Azimut Exploration Inc.
(an exploration company)

Financial Statements
August 31, 2010 and 2009

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
Azimut Exploration Inc.

We have audited the balance sheets of **Azimut Exploration Inc.** (an exploration company) as at August 31, 2010 and 2009 and the statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP[1]

[1] Chartered accountant auditor permit No. 20910

Azimut Exploration Inc.

(an exploration company)

Balance Sheets

As at August 31, 2010 and 2009

	2010 $	2009 $
Assets		
Current assets		
Cash and cash equivalents (note 4)	2,704,823	1,349,818
Amounts receivable		
Related party (notes 8j) and k))	80,564	40,867
Others (note 5)	939,469	614,256
Prepaid expenses	21,848	95,639
	3,746,704	2,100,580
Long-term investments (note 6)	377,561	534,416
Property and equipment (note 7)	282,422	63,458
Intangible assets (less accumulated amortization of $6,441; $4,471 in 2009)	4,597	6,567
Mining properties (note 8)	3,947,274	1,791,427
	8,358,558	4,496,448
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		
Related parties	93,905	-
Advances received for exploration work and others	1,708,802	418,577
Current portion of debentures (notes 9 and 10)	100,000	350,000
Obligation under capital lease (note 11)	29,697	-
	1,932,404	768,577
Debenture payable (note 9)	240,200	322,317
Liability component of debentures (note 10)	878,847	801,464
	1,119,047	1,123,781
	3,051,451	1,892,358
Shareholders' Equity		
Share capital (note 12)	11,524,400	8,868,164
Warrants (note 13)	564,152	353,334
Stock options (note 14)	2,468,540	2,026,292
Equity component of debentures (note 10)	150,050	194,820
Contributed surplus	459,472	449,250
Deficit	(9,851,659)	(9,034,070)
Accumulated other comprehensive loss	(7,848)	(253,700)
	5,307,107	2,604,090
	8,358,558	4,496,448

Going concern (note 1)

Subsequent event (note 18)

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

Approved by the Board of Directors

(s) Dennis Wood Director (s) Jean-Marc Lulin Director

Azimut Exploration Inc.

(an exploration company)

Statements of Loss and Comprehensive Loss

For the years ended August 31, 2010 and 2009

	2010 $	2009 $
Expenses		
Salaries and fringe benefits	187,571	378,179
Professional and maintenance fees	136,633	99,837
Administration and office	172,480	173,809
Travelling and entertainment	75,904	36,910
Interest on debentures	151,093	154,777
Interest and bank charges	2,526	2,399
Interest on obligation under capital lease	1,386	-
Discount on a debenture (note 9)	-	(92,000)
Accretion expense on debentures	80,612	70,601
Depreciation of property and equipment	16,877	22,899
Amortization of intangible assets	1,970	2,815
Search for properties	111,600	104,331
Credit on duties refundable for loss and refundable tax credit for resources	(9,564)	(45,253)
Write-off and write-down of mining properties (note 8)	158,630	622,783
Professional fees related to the decision of not proceeding with a short-form prospectus	-	202,805
Part XII.6 tax	27,344	-
Stock-based compensation costs	421,010	627,490
	1,536,072	2,362,382
Other income (expenses)		
Interest income	13,316	7,577
Gain on option payments on mining properties (notes 8a), b), r), s) and t))	475,951	474,686
Management fees	86,783	-
Gain (loss) on sale of long-term investments	(215,567)	5,009
Other than temporary write-down on available-for-sale investments	(224,000)	(801,728)
	136,483	(314,456)
Loss before income taxes	(1,399,589)	(2,676,838)
Recovery of future income taxes (note 16)	582,000	-
Net loss for the year	(817,589)	(2,676,838)
Other comprehensive income (loss)		
Unrealized gain (loss) on available-for-sale investments	(193,715)	(381,678)
Reclassification of other than temporary write-down on available-for-sale investments to statement of loss	224,000	801,728
Reclassification of the loss on sale of available for sale investments to statement of loss	215,567	-
	245,852	420,050
Comprehensive loss for the year	(571,737)	(2,256,788)
Basic and diluted loss per share (note 17)	0.03	0.15

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

Azimut Exploration Inc.

(an exploration company)

Statements of Shareholders Equity

For the year ended August 31, 2010 and 2009

	Share capital		Warrants		Stock options		Equity component of debentures	Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
	Number	**$**	**Number**	**$**	**Number**	**$**	**$**	**$**	**$**	**$**	**$**
Balance as at August 31, 2008	16,821,755	7,943,186	-	-	1,905,000	1,919,992	-	-	(6,357,232)	(673,750)	2,832,196
Private placements (note 12)	1,472,224	296,666	1,347,224	353,334	-	-	-	-	-	-	650,000
Issuance of shares pursuant to termination agreement (notes 7f and h)	1,800,000	576,000	-	-	-	-	-	-	-	-	576,000
Convertible debentures (note 9)	-	-	-	-	-	-	194,820	-	-	-	194,820
Stock options exercised (note 11)	290,000	158,940	-	-	(290,000)	(71,940)	-	-	-	-	87,000
Stock options granted (note 11)	-	-	-	-	590,000	-	-	-	-	-	-
Stock options cancelled (note 11)	-	-	-	-	(350,000)	(449,250)	-	449,250	-	-	-
Stock-based compensation costs	-	-	-	-	-	627,490	-	-	-	-	627,490
Share issue expenses	-	(106,628)	-	-	-	-	-	-	-	-	(106,628)
Net loss for the year	-	-	-	-	-	-	-	-	(2,676,838)	-	(2,676,838)
Other comprehensive income	-	-	-	-	-	-	-	-	-	420,050	420,050
Balance as at August 31, 2009	20,383,979	8,868,164	1,347,224	353,334	1,855,000	2,026,292	194,820	449,250	(9,034,070)	(253,700)	2,604,090
Private placements (notes 12 and 13)	1,434,166	879,250	717,083	196,375	-	-	-	-	-	-	1,075,625
Flow-through private placements (note 12)	2,675,000	2,300,500	-	-	-	-	-	-	-	-	2,300,500
Issuance of shares for payment of interest on convertible debentures (notes 9 and 10)	149,962	97,371	-	-	-	-	-	-	-	-	97,371
Conversion of secured debenture (note 10)	462,963	265,673	477,847	14,443	-	-	(44,770)	-	-	-	235,346
Stock options exercised (note 14)	5,000	3,300	-	-	(5,000)	(1,600)	-	-	-	-	1,700
Stock options granted (note 14)	-	-	-	-	620,000	-	-	-	-	-	-
Stock options expired (note 14)	-	-	-	-	(30,000)	(10,222)	-	10,222	-	-	-
Stock-based compensation costs	-	-	-	-	-	454,070	-	-	-	-	454,070
Share issue expenses	-	(889,858)	-	-	-	-	-	-	-	-	(889,858)
Net loss for the year	-	-	-	-	-	-	-	-	(817,589)	-	(817,589)
Other comprehensive income	-	-	-	-	-	-	-	-	-	245,852	245,852
Balance as at August 31, 2010	25,111,070	11,524,400	2,542,154	564,152	2,440,000	2,468,540	150,050	459,472	(9,851,659)	(7,848)	5,307,107

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

Deficit and accumulated other comprehensive loss amount to $9,859,507 and $9,287,770 as at August 31, 2010 and 2009, respectively.

Azimut Exploration Inc.

(an exploration company)

Statements of Cash Flows

For the year ended August 31, 2010 and 2009

	2010 $	2009 $
Cash flows from operating activities		
Net loss for the year	(817,589)	(2,676,838)
Items not affecting cash		
Depreciation of property and equipment	16,877	22,899
Amortization of intangible assets	1,970	2,815
Loss (Gain) on sale of long-term investments	215,567	(5,009)
Other than temporary writedown on available for sale investments	224,000	801,728
Write-off and write-down of mining properties	158,630	622,783
Writeoff of deferred charges	-	202,805
Gain on option payments on mining properties	(475,951)	(474,686)
Discount on a debenture	-	(92,000)
Credits on duties refundable for loss and refundable tax credits for resources	(9,564)	-
Accretion expense on debentures	80,612	70,601
Stock-based compensation costs	421,010	627,490
Share issued for interest on debentures	97,371	-
Recovery of future income taxes	(582,000)	-
	(669,067)	(897,412)
Net change in non-cash working capital items		
Amounts receivable	(611,750)	1,780,130
Prepaid expenses	73,791	(56,339)
Accounts payable and accrued liabilities	524,686	(2,392,309)
	(13,273)	(668,518)
	(682,340)	(1,565,930)
Cash flows from financing activities		
Non-convertible debenture	(100,000)	500,000
Convertible debentures	-	1,440,000
Issuance of share capital, net of share issue expenses	3,069,967	630,372
Payments of obligation under capital lease	(251,863)	(250,000)
	2,718,104	2,320,372
Cash flows from investing activities		
Proceeds from sale of long-term investments	43,140	28,963
Additions to property and equipment	(1,208)	(986)
Additions to mining properties	(1,692,821)	(1,658,175)
Proceeds from sale of options on mining properties	510,000	560,000
Additions to deferred charges	-	(110,742)
Tax credit and mining rights received	460,130	484,545
	(680,759)	(696,395)
Net change in cash	1,355,005	58,047
Cash and cash equivalents – Beginning of year	1,349,818	1,291,771
Cash and cash equivalents – End of year	2,704,823	1,349,818
Additional information		
Interest paid net of interest received	41,950	76,386
Long-term investments received in consideration of option payments on mining properties	80,000	100,000
Acquisition of mining properties in exchange of issuance of shares	-	576,000
Acquisition of mining properties included in accounts payable and accrued liabilities	863,953	4,509
Depreciation of property and equipment pursuant to a capital lease and included in mining properties	46,927	-
Property and equipment recorded pursuant to a capital lease obligation	281,560	-
Stock based compensation included in mineral properties	33,060	-

1 Incorporation, nature of activities and going concern

Azimut Exploration Inc (the “Company”), incorporated under Part 1A of the Québec Companies Act, is in the business of acquiring and exploring mining properties.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. It has not yet been determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

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

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

For the year ended August 31, 2010, the Company reported a loss of $817,589 (a loss of $2,676,838 for the year ended August 31, 2009) and has an accumulated deficit of $9,851,659 at that date. As at August 31, 2010, the Company had a working capital of $1,814,300, including cash and cash equivalents of $2,704,823.

Management believes that it has sufficient funds to pay its ongoing administrative expenses, to meet its liabilities for the ensuing twelve months as they fall due and to meet existing commitments for exploration work but not to continue its exploration program on its properties for which additional funds will be required. To continue its exploration program on its properties and its operation, the Company will periodically have to raise additional funds through the issuance of new equity instruments, the exercise of stock options or warrants and the search of partners to sign option agreements on certain of its mining properties, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

Although these financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, the above noted facts and circumstances cast a doubt on the reasonableness of this assumption.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2 Change in accounting policies

On September 1, 2009, the Company adopted an amendment to Section 3862, Financial Instruments – Disclosures. This amendment establishes additional disclosure requirements regarding the level in the fair value of hierarchy in which fair value measurements are categorized for assets and liabilities measured at fair value in the balance sheet. The adoption of this amendment did not have any impact on the Company's financial statements and the additional disclosure requirements are presented in note 19.

3 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the valuation of credit on duties refundable for loss and the refundable tax credit for resources, future income tax assets and liabilities, the recoverability of long-term investments, property and equipment and mining properties, the fair value of stock based compensation, other stock based payment and warrants included in units issued in private placement. Actual results could differ from those estimates.

Cash and cash equivalents

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

Financial instruments

The standards require that financial assets and financial liabilities, including derivative financial instruments, be initially measured at fair value. After initial recognition, the measurement of financial instruments depends on their classification: held for trading, available for sale, held to maturity, loans and receivables and other liabilities.

- **Held for trading** – Financial assets and financial liabilities required to be classified or designated as held for trading are measured at fair value, with gains, losses and transaction costs recorded in the statement of loss for the period in which they arise. Transaction costs are recorded immediately in the statement of loss.

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

- **Held to maturity, loans and receivable and other liabilities** – Financial assets classified as held-to-maturity, loans and receivables and other liabilities are required to be measured at amortized cost using the effective interest method of amortization.

The Company has implemented the following classification:

- Cash and cash equivalents are classified as held-for-trading;
- Amounts receivable are classified as loans and receivables;
- Long-term investments are classified as available for sale;
- Accounts payable and accrued liabilities are classified as other liabilities;
- Debenture, convertible debentures and obligations under capital lease are classified as other liabilities.

Property, equipment and depreciation

Property and equipment are recorded at cost less accumulated depreciation and are depreciated using the declining balance method at the rates indicated below, except for the camp under a capital lease which is amortized using the straight-line method over an eighteen-month (18 month) period. Amortization of the camp under a capital lease is capitalized to deferred exploration expenses.

	Depreciation rate
Office furniture	20%
Office equipment	20%
Computer equipment	30%
Specialist equipment	30%

Intangible assets and amortization

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

Mining properties

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

Proceeds on the sale of mining properties are applied by property in reduction of the mining properties, then in reduction of the deferred exploration costs and any residual is recorded in the statement of loss unless there is contractual work required in which case the residual gain is deferred and will be reduced the contractual disbursements when 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 balance sheet as accounts payable. These amounts are reduced gradually when the exploration work are performed. The project management fees received when the Company is the operator are recorded in the statement of loss.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable, as identified by comparing their net book value to the estimated undiscounted future cash flows generated by their use and eventual disposal. Impairment is measured as the excess of the carrying value over the fair value, determined principally by discounting the estimated net future cash flows expected to be generated from the use and eventual disposal of the related asset. In the event that the Company has insufficient information about its long-lived assets to estimate future cash flows to test the recoverability of the capitalized costs, the Company will test for impairment by comparing the fair value to the carrying amount, without first performing a test for recoverability.

When it is determined that a mining property is impaired, it is written down to its estimated fair value.

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

The Company is entitled to a credit on duties refundable for loss on mining exploration expenses incurred in Quebec and to the refundable tax credit for resources on qualified expenditures. These tax credits have been applied against the costs incurred in mining properties and recorded in the statement of loss when they related to exploration expenditures that were expensed.

Flow-through shares

When the Company commits the proceeds from the issuance of flow through shares to exploration costs recognized as mining properties, the future income tax cost related to the resulting temporary difference is recorded as a reduction of share capital as share issue expenses in favour of investors when the renunciation forms are filed with the tax authorities.

Share issue expenses

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

Income taxes

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

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

Basic and diluted earnings per share

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

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

Stock-based compensation plan

The Company uses the fair value method for recording stock options granted to its employees, officers, directors and consultants. Consequently, stock-based compensation costs are recorded at fair value at the date of grant and are recognized over the period of acquisition. Any consideration received from the participants upon the exercise of options is credited to share capital.

4 Cash and cash equivalents

Exploration funds of $502,581 as at August 31, 2010 (nil as at August 31, 2009) are restricted in use for exploration expenses pursuant to flow-through financing agreements.

As of August 31, 2010, cash and cash equivalents include $451,791 ($406,117 as of August 31, 2009) of guaranteed investment certificates bearing interest at 0.1% (0.2% of August 31, 2009), that are cashable any time without any penalties.

5 Amounts receivable

	2010 $	**2009** $
Tax credit and mining rights receivable	187,567	534,407
Commodity taxes	370,509	79,849
Trade accounts receivable	381,393	267,734
	839,469	881,990
Less: Allowance for doubtful accounts	-	(267,734)
	939,469	614,256

6 Long-term investments

	2010		**2009**	
	Cost $	**Carrying value** $	**Cost** $	**Carrying value** $
Eastmain Resources Inc.	8,600	29,400	8,600	24,400
NWT Uranium Corp.	50,750	70,000	50,750	50,750
Majescor Resources Inc.	49,980	40,180	49,980	49,980
Silver Spruce Resources Inc.	19,500	13,500	19,500	19,500
D’Arianne Resources Inc.	8,436	5,772	11,286	11,286
Channel Resources Inc.	48,000	39,000	48,000	28,500
Abitex Resources Inc.	96,000	96,000	400,000	150,000
Nemaska Exploration Inc.	104,143	83,709	-	-
Kativik Resources Inc.	-	-	200,000	200,000
	385,409	377,561	788,116	534,416

Unrealized gains and losses on available-for-sale securities resulted from fluctuations in market prices. As at August 31, 2010, the Company determined that the unrealized losses recognized in accumulated other comprehensive loss are temporary in nature.

7 Property and equipment

	2010			2009		
	Cost $	Accumulated depreciation $	Net carrying value $	Cost $	Accumulated depreciation $	Net carrying value $
Office furniture	20,542	12,038	8,504	20,542	9,914	10,628
Office equipment	20,081	9,833	10,248	20,081	7,265	12,816
Computer equipment	24,478	16,118	8,360	23,270	12,795	10,475
Specialist equipment	56,250	35,573	20,677	56,250	26,711	29,539
Camp under capital lease	281,560	46,927	234,633	-	-	-
	402,911	120,489	282,422	120,143	56,685	63,458

8 Mining properties

All mining properties are located in the Province of Quebec.

	As at August 31, 2010 $	As at August 31, 2009 $
Mining properties	3,880,774	1,791,927
Advances for exploration work	66,500	-
	3,947,274	1,791,427

For the year ended August 31, 2010

Ungava Bay		**Undivided interest %**	**Balance as at August 31, 2009 $**	**Costs incurred $**	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2010 $**
North Rae (1,854 claims)	(f)					
Mining properties		100	348,707	71,924	-	420,631
Exploration costs			573,315	154,230	(52,688)	674,857
			922,022	226,154	(52,688)	1,095,488
South Rae (93 claims)	(g)					
Mining properties		100	-	5,778	-	5,778
Exploration costs			8,081	1,636	(475)	9,242
			8,081	7,414	(475)	15,020
Daniel Lake (972 claims)	(h)					
Mining properties		100	336,024	8,950	-	344,974
Exploration costs			225,187	118,022	(47,768)	295,441
			561,211	126,972	(47,768)	640,415
Kangiq (851 claims)	(i)					
Mining properties		100	-	-	-	-
Exploration costs			-	-	-	-
			-	-	-	-

Ungava Bay *(continued)*		**Undivided interest** %	**Balance as at August 31, 2009** $	**Costs incurred** $	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources** $	**Balance as at August 31, 2010** $
Burrel Lake (892 claims)						
Mining properties		100	94,593	-	(74,593)	20,000
Exploration costs			11	-	(11)	-
			94,604	-	(74,604)	20,000
Diana (600 claims)	(s)					
Mining properties		100	-	56,068	(56,068)	-
Exploration costs			-	13,525	(11,321)	2,204
			-	69,593	(67,389)	2,204
Others *						
Mining properties		100	78,948	-	(78,948)	-
Exploration costs			276	-	(276)	-
			79,224	-	(79,224)	-
Total Ungava Bay			1,665,142	430,133	(322,148)	1,773,127

Central Quebec		**Undivided interest %**	**Balance as at August 31, 2009 $**	**Costs incurred $**	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2010 $**
North Minto (648 claims)	(j)					
Mining properties		100	-	-	-	-
Exploration costs			-	818	-	818
			-	818	-	818
South Minto (377 claims)	(k)					
Mining properties		100	-	-	-	-
Exploration costs			-	533	-	533
			-	533	-	533
Central Minto (381 claims)	(l)					
Mining properties		100	-	-	-	-
Exploration costs			-	-	-	-
			-	-	-	-
West Minto *						
Mining properties	(m)	100	2,958	100	(3,058)	-
Exploration costs			1,205	539	(1,744)	-
			4,163	639	(4,802)	-
South Bienville (558 claims)	(n)					
Mining properties		100	-	-	-	-
Exploration costs			-	-	-	-
			-	-	-	-
Hudson Bay (132 claims)	(o)					
Mining properties		100	4,690	9,328	-	14,018
Exploration costs			1,515	418	-	1,933
			6,205	9,746	-	15,951

Central Quebec *(continued)*		**Undivided interest %**	**Balance as at August 31, 2009 $**	**Costs incurred $**	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2010 $**
Kativik (1,361 claims)	(r)					
Mining properties		100	-	-	-	-
Exploration costs			83,933	(2,304)	(80,000)	1,629
			83,933	(2,304)	(80,000)	1,629
Rex (4,420 claims)						
Mining properties		100	-	424,320	-	424,320
Exploration costs			-	1,512,068	(552)	1,511,516
			-	1,936,388	(552)	1,935,836
Rex South (1,619 claims)	(t)	100				
Mining properties			-	50,304	(50,304)	-
Exploration costs			-	30,579	(16,253)	14,326
			-	80,883	(66,557)	14,326
AU Nunavik (713 claims)		100				
Mining properties			-	68,833	-	68,833
Exploration costs			-	-	-	-
			-	68,833	-	68,833
Others (140 claims)						
Mining properties		100	14,280	-	-	14,280
Exploration costs			1,561	-	-	1,561
			15,841	-	-	15,841
Total Central Quebec			110,142	2,095,536	(151,911)	2,053,767

James Bay		**Undivided interest** %	**Balance as at August 31, 2009** $	**Costs incurred** $	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources** $	**Balance as at August 31, 2010** $
Opinaca A-A East (429 claims)	(a)					
Mining properties		50	-	8,460	-	8,460
Exploration costs			-	82	(76)	6
			-	8,542	(76)	8,466
Opinaca B-B North (220 claims)	(b)					
Mining properties		50	-	4,500	-	4,500
Exploration costs			-	33	(27)	6
			-	4,533	(27)	4,506
Eleonore South (282 claims)	(c)					
Mining properties		29.4	-	-	-	-
Exploration costs			728	3,518	(8)	4,238
			728	3,518	(8)	4,238
Opinaca D (188 claims)	(d)					
Mining properties		100	-	12,480	-	12,480
Exploration costs			990	2,245	-	3,235
			990	14,725	-	15,715
Eastmain W (61 claims)						
Mining properties		100	5,695	(1,800)	-	3,895
Exploration costs			8,680	4,024	(276)	12,428
			14,375	2,224	(276)	16,323

James Bay *(continued)*		**Undivided interest %**	**Balance as at August 31, 2009 $**	**Costs incurred $**	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2010 $**
Wabamisk (755 claims)	(e)					
Mining properties		100**	-	-	-	-
Exploration costs			50	6,694	(2,112)	4,632
			50	6,694	(2,112)	4,632
Total James Bay			16,143	40,236	(2,499)	53,880
Total mining properties			1,791,427	2,565,905	(476,558)	3,880,774

* Properties abandoned in 2010

** Goldcorp's fulfillment of its obligation to earn a fifty-one percent (51%) undivided interest in the project is subject to the Company's validation

For the year ended August 31, 2009

Ungava Bay		**Undivided interest %**	**Balance as at August 31, 2008 $**	**Costs incurred $**	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2009 $**
North Rae (1,781 claims)	(f)					
Mining properties		100	-	388,707	(40,000)	348,707
Exploration costs			409,134	304,602	(140,421)	573,315
			409,134	693,309	(180,421)	922,022
South Rae (79 claims)	(g)					
Mining properties		100	-	-	-	-
Exploration costs			2,132	11,036	(5,087)	8,081
			2,132	11,036	(5,087)	8,081
Daniel Lake (664 claims)	(h)					
Mining properties		100	-	376,024	(40,000)	336,024
Exploration costs			86,208	257,846	(118,867)	225,187
			86,208	633,870	(158,867)	561,211
Kangiq (851 claims)	(i)					
Mining properties		100	-	-	-	-
Exploration costs			-	-	-	-
			-	-	-	-
Burrel Lake (892 claims)						
Mining properties		100	-	94,593	-	94,593
Exploration costs			-	20	(9)	11
			-	94,613	(9)	94,604
Others (774 claims)						
Mining properties		100	153,179	-	(74,231)	78,948
Exploration costs			1,112	210	(1,046)	276
			154,291	210	(75,277)	79,224
Total Ungava Bay			651,765	1,433,038	(419,661)	1,665,142

Azimut Exploration Inc.

(an exploration company)
Note to Financial Statements
As at August 31, 2010 and 2009

Central Quebec		**Undivided interest** %	**Balance as at August 31, 2008** $	**Costs incurred** $	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources** $	**Balance as at August 31, 2009** $
North Minto (1,750 claims)	(j)					
Mining properties		100	-	-	-	-
Exploration costs			439	-	(439)	-
			439	-	(439)	-
South Minto (1,198 claims)	(k)					
Mining properties		100	-	-	-	-
Exploration costs			482	-	(482)	-
			482	-	(482)	-
Central Minto (665 claims)	(l)					
Mining properties		100	-	-	-	-
Exploration costs			-	-	-	-
			-	-	-	-
West Minto (689 claims)	(m)					
Mining properties		100	-	2,958	-	2,958
Exploration costs			582	1,156	(533)	1,205
			582	4,114	(533)	4,163
South Bienville (1,460 claims)	(n)					
Mining properties		100	-	-	-	-
Exploration costs			-	-	-	-
			-	-	-	-
Hudson Bay (524 claims)	(o)					
Mining properties		100	-	4,690	-	4,690
Exploration costs			8	2,795	(1,288)	1,515
			8	7,485	(1,288)	6,205
(forward)			1,511	11,599	(2,742)	10,368

Central Quebec *(continued)*		**Undivided interest** %	**Balance as at August 31, 2008** $	**Costs incurred** $	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources** $	**Balance as at August 31, 2009** $
(brought forward)			1,511	11,599	(2,742)	10,368
West Bienville *	(p)					
Mining properties		100	-	-	-	-
Exploration costs			6,005	472	(6,477)	-
			6,005	472	(6,477)	-
Kativik (1,361 claims)	(r)					
Mining properties		100	-	100	(100)	-
Exploration costs			38,608	269,434	(224,109)	83,933
			38,608	269,534	(224,209)	83,933
Others (140 claims)						
Mining properties		100	1,862	14,280	(1,862)	14,280
Exploration costs			-	2,934	(1,373)	1,561
			1,862	17,214	(3,235)	15,841
Total Central Quebec			47,986	298,819	(236,663)	110,142

James Bay		**Undivided interest %**	**Balance as at August 31, 2008 $**	**Costs incurred $**	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2009 $**
Opinaca A-A East (429 claims)	(a)					
Mining properties		100	-	-	-	-
Exploration costs			-	315	(315)	-
			-	315	(315)	-
Opinaca B-B North (220 claims)	(b)					
Mining properties		100	-	-	-	-
Exploration costs			-	195	(195)	-
			-	195	(195)	-
Eleonore South (282 claims)	(c)					
Mining properties		30	-	-	-	-
Exploration costs			-	1,853	(1,125)	728
			-	1,853	(1,125)	728
Opinaca D (188 claims)	(d)					
Mining properties		100	-	-	-	-
Exploration costs			-	1,836	(846)	990
			-	1,836	(846)	990
Eastmain W (97 claims)						
Mining properties		100	-	5,695	-	5,695
Exploration costs			5,386	5,759	(2,465)	8,680
			5,386	11,454	(2,465)	14,375
(forward)			5,386	15,653	(4,946)	16,093

James Bay *(continued)*		**Undivided interest %**	**Balance as at August 31, 2008 $**	**Costs incurred $**	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2009 $**
(brought forward)			5,386	15,653	(4,946)	16,093
Wabamisk (755 claims)	(e)					
Mining properties		100	-	-	-	-
Exploration costs			840	5,507	(6,297)	50
			840	5,507	(6,297)	50
Comptoir *						
Mining properties		100	59,450	-	(59,450)	-
Exploration costs			17,212	-	(17,212)	-
			76,662	-	(76,662)	-
Gold *						
Mining properties		100	229,490	-	(229,490)	-
Exploration costs			1,736	-	(1,736)	-
			231,226	-	(231,226)	-
Total James Bay			314,114	21,160	(319,131)	16,143

Azimut Exploration Inc.

(an exploration company)
Note to Financial Statements
As at August 31, 2010 and 2009

North Shore		**Undivided interest %**	**Balance as at August 31, 2008 $**	**Costs incurre $**	**Mining properties written off and written down, option payments, credit on duties refundable for loss and refundable tax credit for resources $**	**Balance as at August 31, 2009 $**
Grenium *						
Mining properties		100	56,434	93	(56,527)	-
Exploration costs			7,063	577	(7,640)	-
			63,497	670	(64,167)	-
North Havre *	(q)					
Mining properties		100	-	-	-	-
Exploration costs			-	427	(427)	-
			-	427	(427)	-
Nickel *						
Mining properties		100	167,340	-	(167,340)	-
Exploration costs			25	25	(50)	-
			167,365	25	(167,390)	-
Total North Shore			230,862	1,122	(231,984)	-
Total mining properties			1,244,727	1,754,139	(1,207,439)	1,791,427

* Properties abandoned in 2009.

Change in mining properties

	Years Ended August 31,	
	2010 **$**	**2009** **$**
Balance – Beginning of year	1,791,427	1,244,727
Expenses incurred during the year		
Claims and permits	719,245	887,139
Geological surveys	1,165,365	377,520
Geochemical surveys	360,147	-
Geophysical surveys	236,321	152,229
Drilling	-	337,251
Administration and others	4,840	-
Stock based compensation costs	33,060	-
Depreciation of property and equipment	46,927	-
Advance for exploration work	66,500	-
	2,632,405	1,754,139
Write-off and write-down of mining properties	(158,630)	(622,783)
Option payments	(214,049)	(185,314)
Credit on duties refundable for loss and refundable tax credit for resources	(103,879)	(399,342)
	(476,558)	(1,207,439)
Balance – End of year	3,947,274	1,791,427

(a) In December 2004, the Company granted Everton Resources Inc. (“Everton”) the option to acquire a 50% interest in the Opinaca A, A East property for a cash consideration of $180,000 and $2.8 million in work expenditures. Everton may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2010, Everton has earned a 50% interest in the Opinaca A, A East property by making a cumulative cash payment of $180,000 ($150,000 in 2009) and carrying out work expenditures totalling a cumulative amount of $2,800,000 ($2,800,000 in 2009). In 2010, the Company has also received $100,000 for Everton’s decision not to proceed with the second option.

(b) In December 2004, the Company granted Everton the option to acquire a 50% interest in the Opinaca B, B North property for a cash consideration of $160,000 and $2.0 million in work expenditures. Everton may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2010, Everton has earned a 50% interest in the Opinaca B, B north property by making a cumulative cash payment of $160,000 ($130,000 in 2009) and carrying out work expenditures totalling a cumulative amount of $2,000,000 ($2,000,000 in 2009). In 2010, the Company has also received $100,000 for Everton’s decision not to proceed with the second option.

(c) In March 2005, the Company granted Eastmain Resources Inc. (“Eastmain”) the option to acquire a 50% interest in the Opinaca C property for a cash consideration of $160,000, 30,000 common shares of Eastmain and $2.7 million in work expenditures. In April 2006, the Company signed a letter of intent to form a three-way joint venture with Goldcorp Inc. (“Goldcorp”) and Eastmain on the Eleonore South property, which includes 166 claims of the Opinaca C property and 116 claims owned by Goldcorp. In February 2008, Eastmain has earned a 33.33% interest in the Eleonore South property by making a cumulative cash payment of $185,000 to the Company, funding a total of $4.0 million in work expenditures and granting 30,000 common shares.

The Company announced that Les Mines Opinaca Ltée (“Opinaca”), a wholly-owned subsidiary of Goldcorp, had exercised its right to increase its interest by 6.67% to a total of 40% in the Eleonore South joint venture, located in the James Bay region in Quebec. To earn the additional interest, Opinaca must fund a minimum of $500,000 in exploration expenditures, make option payments to the Company and prepare a bankable feasibility study by June 2015. In February 2009, the Company received $20,000 from Opinaca and $80,000 from Eastmain totalling $100,000 for Opinaca’s decision not to proceed with the second option to increase its interest by 6.67% to a total of 40% in the Eleonore South joint venture.

As at August 31, 2010, Goldcorp and Eastmain have funded $1.6 million in work expenditure. Ownership of the property is currently as follows: Azimut 29.4%, Opinaca 35.3% and Eastmain 35.3%. Azimut has reviewed and approved the 2010 technical program, but has decided not to contribute to it. Consequently, Azimut’s interest will be about 27% upon completion of the program totalling $1.6 million. Depending on the results, Azimut may decide to contribute its share in the future.

(d) In March 2005, the Company granted Eastmain the option to acquire a 50% interest in the Opinaca D property for a cash consideration of $140,000, 45,000 common shares of Eastmain and $1.9 million in exploration work. Eastmain may also acquire an additional 15% interest with the delivery of a feasibility study. As at August 31, 2009, Eastmain had made a cumulative payment of $110,000 in cash, granted 45,000 common shares and had carried out work expenditures totalling a cumulative amount of $976,289 and decided to terminate the option.

(e) In May 2005, the Company granted Placer Dome (CLA) Ltd. (now Goldcorp Inc.) the option to acquire a 51% interest in the Wabamisk property for a cash consideration of $500,000 and $4.0 million in work expenditures. Goldcorp may also acquire an additional 19% interest by delivering a feasibility study. As at August 31, 2010, Goldcorp had made a cumulative payment of $500,000 ($500,000 in 2009) in cash and had carried out work expenditures totalling a cumulative amount of $4.0 million ($3,129,955 in 2009). Goldcorp’s fulfilment of its obligations to earn its fifty-one percent (51%) undivided interest in the property is subject to the Company’s validation.

(f) In March 2006, the Company granted NWT Uranium Corp. (formerly Northwestern Mineral Ventures Inc.) (“NWT”) the option to acquire a 50% interest in the North Rae property for a cash consideration of $210,000, 150,000 common shares of NWT and $2.9 million in work expenditures. NWT may also acquire an additional 15% interest by delivering a feasibility study. As at August 31, 2009, NWT had made a cumulative payment of $150,000 in cash, granted 150,000 common shares to the Company and had carried out work expenditures totalling a cumulative amount of $2,900,000.

On July 5, 2008 (and extended to December 31, 2008 further on July 8, 2009), the Company and NWT concluded a definitive agreement to terminate the option agreements previously granted by the Company to NWT in respect of the North Rae and Daniel Lake properties.

The Company has issued 1,800,000 of its common shares to NWT, which shares were subject to a contractual nine-month hold period commencing on July 21, 2009.

NWT has been granted the right to participate in any private placement that may be conducted by the Company during the foregoing nine-month period so as to allow NWT to maintain its proportionate equity interest in the Company. NWT decided not to participle in the Company's private placements that closed in December 2009. The Company has also agreed to pay to NWT the sum of CAN$1,000,000 upon the earlier of: 1) the commencement of full commercial production of uranium from the properties, or 2) in the event the Company concludes an outright sale of all or a portion of its interest in the properties to a third party.

On July 5, 2008 (and extended to December 31, 2008 further on July 8, 2009), the Company and NWT concluded a definitive agreement to terminate the option agreements previously granted by the Company to NWT in respect of the North Rae and Daniel Lake properties.

(g) In January 2007, the Company granted Majescor Resources Inc. ("Majescor") the option to acquire a 50% interest in the South Rae property for a cash consideration of $333,000, 1,420,000 common shares of Majescor and $4.6 million in work expenditures. Majescor may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Majescor had made a cumulative payment of $183,000 in cash, had issued 1,420,000 common shares, had carried out work expenditures totalling a cumulative amount of $1,348,596 and decided to terminate the option.

(h) In January 2007, the Company granted NWT the option to acquire a 50% interest in the Daniel Lake property for a cash consideration of $230,000, 200,000 common shares of NWT and $2.6 million in work expenditures. NWT may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, NWT had made a cumulative payment of $120,000 in cash, had issued 200,000 common shares and had carried out work expenditures totalling a cumulative amount of $208,286.

On July 5, 2008 (and extended to December 31, 2008 further on July 8, 2009), the Company and NWT concluded a definitive agreement to terminate the option agreements previously granted by the Company to NWT in respect of the North Rae and Daniel Lake properties located in the Ungava Bay region, Nunavik, Quebec. The Company has issued 1,800,000 of its common shares to NWT, which shares will be subject to a contractual nine-month hold period commencing on July 21, 2009 (note 8f)).

(i) In July 2007, the Company granted Central Uranium Corporation ("Central") (now Abitex Resources Inc. "Abitex") the option to acquire a 50% interest in the Kangiq property for a cash consideration of $410,000, $300,000 worth of common shares of Abitex and $4.2 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Abitex had made a cumulative payment of $210,000 ($210,000 in 2009) in cash, had issued 500,000 common shares and had carried out work expenditures totalling a cumulative amount of $1,341,652 and decided to terminate the option on November 15, 2010.

(j) In April 2007, the Company granted Rukwa Minerals Inc., formerly Rukwa Uranium Ltd ("Rukwa") a related party to the Company, the option to acquire a 50% interest in the North Minto property for a cash consideration of $360,000, $200,000 worth of common shares of Rukwa and $4.2 million in work expenditures. Rukwa may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Rukwa had made a cumulative payment of $240,000 ($240,000 in 2009) in cash, had paid $200,000 in cash ($200,000 in 2009) in lieu of $200,000 worth of its common shares and had carried out work expenditures totalling a cumulative amount of $1,895,808 ($1,701,373 in 2009). All commitments required under option agreement are extended until March 31, 2011.

(k) In April 2007, the Company granted Rukwa the option to acquire a 50% interest in the South Minto property for a cash consideration of $340,000, $200,000 worth of common shares of Rukwa and $4.0 million in work expenditures. Rukwa may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Rukwa had made a cumulative payment of $240,000 ($240,000 in 2009) in cash, had paid $200,000 in cash ($200,000 in 2009) in lieu of $200,000 worth of its common shares and had carried out work expenditures totalling a cumulative amount of $1,445,762 ($1,299,525 in 2009). All commitments required under option agreement are extended until March 31, 2011.

(l) In May 2007, the Company granted Abitex the option to acquire a 50% interest in the Central Minto property for a cash consideration of $340,000, $200,000 worth of common shares of Abitex and $4.0 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Abitex had made a cumulative payment of $160,000 ($160,000 in 2009) in cash, had paid $100,000 in cash ($100,000 in 2009) and had issued 250,000 common shares in lieu of $200,000 worth of its common shares, and had carried out work expenditures totalling a cumulative amount of $1,065,725 ($1,048,496 in 2009). On November 15, 2010, Abitex decided to terminate the option.

(m) In March 2007, the Company granted Majescor the option to acquire a 50% interest in the West Minto property for a cash consideration of $300,000, 540,000 common shares of Majescor and $3.8 million in work expenditures. Majescor may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Majescor had made a cumulative payment of $150,000 in cash, had issued 540,000 common shares, had carried out work expenditures totalling a cumulative amount of $501,234, and decided to terminate the option.

(n) In May 2007, the Company granted Abitex the option to acquire a 50% interest in the South Bienville property for a cash consideration of $380,000, $200,000 worth of common shares of Abitex and $4.5 million in work expenditures. Abitex may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Central had made a cumulative payment of $200,000 ($200,000 in 2009) in cash, had paid $100,000 in cash ($100,000 in 2009) and had issued 250,000 common shares in lieu of $200,000 ($200,000 in 2009) worth of its common shares, and had carried out exploration work totalling a cumulative amount of $1,610,615 ($$1,575,892 in 2009). On November 15, 2010, Abitex decided to terminate the option.

(o) In April 2007, the Company granted Silver Spruce Resources Inc. (“Silver”) the option to acquire a 50% interest in the Hudson Bay property for a cash consideration of $250,000, 300,000 common shares of Silver and $2.6 million in work expenditures. Silver may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Silver had made a cumulative payment of $100,000 in cash, had issued 300,000 common shares, had carried out work expenditures totalling a cumulative amount of $623,352 and decided to terminate the option in December 2008.

(p) In August 2007, the Company granted Channel Resources Ltd. (“Channel”) the option to acquire a 50% interest in the West Bienville property for a cash consideration of $170,000, 900,000 common shares of Channel and $1.7 million in work expenditures. Channel may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Channel had made a cumulative payment of $30,000 in cash, had issued 300,000 common shares, had carried out work expenditures totalling a cumulative amount of $92,686 and decided to terminate the option.

(q) In June 2007, the Company granted D’Arianne Resources Inc. (“Arianne”) the option to acquire a 50% interest in the North Havre property for an issuance of 850,000 common shares of Arianne and $0.7 million in work expenditures. Arianne may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2009, Arianne had issued 600,000 common shares, had carried out work expenditures totalling $313,637 and decided to terminate the option.

(r) In November 2007, the Company granted Kativik Resources Inc. (“Kativik”) the option to acquire a 50% interest in the Kativik property for a cash consideration of $440,000, $300,000 worth of common shares of Kativik and $5.0 million in work expenditures. Kativik may also acquire an additional 15% interest with the delivery of a bankable feasibility study. Pursuant to a purchase and sale agreement dated October 9, 2009 between Kativik and Nemaska Exploration Inc (“Nemaska”) and an amendment letter dated December 14, 2009, Kativik has transferred all of its rights and obligations in the Kativik Option agreement to Nemaska. As at August 31, 2010, Nemaska has paid for the preparation of geophysical and prospecting reports totalling $10,170 and has issued 160,000 common shares at a fair value of $80,000. The Company had also received from Kativik a cumulative cash payment of $120,000 ($120,000 in 2009) and 333,334 of Kativik’s common shares worth $200,000 ($200,000 in 2009), and Kativik has carried out work expenditures totalling a cumulative amount of $1,112,719 ($1,112,719 in 2009). All commitments required under option agreement are extended until February 15, 2011.

(s) In February 2010, the Company granted 2227352 Ontario Inc. ("the Partner") the option to acquire a 50% interest in the Diana property for a cash consideration of $325,000, $200,000 worth of common shares of the Partner, and $4.0 million in work expenditures. The Partner may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, the Partner had made a cumulative cash payment of $100,000 and had carried out work expenditures totalling a cumulative amount of $250,941. In May 2010, the Partner reached an agreement with Valencia Ventures Inc. ("Valencia") regarding the Diana property, subject to regulatory approvals, by transferring all of the rights and obligations currently held by the Partner to Valencia.

(t) In May 2010, the Company granted Aurizon Mines Ltd. ("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. Aurizon may also acquire an additional 15% interest with the delivery of a bankable feasibility study. As at August 31, 2010, Aurizon had made a cumulative cash payment of $150,000 and had carried out work expenditures totalling a cumulative amount of $1,279,395.

9 Debenture

On November 20, 2008 the Company issued a five-year unsecured debenture of $500,000, bearing interest at 12% annually. In 2009, that debt had been decreased by $92,000 and reflected in the statement of loss as a discount on debenture so as to consider an effective interest rate of 20%. An accretion expense on debenture of $17,883 ($14,317 in 2009) is also reflected in the statement of loss. The principal is to be reimbursed in cash over a 5 year-period for $100,000 per year.

10 Convertible debentures

In November 2008, the Company completed a private placement of unsecured convertible debentures of $940,000 to fund its technical work and business development. The debentures mature on November 20, 2011 and bear interest at the rate of 12% per annum, payable semi-annually either in cash or in shares. Non-interest bearing if the share is traded at $0.90 and over during the twenty business days preceding the dates of interest instalments for the first two six-month periods ending May 20 and November 20, 2009, respectively, at $1.35 and over for the third, fourth, fifth and sixth six-month periods ending May 20, 2010; November 20, 2010; May 20, 2011 and November 20, 2011, respectively. The principal is convertible at the option of the holder into common shares of the Company. During the first 2 years, the principal is convertible into units at a price of $0.54. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at $0.65 until November 2010. At the third year, the debentures are convertible into units at a price of $0.60; each unit consists of one common share and one-half of a share purchase warrant.

In November 2008, the Company had also completed a placement of $500,000 secured convertible loan with SIDEX, Limited Partnership ("SIDEX") which is to be reimbursed in two equal payments in 2009 and 2010 and bears interest at a rate of 12% per year, payable in cash or shares every six months. Non-interest bearing if the share is traded at $0.90 and over during the twenty business days preceding the dates of interest instalments for the first two six-month periods ending May 20 and November 20, 2009, respectively, at $1.35 and over for the third and fourth six-month periods ending May 20, 2010 and November 20, 2010. This loan is convertible into units at a price of $0.54 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share at a price of $0.65 for a 24-month period following the conversion date or until the term of the loan. The loan is secured by a hypothec on the Company's movable property, including tax credits to be received.

In April 2009, the Company reimbursed the first payment amounting to $250,000. On March 25, 2010, SIDEX exercised its conversion right on the balance of a loan in the amount of $250,000 together with accrued interest totalling $10,274 into a total of 477,847 units at an average price of $0.5447 per unit, each consisting of one (1) common share and one (1) warrant having an average exercise price of $0.6565 and valid until November 20, 2010 (note 13).

The convertible debentures are accounted for in accordance with its substance and is presented in the financial statements in its component parts, measured at their respective fair values at the time of issue. The liability component has been calculated as the present value of the required principal and interest payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debenture was issued.

	As at August 31, 2010			As at August 31, 2009		
	Liability component $	**Equity component $**	**Total $**	**Liability component $**	**Equity component $**	**Total $**
Unsecured convertible debenture	828,831	150,050	978,881	789,950	150,050	940,000
Secured convertible debenture	222,633	44,770	267,403	455,230	44,770	500,000
	1,051,464	194,820	1,246,284	1,245,180	194,820	1,440,000
Reimbursement in cash or in units of a secured convertible debenture	(250,000)	(44,770)	(294,770)	(250,000)	-	(250,000)
Accretion expense on convertible debentures	77,383	-	77,383	56,284	-	56,284
	878,847	150,050	1,028,897	1,051,464	194,820	1,246,284
Less: Current portion	-	-	-	(250,000)	-	(250,000)
	878,847	150,050	1,028,897	801,464	194,820	996,284

Equity component of the convertible debentures issued in 2009 have been recorded at a cumulative fair value of $194,820 based on the Black-Scholes option pricing model using the following assumptions:

	Secured convertible debenture	**Unsecured convertible debenture**
Risk-free interest rate	2.75%	3.75%
Expected volatility	99.28%	90.10%
Dividend yield	Nil	Nil
Weighted average expected life	2 years	3 years

11 Obligation under capital lease

	As at August 31, 2010 $	As at August 31, 2009 $
Capital and interest payable		
Obligation under capital lease, capital and interest repayable in instalments up to July 2011	29,697	-
Less: Current portion of obligation under capital lease	(29,697)	-
	-	-

The aggregate capital amount of the obligation under capital lease is as follows:

	$
2011	32,251
Less : imputed interest calculated at 9%	(2,554)
	29,697

12 Share capital

Authorized

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

Issued and fully paid

25,111,070 (20,383,979 in 2009) common shares and no shares are held in escrow

In December 2009, the Company closed two (2) private placements for a total of $3,376,125 representing 1,434,166 units at $0.75 per unit and 2,675,000 flow-through shares at $0.86 per share. Each unit is comprised of one (1) common share and one-half (½) common share purchase warrant, each full warrant entitling the holder to purchase an additional common share at an exercise price of $0.95 for a period of 24 months. The underwriter's commission finder's fee totalled $208,107.

Flow-through shares

The proceeds received from the issuance of flow-through shares amounted to $2,300,500 and is committed to exploration expenses. In February 2010, the Company renounced $2,300,500 of qualifying expenditures to the investors. The future income tax cost related to the resulting temporary difference of $582,000 and is recorded as a share issue expense.

13 Warrants

The following tables present the warrants activity since August 31, 2008, and summarize the information about warrants outstanding and exercisable as at August 31, 2010:

	Number	Carrying value $	Weighted average exercise price $
Outstanding – August 31, 2008	Nil	Nil	-
Issued	1,347,224	353,334	0.70
Outstanding – August 31, 2009	1,347,224	353,334	0.70
Issued	1,194,930	210,818	0.83
Outstanding – August 31, 2010	2,542,154	564,152	0.76

The 717,083 warrants issued under the private placements completed in December 2009, having an average exercise price of $0.95 and valid until December 19 and 29, 2011, were recorded at a value of $196,375 based on a Black-Scholes option pricing model using the following assumptions: risk free interest of 1.50%, expected life of 2 years, annualized volatility rate of 105% and dividend rate of 0%.

The 477,847 warrants included the 477,847 units issued pursuant to the conversion of the secured convertible loan and have an average exercise price of $0.66, valid until November 20, 2010, were recorded at a value of $14,443 based on a Black-Scholes option pricing model using the assumptions at the time the debenture was issued and discounted by 25% to reflect the actual period of the warrants were issued and outstanding: risk free interest of 2.75%, expected life of 2 years, annualized volatility rate of 99% and dividend rate of 0%.

In July and August 2009 the Company closed a non-brokered private placement totalling $550,000. A total of 1,222,224 common shares was issued at a price of $0.45 per share, and: (a) 611,112 “A” warrants, each “A” warrant entitling its holder to purchase one share of the Company at a price of $0.60 per share over a 24-month period; and (b) 611,112 “B” warrants, each “B” warrant entitling its holder to purchase one common share of the Company at a price of $0.80 per share over a 24-month period. All warrants are subject to the terms of an acceleration clause. If, starting the 4th month following closing, the closing price of the common shares of the Company as traded on the TSX Venture Exchange over a period of 20 trading days is equal to or greater than $0.85 ($1.15 for the “B” warrants), the Company may accelerate the expiry date of the warrants, which would then expire on the 30th day following deemed receipt of written notice from the Company. Warrants have been presented separately and recorded at a value of $348,334 based on the Black-Scholes option pricing model using the following assumptions: risk free interest of 1.25%, expected life of 2 years, annualized volatility rate of 146% and dividend rate of 0%.

All securities issued pursuant to the private placements are subject to a four-month holding period.

On November 20, 2008, the Company closed a non-brokered private placement for $100,000 which consists of 250,000 of the Company’s common shares at the exercise price of $0.40 per share and 125,000 warrants at the exercise price of $0.65 per share for a 24-month period. Warrants have been presented separately and recorded at a value of $5,000 based on the Black-Scholes option pricing model using the following assumptions: risk free interest of 2.75%, expected life of 2 years, annualized volatility rate of 99% and dividend rate of 0%.

As at August 31, 2010, the following warrants were outstanding and exercisable:

Exercise price	**Warrants outstanding Number**	**Expiry date**	**Weighted average remaining contractual life (years)**
$0.60	277,778	July 29, 2011	0.91
$0.60	333,334	August 17, 2011	0.96
$0.65	462,963	November 20, 2010	0.22
$0.65	125,000	November 24, 2010	0.23
$0.80	277,778	July 29, 2011	0.91
$0.80	333,334	August 17, 2011	0.96
$0.86	14,884	November 20, 2010	0.22
$0.95	383,750	December 19, 2011	1.30
$0.95	333,333	December 29, 2011	1.33
	2,542,154		

14 Stock option plan

The Company maintains a stock option plan in which a maximum of 2,560,000 stock options may be granted. The number of shares reserved for issuance under the stock option plan was increased to 15% of the shares issued and outstanding. This increase was authorized by the Company's disinterested shareholders at the Annual and Extraordinary meeting of shareholders held on February 27, 2009, and approved by the TSX Venture Exchange ("TSX-V") on April 22, 2009. 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 years following the granting date; the options granted will vest immediately, unless otherwise approved by the Board of Directors and disclosed therein.

The following tables present the stock option activity since August 31, 2008 and summarize the information about fixed stock options outstanding and exercisable as at August 31:

	2010		**2009**	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of year	1,855,000	1.82	1,905,000	2.40
Granted	620,000	0.65	590,000	0.34
Exercised	(5,000)	0.34	(290,000)	0.30
Expired	(30,000)	0.64	(350,000)	3.73
Outstanding – End of year	2,440,000	1.54	1,855,000	1.82
Exercisable – End of year	2,425,000	1.53	1,787,500	1.78

Exercise price $	**Options outstanding**	**Options exercisable**	**Weighted average remaining contractual life (years)**
0.34	585,000	585,000	8.63
0.60	130,000	130,000	9.90
0.66	490,000	490,000	9.53
0.86	105,000	105,000	0.04
1.50	50,000	50,000	0.48
1.55	300,000	300,000	0.50
1.75	150,000	150,000	0.54
1.80	20,000	20,000	0.64
3.03	310,000	295,000	2.61
4.30	300,000	300,000	1.50
	2,440,000	2,425,000	5.14

The fair value of options granted during the year amounts to $368,570 for 620,000 options granted based on a Black-Scholes option pricing model with the following weighted average assumptions ($180,000 for 590,000 options granted in 2009). These options were granted at an exercise price equal to the closing market value of the shares the previous day of the grant.

	2010	2009
Risk free interest rate	3,50%	3,75%
Expected life	10 years	10 years
Expected volatility	105%	108%
Expected dividend yield	0%	0%

15 Related party transactions

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

	2010 $	2009 $
In normal course of operation		
Mining properties and exploration work (notes 8j) and k))	41,640	39,882
Not in normal course of business		
Subscription of directors in issuance of convertible debentures	-	340,000
Participation of directors in private placement	49,880	50,000
Cash payments to directors for interest on convertible debentures	40,800	19,969

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

The balance receivable (payable) to related parties is subject to the same conditions as those of non related parties and are reflected on the balance sheet as at August 31, 2010 and 2009.

16 Income taxes

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

	Years Ended August 31,	
	2010 **$**	**2009** **$**
Loss before income taxes	1,399,589	2,676,838
Combined federal and provincial income tax of 30.23% (30.90% in 2009)	(423,200)	(827,000)
Non-deductible expenses for income tax purposes	209,400	443,000
Share issue expenses	-	(33,000)
Change in valuation allowance	(457,600)	404,000
Change in future tax rates	55,200	79,500
Non-taxable gain on sale of long-term investments	32,600	(600)
Unrealized loss on available-for-sale investments not affecting earnings	900	(59,000)
Other	700	(6,900)
Recovery of future income taxes	(582,000)	-

The Company is entitled to the following tax benefits, for which a valuation allowance was recorded for in the financial statements as at August 31, 2010, except for a future income tax asset of $582,000 (nil in 2009) recorded against a future income tax liability for the same amount.

- As at August 31, 2010, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

Expiry Year	**Federal** **$**	**Provincial** **$**
2030	721,000	721,000
2029	816,000	816,000
2027	266,000	226,000
2016	124,000	93,000
	1,927,000	1,856,000

- The Company has accumulated capital losses of approximately $226,000 ($11,000 in 2009).

- As at August 31, 2010, the carrying value of mining properties exceeds the tax value by approximately $1,850,815 at the federal level and $1,469,484 at the provincial level. As at August 31, 2009, the tax value of mining properties exceeds the carrying value by approximately $540,000 at the federal level and $613,000 at the provincial level. The difference between the tax value and the amounts capitalized in the financial statements mainly results from the renunciation by the Company in favour of investors of the deductions related to exploration costs paid through flow-through share financings, of the non-taxable mining rights tax credit as well as from write-offs of mining properties.

- The unamortized balance of capital cost for federal and provincial income tax purposes exceeds the net carrying value of property and equipment and intangible assets by $346,000 ($532,000 in 2009) and $341,000 ($527,000 in 2009), respectively.

- The tax value of long-term investments exceeds the carrying value by approximately $1,046,000 ($1,074,000 in 2009). The difference between the tax value and the amounts accounted for in the financial statements mainly results from the impairment in value accounted for on these investments.

- The unamortized balance, for income tax purposes, of share issue and financial expenses amounts to $368,000 ($173,000 in 2009) and will be deductible during the next four years.

- The tax value of long-term liabilities exceeds the carrying value by $29,000 ($21,000 in 2009). The difference between the tax value and the amounts accounted for in the financial statements results from the discount on long-term debt and the accretion expense on debentures.

17 Loss per share

For the years ended August 31, 2010 and 2009, the diluted loss per share was the same as the basic loss per share since the dilutive effect of the instruments was not included in the calculation; otherwise the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those years was calculated using the basic weighted average number of shares outstanding 23,484,540 in 2010 and 17,497,718 in 2009.

18 Commitments

The Company has minimum aggregate commitments under a two-year lease agreement amounting to $74,321 minimum lease payments under this agreement are as follows:

	$
2011	38,571
2012	35,750

19 Financial instruments, financial risks and capital management

Classification

The Company's financial instruments as at August 31, 2010 consist of cash and cash equivalents, amounts receivable, long-term investments, accounts payable and accrued liabilities, obligation under capital lease and debentures. The fair value of these financial instruments, with the exception of long-term 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 long-term investments is established using the bid price on the most beneficial active market for this instrument that is readily available to the Company. When a bid price is not available, the Company uses the closing price of the most recent transaction on such instrument.

The classification of financial instruments as at August 31, 2010, and August 31, 2009, is summarized as follows:

		As at August 31, 2010		As at August 31, 2009	
	Classification	**Carrying value $**	**Fair value $**	**Carrying value $**	**Fair value $**
Financial assets					
Cash and cash equivalents	Held for trading	2,704,823	2,704,823	1,349,818	1,349,818
Amounts receivable	Loans and receivables	1,020,033	1,020,033	468,380	468,380
Long-term investments	Available for sale	377,561	377,561	534,416	534,416
		4,102,417	4,102,417	2,352,614	2,352,614
Financial liabilities					
Accounts payable and accrued liabilities	Other liabilities	1,802,707	1,802,707	231,384	231,384
Debenture and convertible debentures	Other liabilities	1,219,047	1,219,047	1,473,781	1,473,781
Obligation under capital lease	Other liabilities	29,697	29,697	-	-
		3,051,451	3,051,451	1,705,615	1,705,615

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 liability, either directly or indirectly and level 3 includes inputs for the asset or liability that are not based on observable market data. Cash and long-term investments are considered a level 1. Cash equivalents are considered a level 2.

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, amounts receivable and long-term 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 amounts receivable from partners and from a related party 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. The Company follows closely their cash position to reduce its credit risk on amounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to fulfill its financial obligations related to financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidities to meet liabilities when due. The Company anticipates that these funds are sufficient to support its corporate and administrative obligations on a continuous basis. Management is evaluating other alternatives to secure the necessary financing so that the Company can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful. The amount and timing of additional funding will be impacted by among others things, the strength of the capital markets.

The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Due to the nature of the activities of the Company, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing, through various means, including equity financing.

The following are the contractual maturities of financial liabilities, including interest where applicable as at August 31, 2010:

	Carrying amount	**Contractual cash flows**	**0 to 12 months**	**12 to 24 months**	**More than 24 months**
	$	**$**	**$**	**$**	**$**
Accounts payables and accrued liabilities	1,802,707	1,802,707	1,802,707	-	-
Long-term liabilities including the current portion and obligation under capital lease	1,248,744	1,369,697	129,697	1,040,000	200,000

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 guaranteed by and held with a Canadian charted bank.

As at August 31, 2010, the Company’s exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Long-term investments	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Obligations under capital lease	See note 11
Debentures	See notes 9 and 10

A fluctuation of interest rates of 1% would not affect significantly the fair value of cash and cash equivalents.

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 shares are recorded in other comprehensive income (loss). For the Company's available-for-sale shares, a variation of ± 10 % of the quoted market prices as at August 31, 2010, would result in an estimated effect in Other comprehensive income (loss) of $37,000 ($53,000 for the year ended August 31, 2009).

Capital Management

The Company considers the items included in shareholders’ 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, 2010 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 restricted in use for exploration expenses. During the year, the Company conformed to these conditions.

20 Subsequent event

(i) In November 2010, $640,000 of the unsecured convertible debenture was converted into 1,185,185 units for the reimbursement of a portion of the outstanding capital on the debentures. Each unit is comprised of one common share at a price of $0.54 per share and one share purchase warrant, each warrant entitling them to acquire one additional common share of the Company at a price of $0.65 per share until November 20, 2011.

(ii) Also in November 2010, 602,847 warrants were exercised for total proceeds of $382,176 in exchange of 602,847 common shares of the Company.

(iii) In December 2010, the Company granted Dynasty Gold Corp. (“Dynasty”) the option to earn an initial 50% interest in the Opinaca D property for cash consideration of $300,000, $150,000 worth of common shares of Dynasty and by conducting $3.2 million in exploration work over a four (4) year period. Dynasty may also earn an additional interest of 15% interest by issuing $100,000 of its common shares to the Company as a one-time grant; making cash payments of $50,000 per year, incurring minimum work expenditures of $500,000 per year over a five (5)-year period and delivering a bankable feasibility study. This transaction is subject to the approval of regulatory authorities as of December 22, 2010.

(iv) In September 2010, the Company and Everton granted Aurizon the option to earn a 50% interest in the Opinaca A and B properties by making cash payments totalling $580,000 and incurring expenditures of $6,000,000 over four (4) years, including 5,000 metres of drilling by the second anniversary. The Company will receive 50% of the cash payments. Aurizon 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 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, Aurizon shall make a payment of $1,500,000 in Aurizon common shares, subject to regulatory approval. The Company will receive 50% of these issued shares.