



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

for the nine months ended September 30, 2011 and 2010
(expressed in Canadian dollars)

UNAUDITED

ALEXIS MINERALS CORPORATION

Condensed Interim Consolidated Statements of Financial Position

UNAUDITED

in Canadian dollars

	Notes	September 30, 2011	December 31, 2010 (Note 28)
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 3,056,828	\$ 9,410,889
Amounts receivable	6	747,116	657,961
Tax credit receivable	7	3,033,154	6,727,736
Inventories	8	4,483,287	1,822,367
Prepaid expenses	9	1,195,933	463,159
Investments	10	61,770	641,116
		12,578,088	19,723,228
Non-current assets:			
Deposits and advances		500,000	-
Restricted cash equivalents	12, 16	5,767,000	5,767,000
Property, plant and equipment	11	13,258,561	13,143,012
Mineral properties and deferred exploration expenditures	12	90,556,774	69,533,782
TOTAL ASSETS		\$ 122,660,423	\$ 108,167,022
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	13	\$ 8,986,432	\$ 9,348,202
Current portion of capital lease obligations	14	111,649	137,045
Current portion of long-term debt		-	51,333
Current portion of convertible debenture liability	15	1,931,919	-
Other liabilities	17(b)(iv)	-	2,065,084
		11,030,000	11,601,664
Non-current liabilities :			
Capital lease obligations	14	16,702	50,667
Liability component of convertible debentures	15	3,830,748	5,402,154
Provision for closure and reclamation	16	17,587,750	11,516,000
Total liabilities		32,465,200	28,570,485
Equity:			
Share capital	17	132,520,290	114,257,612
Commitment to issue shares	19	149,280	150,314
Equity component of convertible debentures	15	1,698,516	1,698,516
Share-based payments reserve	18	6,382,490	8,282,045
Transaction with owners	19	100,845	100,845
Retained earnings (deficit)		(50,656,198)	(44,892,795)
Total equity		90,195,223	79,596,537
TOTAL LIABILITIES AND EQUITY		\$ 122,660,423	\$ 108,167,022
Nature of operations and going concern	1		
Commitments and contingencies	26		
Subsequent events	27		

Approved on behalf of the Directors:

"David Rigg"
Director

"Maurice Colson"
Director

ALEXIS MINERALS CORPORATION

Condensed Interim Consolidated Statements of Operations and Comprehensive (Loss)

UNAUDITED

in Canadian dollars

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2011	2010 (Note 28)	2011	2010 (Note 28)
Revenue, net of royalties		\$ 2,220,785	\$ 7,741,842	\$ 7,907,436	\$ 21,874,487
Mine operating expenses		(4,151,132)	(8,340,217)	(13,038,477)	(21,898,027)
Depletion and depreciation		(809,824)	(2,384,378)	(1,517,582)	(6,071,472)
Total operating expenses		(4,960,956)	(10,724,595)	(14,556,059)	(27,969,499)
Gross (loss)		(2,740,171)	(2,982,753)	(6,648,623)	(6,095,012)
Expenses					
Professional, consulting and management	18	(517,138)	(484,114)	(1,740,013)	(1,460,859)
Other general and administrative expenses		(264,860)	(310,980)	(681,154)	(1,111,085)
Other gains and (losses)	20	(162,621)	170,840	(333,427)	283,438
Finance income		42,675	7,131	94,911	14,223
Finance costs	21	(224,653)	(257,873)	(845,644)	(702,694)
Impairment charge	12	-	-	(486,151)	-
Loss before income tax		(3,866,768)	(3,857,749)	(10,640,101)	(9,071,989)
Deferred income tax recovery		-	1,119,924	2,065,084	4,231,770
(Loss) before non-controlling interest		(3,866,768)	(2,737,825)	(8,575,017)	(4,840,219)
Non-controlling interest		-	-	-	(325)
(Loss) and comprehensive (loss) for the period		\$ (3,866,768)	\$ (2,737,825)	\$ (8,575,017)	\$ (4,840,544)
(Loss) per share					
Basic	22	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Diluted	22	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding:					
Basic	22	593,641,777	253,805,879	494,837,685	231,136,808

ALEXIS MINERALS CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

UNAUDITED

in Canadian dollars

	Notes	Three months ended September 30, 2011		Nine months ended September 30, 2011	
		2011	2010	2011	2010
Cash provided by (used in) operating activities:					
Net (loss)		\$ (3,866,768)	\$ (2,737,825)	\$ (8,575,017)	\$ (4,840,544)
Items not involving cash:					
Stock-based compensation	18	20,969	66,341	359,826	180,368
Depreciation, depletion and amortization		809,824	2,384,378	1,517,582	6,071,472
Non-cash losses/(gains) on marketable securities	20	58,290	(161,364)	253,977	(468,021)
Non-cash accretion expense	21	192,886	153,967	664,936	508,610
Impairment charge on mineral properties	12	-	-	486,151	-
Non-controlling interest		-	-	-	325
Deferred income tax recovery		-	(1,119,924)	(2,065,084)	(4,231,770)
Working capital adjustments:					
Change in receivables		(229,227)	203,076	(89,155)	1,601,357
Change in prepaid expenses		(595,537)	(39,878)	(1,368,828)	(248,763)
Change in inventories		(1,911,312)	2,181,954	(2,293,407)	3,730,632
Change in payables and provisions		1,685,495	(7,729,224)	(227,293)	867,798
Net cash provided by (used in) operating activities		(3,835,380)	(6,798,499)	(11,336,312)	3,171,464
Investing activities					
Investment in mineral properties and deferred exploration expenditures		(6,443,569)	(2,507,033)	(14,632,133)	(13,832,751)
Property, plant and equipment expenditures		(289,999)	(292,235)	(787,062)	(3,326,023)
Working capital adjustments related to investing activities		1,203,022	(1,986,466)	(134,478)	(4,047,628)
Exploration tax credits received		-	-	1,900,880	1,979,601
Proceeds from sale of investments		-	-	325,369	-
Net cash (used in) investing activities		(5,530,546)	(4,785,734)	(13,327,424)	(19,226,801)
Financing activities					
Proceeds from public offering		-	14,375,000	20,125,000	14,375,000
Share issue costs		(11,941)	(1,478,257)	(1,622,926)	(1,478,257)
Financing costs on debenture		-	(78,750)	-	(172,750)
Long-term debt payments		(17,547)	(16,096)	(51,333)	(87,338)
Capital lease payments		(122,278)	(104,612)	(141,066)	(318,793)
Net cash provided by (used in) financing activities		(151,766)	12,697,285	18,309,675	12,317,862
Change in cash and cash equivalents		(9,517,692)	1,113,052	(6,354,061)	(3,737,475)
Cash and cash equivalents, beginning of the period		12,574,520	1,255,480	9,410,889	6,106,007
Cash and cash equivalents, end of the period		\$ 3,056,828	\$ 2,368,532	\$ 3,056,828	\$ 2,368,532
Cash and cash equivalents are comprised of:					
Cash in bank		\$ 1,498,784	\$ 2,353,532	\$ 1,498,784	\$ 2,353,532
Cash equivalents		\$ 1,558,044	\$ 15,000	\$ 1,558,044	\$ 15,000
Non-cash investing and financing transactions					
Common shares issued to acquire subsidiary		\$ -	\$ 2,037	\$ -	\$ 2,143,681
Common shares issued for interest payment		\$ -	\$ -	\$ 208,770	\$ 124,570
Common shares issued to settle liability		\$ -	\$ 2,854,143	\$ -	\$ 2,980,480
Options and warrants granted to acquire subsidiary		\$ -	\$ -	\$ -	\$ 564,951
Accretion of convertible debentures charged to mineral properties		\$ 43,365	\$ 33,712	\$ 130,097	\$ 89,395
Depreciation charged to mineral properties		\$ 82,219	\$ 98,251	\$ 238,432	\$ 217,528
Equipment acquired under capital leases		\$ -	\$ -	\$ 81,705	\$ 20,113
Stock-based compensation charged to mineral properties		\$ 20,294	\$ 6,823	\$ 103,033	\$ 31,538
Interest paid		\$ 61,040	\$ 147,679	\$ 337,585	\$ 335,068

-See accompanying notes to the Condensed Interim Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

UNAUDITED

in Canadian dollars

	Share capital		Commitment to issue shares	Convertible debenture	Share-based payments reserve	Transaction with owners	Accumulated Deficit	Equity attributable to owners	Non-controlling interest	Total equity
	No.	\$								
Balance, December 31, 2010	390,555,288	114,257,612	150,314	1,698,516	8,282,045	100,845	(44,892,795)	79,596,537	-	79,596,537
Public offering	201,250,000	20,125,000	-	-	-	-	-	20,125,000	-	20,125,000
Value of broker warrants granted on public offering	-	(449,200)	-	-	449,200	-	-	-	-	-
Stock-based compensation	-	-	-	-	462,859	-	-	462,859	-	462,859
Expiry of stock options	-	-	-	-	(2,811,614)	-	2,811,614	-	-	-
Shares issued in lieu of interest payment	1,832,922	208,770	-	-	-	-	-	208,770	-	208,770
Shares issued on tender of Garson shares	3,567	1,034	(1,034)	-	-	-	-	-	-	-
Share issue costs	-	(1,622,926)	-	-	-	-	-	(1,622,926)	-	(1,622,926)
Loss for the period	-	-	-	-	-	-	(8,575,017)	(8,575,017)	-	(8,575,017)
Balance, September 30, 2011	593,641,777	132,520,290	149,280	1,698,516	6,382,490	100,845	(50,656,198)	90,195,223	-	90,195,223
Balance, January 1, 2010	214,968,615	89,358,455	-	830,334	8,305,617	-	687,376	99,181,782	3,154,839	102,336,621
Public offering	95,833,333	14,375,000	-	-	-	-	-	14,375,000	-	14,375,000
Value of warrants granted on public offering	-	(1,344,259)	-	-	1,344,259	-	-	-	-	-
Value of broker warrants granted on public offering	-	(305,800)	-	-	305,800	-	-	-	-	-
Shares issued and to be issued to acquire subsidiary	6,172,092	2,143,681	154,840	-	-	100,845	-	2,399,366	(3,155,164)	(755,798)
Value of warrants and options granted to acquire subsidiary	-	-	-	-	564,951	-	-	564,951	-	564,951
Shares issued to settle liabilities	19,390,119	2,980,480	-	-	-	-	-	2,980,480	-	2,980,480
Value of warrants attached to shares issued to settle liabilities	-	(266,902)	-	-	266,902	-	-	-	-	-
Expiry of warrants and stock options	-	-	-	-	(2,638,483)	-	2,638,483	-	-	-
Stock-based compensation	-	-	-	-	211,906	-	-	211,906	-	211,906
Roll-over of convertible debentures	-	-	-	868,182	-	-	-	868,182	-	868,182
Value of warrants issued for convertible debenture roll-over	-	-	-	-	107,200	-	-	107,200	-	107,200
Shares issued in lieu of interest payment	397,099	124,570	-	-	-	-	-	124,570	-	124,570
Premium on flow-through shares	-	-	-	-	-	-	-	-	-	-
Future tax effects of share issue costs	-	26,476	-	-	-	-	-	26,476	-	26,476
Adjustment	(23)	-	-	-	-	-	-	-	-	-
Share issue costs	-	(1,478,257)	-	-	-	-	-	(1,478,257)	-	(1,478,257)
Loss for the period	-	-	-	-	-	-	(4,840,544)	(4,840,544)	-	(4,840,544)
Balance, September 30, 2010	336,761,235	105,613,444	154,840	1,698,516	8,468,152	100,845	(1,514,685)	114,521,112	(325)	114,520,787

-See accompanying notes to the Condensed Interim Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2011 and 2010 - Unaudited

(Expressed in Canadian dollars unless otherwise noted)

1. Nature of operations and going concern

Alexis Minerals Corporation ("Alexis" or the "Company") currently has interests in mineral exploration and development properties in the province of Québec and, through its 100% owned subsidiary, Garson Gold Corp. ("Garson"), in the province of Manitoba. The Company is in commercial production at the Lac Herbin deposit and is also continuing to focus on the exploration and development of its other gold and base metal projects within these regions. The registered head office of the Company is located at 65 Queen Street West, Suite 815, Toronto, Ontario, Canada.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations, including exploration and development programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest 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 write-downs of the carrying values.

The Company's shares are listed on the Toronto Stock Exchange. The unaudited condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2011 were reviewed, approved and authorized for issue by the Board of Directors on November 10, 2011.

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 operations 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 and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

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. Basis of preparation

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). As these financial statements represent the Company's initial presentation of its results and financial position under IFRS, they were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting and by IFRS 1, First-time Adoption of IFRS. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Canadian GAAP differs in some areas from IFRS. The accounting policies followed in these interim financial statements are the same as those applied in the Company's condensed interim consolidated financial statements for the period ended March 31, 2011 and these condensed interim consolidated financial statements should be read in conjunction with the March 31, 2011 financial statements. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 28 discloses the impact of the transition to IFRS on the Company's statement of financial position as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

ALEXIS MINERALS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2011 and 2010 - Unaudited
(Expressed in Canadian dollars unless otherwise noted)

3. Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2011 or later periods. Updates are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 7, Financial Instruments – Disclosures (“IFRS 7”) was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 9, Financial Instruments -- Classification and Measurement (“IFRS 9”) was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2013, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”) provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements (“IFRS 11”) replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previously jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairments of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 13 Fair Value Measurement converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

4. Principles of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, Garson, as well as its proportionate share of the accounts of the joint ventures in which the Company has an interest.

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Generally, the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

ALEXIS MINERALS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
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4. Principles of consolidation (continued)

Business Combinations and Goodwill

On the acquisition of a subsidiary, the purchase method of accounting is used to account for the acquisition as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange;
- directly attributable transaction costs are expensed rather than included in the acquisition purchase price;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognized and measured at fair value less costs to sell;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill;
- if the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss;
- the interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholder's fair value; and
- the measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the consolidated statement of operations.

All material intercompany transactions are eliminated in consolidation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The level at which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal purposes, but shall not be larger than an operating segment determined in accordance with IFRS 8 Operating Segments. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Transactions and non-controlling interests

Transactions with non-controlling interests are treated as transactions with equity owners of the Company. For purchases from non-controlling interests, the difference between the consideration paid and the non-controlling share of the carrying value of net assets acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are similarly computed and also recorded in equity.

5. Significant accounting judgments, estimates and assumptions

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Information about critical judgements and estimates in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Asset carrying values and impairment charges
- Estimation of asset lives
- Determination of ore reserve estimates
- Recognition of deferred taxes
- Capitalization of exploration and evaluation costs
- Contingencies
- Acquisitions
- Determination of economic viability of a project
- Commencement of commercial production
- Revenue recognition

ALEXIS MINERALS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
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5. Significant accounting judgments, estimates and assumptions (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Asset carrying values and impairment charges
- Estimation of close down and restoration costs and the timing of expenditures
- Estimation of environmental cleanup and the timing of expenditure and related accretion
- Contingencies
- Inventory valuation
- Tax credits receivable
- Share-based payments
- Depletion, depreciation and amortization

6. Amounts receivable

	September 30, 2011		December 31, 2010
Taxes receivable	\$ 579,581	\$	537,697
Interest receivable	75,757		23,996
Other receivables	91,778		96,268
	<u>\$ 747,116</u>	<u>\$</u>	<u>657,961</u>

7. Tax credit receivable

Balance at January 1, 2010	\$ 7,465,197
Tax credits received	(4,222,964)
Accrued tax credits receivable for the period	3,099,948
Adjustments to tax credits accrued	385,555
Balance at December 31, 2010	6,727,736
Tax credits received	(1,900,880)
Accrued tax credits receivable for the period	374,022
Adjustments to tax credits accrued	(2,167,724)
Balance at September 30, 2011	\$ 3,033,154

An amount of approximately \$1,980,000 in government assistance is accrued for the year ended December 31, 2010 and \$680,000 is accrued for the year ended December 31, 2009. The Company has accrued an additional \$374,000 for the current period ended September 30, 2011. The assistance has been applied to the properties to which it pertains. The Company receives this assistance in the form of refundable tax credits from the Québec Provincial Government and mining duties returns from Québec Ministry of Natural Resources. New regulations with respect to the mining duties return have been enacted such that the Company is no longer eligible to claim this credit.

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Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian dollars unless otherwise noted)

8. Inventories

	September 30, 2011		December 31, 2010	
Materials and supplies	\$	779,807	\$	643,753
Stockpiled ore		1,088,358		239,035
Gold brick or doré bars		2,615,122		939,579
	\$	4,483,287	\$	1,822,367

The amount of inventories recognized as an expense during the three and nine months ended September 30, 2011 is \$4,151,132 and \$13,038,477 respectively (three and nine months ended September 30, 2010: \$8,340,217 and \$21,898,027).

All inventory is carried at the lower of cost and net realizable value. Material and supplies inventory is recorded at cost as at September 30, 2011 and December 31, 2010. As at September 30, 2011, \$1,088,358 (December 31, 2010: \$239,035) in stockpiled ore and \$2,615,122 (December 31, 2010: \$939,579) in finished gold brick and doré bars is recorded at net realizable value.

9. Prepaid expenses

	September 30, 2011		December 31, 2010	
Mining supplier advances	\$	454,982	\$	92,230
Reclamation deposits		187,596		71,674
Deferred financing costs		250,552		81,073
Insurance		207,230		42,833
Corporate advances		95,573		175,349
	\$	1,195,933	\$	463,159

10. Investments

Through its Garson subsidiary, the Company's investments include shares in the following securities. These securities are classified as fair value through profit or loss ("FVTPL").

	Classification	September 30,		December 31,	
		No. held	Value	No. held	Value
Current investments					
Minera IRL Ltd.	FVTPL	-	\$ -	207,072	\$ 300,736
Centurion Minerals, Ltd.	FVTPL	85,000	\$ 38,250	150,000	\$ 229,500
Takara Resources, Inc.	FVTPL	336,000	\$ 23,520	336,000	\$ 110,880
			\$ 61,770		\$ 641,116

During the nine months ended September 30, 2011, the Company, through its Garson subsidiary, sold its shares of Mineral IRL Ltd. for net proceeds of \$270,364. As well, the Company sold 65,000 of its shares of Centurion Minerals Ltd. for net proceeds of \$55,005.

The Company also recorded an unrealized loss with respect to the valuation of FVTPL investments of \$58,290 and \$559,846 for the three and nine months ended September 30, 2011 respectively, which includes the reversals of unrealized gains from previous periods (three and nine months ended September 30, 2010: gains of \$161,364 and \$468,021)(Note 20).

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11. Property, plant and equipment

	Office equipment and furniture	Machinery and equipment	Mobile equipment	Buildings	Mill	TOTAL
Cost as at January 1, 2010	\$ 172,795	\$ 7,206,909	\$ 4,759,126	\$ 2,988,283	\$ 8,635,392	\$ 23,762,505
Additions	73,165	505,227	128,957	70,957	2,901,241	3,679,547
Disposals	-	(233,710)	-	-	-	(233,710)
Change in rehabilitation provision	-	-	-	-	-	-
Cost as at December 31, 2010	245,960	7,478,426	4,888,083	3,059,240	11,536,633	27,208,342
Additions	6,193	102,565	81,537	121,395	557,077	868,767
Disposals	-	-	-	-	-	-
Change in rehabilitation provision	-	-	-	-	299,000	299,000
Cost as at September 30, 2011	\$ 252,153	\$ 7,580,991	\$ 4,969,620	\$ 3,180,635	\$ 12,392,710	\$ 28,376,109
Accumulated depreciation, depletion and impairment as at January 1, 2010	\$ (129,859)	\$ (896,201)	\$ (1,692,268)	\$ (262,021)	\$ -	\$ (2,980,349)
Charge for the year	(50,825)	(700,407)	(718,033)	(251,236)	(954,869)	(2,675,370)
Provision for impairment	-	(514,370)	(130,542)	(371,000)	(7,506,301)	(8,522,213)
Disposals	-	112,602	-	-	-	112,602
Depreciation, depletion and impairment as at December 31, 2010	(180,684)	(1,998,376)	(2,540,843)	(884,257)	(8,461,170)	(14,065,330)
Charge for the period	(26,084)	(318,501)	(479,963)	(92,474)	(135,196)	(1,052,218)
Provision for impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation, depletion and impairment as at September 30, 2011	\$ (206,768)	\$ (2,316,877)	\$ (3,020,806)	\$ (976,731)	\$ (8,596,366)	\$ (15,117,548)
Net book value as at January 1, 2010	\$ 42,936	\$ 6,310,708	\$ 3,066,858	\$ 2,726,262	\$ 8,635,392	\$ 20,782,156
Net book value as at December 31, 2010	\$ 65,276	\$ 5,480,050	\$ 2,347,240	\$ 2,174,983	\$ 3,075,463	\$ 13,143,012
Net book value as at September 30, 2011	\$ 45,385	\$ 5,264,114	\$ 1,948,814	\$ 2,203,904	\$ 3,796,344	\$ 13,258,561

During the three and nine months ended September 30, 2011, the Company expensed \$264,325 and \$706,156 respectively in depreciation to the statement of operations (three and nine months ended September 30, 2010: \$923,080 and \$2,013,176) and charged \$82,220 and \$238,433 to mineral properties and deferred exploration expenditures (three and nine months ended September 30, 2010: \$98,251 and \$217,528 respectively).

Included in property, plant and equipment is the Val-d'Or mill that has been operating since the second quarter of 2010. Depreciation expense, calculated on a unit-of-production basis, of \$90,193 and \$135,196 has been recorded for the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010: \$259,621 and \$709,870). The Company's newly acquired Snow Lake mill is also included in property, plant and equipment and is currently on care and maintenance. No amortization expense has been recorded in relation to the Snow Lake mill.

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12. Mineral properties and deferred exploration expenditures

	PRODUCING	EXPLORATION AND EVALUATION						TOTAL
	PROPERTY							
	Lac Herbin, Quebec	Rouyn, Quebec	Lac Pelletier, Quebec	VMS, Quebec	Aurbel, Quebec	Snow Lake, Manitoba	Other, Manitoba	
Cost as at January 1, 2010	\$ 30,857,460	\$ 13,607,148	\$ 12,877,705	\$ 9,617,443	\$ 5,607,990	\$ 25,198,080	\$ -	\$ 97,765,826
Additions, net of government assistance	1,294,398	1,020,204	7,736,587	1,635,287	1,051,270	7,458,968	50,390	20,247,104
Pre-production revenues	-	-	(3,075,951)	-	-	(794,615)	-	(3,870,566)
Change in rehabilitation provision	10,750	-	750	-	-	469,999	-	481,499
Cost as at December 31, 2010	32,162,608	14,627,352	17,539,091	11,252,730	6,659,260	32,332,432	50,390	114,623,863
Additions	4,273,248	1,626,023	1,050,716	1,644,704	374,215	7,708,861	219,632	16,897,399
Change in rehabilitation provision	64,000	-	34,000	-	-	5,449,000	-	5,547,000
Cost as at September 30, 2011	\$ 36,499,856	\$ 16,253,375	\$ 18,623,807	\$ 12,897,434	\$ 7,033,475	\$ 45,490,293	\$ 270,022	\$ 137,068,262
Accumulated depletion and impairment as at January 1, 2010	\$ (6,409,283)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,409,283)
Charge for the year	(4,612,407)	-	-	-	-	-	-	(4,612,407)
Provision for impairment	(21,140,918)	-	(12,927,473)	-	-	-	-	(34,068,391)
Disposals	-	-	-	-	-	-	-	-
Depletion and impairment as at December 31, 2010	(32,162,608)	-	(12,927,473)	-	-	-	-	(45,090,081)
Charge for the period	(935,256)	-	-	-	-	-	-	(935,256)
Provision for impairment	(486,151)	-	-	-	-	-	-	(486,151)
Disposals	-	-	-	-	-	-	-	-
Depletion and impairment as at September 30, 2011	\$ (33,584,015)	\$ -	\$ (12,927,473)	\$ -	\$ -	\$ -	\$ -	\$ (46,511,488)
Net book value as at January 1, 2010	\$ 24,448,177	\$ 13,607,148	\$ 12,877,705	\$ 9,617,443	\$ 5,607,990	\$ 25,198,080	\$ -	\$ 91,356,543
Net book value as at December 31, 2010	\$ -	\$ 14,627,352	\$ 4,611,618	\$ 11,252,730	\$ 6,659,260	\$ 32,332,432	\$ 50,390	\$ 69,533,782
Net book value as at September 30, 2011	\$ 2,915,841	\$ 16,253,375	\$ 5,696,334	\$ 12,897,434	\$ 7,033,475	\$ 45,490,293	\$ 270,022	\$ 90,556,774

Aurbel Property (including Lac Herbin), Québec

The Company holds a 100% interest in the Aurbel Property (including Lac Herbin), subject to a 4.5% Net Smelter Royalty ("NSR"). A corporation that is controlled by a director of the Company holds 2% of the NSR. See 25.

On October 1, 2008, the Company declared the commencement of commercial production at Lac Herbin.

During the fourth quarter of 2010, the Company wrote down the value of the Lac Herbin property reflecting an impairment in value after reassessment of reserves and a revised life-of-mine plan. The Company assessed for impairment during the current period and recorded an impairment charge for the three and nine months ended September 30, 2011 of \$nil and \$486,151 respectively.

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12. Mineral properties and deferred exploration expenditures (continued)

Rouyn Noranda Properties, Québec

Pursuant to the June 15, 2004 binding letter of intent with Xstrata Copper ("Xstrata"), a business unit of Falconbridge Ltd., the Company held a 50% interest in all of Xstrata's properties in the prospective Rouyn-Noranda Base Metal and Gold Camp.

In August 2011, the Company closed on an agreement with Xstrata to assume a 100% interest in the joint-venture properties for consideration of \$200,000 in cash. Xstrata would retain a right to back-in to a 65% interest on any base metal deposit containing more than 350,000 tonnes copper metal equivalent after presentation of a NI 43-101 compliant resource, under the following conditions:

- Pay Alexis three times the project specific exploration and development expenditures; and
- Pay Alexis three times the Rouyn regional base metal exploration expenditures up to a maximum of \$20 million;
- Xstrata Copper must complete a NI 43-101 compliant Feasibility Study, within a specified period and at no cost to Alexis;
- Alexis will retain a 35% interest; receive a 6-month financing period subsequent to a production decision; and, will participate in a JV management committee where unanimous agreement is required on critical mining decisions.

The back-in right does not apply to any Gold Deposit; defined as a deposit where the value of Gold and Silver are three times greater than the value of base metals; using 6-month average metal prices at Closing. As such, Gold Deposits are solely to the Alexis account.

Xstrata retains a 1-2% NSR on all metals on mineral claims transferred to Alexis. Where historic royalties exist, the combined royalty is capped at 3 to 4%. In areas with no prior royalties, the NSR is capped at 2%. Xstrata has the right to explore for, and exploit smelter materials (e.g. Flux) in all areas. Should Smelter materials be mined from the Alexis properties, Alexis will receive a royalty of \$0.50 per tonne plus 50% of any gold which may be recovered. Subsequent to closure, Alexis and Xstrata Copper will work cooperatively together for a period of up to 12 months to review the underlying agreements made over the last 40 years to develop this unique property package, in order to resolve any third-party rights or obligations. The 10-claim, West Ansil Property will be excluded from the agreement and will continue as a 50/50 JV. Xstrata retain their Rights of First refusal for custom milling and smelting of base metal production. All regional areas of interest applicable under the historical JV are cancelled.

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

Lac Pelletier Property, Rouyn-Noranda, Québec

Pursuant to the September 2005 option agreement with Thundermin Resources Inc. ("Thundermin"), the Company was entitled to acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and \$1/tonne Toll Charge, by spending \$1,000,000 in exploration expenditures by September 1, 2008. During 2007, the Company met its expenditure obligations.

Pursuant to the agreement, the Company extended its decision deadline and was required to make a production decision by September 1, 2009 and reach commercial production by September 1, 2010. The Company further amended this agreement such that the production decision deadline had been extended to September 1, 2010 with a payment of \$100,000 in 2009. Prior to September 1, 2010, the Company issued a production commitment notice to Thundermin, thereby exercising its option to acquire the Lac Pelletier Property. The Company is in discussion with Thundermin regarding the transfer of full title and ownership of the Property to the Company. Thundermin has initiated an arbitration proceeding pursuant to which it has claimed that the purported exercise by the Company of its option to acquire a 100% interest in the property is invalid, and accordingly, the option agreement and the Company's rights under the agreement have terminated. The Company believes that this claim does not have any merit.

During 2009, the Company entered into a property acquisition agreement to acquire a 100% interest in four mining claims located near Lac Pelletier, subject to a 2% NSR. The Company has the option to purchase, at any time, 50% of the NSR for US\$1,000,000.

In the fourth quarter of 2010, the Company wrote down the value of the Lac Pelletier property by an amount of \$12,927,473 to reflect an impairment in value.

VMS Properties, Québec

The Company holds a 100% interest in the VMS properties, subject to Teck Cominco Ltd. (formerly Aur Resources Ltd.) retaining between a 2% and a 2.5% NSR 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 milled. Certain of the properties were held under previously existing joint venture agreements. The other party to these agreements has opted to no longer fund the properties.

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12. Mineral properties and deferred exploration expenditures (continued)

Snow Lake, Manitoba

Through the acquisition of Garson, the Company acquired a 100% interest in the New Britannia Gold Mine ("NBM") in Snow Lake, Manitoba. The Company has since renamed the mine "Snow Lake Mine". A total of \$5,767,000 in financial assurances is posted with both the Government of Manitoba and Kinross Gold Corporation ("Kinross") (the former owners of the New Britannia Mine) refundable upon commercial production at the mine. The letter of credit with the Manitoba government is financial assurance that the site will ultimately be closed according to the terms of the existing and approved closure plan. Once closure is complete, all or a portion of the letter of credit will be refunded to the Company. Should a NI 43-101 compliant resource of 3 million ounces be proven, Kinross retains a back-in right for a 60% interest for consideration of the equivalent of three-times the exploration costs incurred to that date.

NSR royalties totaling 2.88% on various portions of the Snow Lake property are held by third parties.

Herblet Lake, Manitoba

In November 2010, the Company entered into an agreement to acquire a 100% interest in certain mining claims in the Herblet Lake area. To acquire this 100% interest, the Company is required to make total cash payments of \$300,000 and incur total exploration expenditures of \$3,000,000 over a period of 5 years according the following schedule:

	Commitment		
	<u>Cash Payment (\$)</u>	<u>Expenditures (\$)</u>	
November 19, 2010	50,000	-	**Paid December 2010
November 19, 2011	50,000	200,000	
November 19, 2012	50,000	300,000	
November 19, 2013	50,000	500,000	
November 19, 2014	50,000	1,000,000	
November 19, 2015	50,000	1,000,000	
	<u>300,000</u>	<u>3,000,000</u>	

The exercise of the option is subject to an NSR of 3% payable from the date of commencement of commercial production. Upon exercise of the option, the Company will be required to make advanced royalty payments of \$50,000 annually up to \$250,000 to be credited against future NSR payments. The Company has the right to purchase up to 50% of the NSR for a total of \$1,500,000, each 0.5% of the 3% NSR requiring a \$500,000 payment. As of September 30, 2011, the Company has met its exploration expenditures commitment due November 2011. Subsequent to the end of the quarter, the Company paid \$50,000 as required for their second cash payment.

13. Accounts payable and accrued liabilities

	September 30, 2011		December 31, 2010	
Mining and exploration suppliers	\$	6,420,588	\$	6,129,271
Corporate payables		321,577		1,031,923
Payroll liabilities		631,457		589,304
Royalties payable		1,612,810		1,597,704
	<u>\$</u>	<u>8,986,432</u>	<u>\$</u>	<u>9,348,202</u>

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14. Capital lease obligations

The Company had entered into various capital leasing arrangements for mobile equipment for terms of 24 months at interest rates of between 7.75% and 32.8%.

As at September 30, 2011, the future minimum lease payments under the capital lease arrangements were:

<u>Capital lease obligations</u>	
December 2011	\$ 35,301
December 2012	93,993
December 2013	6,476
	<u>135,770</u>
Less: Amounts representing interest	(7,419)
	<u>128,351</u>
Less: Current portion	111,649
Long-term portion	<u>\$ 16,702</u>

The fair value of the capital leases is approximately equal to their carrying amount.

15. Convertible debentures

- a) During 2006, the Company completed a private placement debenture financing with Industrial Alliance Securities Inc. ("Industrial Alliance") raising \$4,210,000 in gross proceeds with the issuance of 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 were unsecured and subordinated obligations of the Company, had a coupon rate of 6.0% and were convertible at the option of the holder. Interest on the loan was 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 Exchange for a period of 20 consecutive trading days ending 5 days before the payment date. The Warrants expired unexercised.

On April 28, 2010, the Company entered into agreements with the current holders of the expiring \$4,210,000 convertible debentures to roll over the existing 6% convertible debentures into units comprised of \$1,000 principal amount 10% convertible unsecured subordinated debentures due April 28, 2014. Interest will be payable in equal semi-annual instalments on April 30 and October 30 at 10% per annum commencing October 30, 2010. At the option of the Company, interest shall be payable in cash or in shares. If payment is in shares, it will be based on a price equal to 90% of the average closing price of the common shares of the Company on the Toronto Stock Exchange for a period of 20 consecutive trading days ending five trading days before payment date. Each debenture is convertible at the option of the holder into common shares of the Company at any time after the issue date at the conversion price of \$0.40 per share. Except in the event of a change of control, the debentures are not redeemable prior to April 28, 2012. On or after April 28, 2012 and up to and including April 28, 2014, the debentures may be redeemed by the Company at the option of the Company at par plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' notice prior to the date fixed for redemption provided that the average closing price of the Company's common shares during the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. A charge of \$94,000 was incurred in relation to the roll-over agreements.

The Debentures are classified as a liability, with the exception of the portion relating to the conversion features, 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. An amount of \$143,256 and \$426,046 was recorded as financing costs for the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010: \$138,206 and \$430,785).

Financing charges associated with the Debentures were prorated between the debt and equity components of the Debentures. Those allocated to the debt portion of the Debentures were deferred and are being accreted over the term of the Debentures. For the three and nine months ended September 30, 2011, \$4,380 and \$13,140 (three and nine months ended September 30, 2010: \$4,380 and \$35,000) in deferred financing charges were recorded as financing costs.

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15. Convertible debentures (continued)

In May 2011, the Company issued 1,832,922 common shares of the Company in lieu of the 10% cash interest payment due to the debenture holders on April 28, 2011. The shares were valued at a weighted average price of \$0.1139 per share for a total amount of \$208,770 (September 30, 2010: 397,099 shares valued at \$124,570). The Company plans to issue 3,380,407 common shares in lieu of the 10% cash interest payment due to debenture holders on October 30, 2011 upon receipt of regulatory approval. The shares were valued at a weighted average price of \$0.0621 per share for a total amount of \$209,923.

- b) As a result of the acquisition of Garson, the Company is carrying a convertible debenture with a face value of \$2,150,000. This debenture has a coupon rate of 10%, and interest is compounded monthly and paid quarterly in cash. The original debenture matured on July 28, 2010. On July 15, 2010, the Company entered into an agreement to extend the term of this debenture to July 31, 2012. The debenture is convertible into common shares of the Company at a price of \$0.40 per share at the option of the holder. There were 4,000,000 Garson warrants issued to the debenture holder at the time of the original agreement, which were converted to warrants of the Company at a ratio of 0.29 on April 29, 2010. These were cancelled during the third quarter of 2010 and 4,000,000 warrants were re-issued at an exercise price of \$0.50 with an expiry date of July 15, 2012. The Company paid an arrangement fee of \$53,750 to extend the term of the debenture.

The debenture has been classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value being less than its face value. The discount is being accreted over the remaining term of the debenture. For the three and nine months ended September 30, 2011, accretion expense related to this debenture totalled \$43,365 and \$130,097 (three and nine months ended September 30, 2010: \$33,712 and \$89,395) and was capitalized to the Snow Lake project. As well, interest paid against this debenture of \$55,414 and \$164,419 for the three and nine months ended September 30, 2011 (three and nine months ended September 30, 2010: \$55,261 and \$164,267) was also capitalized to the project.

This debenture has been classified as a current liability for the nine-month period ending September 30, 2011.

16. Provision for closure and reclamation

The Company's provision for closure and reclamation costs are based on management's estimates of costs to abandon and reclaim mineral 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 provision for closure and reclamation associated with the retirement of the Company's plant and mineral properties:

Balance at January 1, 2010	\$	11,055,000
Adjustments resulting from re-measurement or settlement without cost		(81,000)
Unwinding of discount and effect of changes in the discount rate		542,000
Balance at December 31, 2010		11,516,000
Unwinding of discount and effect of changes in the discount rate		6,071,750
Balance at September 30, 2011	\$	17,587,750

The Company has estimated its total provision for closure and reclamation to be \$17,587,750 at September 30, 2011 based on a total future liability of approximately \$15,470,000 and at an inflation rate of 3.16% and a discount ranging between 1.21% and 1.84%. Reclamation is expected to occur in five to seven years.

Through Garson, the Company has term deposits amounting to \$5,767,000 restricted for the reclamation of the Snow Lake property. The Company has placed funds on deposit as collateral for letters of credit issued to the vendor of the NBM, Kinross Gold Corporation, as well as to the Government of Manitoba, for Garson's share of assumed reclamation and operating obligations. The Company pays an annual fee of 1% of the face value of the letter. Funds on deposit are invested in short term GICs earning interest at HSBC floating rates of interest. The GIC's can be redeemed prior to maturity without penalty.

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17. Issued capital

a) As at September 30, 2011 and December 31, 2010, the Company's authorized number of common shares was unlimited without par value.

b) Common shares	Number of Shares	Amount
Balance, January 1, 2010	214,968,615	\$ 89,358,455
Public offering (ii)	95,833,333	14,375,000
Private placement (iii)	50,774,998	12,186,000
Warrant and broker warrant valuation (ii)	-	(1,650,059)
Exercise of broker warrants	2,000,000	300,000
Broker warrant exercise -- valuation reallocation	-	127,600
Shares issued for acquisition of subsidiary	6,550,200	2,274,544
Shares issued to settle liabilities (ii)	19,027,619	2,854,143
Value of warrants attached to shares issued to settle liabilities (ii)	-	(266,902)
Shares issued for payment of interest	1,400,546	339,107
Cost of issue	-	(2,463,592)
Tax effect of cost of issue	-	(1,111,600)
Premium on flow-through shares (iv)	-	(2,065,084)
Adjustment	(23)	-
Balance, December 31, 2010	390,555,288	\$ 114,257,612
Public offering (i)	201,250,000	20,125,000
Shares issued for payment of interest (Note 14(a))	1,832,922	208,770
Shares issued for acquisition of subsidiary (Note 18)	3,567	1,034
Value of broker warrants granted on public offering (i)	-	(449,200)
Cost of issue	-	(1,622,926)
Balance, September 30, 2011	593,641,777	\$ 132,520,290

(i) In May 2011, the Company completed a bought deal offering with the issuance of 175,000,000 common shares of the Company at a price of \$0.10. As well, an over-allotment option to purchase an additional 26,250,000 common shares of the Company at \$0.10 per share was granted to the underwriters. In total, the Company raised gross proceeds of \$20,125,000. Commissions of 7% were charged by the underwriters with respect to this financing. The Company granted the underwriters 12,075,000 broker warrants which are exercisable into 12,075,000 common shares of the Company at a price of \$0.10 per share until May 12, 2014. The value of these broker warrants, \$449,200, was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0%; expected volatility: 66.41%; risk-free interest rate: 1.70%; and expected life: 2 years. Additional issue costs included legal fees and other disbursements.

(ii) In September 2010, the Company closed a public offering of 95,833,333 units of the Company raising a gross amount of \$14,375,000. Each unit, priced at \$0.15 per unit, comprised one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$0.40 expiring on September 2, 2013. If at any time commencing the 20th trading day after the closing date of the offering the weighted average trading price of the common shares of the Company listed on the Toronto Stock Exchange ("TSX") is or exceeds \$0.55 for a period of 20 consecutive trading days, the Company may accelerate the expiry of the warrants by giving prior notice to the holders of the warrants within 10 business days immediately following such 20 day trading period. In such an event, the warrants, if unexercised, will expire on the 30th calendar day following the date on which such notice will be deemed to have been received by such holders of warrants. The notice will be deemed to be received five days following the date such notice was sent. As well, 19,027,619 units under the same terms were issued to settle liabilities totalling \$2,854,143. The value of the warrants was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0%; expected volatility: 70.99%; risk-free interest rate: 1.55%; and expected life: approximately 3 years.

The underwriters received a commission of 7% of the total proceeds, as well as 4,791,666 broker warrants which have an exercise price of \$0.15 and expire September 2, 2012. The value of the broker warrants was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0%; expected volatility: 77.52%; risk-free interest rate: 1.55%; and expected life: approximately 2 years. Additional issue costs included legal fees and other disbursements.

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17. Issued capital (continued)

(iii) In December 2010, the Company closed a private placement financing through the issuance of 50,774,998 flow-through common shares at a price of \$0.24 per flow-through common share for gross proceeds of \$12,186,000. The underwriters received a commission of 7% of the total proceeds. Total issue costs related to this financing was \$984,711.

(iv) The Company recorded a premium of \$2,065,084 on the flow-through shares issued in December 2010 against share capital, generating a liability which was recorded as a credit on the statement of operations on renunciation in February 2011.

18. Share-based payments reserve

	No. of options	Weighted Average Exercise Price	Value of options	No. of warrants	Weighted Average Exercise Price	Value of warrants	TOTAL VALUE
January 1, 2010	13,938,000	\$0.59	\$ 5,442,574	16,931,503	\$0.82	\$ 2,863,043	\$ 8,305,617
Granted	2,647,630	\$0.65	384,733	78,212,180	\$0.39	2,447,212	2,831,945
Exercised	-	\$0.00	-	(2,000,000)	\$0.15	(127,600)	(127,600)
Expired	(1,645,000)	\$0.76	(950,340)	(10,872,033)	\$0.89	(1,777,577)	(2,727,917)
Forfeited	-	\$0.00	-	-	\$0.00	-	-
December 31, 2010	14,940,630	\$0.58	4,876,967	82,271,650	\$0.42	\$ 3,405,078	\$ 8,282,045
Granted	6,115,000	\$0.14	462,859	12,075,000	\$0.10	449,200	912,059
Exercised	-	\$0.00	-	-	\$0.00	-	-
Expired	(5,492,868)	\$0.59	(1,303,097)	(18,049,507)	\$0.50	(1,508,517)	(2,811,614)
Forfeited	(281,250)	\$0.43	-	-	\$0.00	-	-
September 30, 2011	15,281,512	\$0.53	4,036,729	76,297,143	\$0.42	\$ 2,345,761	\$ 6,382,490

Employee share option plan

During the nine months ended September 30, 2011, 6,115,000 stock options (September 30, 2010: 667,500) were granted to directors, officers, and employees of the Company with a weighted-average grant date fair value of \$0.14 per option (September 30, 2010: \$0.18). Of these options, 3,115,000 vest immediately while 3,000,000 vest one quarter, every three months starting on the date of grant. Stock-based compensation expense of \$20,969 and \$359,826 relating to these options and others that vested was recorded in professional, consulting and management fees for the three and nine months ended September 30, 2011, while \$20,294 and \$103,033 was charged to mineral properties for the same periods. For the three and nine months ended September 30, 2010, the Company recorded \$66,341 and \$180,368 in stock-based compensation to the statement of operations, and \$6,823 and \$31,538 to mineral properties. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioral considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

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18. Share-based payments reserve (continued)

The following share-based payment arrangements were in existence during the current and prior reporting periods:

STOCK OPTIONS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected volatility	Expected life (yrs)	Expected Dividend Yield	Risk-free interest rate
100,000	100,000	1-Nov-06	1-Nov-11	\$ 0.52	\$ 33,900	78%	5.00	0%	0.42%
95,000	95,000	8-Dec-06	8-Dec-11	\$ 0.50	\$ 30,970	78%	5.00	0%	0.51%
25,000	25,000	5-Mar-07	5-Mar-12	\$ 0.91	\$ 15,075	80%	5.00	0%	3.95%
100,000	100,000	9-Apr-07	9-Apr-12	\$ 1.14	\$ 75,800	80%	5.00	0%	4.00%
2,937,500	2,937,500	27-Aug-07	27-Aug-12	\$ 0.79	\$ 1,647,938	88%	5.00	0%	4.30%
7,500	7,500	11-Oct-07	11-Oct-12	\$ 0.94	\$ 5,243	95%	5.00	0%	4.40%
155,000	155,000	19-Oct-07	19-Oct-12	\$ 0.91	\$ 104,780	95%	5.00	0%	4.30%
2,500	2,500	1-Nov-07	1-Nov-12	\$ 0.89	\$ 1,650	95%	5.00	0%	4.20%
100,000	100,000	30-Jan-08	30-Jan-13	\$ 0.88	\$ 61,100	86%	5.00	0%	3.50%
2,028,500	2,028,500	4-Aug-08	5-Aug-13	\$ 0.49	\$ 653,177	80%	5.00	0%	3.20%
15,000	15,000	14-Jul-09	14-Jul-14	\$ 0.26	\$ 3,900	77%	5.00	0%	2.50%
3,027,500	3,027,500	21-Dec-09	21-Dec-14	\$ 0.43	\$ 793,205	76%	5.00	0%	1.35%
200,000	175,000	23-Feb-10	23-Feb-15	\$ 0.40	\$ 46,367	69%	5.00	0%	2.50%
108,750	108,750	30-Apr-10	4-Feb-14	\$ 0.35	\$ 16,500	76%	3.80	0%	2.42%
15,768	15,768	30-Apr-10	4-Jan-12	\$ 0.97	-	79%	1.68	0%	1.90%
21,750	21,750	30-Apr-10	4-Jan-12	\$ 1.03	-	79%	1.68	0%	1.90%
9,244	9,244	30-Apr-10	24-Aug-12	\$ 1.03	-	73%	1.90	0%	1.90%
177,500	158,750	9-Jun-10	9-Jun-15	\$ 0.23	\$ 27,031	78%	5.00	0%	2.65%
50,000	50,000	4-Nov-10	4-Nov-15	\$ 0.22	\$ 7,365	77%	5.00	0%	1.98%
2,000,000	2,000,000	10-Jan-11	10-Jan-16	\$ 0.20	\$ 254,200	77%	5.00	0%	2.46%
1,105,000	1,105,000	10-Feb-11	10-Feb-16	\$ 0.17	\$ 120,118	77%	5.00	0%	2.75%
3,000,000	1,500,000	6-Jun-11	6-Jun-16	\$ 0.10	\$ 138,410	78%	5.00	0%	2.23%
15,281,512	13,737,762				\$ 4,036,729				

WARRANTS AND BROKER WARRANTS:

No. outstanding	No. exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Expected volatility	Expected life (yrs)	Expected Dividend Yield	Risk-free interest rate
4,000,000	4,000,000	15-Jul-10	15-Jul-12	\$ 0.50	\$ 107,200	78%	2.00	0%	1.66%
57,430,477	57,430,477	2-Sep-10	2-Sep-13	\$ 0.40	\$ 1,611,161	71%	3.00	0%	1.55%
2,791,666	2,791,666	2-Sep-10	2-Sep-12	\$ 0.15	\$ 178,200	78%	2.00	0%	1.55%
12,075,000	12,075,000	12-May-11	12-May-14	\$ 0.10	\$ 449,200	66%	2.00	0%	1.70%
76,297,143	76,297,143				\$ 2,345,761				

19. Transactions with owners

The Company acquired the non-controlling interest of Garson on April 29, 2010 through the issuance of shares (see Note 17(b)). As at September 30, 2011 and December 31, 2010, some shareholders had not yet tendered their Garson shares, and consequently an amount of \$149,280 and \$150,314 is recorded as a commitment to issue shares. The consideration paid was applied against the non-controlling interest and the residual amount of \$100,845 was recorded to transactions with owners.

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20. Other gains and losses

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net foreign exchange (losses)/gains	\$ (104,331)	\$ 16,594	\$ (73,473)	\$ 9,542
General exploration expenditures	-	-	(5,977)	-
Transaction costs on acquisition of Garson	-	(7,118)	-	(194,125)
Unrealized (loss)/gain arising on financial assets designated as FVTPL	(58,290)	161,364	(559,846)	468,021
Realized gain on sale of financial assets	-	-	305,869	-
	\$ (162,621)	\$ 170,840	\$ (333,427)	\$ 283,438

21. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Flow-through interest penalty	\$ (10,000)	\$ (12,793)	\$ (67,994)	\$ (89,596)
Accretion of reclamation provision	(45,250)	(6,750)	(225,750)	(33,750)
Accretion of convertible debenture	(147,636)	(147,065)	(439,186)	(470,264)
Other interest expense	(21,767)	(91,265)	(112,714)	(109,084)
	\$ (224,653)	\$ (257,873)	\$ (845,644)	\$ (702,694)

22. Loss per share

Total shares issuable from options, warrants or convertible debentures excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the period ended September 30, 2011 were 15,281,512 (September 30, 2010: 14,890,630), 76,297,143 (September 30, 2010: 85,370,847) and 15,900,000 (September 30, 2010: 15,195,412) respectively.

23. Financial instruments

Financial assets and financial liabilities as at September 30, 2011 and December 31, 2010 were as follows:

September 30, 2011	Cash, loans and receivables	Assets/liabilities at fair value through profit or loss		TOTAL
Cash and cash equivalents	\$ 3,056,828	\$ -	\$ -	\$ 3,056,828
Amounts receivables	747,116	-	-	747,116
Investments	-	61,770	-	61,770
Accounts payable and accrued liabilities	8,986,432	-	-	8,986,432
Capital leases, current and long-term	128,351	-	-	128,351
Debt, current and long term	-	-	-	-
Liability component of convertible debenture	5,762,667	-	-	5,762,667

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23. Financial instruments (continued)

December 31, 2010	Cash, loans and receivables	Assets/liabilities at fair value through profit or loss	TOTAL
Cash and cash equivalents	\$ 9,410,889	\$ -	\$ 9,410,889
Amounts receivables	657,961	-	657,961
Investments	-	641,116	641,116
Accounts payable and accrued liabilities	9,348,202	-	9,348,202
Capital leases, current and long-term	187,712	-	187,712
Debt, current and long term	51,333	-	51,333
Liability component of convertible debenture	5,402,154	-	5,402,154

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the nine months ended September 30, 2011 and 2010.

Credit risk

The Company's credit risk is primarily attributable to cash equivalents and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates and bankers acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of receivables from related and unrelated companies. The Company currently transacts with highly rated counterparties for the sale of gold. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had a cash and cash equivalents balance of \$3,056,828 (December 31, 2010 -- \$9,410,889) to settle current liabilities of \$11,030,000 (December 31, 2010 -- \$11,601,664). Approximately \$7,830,000 of the Company's financial liabilities as at September 30, 2011 have contractual maturities of less than 30 days and are subject to normal trade terms.

(a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company carries convertible debentures on which interest is payable quarterly or semi-annually at fixed rates of 10% per annum. Management believes that interest rate risk is remote as investments have maturities of three months or less and the Company currently does not carry interest bearing debt at floating rates.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. All gold sales revenues are denominated in US dollars. The Company is exposed to currency risk with fluctuations in the Canadian dollar relative to the US dollar. The Company currently does not use derivatives to mitigate its foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future gold mining operations will be significantly affected by changes in the market prices for gold. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold including governmental reserves and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

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23. Financial instruments (continued)

(d) Securities price risk

The Company carries investments in certain public securities for which price fluctuations can affect the Company's earnings. The Company classifies these investments as held-for-trading where price volatility is reflected in earnings.

There were no significant changes to credit risk, liquidity risk, market risk and securities risk during the nine months ended September 30, 2011 compared to September 30, 2010.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year:

- The Company does not hold interest bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- Based on the gold brick and doré inventory held by the Company as at September 30, 2011, 10% fluctuations in the exchange rate from US\$ to CDN\$ will generate increases or decreases in value of approximately \$262,000.
- Based on the gold brick and doré inventory held by the Company at September 30, 2011, an increase or decrease in the market price of gold of US\$100 per ounce would generate a respective increase or decrease in value of approximately \$161,000.
- The Company has not currently hedged its future gold sales.
- The Company does not hold significant cash balances in foreign currencies to give rise to foreign exchange risk.

24. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support its operations and the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, options and convertible debentures. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is in production and has been generating cash flows to support the ongoing and longer term strategy focused on regional exploration. However, the Company may continue to rely on capital markets to support continued growth. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2011 and 2010. The Company and its subsidiaries are not subject to externally imposed capital requirements.

25. Related party disclosures

The condensed interim consolidated financial statements include the financial statements of the Company, its 100% wholly-owned subsidiary, Garson, and a 50% interest in a joint venture project.

During the period, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

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25. Related party disclosures (continued)

	Sales of goods and services			
	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
2227929 Ontario Inc.	\$ -	\$ -	\$ -	\$ -
Forbes & Manhattan, Inc.	-	-	-	-

	Purchases of goods and services			
	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
2227929 Ontario Inc.	\$ 165,022	\$ 105,661	\$ 346,309	\$ 305,635
Forbes & Manhattan, Inc.	119,515	178,123	302,530	518,873

The Company shares office space with other companies who may have officers or directors in common with the Company. The costs associated with this space are administered by 2227929 Ontario Inc. Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc. An administration fee of \$5,000 per month was previously charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement. Effective September 1, 2011, the contract with Forbes & Manhattan, Inc. was increased to \$25,000 per month. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to Forbes & Manhattan, Inc.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
2227929 Ontario Inc.	\$ 18,000	\$ 51,252	\$ 59,569	\$ -
Forbes & Manhattan, Inc.	\$ -	\$ -	\$ 157,962	\$ 526,106

The amounts outstanding are unsecured and non-interest-bearing. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties. During the nine months ended September 30, 2011, the Company paid \$500,000 to Forbes & Manhattan, Inc. for outstanding royalties.

Directors and officers of the Company subscribed for 6,525,000 common shares at \$0.10 per share in the May 2011 financing.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Short-term benefits	\$ 324,549	\$ 227,720	\$ 929,560	\$ 841,323
Share-based payments	-	-	420,700	-

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

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26. Commitments and contingencies

(a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$3,300,000 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 contractual commitments remaining under the agreements are approximately \$1,000,000, all due within one year.

(b) Pursuant to the issuance of 50,774,998 flow-through shares in December 2010, the Company renounced \$12,186,000 of qualified exploration expenditures in February 2011. As at September 30, 2011, the Company has spent approximately \$9,517,000 and is required to spend an additional \$2,669,000 by December 31, 2011.

The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments.

(c) The Company's mining and exploration activities are subject to various law and regulations governing the protection of the environment. These law and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

27. Subsequent events

In November 2011, 100,000 stock options expired unexercised during the period.

28. Transition to IFRS

The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these condensed interim consolidated financial statements were prepared as described in Note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

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28. Transition to IFRS (continued)

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of operations have resulted in reclassifications of various amounts on the consolidated statements of cash flows.

Changes in accounting policies:

The following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by the Company. Please refer to the Company's March 31, 2011 condensed interim consolidated financial statements for a complete description of the accounting policies used.

a) Share-based compensation

IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to stock options and grants that are unvested at that date. The transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010; and,
- From January 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the policy stated in the Company's March 31, 2011 condensed interim consolidated financial statements and notes.

Forfeitures

Canadian GAAP - Forfeitures of awards are recognized as they occur

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. No material difference was determined and consequently no adjustment was made.

Expiration of share-based compensation

Canadian GAAP – Under Canadian GAAP, the Company's policy was to leave the value recorded for expired, unexercised stock options to contributed surplus, and to record the value of expired, unexercised warrants to contributed surplus.

IFRS – The Company has changed its policy regarding expired share-based compensation whereby amounts recorded for expired, unexercised stock options and warrants are transferred to retained earnings/(deficit) on expiry. The impact of this change was to decrease contributed surplus and increase retained earnings by \$11,350,235 at December 31, 2010 (\$11,260,800 at September 30, 2010).

b) Measurement of decommissioning and rehabilitation provision

Canadian GAAP – Asset retirement obligations are measured at fair value, incorporating market assumptions and discount rates based on the entity's credit-adjusted risk-free rate. Adjustments are made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone do not result in a re-measurement of the provision. Changes in estimates that decrease the liability are discounted using the discount rate applied upon initial recognition of the liability while changes that increase the liability are discounted using the current discount rate.

IFRS – IFRS requires decommissioning provisions to be measured based on management's best estimate of the expenditures that will be made and adjustments to the provision are made in each period for changes in the timing or amount of cash flow, changes in the discount rate, and the accretion of the liability to fair value (unwinding of the discount). Furthermore, the estimated future cash flows should be discounted using the current rates.

As a result in the change in the discount rates being applied, the Company recorded an adjustment to the value of the rehabilitation provision recorded in its accounts on December 31, 2010 totaling \$7,957,000 (September 30, 2010: \$11,171,500). The change impacted the carrying value of mineral properties and deferred exploration expenditures by \$7,221,000 (September 30, 2010: \$9,892,000), the value of property, plant and equipment by \$nil (September 30, 2010: \$1,332,000) and impairment charge on the statement of operations by \$736,000 (September 30, 2010: \$nil). The accretion (or unwinding of the discount) of the provision for rehabilitation is presented as a finance cost under IFRS. Accretion expense decreased by \$nil during the year ended December 31, 2010 as a result of these changes (September 30, 2010: \$52,500).

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28. Transition to IFRS (continued)

c) Flow through shares

Canadian GAAP - Flow through shares are a unique Canadian tax incentive, which is the subject of specific guidance under Canadian GAAP and US GAAP.

IFRS – There is no equivalent IFRS guidance. SIC Interpretation 25, Income Taxes – Changes in the Tax Status of an Entity or its Shareholders, provides some additional guidance in that it requires that the current and deferred tax consequences of a change in tax status shall be included in profit or loss for the period, unless those consequences relate to transactions and events that result in a direct credit to the recognized amount in equity. The portion of tax liabilities or assets related to such recognized equity amounts which is not included in profit or loss must be charged or credited directly to equity. As at December 31, 2010, \$2,065,084 was recorded as a liability, \$9,303,972 was credited to share capital and \$7,238,488 was debited to retained earnings. As at September 30, 2010, \$5,775,841 was credited to share capital and the same was debited to retained earnings.

d) Non-controlling interest

Canadian GAAP – When the non-controlling interest is not obligated to fund its share of losses, the Company does not attribute losses to the non-controlling interest once the interest has been reduced to nil.

IFRS – Losses applicable to a non-controlling interest in a subsidiary are allocated to the non-controlling interest even if it results in a deficit position.

The Company has elected to apply the change in policy regarding the accounting for non-controlling interest prospectively from January 1, 2010. This change did not result in any effect on the Company's financial statements.

e) Completion of the acquisition of Garson

Canadian GAAP – The completion of the acquisition of Garson during 2010 was accounted for as the final step in a step acquisition.

IFRS – This transaction is accounted for as a transaction among owners with any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received being recognized directly in equity. As a result of this change, the Company recorded an adjustment on December 31, 2010 of the following:

- A net increase in mineral properties and deferred exploration expenditures of \$1,259,374 (September 30, 2010: \$1,259,802)
- A decrease in property, plant and equipment of \$705,686 (September 30, 2010: \$705,686)
- A decrease in the liability component of convertible debenture of \$48,529 (September 30, 2010: \$48,529)
- A decrease in deferred income tax liability of \$nil (September 30, 2010: \$213,059)
- Transaction with owners of \$100,845 (September 30, 2010: \$100,845)
- A decrease in deficit of \$18,506 (September 30, 2010: increase of \$194,125).

f) Borrowing costs

Canadian GAAP – Borrowing costs were expensed as incurred.

IFRS – Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. As a result of this change, the Company capitalized \$356,920 to mineral properties and deferred exploration expenditures at December 31, 2010 (September 30, 2010: \$253,662) crediting financing costs on the statement of operations.

ALEXIS MINERALS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2011 and 2010 - Unaudited
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28. Transition to IFRS (continued)

Reconciliation of Consolidated Statement of Financial Position as of September 30, 2010

Canadian GAAP accounts	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Assets			
Current assets			
Cash and cash equivalents	\$ 2,368,532	\$ -	\$ 2,368,532
Amounts receivable	481,445	-	481,445
Tax credits receivable	8,398,033	-	8,398,033
Inventories	2,108,600	-	2,108,600
Prepaid expenses	521,571	-	521,571
Investments	590,361	-	590,361
	14,468,542	-	14,468,542
Non-current assets			
Restricted cash equivalents	5,767,000	-	5,767,000
Property, plant and equipment	28.b,e 21,898,007	626,314	22,524,321
Mineral properties and deferred exploration expenditures	28.b,e,f 90,499,575	10,922,598	101,422,173
Total assets	\$ 132,633,124	\$ 11,548,912	\$ 144,182,036
Liabilities			
Current liabilities			
Accounts payable	7,527,725	-	7,527,725
Current portion of capital lease obligations	187,799	-	187,799
Current portion of long-term debt	67,743	-	67,743
Other liabilities	-	-	-
Liability component of convertible debenture	28.e -	(48,529)	(48,529)
	7,783,267	(48,529)	7,734,738
Non-current liabilities			
Capital lease obligations	43,177	-	43,177
Long-term debt	-	-	-
Liability component of convertible debenture	5,478,200	-	5,478,200
Provision for closure and reclamation	28.b 3,271,250	11,171,500	14,442,750
Deferred income tax liability	28.e 1,749,000	213,059	1,962,059
Total liabilities	18,324,894	11,336,030	29,660,924
Shareholders' equity			
Share capital	28.c 111,389,285	(5,775,841)	105,613,444
Commitment to issue shares	154,840	-	154,840
Equity component of convertible debentures	1,698,516	-	1,698,516
Share-based payments reserve	28.a 19,728,953	(11,260,800)	8,468,153
Transaction with owners	28.e -	100,845	100,845
Retained earnings (deficit)	28.a,c,e,f (18,663,364)	17,148,678	(1,514,686)
Total equity	114,308,230	212,882	114,521,112
TOTAL LIABILITIES AND EQUITY	\$ 132,633,124	\$ 11,548,912	\$ 144,182,036

ALEXIS MINERALS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2011 and 2010 - Unaudited
(Expressed in Canadian dollars unless otherwise noted)

28. Transition to IFRS (continued)

Reconciliation of Consolidated Statement of Operations and Comprehensive Loss for the three months ended September 30, 2010

Canadian GAAP accounts	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Revenue, net of royalties	\$ 7,741,842	\$ -	\$ 7,741,842
Mine operating expenses	\$ (8,340,217)	-	(8,340,217)
Depletion and depreciation	\$ (2,384,378)	-	(2,384,378)
Total operating expenses	(10,724,595)	-	(10,724,595)
Gross (loss)	(2,982,753)	-	(2,982,753)
Expenses			
Professional, consulting and management	\$ (484,114)	-	(484,114)
Other general and administrative expenses	(310,980)	-	(310,980)
Other gains and losses	28.e 177,958	(7,118)	170,840
Finance income	7,131	-	7,131
Finance costs	28.f (397,596)	139,723	(257,873)
Impairment charge	-	-	-
Loss before income tax	(3,990,354)	132,605	(3,857,749)
Deferred income tax recovery	28.e 977,911	142,013	1,119,924
Loss and comprehensive loss for the period	\$ (3,012,443)	\$ 274,618	\$ (2,737,825)
Loss attributable to:			
Owners of the Company	(3,012,443)	274,618	(2,737,825)
Non-controlling interest	-	-	-
	(3,012,443)	274,618	(2,737,825)
Loss per share			
Basic	\$ (0.01)		\$ (0.01)
Diluted	\$ (0.01)		\$ (0.01)
Weighted average number of shares outstanding:			
Basic	253,805,879		253,805,879
Diluted	253,805,879		253,805,879

ALEXIS MINERALS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2011 and 2010 - Unaudited
(Expressed in Canadian dollars unless otherwise noted)

28. Transition to IFRS (continued)

Reconciliation of Consolidated Statement of Operations and Comprehensive Loss for the nine months ended September 30, 2010

Canadian GAAP accounts	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Revenue, net of royalties	\$ 21,874,487	\$ -	\$ 21,874,487
Mine operating expenses	(21,898,027)	-	(21,898,027)
Depletion and depreciation	(6,071,472)	-	(6,071,472)
Total operating expenses	(27,969,499)	-	(27,969,499)
Gross (loss)	(6,095,012)	-	(6,095,012)
Expenses			
Professional, consulting and management	(1,460,859)	-	(1,460,859)
Other general and administrative expenses	(1,111,085)	-	(1,111,085)
Other gains and losses	28.e 477,563	(194,125)	283,438
Finance income	14,223	-	14,223
Finance costs	28.f (1,008,856)	306,162	(702,694)
Impairment charge	-	-	-
Loss before income tax	(9,184,026)	112,037	(9,071,989)
Deferred income tax recovery	28.e 5,192,993	(961,223)	4,231,770
Loss and comprehensive loss for the period	\$ (3,991,033)	\$ (849,186)	\$ (4,840,219)
Loss attributable to:			
Owners of the Company	(3,991,358)	(849,186)	(4,840,544)
Non-controlling interest	325	-	325
	(3,991,033)	(849,186)	(4,840,219)
Loss per share			
Basic	\$ (0.02)	\$	(0.02)
Diluted	\$ (0.02)	\$	(0.02)
Weighted average number of shares outstanding:			
Basic	231,136,808		231,136,808
Diluted	231,136,808		231,136,808