



CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

for the three months ended March 31, 2012 and 2011
(expressed in Canadian dollars)

- unaudited -

ALEXIS MINERALS CORPORATION

Condensed Interim Consolidated Statements of Financial Position

UNAUDITED

in Canadian dollars

	Notes	March 31, 2012	December 31, 2011
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 769,285	\$ 1,615,261
Amounts receivable	6	1,273,810	816,520
Tax credit receivable	7	2,064,402	2,000,379
Inventories	8	3,113,951	2,644,737
Prepaid expenses	9	1,371,789	1,140,259
Investments	10	29,590	44,850
Total current assets		8,622,827	8,262,006
Non-current assets:			
Deposits and advances		-	500,000
Restricted cash equivalents	12, 17	5,767,000	5,767,000
Property, plant and equipment	11	13,901,648	13,889,831
Mineral properties and deferred exploration expenditures	12	86,958,534	95,837,182
TOTAL ASSETS		\$ 115,250,009	\$ 124,256,019
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	13	\$ 10,438,767	\$ 13,819,183
Current portion of finance lease obligations	14	64,796	89,499
Short term loan	15	8,551,890	-
Current portion of convertible debenture liability	16	-	2,000,285
Total current liabilities		19,055,453	15,908,967
Non-current liabilities :			
Finance lease obligations	14	2,570	6,302
Liability component of convertible debentures	16	3,921,114	3,980,391
Provision for closure and reclamation	17	17,926,750	18,956,000
Total liabilities		40,905,887	38,851,660
Equity:			
Share capital	18	132,731,343	132,521,420
Commitment to issue shares	20	148,150	148,150
Equity component of convertible debentures	16	1,512,541	1,698,516
Share-based payments reserve	19	6,405,861	6,413,218
Transaction with owners	20	100,845	100,845
Deficit		(66,554,618)	(55,477,790)
Total equity		74,344,122	85,404,359
TOTAL LIABILITIES AND EQUITY		\$ 115,250,009	\$ 124,256,019
Nature of operations and going concern	1		
Commitments and contingencies	27		
Subsequent events	28		

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 March 31,	
		2012	2011
Revenue, net of royalties		\$ 8,137,940	\$ 2,343,991
Mine operating expenses		(7,756,145)	(4,664,834)
Depletion and depreciation		(1,606,577)	(119,265)
Total operating expenses		(9,362,722)	(4,784,099)
Gross (loss)		(1,224,782)	(2,440,108)
Expenses			
Professional, consulting and management	19	(444,919)	(829,324)
Other general and administrative expenses		(251,963)	(293,865)
Other gains and (losses)	21	133,372	(72,805)
Finance income		15,669	31,686
Finance costs	22	(1,005,255)	(178,865)
Impairment charge on mineral properties	12	(8,500,000)	(486,151)
Loss before income tax		(11,277,878)	(4,269,432)
Deferred income tax recovery		-	2,065,084
Net (loss) and comprehensive (loss) for the period		\$ (11,277,878)	\$ (2,204,348)
Net (loss) per share			
Basic	23	\$ (0.02)	\$ (0.01)
Diluted	23	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding:			
Basic	23	596,060,246	390,555,288
Diluted	23	596,060,246	390,555,288

-See accompanying notes to the condensed interim consolidated financial statements -

ALEXIS MINERALS CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

UNAUDITED

in Canadian dollars

	Notes	Three months ended March 31,	
		2012	2011
Cash provided by (used in) operating activities:			
Net (loss)		\$ (11,277,878)	\$ (2,204,348)
Items not involving cash:			
Stock-based compensation	19	3,789	345,308
Depletion and depreciation		1,606,577	119,265
Non-cash losses on marketable securities	21	15,260	110,152
Non-cash accretion expense	22	973,855	89,250
Unrealized foreign exchange gains		(136,167)	-
Impairment charge on mineral properties	12	8,500,000	486,151
Deferred income tax recovery		-	(2,065,084)
Working capital adjustments:			
Change in receivables		(457,290)	(157,692)
Change in prepaid expenses		219,854	(170,925)
Change in inventories		(347,939)	(105,071)
Change in payables and provisions		434,040	(35,589)
Net cash (used in) operating activities		(465,899)	(3,588,583)
Investing activities			
Investment in mineral properties and deferred exploration expenditures		(1,640,353)	(3,960,990)
Property, plant and equipment expenditures		(766,162)	(255,313)
Working capital adjustments related to investing activities		(3,733,556)	(290,734)
Net cash (used in) investing activities		(6,140,070)	(4,507,037)
Financing activities			
Short term loan		10,150,000	-
		(2,130,671)	-
Payment of convertible debenture and accrued interest		(2,230,901)	-
Long-term debt payments		-	(16,730)
Finance lease payments		(28,435)	(8,586)
Net cash provided by (used in) financing activities		5,759,993	(25,316)
Change in cash and cash equivalents		(845,976)	(8,120,936)
Cash and cash equivalents, beginning of the period		1,615,261	9,410,889
Cash and cash equivalents, end of the period		\$ 769,285	\$ 1,289,953
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 739,285	\$ 1,274,953
Cash equivalents		\$ 30,000	\$ 15,000
Non-cash investing and financing transactions			
Common shares issued for interest payment		\$ 209,923	\$ -
Accretion of convertible debentures charged to mineral properties		\$ 152,115	\$ 188,211
Depreciation charged to mineral properties		\$ 79,417	\$ 75,358
Stock-based compensation charged to mineral properties		\$ 3,929	\$ 38,135
Interest paid		\$ 75,457	\$ 211,022

- 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	Equity Component of Convertible debenture	Share-based payments reserve	Transaction with owners	Accumulated Deficit	Total equity
	No.	\$						
Balance, December 31, 2011	593,645,671	132,521,420	148,150	1,698,516	6,413,218	100,845	(55,477,790)	85,404,359
Stock-based compensation	-	-	-	-	7,718	-	-	7,718
Expiry of stock options	-	-	-	-	(15,075)	-	15,075	-
Shares issued in lieu of interest payment	3,380,406	209,923	-	-	-	-	-	209,923
Equity component of convertible debenture paid	-	-	-	(185,975)	-	-	185,975	-
Loss for the period	-	-	-	-	-	-	(11,277,878)	(11,277,878)
Balance, March 31, 2012	597,026,077	132,731,343	148,150	1,512,541	6,405,861	100,845	(66,554,618)	74,344,122
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
Stock-based compensation	-	-	-	-	383,441	-	-	383,441
Expiry of stock options	-	-	-	-	(1,000,592)	-	1,000,592	-
Loss for the period	-	-	-	-	-	-	(2,204,348)	(2,204,348)
Balance, March 31, 2011	390,555,288	114,257,612	150,314	1,698,516	7,664,894	100,845	(46,096,551)	77,775,630

-See accompanying notes to the condensed interim consolidated financial statements -

ALEXIS MINERALS CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2012 and 2011

(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 evaluation 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 evaluation 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 evaluation 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. These condensed interim consolidated financial statements of the Company for the three months ended March 31, 2012 and 2011 were approved and authorized for issue by the Board of Directors on May 9, 2012.

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 evaluation of its properties. Because of continuing operating losses and a working capital deficiency, 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 subsidiary were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out in the Company's annual consolidated financial statements for the year ended December 31, 2011 were consistently applied to all the periods presented unless otherwise noted below.

The preparation of condensed interim 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.

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, 2013 or later periods. Updates are not applicable or are not consequential to the Company have been excluded thereof.

ALEXIS MINERALS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2012 and 2011
(Expressed in Canadian dollars unless otherwise noted)

3. Future accounting changes (continued)

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, 2015, 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, 2015, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its consolidated 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 consolidated 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 consolidated financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its consolidated financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13") 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 consolidated financial statements.

IAS 1, *Presentation of Financial Statements* ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has not yet determined the impact of the amendments to IAS 1 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
March 31, 2012 and 2011
(Expressed in Canadian dollars unless otherwise noted)

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 as incurred;
- 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 on consolidation. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized 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 consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- **Assets' carrying values and impairment charges**
In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

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

5. Significant accounting judgments, estimates and assumptions (continued)

- Capitalization of exploration and evaluation costs
Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 12 for details of capitalized exploration and evaluation costs.
- Tax credits receivable
The Company receives assistance in the form of refundable tax credits from the Québec provincial government. The Company estimates the amounts recoverable based on the relevant tax laws and recognizes a current asset, applying the credits against the mineral exploration properties to which they apply. Such estimates are subject to change based on changes in laws and regulations.
- Mineral reserve estimates
The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.
- Impairment of mineral properties and deferred exploration expenditures
While assessing whether any indications of impairment exist for mineral properties and deferred exploration expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties and deferred exploration expenditures. Internal sources of information include the manner in which mineral properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties and deferred exploration expenditures.
- Estimation of decommissioning and restoration costs and the timing of expenditure
The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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

5. Significant accounting judgments, estimates and assumptions (continued)

- Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.
- Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- Contingencies
Refer to Note 27.

6. Amounts receivable

	March 31, 2012	December 31, 2011
Taxes receivable	\$ 1,089,795	\$ 701,296
Gold and silver sales receivable	72,327	-
Interest receivable	38,418	24,001
Other receivables	73,270	91,223
	\$ 1,273,810	\$ 816,520

7. Tax credit receivable

Balance at December 31, 2010	\$ 6,727,736
Tax credits received	(3,092,672)
Accrued tax credits receivable for the period	521,630
Adjustments to tax credits accrued	(2,156,315)
Balance at December 31, 2011	2,000,379
Tax credits received	-
Accrued tax credits receivable for the period	64,023
Adjustments to tax credits accrued	-
Balance at March 31, 2012	\$ 2,064,402

ALEXIS MINERALS CORPORATION
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7. Tax credit receivable (continued)

The Company has accrued \$64,023 in government assistance for the three months ended March 31, 2012. As at March 31, 2012, an amount of approximately \$522,000 in government assistance is accrued for the year ended December 31, 2011, \$798,000 is accrued for the year ended December 31, 2010 and \$680,000 is accrued for the year ended December 31, 2009. 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 the 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.

8. Inventories

	March 31, 2012	December 31, 2011
Materials and supplies	\$ 835,705	\$ 872,819
Stockpiled ore	522,927	866,671
Gold brick or doré bars	1,755,319	905,247
	\$ 3,113,951	\$ 2,644,737

The amount of inventories recognized as an expense during the three months ended March 31, 2012 is \$9,362,722 (March 31, 2011: \$4,784,099).

All inventory is carried at the lower of cost and net realizable value. Materials and supplies inventory is recorded at cost as at March 31, 2012 and December 31, 2011. As at March 31, 2012, \$nil (December 31, 2011: \$866,671) in stockpiled ore and \$1,755,319 (December 31, 2011: \$905,247) in finished gold brick and doré bars is recorded at net realizable value. A total of \$124,575 of finished gold brick and doré inventory was written down to net realizable value and included in mine operating expenses on the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2012 (three months ended March 31, 2011: \$23,129 for stockpiled ore and \$766,365 for gold brick and doré inventory).

9. Prepaid expenses

	March 31, 2012	December 31, 2011
Mining supplier advances	\$ 472,251	\$ 437,276
Reclamation deposits	187,596	187,596
Deferred financing costs	281,047	366,777
Insurance	276,924	40,947
Corporate advances	153,971	107,663
	\$ 1,371,789	\$ 1,140,259

ALEXIS MINERALS CORPORATION
Notes to the Condensed Interim Consolidated Financial Statements
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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").

	<u>Classification</u>	March 31,		December 31,	
		No. held	Value	No. held	Value
Current investments					
Centurion Minerals, Ltd.	FVTPL	85,000	\$ 16,150	85,000	\$ 28,050
Takara Resources, Inc.	FVTPL	336,000	\$ 13,440	336,000	\$ 16,800
			\$ 29,590		\$ 44,850

An unrealized loss of \$15,260 was recorded as other gains and losses on the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2012 (three months ended March 31, 2011: \$110,152).

11. Property, plant and equipment

	Office equipment and furniture	Machinery and equipment	Mobile equipment	Buildings	Mill	TOTAL
Cost as at December 31, 2011	254,385	7,538,831	5,847,576	3,412,851	12,913,940	29,967,583
Additions	-	128,260	325,498	216,185	96,219	766,162
Disposals	-	-	-	-	-	-
Change in rehabilitation provision	-	-	-	-	(80,000)	(80,000)
Cost as at March 31, 2012	\$ 254,385	\$ 7,667,091	\$ 6,173,074	\$ 3,629,036	\$ 12,930,159	\$ 30,653,745
Depreciation, depletion and impairment as at December 31, 2011	(214,984)	(2,444,269)	(3,216,989)	(1,016,344)	(9,185,166)	(16,077,752)
Charge for the period	(7,776)	(131,321)	(232,152)	(54,836)	(248,260)	(674,345)
Provision for impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation, depletion and impairment as at March 31, 2012	\$ (222,760)	\$ (2,575,590)	\$ (3,449,141)	\$ (1,071,180)	\$ (9,433,426)	\$ (16,752,097)
Net book value as at December 31, 2011	\$ 39,401	\$ 5,094,562	\$ 2,630,587	\$ 2,396,507	\$ 3,728,774	\$ 13,889,831
Net book value as at March 31, 2012	\$ 31,625	\$ 5,091,501	\$ 2,723,933	\$ 2,557,856	\$ 3,496,733	\$ 13,901,648

During the three months ended March 31, 2012, the Company expensed \$545,541 in depreciation to the statement of operations (three months ended March 31, 2011: \$100,510) and charged \$79,417 to mineral properties and deferred exploration expenditures (three months ended March 31, 2011: \$75,358).

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 \$248,260 has been recorded for the three months ended March 31, 2012 (three months ended March 31, 2011: \$7,117). The Company's Snow Lake mill is also included in property, plant and equipment and is currently on care and maintenance. No depreciation 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	Rouyn,	Lac Pelletier,	VMS, Quebec	Aurbel,	Snow Lake,	Other,	
	Lac Herbin, Quebec	Quebec	Quebec		Quebec	Manitoba	Manitoba	
Cost as at December 31, 2011	\$ 37,343,888	\$ 16,660,529	\$ 18,755,313	\$ 13,474,892	\$ 7,036,710	\$ 49,069,599	\$ 540,094	\$142,881,025
Additions	204,540	207,846	121,451	148,619	24,148	1,095,972	6,814	1,809,390
Change in rehabilitation provision	(16,000)	-	(5,000)	-	-	(997,000)	-	(1,018,000)
Cost as at March 31, 2012	\$ 37,532,428	\$ 16,868,375	\$ 18,871,764	\$ 13,623,511	\$ 7,060,858	\$ 49,168,571	\$ 546,908	\$143,672,415
Accumulated depletion and impairment as at December 31, 2011	\$ (34,117,120)	\$ -	\$ (12,926,723)	\$ -	\$ -	\$ -	\$ -	\$ (47,043,843)
Charge for the period	(1,170,038)	-	-	-	-	-	-	(1,170,038)
Provision for impairment	-	(8,500,000)	-	-	-	-	-	(8,500,000)
Disposals	-	-	-	-	-	-	-	-
Accumulated depletion and impairment as at March 31, 2012	\$ (35,287,158)	\$ (8,500,000)	\$ (12,926,723)	\$ -	\$ -	\$ -	\$ -	\$ (56,713,881)
Net book value as at December 31, 2011	\$ 3,226,768	\$ 16,660,529	\$ 5,828,590	\$ 13,474,892	\$ 7,036,710	\$ 49,069,599	\$ 540,094	\$ 95,837,182
Net book value as at March 31, 2012	\$ 2,245,270	\$ 8,368,375	\$ 5,945,041	\$ 13,623,511	\$ 7,060,858	\$ 49,168,571	\$ 546,908	\$ 86,958,534

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 Note 26.

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

During the first quarter of 2011, the Company assessed for impairment and recorded an impairment of \$486,151. No charge for impairment was assessed during the three months ended March 31, 2012.

Rouyn Noranda Properties, Québec

The Company owns a 100% interest in properties in the prospective Rouyn-Noranda Base Metal and Gold Camp, formerly held by Xstrata Copper ("Xstrata"), a business unit of Falconbridge Ltd. Xstrata retains 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.

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12. Mineral properties and deferred exploration expenditures (continued)

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 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%.

During the three months ended March 31, 2012, the Company assessed these properties for impairment and recorded an impairment charge of \$8,500,000.

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. Both parties have retained counsel to commence such proceedings. The Company believes that Thundermin's claim is without 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.

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 cent 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.

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.

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12. Mineral properties and deferred exploration expenditures (continued)

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 to the following schedule:

	Commitment		
	Cash Payment (\$)	Expenditures (\$)	
November 19, 2010	50,000	-	**Paid December 2010
November 19, 2011	50,000	200,000	**Paid October 2011; expenditures met
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	
	300,000	3,000,000	

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 March 31, 2012, the Company is in good standing with respect to its commitments on this agreement.

McMillan Property, Ontario

In December 2011, the Company entered into an agreement to option out its indirect 100% interest in the McMillan Property (held by Garson) to Canadian Star Minerals Ltd ("Canadian Star"). Under the terms of the agreement, Canadian Star can acquire up to a 65% interest in this property in such increments as outlined below:

- 30% interest with \$200,000 in exploration and development expenditures made before December 31, 2012 and the issuance of 300,000 common shares of Canadian Star at such time as Canadian Star's shares are listed on the TSX or TSX Venture;
- An additional 10% interest with an additional \$200,000 in exploration and development expenditures made before December 31, 2013 and the issuance of 300,000 common shares of Canadian Star;
- An additional 10% interest with an additional \$200,000 in exploration and development expenditures made before December 31, 2014 and the issuance of 300,000 common shares of Canadian Star;
- A further 15% interest if during a two year period after the third anniversary of the date of signing of the agreement, Canadian Star shall complete an economic feasibility study.

If Canadian Star's common shares do not trade on the TSX or TSX Venture by the above noted deadlines, Canadian Star shall pay cash in lieu of shares to the Company at a deemed rate of \$0.25 per share.

13. Accounts payable and accrued liabilities

	March 31, 2012	December 31, 2011
Mining and exploration suppliers	\$ 6,148,364	\$ 9,785,990
Corporate payables	722,497	881,661
Payroll liabilities	1,424,199	1,390,322
Royalties payable	2,143,707	1,761,210
	\$ 10,438,767	\$ 13,819,183

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14. Finance lease obligations

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

As at March 31, 2012, the future minimum lease payments under the finance lease arrangements were:

<u>Finance lease obligations</u>	
December 2012	\$ 63,517
December 2013	6,507
	<u>70,024</u>
Less: Amounts representing interest	(2,658)
	<u>67,366</u>
Less: Current portion	64,796
Long-term portion	<u>\$ 2,570</u>

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

15. Short-term loan

In January 2012, the Company completed a bridge financing with Resource Income Fund, L.P. ("RIF") raising gross proceeds of US\$10,000,000 (CDN\$10,150,000) to continue its operations until such time as long term financing is finalized. As well as funding working capital, the bridge loan was used to repay an outstanding \$2,150,000 convertible debenture (Note 16(b)). The bridge loan must be repaid at the earlier of the Company securing financing through a long term debt facility or a non-flow-through equity financing, or August 31, 2012. The bridge loan bears interest at an annual percentage rate of 15% and was paid upfront. Interest shall be refunded at specified rates should the Company pay down the bridge loan earlier than August 31, 2012. An upfront fee of 3% was paid to RIF upon closing of the facility. Interest and financing fees have been recorded against the loan proceeds.

In conjunction with the financing, RIF has been granted 4,000,000 warrants priced at \$0.047 per share which represents a 5% premium to the 10-day volume-weighted average price ("VWAP") of the Company's common equity. The value of the warrants was estimated at \$64,800 using the Black-Scholes option pricing model using the following assumptions: expected dividend yield: 0%; expected volatility: 83%; risk-free interest rate: 1%; expected life: 2 years.

RIF has additionally been granted a European call option on 7,000 oz of gold struck at US\$1,900/oz which is exercisable on September 30, 2012. As well, the Company purchased European put options for US\$744,600 (CDN\$755,769) for 30,000 oz of gold at a strike price of US\$1,300/oz as part of a price protection program. The cost of these options was treated as a financing cost and recorded against the loan proceeds.

An amount of \$754,458 in accretion was charged to the condensed interim consolidated statement of operations and comprehensive loss for the three months ended March 31, 2012 in relation to this loan (three months March 31, 2011: \$nil) utilizing the effective interest rate method at a 37% discount rate.

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16. 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. On April 28, 2010, the Company entered into agreements with the current holders of the expiring 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 interim 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 \$146,267 was recorded as financing costs on the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2012 (three months ended March 31, 2011: \$140,465 charged to mineral properties).

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 are deferred and accreted over the term of the Debentures. For the three months ended March 31, 2012, \$4,380 in deferred financing charges were recorded as financing costs (three months ended March 31, 2011: \$11,099 charged to mineral properties).

In January 2012, the Company issued 3,380,406 common shares in lieu of the 10% cash interest payment due to debenture holders on October 30, 2011 after receiving regulatory approval. The shares were valued at a weighted average price of \$0.0621 per share for a total amount of \$209,923. The Company plans to issue 4,573,925 shares in lieu of the 10% cash interest payment due on April 30, 2012 at a weighted average price of \$0.0464 per share for a total value of \$212,230.

- b) As a result of the acquisition of Garson, the Company was carrying a convertible debenture with a face value of \$2,150,000 and a coupon rate of 10%. There are 4,000,000 warrants outstanding at an exercise price of \$0.50 with an expiry date of July 15, 2012 related to this debenture. The debenture had been classified as a liability, with the exception of the portion relating to the conversion feature.

In January 2012, the Company extinguished this liability with the payment of \$2,150,000 plus accrued interest (Note 15). An amount of \$152,115 in accretion of discount and interest of \$3,675 was recorded against mineral exploration costs related to the Snow Lake project for the three months ended March 31, 2012 (three months ended March 31, 2011: \$36,647 in accretion and \$54,199 in interest expense). Upon the extinguishment of the debenture, \$185,975 related to the portion of the debenture related to the conversion feature was reallocated to deficit.

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17. Provision for closure and reclamation

The Company's provision for closure and reclamation costs is 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 December 31, 2011	\$	18,956,000
Unwinding of discount and effect of changes in the discount rate		(1,029,250)
Balance at March 31, 2012	\$	17,926,750

The Company has estimated its total provision for closure and reclamation to be \$18,426,250 at March 31, 2012 based on a total future liability of approximately \$17,413,000, an inflation rate of 1.9% and a discount rate ranging between 1.27% and 1.57%. Reclamation is expected to occur in three to six 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 1%. The GICs can be redeemed prior to maturity without penalty.

18. Issued capital

a) As at March 31, 2012 and December 31, 2011, the Company's authorized number of common shares was unlimited without par value.

b) Common shares	Number of Shares	Amount
Balance, December 31, 2010	390,555,288	\$ 114,257,612
Public offering	201,250,000	20,125,000
Shares issued for payment of interest	1,832,922	208,770
Shares issued for acquisition of subsidiary	7,461	2,164
Value of broker warrants granted on public offering	-	(449,200)
Cost of issue	-	(1,622,926)
Balance, December 31, 2011	593,645,671	\$ 132,521,420
Shares issued for payment of interest (Note 16(a))	3,380,406	209,923
Balance, March 31, 2012	597,026,077	\$ 132,731,343

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19. Share-based payments reserve

	No. of options	Weighted Average		No. of warrants	Weighted Average		TOTAL VALUE
		Exercise Price	Value of options		Exercise Price	Value of warrants	
December 31, 2011	20,486,512	\$0.31	\$ 4,002,657	80,297,143	\$0.33	\$ 2,410,561	\$ 6,413,218
Granted	-	0.00	7,718	-	0.00	-	7,718
Expired	(62,518)	0.36	(15,075)	-	0.00	-	(15,075)
March 31, 2012	20,423,994	\$0.31	\$ 3,995,300	80,297,143	\$0.33	\$ 2,410,561	\$ 6,405,861

The following share-based payment arrangements were in existence as at March 31, 2012:

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	\$ 0.500	\$ 107,200	78%	2.00	0%	1.66%
57,430,477	57,430,477	2-Sep-10	2-Sep-12	\$ 0.400	\$ 1,611,161	71%	3.00	0%	1.55%
2,791,666	2,791,666	2-Sep-10	2-Sep-12	\$ 0.150	\$ 178,200	78%	2.00	0%	1.55%
4,000,000	4,000,000	28-Dec-11	28-Dec-13	\$ 0.047	\$ 64,800	83%	2.00	0%	0.93%
12,075,000	12,075,000	12-May-11	12-May-14	\$ 0.100	\$ 449,200	66%	2.00	0%	1.70%
80,297,143	80,297,143				\$ 2,410,561				

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	9-Apr-07	9-Apr-12	\$ 1.14	\$ 75,800	80%	5.00	0%	4.00%
9,244	9,244	30-Apr-10	24-Aug-12	\$ 1.03	\$ -	73%	1.90	0%	1.90%
2,837,500	2,837,500	27-Aug-07	27-Aug-12	\$ 0.79	\$ 1,591,838	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%
1,928,500	1,928,500	4-Aug-08	5-Aug-13	\$ 0.49	\$ 620,977	80%	5.00	0%	3.20%
108,750	108,750	30-Apr-10	4-Feb-14	\$ 0.35	\$ 16,500	76%	3.80	0%	2.42%
15,000	15,000	14-Jul-09	14-Jul-14	\$ 0.26	\$ 3,900	77%	5.00	0%	2.50%
2,902,500	2,902,500	21-Dec-09	21-Dec-14	\$ 0.43	\$ 760,455	76%	5.00	0%	1.35%
200,000	200,000	23-Feb-10	23-Feb-15	\$ 0.40	\$ 46,820	69%	5.00	0%	2.50%
177,500	177,500	9-Jun-10	9-Jun-15	\$ 0.23	\$ 27,511	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	3,000,000	6-Jun-11	6-Jun-16	\$ 0.10	\$ 166,500	78%	5.00	0%	2.23%
5,825,000	5,825,000	29-Nov-11	29-Nov-16	\$ 0.10	\$ 191,643	80%	5.00	0%	1.46%
20,423,994	20,423,994				\$ 3,995,300				

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19. Share-based payments reserve

During the three months ended March 31, 2012, no stock options (three months ended March 31, 2011: 3,115,000) were granted to directors, officers, and employees of the Company. However some vested during the period ended March 31, 2012 generating a charge to professional, consulting and management fees of \$3,789 (three months ended March 31, 2011: \$345,308) and \$3,929 (three months ended March 31, 2011: \$38,135) to mineral properties. The fair value of options is 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.

20. Transactions with owners

The Company acquired the non-controlling interest of Garson on April 29, 2010 through the issuance of 6,550,200 shares. As at March 31, 2012, some shareholders had not yet tendered their Garson shares, and consequently an amount of \$148,150 (December 31, 2011: \$148,150) 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.

21. Other gains and losses

	Three months ended March 31,	
	2012	2011
Net foreign exchange gains	\$ 150,986	\$ 43,324
General exploration expenditures	(2,354)	(5,977)
Unrealized (loss) arising on financial assets designated as FVTPL	(15,260)	(110,152)
	<u>\$ 133,372</u>	<u>\$ (72,805)</u>

22. Finance costs

	Three months ended March 31,	
	2012	2011
Accretion of reclamation provision	\$ (68,750)	\$ (89,250)
Accretion of convertible debenture	(150,647)	-
Accretion of bridge loan financing costs and interest	(754,458)	-
Flow-through interest penalty	-	(43,764)
Other interest expense	(31,400)	(45,851)
	<u>\$ (1,005,255)</u>	<u>\$ (178,865)</u>

23. Loss per share

Shares issuable from options, warrants or convertible debentures were excluded from the computation of diluted loss per share because their effect would be anti-dilutive for the three months ended March 31, 2012 and 2011.

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24. Financial instruments

Financial assets and financial liabilities as at March 31, 2012 were as follows:

March 31, 2012	Cash, loans and receivables, other liabilities	Assets/liabilities at fair value through profit or loss	TOTAL
Cash and cash equivalents	\$ 739,285	\$ 30,000	\$ 769,285
Amounts receivables	185,222	-	185,222
Investments	-	29,590	29,590
Restricted cash equivalents	-	-	-
Accounts payable and accrued liabilities	-	-	-
Finance leases, current and long-term	10,438,767	-	10,438,767
Short-term loan	64,796	-	64,796
Liability component of convertible debenture	2,570	-	2,570

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at March 31, 2012.

	Level 1	Level 2	Level 3
Cash equivalents	\$ -	\$ 30,000	\$ -
Restricted cash equivalents	\$ -	\$ 5,767,000	\$ -
Investments	\$ 29,590	\$ -	\$ -

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 three months ended March 31, 2012 and 2011.

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 March 31, 2012, the Company had a cash and cash equivalents balance of \$769,285 (December 31, 2011: \$1,615,261) to settle current liabilities of \$19,055,453 (December 31, 2011: \$15,908,967). Approximately \$9,015,000 of the Company's financial liabilities as at March 31, 2012 have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's short term loan of US\$10,000,000 is due on August 31, 2012.

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24. Financial instruments (continued)

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. The Company's bridge loan also carries a fixed interest rate of 15% 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.

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.

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.

In connection to the bridge loan (Note 15), the Company entered into a price protection program with the purchase of put options for 30,000 oz of gold at a strike price of US\$1,300/oz.

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.

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 March 31, 2012, a 10% fluctuation in the exchange rate from US\$ to CDN\$ will generate increases or decreases in value of approximately \$175,000.
- Based on the gold brick and doré inventory held by the Company at March 31, 2012, 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 \$105,000.
- The Company does not hold significant cash balances in foreign currencies to give rise to foreign exchange risk.

25. 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.

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25. Capital management (continued)

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 three months ended March 31, 2012 and 2011. The Company and its subsidiary are not subject to externally imposed capital requirements.

26. Related party disclosures

The condensed interim consolidated financial statements include the financial statements of the Company and its 100% wholly-owned subsidiary, Garson.

During the three months ended March 31, 2012, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods and services	
	Three months ended March 31,	
	2012	2011
2227929 Ontario Inc.	\$ 57,782	\$ 82,036
Forbes & Manhattan, Inc.	194,339	77,527

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 is the Executive Chairman of Forbes & Manhattan, Inc. Mr. Bharti was a director of the Company until his resignation on March 6, 2012; however as the Company is part of the Forbes & Manhattan Group of Companies, it continues to receive the benefits of such membership, including access to mining professionals, advice from Mr. Bharti, and strategic advice from the Forbes & Manhattan Board of Advisors. An administration fee of \$25,000 per month is charged by Forbes & Manhattan, Inc. pursuant to a consulting agreement. 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	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
2227929 Ontario Inc.	\$ 18,000	\$ 18,000	\$ 3,020	\$ 64,307
Forbes & Manhattan, Inc.	\$ 56,500	\$ -	\$ 426,049	\$ 243,302

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.

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 March 31,	
	2012	2011
Short-term benefits	\$ 350,064	\$ 271,000
Share-based payments	-	254,200

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26. Related party disclosures (continued)

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.

27. Commitments and contingencies

(a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$5,000,000 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 contractual commitments remaining under the agreements are approximately \$1,500,000, all due within one year.

(b) 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.

28. Subsequent events

In April 2012, 100,000 stock options expired unexercised.