchange for the discharge and release of all outstanding obligations.

17 Related party transactions

Compensation of key management

Key management includes directors, the chief executive officer ("CEO") and the chief financial officer ("CFO"). The compensation paid or payable for key management services is as follows:

	2013 $	2012 $
Salaries	323,769	340,000
Share-based payment	101,120	140,000
	424,889	480,000

An amount of $88,300 ($155,010 in 2012) for salary is capitalized to exploration and evaluation assets.

The Company entered into the following transactions, which were not in normal course of business, with a director and companies owned by directors:

(i) In 2012, the Company wrote off the receivable from Flemish Gold Corp. formerly known as Rukwa Minerals Inc., of which the president and director is also a director of the Company by taking an additional allowance for doubtful accounts amounting to $40,282.

(ii) In 2012, the Company extended the expiry date of 111,109 warrants held by a director and companies owned by directors until March 19, 2013 from the original expiry date of March 19, 2012. These warrants were issued under the non-brokered private placement completed in March 2011. All other terms and conditions of the warrants remained unchanged, and they expired accordingly on March 19, 2013 (note 13).

(in Canadian dollars)

17 Related party transactions (continued)

Compensation of key management (cont'd)

As at August 31, 2013, accounts payable and accrued liabilities include an amount of $30,535 ($107,370 at August 31, 2012) owed to key management.

In the event that change of control or termination of employment is for reasons other than gross negligence, the CEO will be entitled to receive an indemnity equal to six (6) months salary. After more than two (2) years of employment, the indemnity will be increased by one (1) month for every additional year of employment. And the CFO will be entitled to receive an indemnity which will be equal to twelve (12) weeks salary and will be increased by one (1) month for every additional year of employment. The indemnity in both cases is subject to a maximum indemnity period of twelve (12) months. In any event, the indemnity paid must not represent more than 10% of the Company's liquidities at such time.

18 Income taxes

Component of tax income

	2013 $	2012 $
Loss before income taxes	2,997,104	1,306,012
Combined federal and provincial income tax of 26.90% (27.40% in 2012)	(806,000)	(358,000)
Non-deductible expenses	98,900	108,500
Unrecognized temporary differences	661,000	244,000
Adjustments for prior periods	31,000	-
Change in enacted rates	-	5,000
Non-taxable loss on sale of long-term investments	14,200	-
Other	900	500
Recovery of deferred income taxes	900	-

The effective tax rate was lower than the effective tax rate in 2012 because of a change in the federal tax rate that came into effect on January 2012.

The ability to realize the tax benefits is dependent upon a number of factors, including the sale of properties. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recognized. Accordingly, some deferred tax assets have not been recognized; these unrecognized deferred tax assets amount to $1,440,000.

(in Canadian dollars)

18 Income taxes (continued)

Component of tax income (cont'd)

As at August 31, 2013 and 2012, the significant components of the Company's deferred income tax assets and liabilities are as follows:

	2013 **$**	**2012** **$**
Deferred income tax assets		
Non-capital losses	982,000	899,000
Capital losses	-	5,000
Investments	163,000	159,000
Share and warrant issue expenses	52,000	95,000
Property and equipment and intangible assets	101,000	82,000
Exploration and evaluation assets	129,000	-
Asset retirement obligations	66,000	65,000
Total deferred income tax assets	1,493,000	1,305,000
Deferred income tax liabilities		
Exploration and evaluation assets	53,000	526,000
Total deferred income tax liabilities	53,000	526,000
Unrecognized deferred income tax assets	1,440,000	779,000

- As at August 31, 2013, the expiration dates of losses available to reduce future years' income tax are:

	Federal **$**	**Provincial** **$**
2033	420,000	420,000
2032	776,000	773,000
2031	687,000	680,000
2030	721,000	721,000
2029	816,000	816,000
2027	139,000	226,000
2016	28,000	93,000
	3,587,000	3,729,000

As at August 31, 2013, the Corporation has accumulated capital losses in Canada for income tax purposes amounting to approximately $Nil (2012: $20,000) and these can be carried forward indefinitely against future capital gains.

(in Canadian dollars)

19 Loss per share

For the years ended August 31, 2013 and 2012, the diluted loss per share was the same as the basic loss per share since the potential dilutive instruments had an anti-dilutive effect. Accordingly, the basic and diluted loss per share for those years were calculated using the basic weighted average number of shares outstanding of 36,470,328 in 2013 and of 36,097,963 in 2012.

20 Leases

Operating lease

The Company has minimum aggregate commitments under a nineteen (19) month operating lease amounting to $64,300. Minimum lease payments are as follows:

	$
2014	40,439
2015	23,861

Lease payments recorded as an expense in 2013 amount to $39,895 ($39,820 in 2012). This amount consists of minimum lease payments. Subsequent to August 31, 2013, the Company's operating lease was extended for a period of twelve (12) months and will expire on March 31, 2015.

21 Financial instruments, financial risks and capital management

Classification

The Company's financial instruments as at August 31, 2013 consist of cash and cash equivalents, trade accounts receivable, investments, accounts payable and accrued liabilities, and debenture payable. The fair value of these financial instruments, with the exception of investments, approximates their carrying value due to their short-term maturity or to current market rates. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The fair value of available-for-sale investments is established using the closing price on the most beneficial active market for this instrument that is readily available to the Company.

(in Canadian dollars)

21 Financial instruments, financial risks and capital management (continued)

Classification (cont'd)

The classification of financial instruments is summarized as follows:

		As at August 31, 2013		As at August 31, 2012	
	Classification	**Carrying value $**	**Fair value**	**Carrying value $**	**Fair value**
Financial assets					
Cash and cash equivalents	Loans and receivables	2,222,226	2,222,226	1,402,610	1,402,610
Trade accounts receivable	Loans and receivables	28,395	28,395	299,392	299,392
Investments	Available for sale	52,320	52,320	207,224	207,224
		2,302,941	2,302,941	1,909,226	1,909,226
Financial Liabilities					
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	225,301	225,301	380,807	380,807
Debenture payable	Financial liabilities at amortized cost	95,400	100,000	177,000	200,000
		320,701	325,301	557,807	580,807

The Company defines the fair value hierarchy under which its financial instruments are valued as follows: level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities; level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liabilities, either directly or indirectly; and level 3 includes inputs for the asset or liability that are not based on observable market data. Investments are considered a level 1. There was no transfer of hierarchy level during the years ended August 31, 2013 and 2012.

Financial risks

The Company has exposure to various financial risks, such as credit risk, liquidity risk and market risk from its use of financial instruments.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents, trade accounts receivable and investments. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating, from which management believes the risk of loss to be minimal.

The credit risk associated with trade accounts receivable from partners arises from the possibility that the partners may not be able to repay their debts. These receivables result from exploration work carried out on properties under option and operated by the Company. No allowance for doubtful accounts was recorded for 2013

(in Canadian dollars)

21 Financial instruments, financial risks and capital management (continued)

Credit risk (cont'd)

($40,282 in 2012). The Company closely follows its cash position to reduce its credit risk on amounts receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at August 31, 2013, the Company had a cash balance and cash equivalents of $2,222,226 ($1,402,610 as at August 31, 2012) to settle current liabilities of $320,701 ($480,807 as at August 31, 2012). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The following are the contractual maturities of financial liabilities, including interest where applicable as at August 31, 2013:

	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	More than 24 months $
Accounts payable and accrued liabilities	225,300	225,300	225,300	-	-
Debenture payable	95,400	176,234	176,234	-	-

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments held with a Canadian charted bank.

Interest rate risk (cont'd)

As at August 31, 2013, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Debentures payable	See note 10

Since Cash and cash equivalents are subject to variable interest rates, a fluctuation of interest rate will have no impact on their fair value.

(in Canadian dollars)

21 Financial instruments, financial risks and capital management (continued)

Equity risk

Equity risk is the risk that the fair value of a financial instrument varies due to equity market changes. Changes in fair value of available-for-sale investments are recorded in other comprehensive income (loss) when an impairment was not previously recorded. For the Company's available-for-sale investments, a variation of ±10% of the quoted market prices as at August 31, 2013 would result in an estimated effect in the statement of comprehensive income (loss) of $5,000 ($21,000 for the year ended August 31, 2012) since the investments were previously impaired.

Capital management

The Company considers the items included in equity as capital components.

In terms of capital management, the objectives of the Company are to maximize its ability to be able to continue as a going concern. Management reviews its capital management approach on an ongoing basis and, as needed, the Company raises funds through private placements.

There were no significant changes in the Company's approach to capital management during the year ended August 31, 2013 and the Company is not subject to any externally imposed capital requirements, unless the Company closes a flow-through placement in which case the funds are reserved in use for exploration expenses. The variation of capital components is explained in the statements of changes in equity.

22 Additional cash flow information

	2013 **$**	**2012** **$**
Acquisition of exploration and evaluation assets included in accounts payable and accrued liabilities	55,179	61,440
Depreciation of property and equipment included in exploration and evaluation assets	71,779	106,419
Credit on duties refundable for loss and refundable tax credit for resources presented as a reduction in exploration and evaluation assets, net	63,195	628,768
Provision for asset retirement obligations included in acquisition of property and equipment.	-	237,970