

**ALEXIS MINERALS CORPORATION**  
*(A Development Stage Company)*

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR  
ENDED DECEMBER 31, 2007**

***AUDITED***



McGovern, Hurley, Cunningham, LLP  
Chartered Accountants

**AUDITORS' REPORT**

To the Shareholders of  
**Alexis Minerals Corporation**  
**(A Development Stage Company)**

We have audited the consolidated balance sheets of Alexis Minerals Corporation (A Development Stage Company) as at December 31, 2007 and 2006 and the consolidated statements of shareholders' equity, operations and deficit and cash flows for each of the years in the two-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

**McGOVERN, HURLEY, CUNNINGHAM, LLP**

A handwritten signature in black ink that reads 'McGovern, Hurley, Cunningham, LLP'.

**Chartered Accountants**  
**Licensed Public Accountants**

TORONTO, Canada  
February 15, 2008,  
except for Note 20, which  
is at March 17, 2008.

# ALEXIS MINERALS CORPORATION

## (A Development Stage Company)

### Consolidated Balance Sheets

As at December 31

	2007	2006
	\$	\$
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	6,153,297	3,094,286
Restricted short-term investments (Note 6)	150,000	150,000
Inventory (Note 5)	4,794,746	-
Amounts receivable	2,293,571	711,309
Tax credits receivable (Notes 5 and 6)	12,054,626	6,832,224
Prepaid expenses	351,914	111,856
	<u>25,798,154</u>	<u>10,899,675</u>
Property and equipment (Note 4)	4,434,808	564,994
Cash appropriated for exploration expenditures (Note 5)	530,034	133,421
Deposits and advances	-	160,414
Exploration and development properties and deferred exploration expenditures (Note 5)	40,541,822	28,529,623
	<u>71,304,818</u>	<u>40,288,127</u>
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	6,012,546	3,208,838
Secured demand loan (Note 6)	5,345,689	3,032,672
Current portion of capital lease obligation (Note 7)	264,886	-
Current portion of long-term debt (Note 8)	170,298	106,667
	<u>11,793,419</u>	<u>6,348,177</u>
Capital lease obligation (Note 7)	276,008	-
Long-term debt (Note 8)	316,217	248,889
Liability component of convertible debenture (Note 9)	3,335,692	3,009,718
Asset retirement obligation (Note 10)	479,000	423,000
Future tax liability (Note 15(b))	1,599,000	3,470,000
	<u>17,799,336</u>	<u>13,499,784</u>
Shareholders' equity:		
Share capital (Note 11)	48,908,428	25,898,218
Warrants (Note 12)	5,138,113	2,071,196
Equity component of convertible debenture (Note 9)	830,334	830,334
Contributed surplus (Note 14)	6,936,037	4,541,368
Deficit	(8,307,430)	(6,552,773)
	<u>53,505,482</u>	<u>26,788,343</u>
	<u>71,304,818</u>	<u>40,288,127</u>

Commitments and contingencies - Notes 1, 5, and 18

Approved on behalf of the Board:

"David Rigg" \_\_\_\_\_, Director

"Maurice Colson" \_\_\_\_\_, Director

# ALEXIS MINERALS CORPORATION

(A Development Stage Company)

## Consolidated Statements of Shareholders' Equity

	Common Shares		Warrants	Convertible Debenture	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
	No.	\$	\$	\$	\$	\$	\$
Balance, December 31, 2005	63,492,245	24,750,705	3,162,785	-	3,337,136	(5,156,078)	26,094,548
Private placement, flow through	5,219,272	3,653,490	-	-	-	-	3,653,490
Convertible debenture issue, equity portion	-	-	225,612	830,334	-	-	1,055,946
Exercise of warrants	1,453,726	750,547	-	-	-	-	750,547
Warrant exercise - valuation reallocation	-	328,744	(328,744)	-	-	-	-
Exercise of stock options	275,000	122,875	-	-	-	-	122,875
Exercise of stock options valuation reallocation	-	84,000	-	-	(84,000)	-	-
Shares issued for payment of interest	270,383	126,300	-	-	-	-	126,300
Expiry of warrants	-	-	(988,457)	-	988,457	-	-
Stock-based compensation	-	-	-	-	299,775	-	299,775
Flow through share tax effect	-	(3,652,000)	-	-	-	-	(3,652,000)
Cost of issue	-	(266,443)	-	-	-	-	(266,443)
Loss for the year	-	-	-	-	-	(1,396,695)	(1,396,695)
Balance, December 31, 2006	70,710,626	25,898,218	2,071,196	830,334	4,541,368	(6,552,773)	26,788,343
Private placement	25,000,000	25,000,000	-	-	-	-	25,000,000
Warrant valuation	-	(4,912,500)	4,912,500	-	-	-	-
Exercise of warrants	3,009,616	2,753,372	-	-	-	-	2,753,372
Warrants exercise - valuation reallocation	-	1,167,993	(1,167,993)	-	-	-	-
Exercise of stock options	1,371,000	738,025	-	-	-	-	738,025
Exercise of stock options Valuation reallocation	-	531,236	-	-	(531,236)	-	-
Shares issued for payment of interest	291,522	251,907	-	-	-	-	251,907
Expiry of warrants	-	-	(677,590)	-	677,590	-	-
Stock-based compensation	-	-	-	-	2,248,315	-	2,248,315
Flow through share tax effect	-	(1,315,000)	-	-	-	-	(1,315,000)
Tax effect of cost of issue	-	511,000	-	-	-	-	511,000
Costs of issue	-	(1,715,823)	-	-	-	-	(1,715,823)
Loss for the year	-	-	-	-	-	(1,754,657)	(1,754,657)
Balance, December 31, 2007	100,382,764	48,908,428	5,138,113	830,334	6,936,037	(8,307,430)	53,505,482

- See accompanying Notes to the Consolidated Financial Statements -

# ALEXIS MINERALS CORPORATION

(A Development Stage Company)

## Consolidated Statements of Operations and Deficit

For the year ended December 31

	2007 \$	2006 \$
Expenses:		
Professional, consulting and management fees (Note 13)	3,127,199	827,298
Shareholder communications and transfer agent fees	616,689	511,894
Long-term interest, accretion and finance costs	651,812	360,427
Other interest, accretion and finance costs	276,271	159,972
Travel expense	192,829	87,436
General office expenses	122,330	87,307
Occupancy cost	37,178	33,933
Amortization of office equipment	3,999	34,685
Foreign exchange	2,221	4,481
Less: interest income	(600,871)	(116,738)
Net loss before income taxes	(4,429,657)	(1,990,695)
Future income taxes (Note 15(a))	2,675,000	594,000
Net loss for the year	(1,754,657)	(1,396,695)
DEFICIT, beginning of year	(6,552,773)	(5,156,078)
DEFICIT, end of year	(8,307,430)	(6,552,773)
Net loss per share - basic and diluted	(0.02)	(0.02)
Weighted average number of shares outstanding - basic and diluted	95,976,577	65,265,763

- See accompanying Notes to the Consolidated Financial Statements -

# ALEXIS MINERALS CORPORATION

(A Development Stage Company)

## Consolidated Statements of Cash Flows

For the year ended December 31

	2007 \$	2006 \$
Cash provided by (used in):		
Operations:		
Net loss for the year	(1,754,657)	(1,396,695)
Items not involving cash:		
Stock based compensation (Note 13)	1,741,970	164,320
Amortization of office equipment	3,999	34,685
Accretion of asset retirement obligation (note 10)	56,000	
Interest, accretion and finance costs	631,680	416,754
Future income tax recovery	(2,675,000)	(594,000)
Changes in non-cash working capital	(6,288,271)	128,141
	<u>(8,284,279)</u>	<u>(1,243,795)</u>
Financing:		
Convertible debenture issue, net of financing costs	-	3,837,095
Private placement, net of share issue costs	23,284,177	3,387,045
Exercise of warrants and options	3,491,397	873,422
Demand loan, net of repayments and engagement fees	2,110,417	2,914,165
Long-term debt, net of repayments	(141,740)	350,000
	<u>28,744,251</u>	<u>11,361,727</u>
Investing:		
Equipment purchases	(3,592,764)	(532,577)
(Increase) decrease in cash appropriated for exploration and development expenditure	(396,613)	2,581,980
Decrease (increase) in prepaid exploration and development expenditures	160,414	(168,912)
Change in exploration and development accounts payable	2,684,550	1,271,217
Exploration tax credits received	5,637,551	6,256,707
Increase in restricted short-term investments	-	(150,000)
Expenditures on exploration interests, net of government assistance	(21,894,099)	(18,194,355)
	<u>(17,400,961)</u>	<u>(8,935,940)</u>
Change in cash and cash equivalents	3,059,011	1,181,992
Cash and cash equivalents, beginning of year	3,094,286	1,912,294
Cash and cash equivalents, end of year	<u>6,153,297</u>	<u>3,094,286</u>
Cash and cash equivalents consists of:		
Cash	6,143,297	937,469
Cash equivalents	10,000	2,156,817
	<u>6,153,297</u>	<u>3,094,286</u>

### SUPPLEMENTAL INFORMATION

Interest and dividend income received	600,871	116,738
Interest paid	254,491	63,245
Stock based compensation charged to mineral properties	506,345	135,455
Amortization of exploration assets charged to exploration	471,708	22,388
Disallowed tax credits applied to exploration property	24,170	12,477
Capital assets acquired under capital leases	474,677	-
Common shares issue for interest payment	251,907	126,300
Property and equipment acquired by finance arrangement	278,000	405,827
Broker warrants charged as financing costs	-	78,474
Income taxes paid	-	-

- See accompanying Notes to the Consolidated Financial Statements -

# ALEXIS MINERALS CORPORATION

## *(A Development Stage Company)*

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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#### 1. NATURE OF OPERATIONS AND GOING CONCERN

Alexis Minerals Corporation (the "Company") was incorporated in British Columbia on August 8, 1988 under the name First Discovery Holdings Ltd. The Company changed its name to Alexis Resources Ltd. on December 20, 1996 and subsequently changed its name to Alexis Minerals Corporation on June 4, 2003. The Company currently has interests in exploration properties in the province of Quebec. Substantially all of the Company's efforts are devoted to financing and developing these properties. As at December 31, 2007, the Company was a development stage entity, as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11. Subsequent to December 31, 2007, the Company announced that a production decision at its Lac Herbin deposit was approved by the Board of Directors.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material writedowns of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these consolidated financial statements.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

##### a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its proportionate share of the accounts of the joint venture in which the Company has an interest.

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# ALEXIS MINERALS CORPORATION

## *(A Development Stage Company)*

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### b) Exploration and development properties and deferred expenditures

Exploration and development properties and deferred expenditures are carried at cost, net of government assistance and pre-production revenues, until they are brought into production, at which time they are depleted on a unit of production method based on proven and probable reserves. Government assistance is recorded when it is more likely than not to be received. If a property is subsequently determined to be significantly impaired in value, the property and related deferred costs are written down to their net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of exploration and development properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews its exploration and development properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration and development properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. An impairment loss is recognized when the carrying amount of the exploration and development properties is not recoverable and exceeds its fair value. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a change in the determination of the need for and amount of any write down.

##### c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and short-term investments with original maturities of three months or less. Cash and cash equivalents are held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

##### d) Short-term investments

Short-term investments are highly liquid investments with an original maturity greater than three months and less than or equal to twelve months. Restricted short-term investments at December 31, 2007 consist of a one-year Guaranteed Investment Certificate ("GIC") maturing in December 2008 and bearing interest at 3.5%.

##### e) Property and equipment

Property and equipment are recorded at cost. Amortization is provided on a straight line basis over the following number of years:

Computer hardware	3 years
Computer software	1-2 years
Office equipment	4 years
Furniture and fixtures	8 years
Field equipment	4 to 5 years
Mobile equipment	4 to 5 years
Buildings	4 to 30 years

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# ALEXIS MINERALS CORPORATION

## *(A Development Stage Company)*

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### f) Convertible debt instruments

The Company's convertible debt instruments are segregated into their debt and equity components at the date of issue, based on the relative fair market values of these components in accordance with the substance of the contractual agreements. The debt component of the instruments is classified as a liability, and recorded as the present value of the Company's obligation to make future interest payments and settle the redemption value of the instrument. The carrying value of the debt component is accreted to the original face value of the instruments, over the term of the convertible debt instrument, using the effective interest method. The value of the conversion option makes up the equity component of the instruments. The conversion option is recorded using the residual value approach. Upon conversion, any gain or loss arising from extinguishment of the debt is recorded in operations of the current period.

##### g) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock based compensation, inventory, and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

##### h) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

##### i) Flow through financing

The Company has financed a portion of its exploration activities through the issue of flow through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

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# ALEXIS MINERALS CORPORATION

## (A Development Stage Company)

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### j) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

##### k) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to share capital.

##### l) Asset retirement obligations

Asset retirement obligations include the costs related to the abandonment of exploration and development, dismantling and removing tangible equipment such as milling facilities and returning the land to its original condition. The Company recognizes an asset retirement obligation ("ARO") in the period in which it is identified and a reasonable estimate of the fair value can be made. Fair value is estimated based on the present value of the estimated future cash outflows to abandon the asset, discounted at the Company's credit-adjusted risk-free interest rate. The fair value of the estimated ARO is recorded as a long-term liability with a corresponding amount capitalized to exploration and development. The amount capitalized is charged to earnings through the depletion and depreciation of exploration and development. The ARO liability is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings. Revisions to the original estimated cost or the timing of the cash outflows may result in a change to the ARO. Actual costs incurred to settle the ARO reduce the long-term liability.

##### m) Inventory

Inventory consists solely of gold received from a bulk sample and has been valued at the lower of the actual cost of the bulk sample and related processing costs, and net realizable value.

##### n) Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

#### 3. ACCOUNTING CHANGES

##### a) Changes in accounting policies

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountant ("CICA") Handbook Sections 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*.

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# ALEXIS MINERALS CORPORATION

## *(A Development Stage Company)*

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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#### 3. ACCOUNTING CHANGES (Continued)

##### a) Changes in accounting policies

###### Financial Instruments

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

Other significant accounting implications arising upon the adoption of the financial instrument standards includes the use of the effective interest method of amortization for any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost. On transition, financing costs, which were previously recognized as deferred transaction costs, were reclassified to their related financial liabilities. As a result, on transition, the Company recorded a net decrease in deferred financing charges and a corresponding decrease in the liability component of the convertible debenture of \$277,004.

###### Comprehensive Income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

The application of this new standard has had no impact on the Company's financial statements as at and for the year ended December 31, 2007, and as such, a statement of comprehensive income has not been included in these financial statements.

###### Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the year ended December 31, 2007, the Company had no hedges.

##### b) Future accounting changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on January 1, 2008.

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# ALEXIS MINERALS CORPORATION

## (A Development Stage Company)

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

#### 3. ACCOUNTING CHANGES (Continued)

##### b) Future accounting changes

###### Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

###### Financial Instruments – Disclosures and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

###### International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canada GAAP and IFRS.

#### 4. PROPERTY AND EQUIPMENT

	2007		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer hardware	115,514	(39,969)	75,545
Computer software	203,434	(114,328)	89,106
Office equipment	114,244	(14,554)	99,690
Furniture and fixtures	15,584	(7,662)	7,922
Field equipment	827,575	(96,058)	731,517
Mobile equipment	3,227,830	(340,944)	2,886,886
Buildings	569,082	(24,940)	544,142
	<u>5,073,263</u>	<u>(638,455)</u>	<u>4,434,808</u>

  

	2006		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer hardware	38,316	(21,980)	16,336
Computer software	60,285	(56,092)	4,193
Office equipment	18,049	(9,605)	8,444
Furniture and fixtures	15,583	(5,714)	9,869
Field equipment	55,475	(35,292)	20,183
Mobile equipment	34,287	(25,715)	8,572
Buildings	505,827	(8,430)	497,397
	<u>727,822</u>	<u>(162,828)</u>	<u>564,994</u>

Included in mobile equipment is equipment under capital lease with a net book value of approximately \$475,000 (2006 – Nil).

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# ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

## 5. EXPLORATION AND DEVELOPMENT PROPERTIES AND DEFERRED EXPENDITURES

DESCRIPTION	Rouyn \$	VMS \$	Aurbel \$	Lac Herbin \$	Other \$	TOTAL \$
Acquisition costs						
Balance, December 31, 2006	1,501,561	1,022,860	865,823	2,046,637	151,239	5,588,120
Acquisition and property costs	138,609	25,860	45,511	16,216	6,137	232,333
Balance, December 31, 2007	1,640,170	1,048,720	911,334	2,062,853	157,376	5,820,453
Exploration expenditures						
Balance, December 31, 2006	10,377,041	1,356,745	1,447,476	9,718,897	41,344	22,941,503
Drilling	2,393,249	2,240,396	91,214	1,754,435	-	6,479,294
Analysis and laboratory	103,641	97,255	3,193	103,153	36	307,278
Geology and scoping studies	508,636	129,566	241	36,859	-	675,302
Travel and transportation	24,793	10,342	14,446	39,117	566	89,264
Consulting and labour	545,308	407,560	384,334	1,457,105	4,854	2,799,161
Geochemistry and geophysics	344,873	130,946	600	-	-	476,419
Environmental	57,804	1,902	30,501	9,880	-	100,087
Engineering	-	-	-	156,843	-	156,843
Portal and ramp construction	-	-	-	987,658	-	987,658
Level ore development	-	-	-	6,314,560	-	6,314,560
Water waste and settling pond	-	-	-	119,381	-	119,381
Electrical work	-	-	-	868,785	-	868,785
Metallurgy and custom milling	3,200	-	-	57,482	-	60,682
Other surface development	-	-	-	1,068,435	-	1,068,435
Other underground development	-	-	-	4,936,134	-	4,936,134
Human resources	-	-	-	77,331	-	77,331
Mill refurbishment	-	-	-	16,259	-	16,259
Field and office support	246,112	303,619	218,647	139,439	-	907,817
Amortization	22,367	47,820	198,855	202,666	-	471,708
Management fees	282,487	-	-	-	-	282,487
Incurred to date	14,909,511	4,726,151	2,389,507	28,064,419	46,800	50,136,388
Less: government assistance	(1,927,497)	(1,274,409)	(57,527)	(7,565,729)	-	(10,825,162)
Less: net gold sales from bulk sample	-	-	-	(4,589,857)	-	(4,589,857)
Balance, December 31, 2007	12,982,014	3,451,742	2,331,980	15,908,833	46,800	34,721,369
<b>TOTAL DEFERRED COSTS</b>						
<b>December 31, 2007</b>	14,622,184	4,500,462	3,243,314	17,971,686	204,176	40,541,822

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# ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

## 5. EXPLORATION AND DEVELOPMENT PROPERTIES AND DEFERRED EXPENDITURES (Continued)

DESCRIPTION	Rouyn \$	VMS \$	Aurbel \$	Lac Herbin \$	Other \$	TOTAL \$
Acquisition costs						
Balance, December 31, 2005	1,388,534	1,008,932	787,134	58,124	151,110	3,393,834
Acquisition and property costs	113,027	13,928	78,689	1,988,513	129	2,194,286
Balance, December 31, 2006	1,501,561	1,022,860	865,823	2,046,637	151,239	5,588,120
Exploration expenditures						
Balance, December 31, 2005	7,955,605	1,112,438	1,657,681	2,006,257	39,166	12,771,147
Drilling	2,138,331	296,773	-	2,063,617	-	4,498,721
Analysis and laboratory	30,234	3,402	-	129,307	5	162,948
Geology and scoping studies	878,504	454	143	14,724	-	893,825
Travel and transportation	9,852	2,481	182	77,407	-	89,922
Consulting and labour	471,283	101,052	1,940	1,202,812	3,665	1,780,752
Geochemistry and geophysics	268,614	20,000	-	44,950	-	333,564
Environmental	6,919	1,494	14	24,042	-	32,469
Roads	-	-	-	84,266	-	84,266
Mobilization/demobilization	-	-	-	8,000	-	8,000
Site construction	-	-	-	117,421	-	117,421
Portal and ramp construction	-	-	-	2,025,123	-	2,025,123
Level ore development	-	-	-	3,781,471	-	3,781,471
Water waste and settling pond	-	-	-	106,902	-	106,902
Electrical work	-	-	-	376,136	-	376,136
Metallurgy and custom milling	600	-	-	163,995	-	164,595
Security	-	-	-	24,385	-	24,385
Other underground development	-	-	-	798,709	-	798,709
Human resources	-	-	-	14,147	-	14,147
Mill purchase and refurbishment	-	-	-	1,081,210	-	1,081,210
Field and office support	30,355	10,445	2,021	322,705	-	365,526
Amortization	1,919	527	164	19,538	-	22,148
Management fees	141,532	(31,467)	-	-	-	110,065
Incurred to date	11,933,748	1,517,599	1,662,145	14,487,124	42,836	29,643,452
Reclamation bond	-	-	-	3,695	-	3,695
Additions to asset retirement obligation	-	-	-	423,000	-	423,000
Less: government assistance	(1,556,707)	(160,854)	(214,669)	(4,476,593)	(1,492)	(6,410,315)
Less: net gold sales from bulk sample	-	-	-	(718,329)	-	(718,329)
Balance, December 31, 2006	10,377,041	1,356,745	1,447,476	9,718,897	41,344	22,941,503
<b>TOTAL DEFERRED COSTS</b>						
<b>December 31, 2006</b>	<b>11,878,602</b>	<b>2,379,605</b>	<b>2,313,299</b>	<b>11,765,534</b>	<b>192,583</b>	<b>28,529,623</b>

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# ALEXIS MINERALS CORPORATION

## *(A Development Stage Company)*

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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#### 5. EXPLORATION AND DEVELOPMENT PROPERTIES AND DEFERRED EXPENDITURES (Continued)

Subsequent to December 31, 2007 the Company will file for approximately \$10,800,000 of government assistance related to exploration expenditures in the province of Quebec for the year ended December 31, 2007. The assistance has been applied to the exploration properties to which they pertain. During the year ended December 31, 2007 the Company received \$5,637,551 in assistance related to prior years. (See Note 6.)

All qualified expenditures on the properties in Canada will be for the credit of the Company's flow through expenditure commitments (Note 18(a)).

##### Rouyn Noranda Properties, Quebec (Rouyn)

Pursuant to the June 15, 2004 binding letter of intent with Falconbridge Ltd., now referred to as Xstrata Copper ("Xstrata"), a business unit of Falconbridge Ltd., wherein the Company has an option to earn a 50% interest in all of Xstrata's properties in the prospective Rouyn-Noranda Base Metal and Gold Camp, the Company agreed to place a total of \$14,000,000 in an account as security for the performance, the final tranche of which was paid during 2007. In April 2007, the Company funded an additional \$1,500,000 trust for future exploration expenses to allow the Company to satisfy the earn-in option of its agreement with Xstrata. Cash appropriated for exploration expenditures at December 31, 2007 is \$530,034 (2006 - \$133,421).

Subsequent to December 31, 2007, the Company vested into a 50% interest in the property and accelerated the release of funds from the trust account to a segregated account established by Xstrata to further fund the exploration expenditures.

Certain claims that form part of this property are subject to NSR royalties that range from 0.5% to 2% or net proceeds of production royalties that range from 7.5% to 20%.

##### Lac Pelletier Property, Rouyn-Noranda, Quebec (Rouyn)

Pursuant to the September 2005 option agreement within Thundermin Resources Inc. ("Thundermin"), the Company can acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and \$1 charge per tonne milled, by spending \$1,000,000 in exploration expenditures by September 1, 2008. During 2007, the Company met their expenditure obligations.

Pursuant to the agreement, the Company is also required to make a production decision by September 1, 2008 and reach commercial production by September 1, 2009. These dates can both be extended by one year by making a cash payment of \$75,000 to Thundermin. If the Company fails to reach commercial production by the specified date, the Company will be required to make annual advance royalty payments of \$75,000.

##### VMS Properties, Quebec

On March 17, 2004, the Company entered into an option agreement to acquire all AUR Resources Inc. ("AUR") interests in 18 additional gold and base metal properties in the central area of the Val d'Or Camp, Quebec.

Under the agreement, the Company is required to spend \$1,000,000 in exploration on or before March 31, 2005 (completed), \$1,000,000 on or before March 31, 2006 (completed), \$2,000,000 on or before March 31, 2008 and make a \$1,000,000 cash payment to Aur on or before March 31, 2008. At December 31, 2007, the Company has met its exploration expenditure commitments and intends to make the final cash payment by March 31, 2008. Aur will subsequently retain between a 2% and a 2.5% net smelter return royalty on the properties depending on pre-existing underlying royalties. Certain claims forming part of this property are subject to NSR royalties of 1% to 2.5%, net profits royalties of 5% or net proceeds of production royalties of 10% or 25 cents charge per ton mined. Certain areas of the properties were held under a joint venture agreement whereby Novicourt Inc. owned a 45% interest. Novicourt Inc. opted to no longer fund the joint venture and consequently their interest will decrease and the Company's will increase with further exploration on these properties. (See Note 19.)

Continued...

# ALEXIS MINERALS CORPORATION

## (A Development Stage Company)

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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#### 5. EXPLORATION AND DEVELOPMENT PROPERTIES AND DEFERRED EXPENDITURES (Continued)

##### Aurbel (Including Lac Herbin) Property, Quebec

In February 2006, the Company vested into a 50% interest on the Aurbel property pursuant to its May 2003 agreement with AUR Resources Inc. ("AUR") and exercised its option to acquire the remaining 50% interest in the property and the Aurbel Gold Mill (the "Mill"). The transaction was completed in August 2006. Under the revised terms of the agreement, the Company agreed to pay \$3,000,000 in cash with AUR retaining a 2.5% NSR. The Company has paid AUR \$2,500,000 with the final payment of \$500,000 due upon certain milestones, related to advanced, and ongoing, discussions with the Ministry of Natural Resources and Fauna, Quebec being met. The milestones are related to the transfer of liabilities towards future rehabilitation programs and costs of the surface infrastructure to the Company. The final payment has been accrued at December 31, 2007. As the Mill is currently not in use, no amortization has been recorded.

There is an additional 2% NSR that is held by a corporation that is controlled by a director of the Company.

During 2007, the Company completed a bulk sample from Lac Herbin resulting in 6,692.46 (2006 – 2,282.53) ounces of fine gold, of which 5,692.46 (2006 – 600.00) ounces remained on hand at December 31, 2007. Subsequent to December 31, 2007, this inventory was sold for proceeds of approximately \$4,794,000.

#### 6. SECURED DEMAND LOAN

During 2007, the Company signed short-term demand loan agreements with two major Canadian Chartered banks for non-revolving demand loans of up to an aggregate of \$5,900,000 at an interest rate of prime plus 0.75%. These loans are secured against and are repayable upon receipt of anticipated 2007 refundable Quebec government assistance of approximately \$8,900,000. A loan guarantee was provided by Investissement Quebec for a fee of 3%, or \$177,000. In accordance with the loan guarantee the Company was required to deposit \$150,000 in a GIC. As at December 31, 2007, a total of \$5,345,689 had been advanced to the Company with respect to these loan agreements.

During 2006, the Company signed a short-term loan agreement with a major Canadian Chartered bank for a non-revolving demand loan of up to \$3,612,000 at an interest rate of prime plus 1%. This loan is secured against and is repayable upon receipt of anticipated 2006 Quebec government assistance of approximately \$5,600,000. A loan guarantee was provided by Investissement Quebec for a fee of 3% or \$108,360. In accordance with the loan guarantee, the Company was required to deposit \$150,000 in a GIC. During 2006 and 2007, advances totaling \$3,589,625 were made under this agreement to the Company. During 2007 the loan was repaid.

#### 7. CAPITAL LEASE OBLIGATION

During 2007, the Company entered into a capital leasing arrangement for mobile equipment. Payments required total \$23,517 per month through the two-year term of the lease. The capital lease obligation bears interest at 4.12%.

As at December 31, 2007, the future minimum lease payments under the capital lease arrangement were:

<u>Year</u>	<u>Capital lease obligation</u>
2008	\$ 282,206
2009	<u>282,206</u>
	564,412
Less: Amounts representing interest	<u>23,518</u>
	540,894
Less: Current portion	<u>264,886</u>
Long-term portion	<u>\$ 276,008</u>

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# ALEXIS MINERALS CORPORATION

## (A Development Stage Company)

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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#### 8. LONG-TERM DEBT

In 2007, the Company entered into financing contracts to purchase equipment. The financings have interest rates ranging from 7.25% to 7.75% and are repayable over two to four years.

In July 2006, the Company purchased a building, being the Val d'Or office, from Aur Resources Inc. The Company made a payment of \$100,000 towards the purchase price, with the balance payable in 45 monthly instalments of \$10,000 and recorded as a non-interest bearing long-term debt, discounted at a rate of 6.28%. Accretion expense related to this loan for the year ended December 31, 2007 totalled \$13,333 (2006 - \$5,556).

Principal repayments are as follows:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2008	\$106,667	\$63,631	\$170,298
2009	106,667	59,035	165,702
2010	35,555	63,776	99,331
2011	-	51,184	51,184
Total long-term debt	<u>248,889</u>	<u>237,626</u>	<u>486,515</u>
Less: current portion	<u>106,667</u>	<u>63,631</u>	<u>170,298</u>
Long-term portion	<u>\$142,222</u>	<u>\$173,995</u>	<u>\$316,217</u>

#### 9. CONVERTIBLE DEBENTURE

During 2006, the Company completed a private placement debenture financing with Industrial Alliance Securities Inc. ("Industrial Alliance") raising \$4,210,000 in gross proceeds. Pursuant to the terms of the private placement, the Company issued Units comprised of \$1,000 principal convertible debentures (the "Debentures") maturing April 28, 2010 and 150 common share purchase warrants (the "Warrants"). The \$1,000 face value Debentures are unsecured and subordinated obligations of the Company, have a coupon rate of 6.0% and are convertible at the option of the holder, any time after 12 months from the date of closing, into common shares of the Company at an exercise price of \$0.75 for the second year, \$0.825 for the third year and \$0.9075 for the fourth year (the "Conversion Prices"). Interest on the loan is payable in cash or in common shares of the Company at the option of the Company based on a price equal to 90% of the average closing price of the common shares of the Company on the TSX Venture Exchange for a period of 20 consecutive trading days ending 5 days before the payment date. The Warrants are exercisable for one common share of the Company at a price of \$0.75 per common share until May 11, 2008. The Company will have the right to redeem the Debentures in their fourth year provided that the shares of the Company are trading in excess of \$1.13 over the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given. The redemption can be satisfied through the issuance of common shares valued at 90% of the 20 day average trading price ending five days prior to the date of redemption.

As compensation for arranging the Debenture financing, the Company paid a commission of \$252,600 which is equal to 6% of the gross proceeds received, as well as 336,800 agent warrants exercisable at a price of \$0.75 for a period of two years with an estimated fair value of \$79,474. The fair value was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 4.1% and an expected life of 2 years.

The fair value of the attached Warrants of \$147,139 was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 80%, risk-free interest rate of 4.1% and an expected life of 2 years.

Continued...

# ALEXIS MINERALS CORPORATION

*(A Development Stage Company)*

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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## 9. CONVERTIBLE DEBENTURE (Continued)

The Debentures are classified as a liability, with the exception of the portions relating to the conversion features and the attached Warrants, resulting in the carrying value of the Debentures being less than its face value. The discount is being accreted over the term of the Debentures, utilizing the effective interest rate method at a 15% discount rate.

Financing charges associated with the Debentures were prorated between the debt and equity components of the Debentures. Financing charges totalled \$451,379. Financing charges allocated to the debt portion of the Debentures were deferred and are being accreted to expense over the term of the Debentures. The financing costs relating to the equity portion have been recorded as a cost of issue against the value of the equity portion of the Debentures.

In 2007, 291,522 (2006 – 270,383) common shares, valued at \$251,907 (2006 - \$126,300) were issued in lieu of the 6% semi-annual interest payment due to the debenture holders. The value of the shares calculated to be 90% of the average closing price for a period of 20 consecutive trading days ending five trading days before the interest payment date.

## 10. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations ("ARO") are based on management's estimates of costs to abandon and reclaim exploration properties and facilities as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the ARO associated with the retirement of the Company's exploration properties:

	2007	2006
	\$	\$
Balance, beginning of year	423,000	-
Liabilities incurred	-	423,000
Accretion expense	<u>56,000</u>	<u>-</u>
Balance, end of year	<u>479,000</u>	<u>423,000</u>

The Company has estimated the present value of its total asset retirement obligations to be \$479,000 (2006 \$423,000) at December 31, 2007 based on a total future liability of approximately \$2,650,000 (2006 - 2,648,500) and a credit adjusted risk-free rate of 13% (2006 - 13%). Reclamation is expected to take place in 2021.

Continued...

# ALEXIS MINERALS CORPORATION

## (A Development Stage Company)

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

#### 11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

Common Shares issued	Number of Shares	Stated Value
Balance, December 31, 2005	63,492,245	\$ 24,750,705
Private placement - flow through (ii)	5,219,272	3,653,490
Exercise of warrants	1,453,726	750,547
Warrant exercise - valuation reallocation	-	328,744
Exercise of stock options	275,000	122,875
Stock option exercise - valuation reallocation	-	84,000
Shares issued for payment of interest (Note 9)	270,383	126,300
Flow-through share tax effect	-	(3,652,000)
Cost of issue	-	(266,443)
Balance, December 31, 2006	70,710,626	25,898,218
Private placement (i)	25,000,000	25,000,000
Warrants valuation (i)	-	(4,912,500)
Exercise of warrants	3,009,616	2,753,372
Warrant exercise - valuation reallocation	-	1,167,993
Exercise of stock options	1,371,000	738,025
Stock option exercise - valuation reallocation	-	531,236
Shares issued for payment of interest (Note 9)	291,522	251,907
Flow-through share tax effect	-	(1,315,000)
Cost of issue	-	(1,715,823)
Tax effect of cost of issue	-	511,000
<b>Balance, December 31, 2007</b>	<b><u>100,382,764</u></b>	<b><u>\$ 48,908,428</u></b>

(i) In February 2007, the Company completed a brokered private placement with the issuance of 25,000,000 units of the Company at \$1.00 per unit for gross proceeds of \$25,000,000. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole purchase warrant entitles the holder to purchase one common share of the Company at a price of \$1.35 until February 13, 2009. In connection with the private placement, the underwriters received a cash commission equal to 6% of the gross proceeds.

The fair value of the warrants, an amount of \$4,912,500, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 85%, risk-free interest rate of 4.1% and an expected life of 2 years.

(ii) In November 2006, the Company completed a non-brokered private placement financing through the issuance of 5,219,272 flow-through common shares at a price of \$0.70 per share for gross proceeds of \$3,653,490.

Continued...

# ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

## 12. WARRANTS

Summary of warrant activity

	2007		2006	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	5,809,241	\$ 0.91	11,355,047	\$ 0.77
Granted, private placements	12,500,000	1.35	968,300	0.75
Exercised	(3,009,616)	0.91	(1,453,726)	0.52
Expired or cancelled	(1,831,325)	1.00	(5,060,380)	0.67
<b>Balance, end of year</b>	<b>13,468,300</b>	<b>\$ 1.31</b>	<b>5,809,241</b>	<b>\$ 0.91</b>

Summary of warrants and broker warrants outstanding at December 31, 2007:

Number of warrants	Exercise price	Grant date fair value of warrants	Date of expiry
968,300	\$0.75	\$ 225,613	May 11, 2008
12,500,000	1.35	4,912,500	February 13, 2009
13,468,300		\$ 5,138,113	

## 13. STOCK-BASED COMPENSATION

Summary of stock option activity

	2007		2006	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
Balance, beginning of year	6,350,000	\$ 0.59	5,687,500	\$ 0.61
Granted	4,185,000	0.80	937,500	0.44
Exercised	(1,371,000)	0.54	(275,000)	0.45
Expired or cancelled	(185,000)	0.56	-	-
<b>Balance, end of year</b>	<b>8,979,000</b>	<b>\$0.69</b>	<b>6,350,000</b>	<b>\$0.59</b>

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# ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

## 13. STOCK-BASED COMPENSATION (Continued)

As at December 31, 2007, the following stock options were outstanding:

Date of Expiry	Number of Options Exercisable	Number of Options Outstanding	Exercise Price	Grant Date Fair Value of Options Granted
September 5, 2008	300,000	300,000	\$0.255	\$ 57,000
November 17, 2008	25,000	25,000	0.700	13,500
December 29, 2008	550,000	550,000	0.830	352,000
March 16, 2009	17,500	17,500	0.600	8,050
April 22, 2009	50,000	50,000	0.550	21,000
May 28, 2009	100,000	100,000	0.450	34,400
July 14, 2009	1,320,000	1,320,000	0.500	388,080
November 8, 2009	100,000	100,000	0.400	29,600
February 24, 2010	100,000	100,000	0.470	35,700
April 20, 2010	1,625,000	1,625,000	0.780	962,000
December 5, 2010	100,000	100,000	0.380	28,900
February 1, 2011	485,000	485,000	0.420	153,260
November 1, 2011	100,000	100,000	0.520	33,900
December 8, 2011	121,500	121,500	0.500	39,609
March 5, 2012	25,000	25,000	0.910	15,075
April 9, 2012	100,000	100,000	1.140	75,800
August 27, 2012	3,277,500	3,277,500	0.790	1,838,678
September 17, 2012	100,000	400,000	0.840	138,233
October 11, 2012	10,000	10,000	0.940	6,990
October 19, 2012	170,000	170,000	0.910	114,920
November 1, 2012	2,500	2,500	0.890	1,650
	8,679,000	8,979,000		\$4,348,345

The Shareholders of the Company approved the Company's existing stock option plan, "the Plan", to be administered by the Directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed 5 years. The options currently granted under the plan vest immediately pending any regulatory hold period. The plan provides that, it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. In no case (calculated at the time of grant) shall the plan result in:

- The number of options granted in a 12-month period to any one consultant exceeding 2% of the issued shares of the Company;
- The aggregate number of options granted in a 12-month period to any one individual exceeding 5% of the outstanding shares of the Company;
- The number of options granted in any 12-month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Company;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Company in any 12-month period.

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# ALEXIS MINERALS CORPORATION

## (A Development Stage Company)

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

#### 13. STOCK-BASED COMPENSATION (Continued)

During 2007, 4,185,000 stock options (2006: 937,500) were granted to directors, officers, employees and consultants of the Company with a weighted-average grant date fair value of \$0.565 per option (2006 - \$0.32). Of these options, 600,000 (2006 - Nil) vest one-eighth every three months from the date of grant, while 3,585,000 (2006 - 937,500) vest immediately. Stock-based compensation expense of \$1,741,970 (2006 - \$164,300) relating to the vested options was recorded against professional, consulting and management fees and \$506,345 (2006 - \$135,455) was recorded to the exploration projects, the total of which was credited to contributed surplus for the year ended December 31, 2007. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages:

	<u>2007</u>	<u>2006</u>
Expected dividend yield	0%	0%
Expected volatility	88%	95%
Risk-free interest rate	4.28%	3.98%
Expected life	5 years	5 years

#### 14. CONTRIBUTED SURPLUS

Balance, beginning of year	\$ 4,541,368	\$ 3,337,136
Stock options granted and/or vested during the year		
Directors, officers and employees	2,040,745	196,355
Consultants	207,570	103,420
Exercise of stock options, reallocation of valuation	(531,236)	(84,000)
Expiry of warrants, reallocation of valuation	<u>677,590</u>	<u>988,457</u>
Balance, end of year	<u>\$ 6,936,037</u>	<u>\$ 4,541,368</u>

#### 15. INCOME TAXES

##### a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 32% (December 31, 2006 - 36%) were:

	<u>2007</u>	<u>2006</u>
	\$	\$
<u>Loss before income taxes</u>	<u>(4,429,657)</u>	<u>(1,990,695)</u>
Expected income tax recovery at statutory rates	(1,417,000)	(717,000)
Adjustments resulting from:		
Change in tax rates	(796,000)	-
Difference in tax rates	94,000	-
Share issue costs	-	(159,000)
Stock-based compensation	675,000	108,000
Exploration allowance	(595,000)	-
(Applied) expired non-capital losses	(79,000)	28,000
Non-deductible amounts for tax purposes	78,000	100,000
Other	<u>(635,000)</u>	<u>46,000</u>
Future income tax recovery	<u>(2,675,000)</u>	<u>(594,000)</u>

Continued...

# ALEXIS MINERALS CORPORATION

## (A Development Stage Company)

### Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

#### 15. INCOME TAXES (Continued)

##### b) Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2007 and December 31, 2006 are as follows:

	2007	2006
	\$	\$
Future income tax assets (liabilities)		
Non-capital losses	452,000	897,000
Resource properties	(2,897,000)	(4,879,000)
Property and equipment	245,000	58,000
Share issue costs	601,000	454,000
	<u>(1,599,000)</u>	<u>(3,470,000)</u>

c) The Company has approximately \$1,506,000 of non-capital losses in Canada and approximately \$35,680,000 of development and exploration expenditures as at December 31, 2007 which under certain circumstances can be used to reduce the taxable income of future years. The non-capital losses expire as follows:

<u>Expiry Date</u>	<u>Amount</u>
2009	4,000
2013	294,000
2014	515,000
2015	553,000
2026	140,000
	<u>\$ 1,506,000</u>

#### 16. RELATED PARTY TRANSACTIONS

The Company was charged \$66,300 during the year ended December 31, 2007 (2006: \$76,500) by companies controlled by directors of the Company for administration and engineering services. An amount of \$150,259 is payable to directors of the Company or companies controlled by directors of the Company at December 31, 2007 (2006: \$6,573).

During the year ended December 31, 2007, 3,175,000 options were granted to directors and officers of the Company exercisable at a weighted average price of \$0.81 per share (2006: 425,000 at a price of \$0.415).

The Company shares its premises with other companies that have common directors and officers, and the Company reimburses the related companies for their proportional share of the expenses. Included in accounts payable and accrued liabilities at December 31, 2007 is \$13,049 (2006: \$11,762) owing to such companies. As well, the Company is owed \$3,901 from related parties for shared expenses (2006: \$7,323).

A royalty of US\$27,493 (CDN\$32,316) was paid to a company controlled by a director of the Company, a portion of which was accrued at December 31, 2006. As well, at December 31, 2007, a royalty of US\$106,000 is accrued to a company controlled by a director of the Company.

During 2007, a director of the Company subscribed for 100,000 (2006 - 285,000) common shares of the Company for gross proceeds of \$100,000 (2006 - \$199,500) as part of the private placement described in Note 11(b).

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

Continued...

# ALEXIS MINERALS CORPORATION

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Notes to the Consolidated Financial Statements

December 31, 2007 and 2006

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## 17. FINANCIAL INSTRUMENTS

Fair value:

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of amounts receivable, government assistance receivable, accounts payable and accrued liabilities and secured demand loan reflected in the consolidated balance sheet approximate fair value because of the limited term of these instruments.

The carrying values of the convertible debentures, capital lease obligation and long-term debt are reasonable estimates of their fair values.

Commodity Price Risk:

The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of certain minerals.

Interest rate risk:

The Company has long-term debt agreements for which general rate fluctuations apply.

## 18. COMMITMENTS AND CONTINGENCIES

a) Pursuant to the issuance of 5,219,272 flow-through shares in November 2006, the Company renounced \$3,653,490 on qualified exploration expenditures with an effective date of December 31, 2006 in February 2007. As of December 31, 2007, the Company has met its expenditure commitments.

b) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$3,000,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts are approximately \$500,000 due within one year.

c) The Company has been named as a defendant in a legal action relating to the cancellation of 100,000 options held by a former consultant. These options were cancelled three months after the termination of the contract pursuant to the terms of the stock option plan of the Company. The former consultant is claiming \$750,000 in damages for breach of agreement. Management believes that the claim is without merit and plans to vigorously defend the Company. No provision has been made in these accounts related to this action.

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# ALEXIS MINERALS CORPORATION

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Notes to the Consolidated Financial Statements

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## 19. INTEREST IN JOINT VENTURE

The Company's proportionate share of the assets, liabilities and cash flows of its joint venture included in these consolidated financial statements are as follows:

	<u>2007</u>	<u>2006</u>
Current assets	\$ -	107,078
Exploration properties and deferred exploration expenditures	2,906,576	1,455,974
Current liabilities	-	(37,202)
		-
Revenues	-	-
Expenses	-	-
Cash flows from operating activities	(69,876)	(45,504)
Cash flows from investing activities	(1,450,602)	(422,757)

As the joint venture partner has opted to no longer fund this joint venture, their interest is decreasing as the Company continues to incur expenditures on the properties. At December 31, 2007, the Company's interest in this joint venture has increased to 71%.

## 20. SUBSEQUENT EVENT

On March 17, 2008, the Company completed a private placement of 16,714,286 units at a price of \$0.70 per unit, for gross proceeds of \$11,700,000. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant is exercisable at a price of \$1.00 until March 17, 2010, subject to an early call option held by the Company that is exercisable based on certain market price targets being met. The underwriters received a 6% commission.