ALEXIS
MINERALS CORPORATION

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

AUDITORS' REPORT

To the Shareholders of
Alexis Minerals Corporation

We have audited the consolidated balance sheets of Alexis Minerals Corporation as at December 31, 2009 and 2008 and the consolidated statements of shareholders' equity, operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
March 16, 2010

ALEXIS MINERALS CORPORATION

Consolidated Balance Sheets
in Canadian dollars

As at December 31,

		2009		2008
Assets				
Current assets:				
Cash and cash equivalents	$	**6,106,007**	$	4,529,303
Amounts receivable (Note 15)		**2,082,802**		967,753
Tax credits receivable (Note 6)		**7,465,197**		6,269,850
Inventory (Note 3)		**6,167,683**		2,254,258
Prepaid expenses (Note 15)		**272,808**		177,355
Investments		**122,340**		332,592
Future income tax asset (Note 16)		**-**		662,000
		22,216,837		15,193,111
Restricted cash (Notes 6 and 10)		**5,767,000**		-
Property, plant and equipment (Note 5)		**19,968,156**		7,837,745
Mineral properties and deferred exploration expenditures (Note 6)		**84,783,408**		55,654,869
	$	**132,735,401**	$	78,685,725
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	**13,687,601**	$	4,977,983
Current portion of capital leases (Note 7)		**411,648**		508,699
Current portion of long-term debt (Note 8)		**99,337**		165,706
Liability component of convertible debenture (Note 9)		**6,142,716**		-
		20,341,302		5,652,388
Capital lease obligations (Note 7)		**118,008**		337,996
Long-term debt (Note 8)		**51,300**		150,511
Liability component of convertible debenture (Note 9)		**-**		3,698,760
Asset retirement obligations (Note 10)		**3,667,865**		541,000
Future income tax liability (Note 16)		**3,258,141**		-
		27,436,616		10,380,655
Non-controlling interest		**3,154,839**		-
Shareholders' equity:				
Share capital (Note 11)		**99,057,683**		63,134,869
Warrants (Note 12)		**2,863,043**		6,679,843
Equity component of convertible debenture (Note 9)		**830,334**		830,334
Contributed surplus (Note 14)		**14,064,892**		7,962,377
Deficit		**(14,672,006)**		(10,302,353)
		102,143,946		68,305,070
	$	**132,735,401**	$	78,685,725

Commitments and contingencies, Notes 1, 6, and 19
Subsequent events, Note 21

APPROVED ON BEHALF OF THE BOARD:

Signed *"David Rigg"*, Director

Signed *"Maurice Colson"*, Director

- See accompanying Notes to the Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

Consolidated Statements of Shareholders' Equity

in Canadian dollars

	Common Shares		Warrants	Convertible Debenture	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
	No.	$	$	$	$	$	$
Balance, December 31, 2007	100,382,764	48,908,428	5,138,113	830,334	6,936,037	(8,307,430)	53,505,482
Private placement	26,714,286	16,700,000	-	-	-	-	16,700,000
Value of warrants granted on private placement	-	(1,688,143)	1,688,143	-	-	-	-
Value of broker warrants granted on private placement	-	(79,200)	79,200	-	-	-	-
Exercise of stock options	410,000	122,400	-	-	-	-	122,400
Valuation allocation on exercise of stock options	-	91,510	-	-	(91,510)	-	-
Valuation allocation of expired warrants	-	-	(225,613)	-	225,613	-	-
Shares issued in lieu of interest payment	577,777	253,303	-	-	-	-	253,303
Stock-based compensation	-	-	-	-	892,237	-	892,237
Share issue costs	-	(1,777,429)	-	-	-	-	(1,777,429)
Tax effect of share issue costs	-	604,000	-	-	-	-	604,000
Loss for the period	-	-	-	-	-	(1,994,923)	(1,994,923)
Balance, December 31, 2008	128,084,827	63,134,869	6,679,843	830,334	7,962,377	(10,302,353)	68,305,070
Private placement	39,106,000	20,000,000	-	-	-	-	20,000,000
Value of warrants granted on private placement	-	(752,600)	752,600	-	-	-	-
Value of broker warrants and units granted on private placement	-	(343,100)	343,100	-	-	-	-
Exercise of stock options	325,000	140,250	-	-	-	-	140,250
Valuation allocation on exercise of stock options	-	96,675	-	-	(96,675)	-	-
Valuation allocation of expired warrants	-	-	(4,912,500)	-	4,912,500	-	-
Shares issued in lieu of interest payment	607,912	252,600	-	-	-	-	252,600
Shares issued to acquire subsidiary	45,612,929	18,920,025	-	-	-	-	18,920,025
Shares issued as severance payments in acquisition of subsidiary	1,231,947	563,000	-	-	-	-	563,000
Value of equity portion of acquired convertible debenture	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	-	1,286,690	-	1,286,690
Share issue costs	-	(2,130,036)	-	-	-	-	(2,130,036)
Tax effect of share issue costs	-	681,000	-	-	-	-	681,000
Flow-through share tax effect	-	(1,505,000)	-	-	-	-	(1,505,000)
Loss for the period	-	-	-	-	-	(4,369,653)	(4,369,653)
Balance, December 31, 2009	**214,968,615**	**99,057,683**	**2,863,043**	**830,334**	**14,064,892**	**(14,672,006)**	**102,143,946**

- See accompanying Notes to the Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

Consolidated Statements of Operations, Comprehensive Loss and Deficit
in Canadian dollars

For the years ended December 31,

	2009	2008
Revenue, net of royalties	$ **32,026,870**	$ 10,079,290
Mine operating expenses (Note 3)	**(23,539,033)**	(8,334,197)
Amortization and depletion	**(6,867,276)**	(1,364,388)
	(30,406,309)	(9,698,585)
Gross profit	**1,620,561**	**380,705**
Expenses:		
Professional, consulting and management fees (Note 13)	**3,209,508**	1,784,108
Other general and administrative expenses	**1,405,455**	1,072,184
Long-term interest, accretion and financing costs	**714,350**	709,088
Other interest, accretion and financing costs	**92,057**	389,329
Equity loss from investments (Note 4)	**93,251**	-
Foreign exchange	**(58,642)**	58,237
Write-off of exploration properties	**-**	180,800
Interest income and gain on held-for-trading investments	**(366,732)**	(161,118)
	5,089,247	4,032,628
Loss before taxes	**(3,468,686)**	(3,651,923)
Future income taxes (Note 16)	**(905,000)**	1,657,000
Loss before non-controlling interest	**(4,373,686)**	(1,994,923)
Non-controlling interest	**4,033**	-
Net loss and comprehensive loss for the year	**(4,369,653)**	(1,994,923)
DEFICIT, beginning of year	**(10,302,353)**	(8,307,430)
DEFICIT, end of year	$ **(14,672,006)**	$ (10,302,353)
Net loss per share: basic and diluted	**(0.03)**	(0.02)
Weighted average number of shares outstanding:		
basic	**139,309,743**	116,107,149
diluted	**139,309,743**	116,107,149

- See accompanying Notes to the Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

Consolidated Statements of Cash Flows

in Canadian dollars

For the years ended December 31,

		2009		2008
Cash provided by (used in):				
Operations:				
Net (loss) for the period	$	**(4,369,653)**	$	(1,994,923)
Items not involving cash:				
Stock-based compensation (Note 13)		**1,286,690**		636,776
Amortization and depletion		**6,867,275**		1,364,388
Interest, accretion and finance charges		**697,383**		899,303
Realized and unrealized investment gains		**(363,877)**		(34,937)
Write off of exploration properties		**-**		180,800
Equity loss on investment (Note 4)		**93,251**		-
Non-controlling interest		**(4,033)**		
Future income tax recovery (Note 16)		**905,000**		(1,657,000)
Changes in non-cash working capital		**(260,765)**		3,919,224
		4,851,271		3,313,631
Financing:				
Private placement		**20,000,000**		16,700,000
Share issue costs		**(2,130,036)**		(1,777,429)
Exercise of options		**140,250**		122,400
Demand loan		**-**		(5,345,689)
Long term debt repayments		**(178,914)**		(183,631)
Capital lease payments		**(601,811)**		(494,431)
		17,229,489		9,021,220
Investing:				
Property, plant and equipment purchases		**(4,533,054)**		(2,493,051)
Acquisition of subsidiary		**(2,474,373)**		-
Purchase and sale of investments		**683,929**		(297,655)
Release of restricted funds		**-**		150,000
Decrease in cash appropriated for exploration expenditure		**-**		530,034
Increase/(decrease) in exploration and development accounts payable		**3,255,822**		(1,120,523)
Exploration tax credits received		**1,137,004**		10,040,115
Expenditures on mineral interests		**(18,573,384)**		(20,767,765)
		(20,504,056)		(13,958,845)
Change in cash and cash equivalents		**1,576,704**		(1,623,994)
Cash and cash equivalents, beginning of period		**4,529,303**		6,153,297
Cash and cash equivalents, end of period	$	**6,106,007**	$	4,529,303
Cash and cash equivalents consists of:				
Cash	$	**6,091,007**	$	4,514,303
Cash equivalents		**15,000**		15,000
	$	**6,106,007**	$	4,529,303
SUPPLEMENTAL INFORMATION				
Common shares issued to acquire subsidiary (Note 4)	$	**18,920,025**	$	-
Common shares issued to settle subsidiary's liabilities (Note 4)		**563,000**		-
Common shares issued for interest payment (Note 9)		**252,600**		253,303
Broker warrants charged as share issue costs (Note 11)		**343,100**		79,200
Stock-based compensation charged to exploration properties (Note 13)		**-**		255,461
Amortization of exploration assets charged to exploration (Note 5)		**116,665**		1,030,076
Equipment acquired under capital leases		**284,772**		800,233
Interest and dividend income received		**2,854**		126,181
Interest paid		**53,833**		181,729
Income taxes paid		**-**		-

- See accompanying Notes to the Consolidated Financial Statements -

1. NATURE OF OPERATIONS AND GOING CONCERN

Alexis Minerals Corporation (the "Company") currently has interests in mineral exploration and development properties in the province of Québec. During the fourth quarter of 2008, the Company achieved commercial production at the Lac Herbin deposit. The Company is also continuing to focus on the exploration and development of its other gold and base metal projects within this region. During the fourth quarter of 2009, the Company acquired a controlling interest in Garson Gold Corp., a company with mineral exploration and development properties in the province of Manitoba (Note 4).

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.

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Such adjustments may be material.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company, its newly acquired subsidiary, Garson Gold Corp. ("Garson") of which the Company held an 89% interest as at December 31, 2009, and its proportionate share of the accounts of the joint ventures in which the Company has an interest.

b) Use of estimates

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

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Foreign currency translation

Transactions and account balances originally stated in currencies other than the Canadian dollar have been translated into Canadian dollars using the temporal method of foreign currency translation as follows. Monetary assets and monetary liabilities in foreign currencies have been translated at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expense transactions are translated at average exchange rates during the year. Exchange gains or losses from such translation practices are reflected in the consolidated statements of operations.

d) Cash and cash equivalents

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

e) Investments

Securities which are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at fair values based on quoted closing prices at the balance sheet date or the closing price on the last day the security traded if there were no trades at the balance sheet date. The Company's investments consist of shares of publicly listed corporations and have been classified as held-for-trading.

f) Inventory

Material and supplies expected to be used in production are valued at the lower of average cost and realizable value. Stock-piled ore inventory is valued at the lower of average production cost and net realizable value. Finished goods inventory which consists of doré bars and gold brick which is available for sale is valued at the lower of average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine site overhead expenses, amortization of operating property and equipment and depletion of mineral property costs.

g) Property, plant and equipment

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

Computer equipment	3 years
Computer software	1-2 years
Office equipment	4 years
Office furniture	8 years
Machinery and equipment	4 to 5 years
Mobile equipment	4 to 5 years
Buildings	4 to 30 years

h) Mineral properties and deferred exploration expenditures

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Asset retirement obligations

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

j) Convertible debt instruments

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

k) Revenue recognition

Revenue from the sale of gold, silver, and doré bars is recognized when persuasive evidence of a sale arrangement exists, the risks and rewards of ownership passes to the purchaser including delivery of the product, the selling price is fixed or determinable, and collectability is reasonably assured.

l) Flow-through financing

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

m) Income taxes

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Stock-based compensation

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

o) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. Total shares issuable from options, warrants and convertible debentures excluded from the computation of diluted earnings (loss) per share because they were anti-dilutive for the year ended December 31, 2009 were 13,938,000 (2008 – 10,186,500), 16,931,503 (2008 – 21,457,143) and 4,639,118 (2008 – 5,103,030), respectively.

p) Joint ventures

A portion of the Company's exploration activities are conducted jointly with others wherein the Company enters into agreements that provide for a specified percentage interest in exploration properties. Expenditures on these properties are capitalized to mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in exploration properties is applied by the Company only when the parties have earned their respective interests and enter into a formal comprehensive agreement for joint ownership and exploration participation.

q) Financial instruments

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

Section 3862 “Financial Instruments – Disclosures” was expanded to include additional disclosures about fair value measurements of financial instruments. The revised standard did no change the Company’s methodology for measuring the fair value of financial assets and liabilities. The additional disclosures are included in Note 18.

r) Comprehensive loss

Comprehensive loss, composed of net loss and other comprehensive loss, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive loss (“OCL”) includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive loss are disclosed in the statement of operations and comprehensive loss. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss ("AOCL") which is presented as a new category in shareholders' equity. The Company does not currently have any OCL items or AOCL. Therefore, comprehensive loss is equal to net loss for the years ended December 31, 2009 and 2008.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting policies

a) Equity Investments

Prior to acquiring a controlling interest in December 2009, the Company accounted for its investment in Garson Gold Corp. on the equity basis, as it exercised significant influence.

b) New accounting pronouncements

Goodwill and Intangible Assets
In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and is effective for the Company commencing January 1, 2009. The adoption of this standard had no impact on these financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks. The adoption of this standard had no impact on these financial statements.

Mining Exploration Costs
On March 27, 2009 the Emerging Issues Committee ("EIC") issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009. The Company has adopted EIC-174. The adoption of this standard had no impact on these financial statements.

c) Future accounting changes

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests
The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact that this new standard may have on the financial statements of the Company.

International Financial Reporting Standards ("IFRS")
In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS for its fiscal year beginning January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company's consolidated financial statements.

3. INVENTORY

		2009		2008
Material and supplies	$	426,494	$	338,268
Stockpiled ore		4,354,454		1,651,991
Gold brick or doré bars		1,386,735		263,999
	$	6,167,683	$	2,254,258

During the year ended December 31, 2009, the Company recognized $23,539,033 of inventory as an expense (2008: $8,334,197). .

All inventory is carried at the lower of cost and net realizable value. Material and supplies inventory is recorded at cost as at December 31, 2009 and 2008. As at December 31, 2009, approximately $700,000 (2008: $Nil) in stockpiled ore and $1,300,000 (2008: $Nil) in finished gold brick and doré bars is recorded at net realizable value, while the remainder is recorded at cost.

4. ACQUISITION OF GARSON GOLD CORP.

On December 23, 2009, the Company acquired 89% of the issued and outstanding shares of Garson Gold Corp.("Garson"). An initial 15% was acquired during the third quarter of 2009, with the purchase of 31,092,000 common shares of Garson for cash consideration of $1,544,110. In October 2009, the Company offered 0.29 of a common share of the Company for each Garson common share held. As at December 31, 2009, a total of 157,285,962 Garson shares were tendered with the Company issuing 45,612,929 common shares of the Company valued at $18,920,025. The Company incurred $960,745 in transaction costs related to the acquisition.

The transaction was accounted for as an acquisition of assets and liabilities in accordance with the Emerging Issues Committee ("EIC") Abstracts 124 "Definition of a Business". The allocation of the purchase price to the fair value of the identifiable assets and liabilities as at the date of acquisition, December 23, 2009, is as follows:

Consideration paid:		
Cash	$	1,544,110
Value of common shares issued	$	18,920,025
Transaction costs	$	960,745
less: Equity loss recognized	$	(93,251)
	$	21,331,629
Fair value of net assets acquired:		
Cash	$	27,150
Restricted cash	$	5,136,475
Accounts receivable and prepaid expenses	$	114,669
Investments	$	97,795
Property, plant and equipment	$	8,246,683
Exploration properties	$	15,019,696
Accounts payable	$	(1,745,263)
Asset retirement obligations	$	(2,089,504)
Convertible debenture	$	(1,857,072)
Future income taxes	$	(1,619,000)
	$	21,331,629

The Company incurred an equity loss of $93,251 from the period September 9 through to December 23, 2009 while it held a 15% interest in Garson.

The Company has initiated the required actions that will result in the Company owning 100% of Garson. (Note 21)

5. PROPERTY, PLANT AND EQUIPMENT

	2009		
	Cost ($)	Accumulated Amortization ($)	Net ($)
Computer equipment	103,775	(86,192)	17,583
Computer software	209,945	(209,945)	-
Office equipment and furniture	69,020	(43,667)	25,353
Machinery and equipment	8,989,812	(896,201)	8,093,611
Mobile equipment	4,759,125	(1,692,268)	3,066,857
Buildings	2,988,282	(262,020)	2,726,262
Mill	6,038,490	-	6,038,490
	23,158,449	(3,190,293)	19,968,156

	2008		
	Cost ($)	Accumulated Amortization ($)	Net ($)
Computer equipment	103,775	(55,916)	47,859
Computer software	209,945	(208,859)	1,086
Office equipment and furniture	58,858	(29,380)	29,477
Field equipment	2,244,123	(441,875)	1,802,248
Mobile equipment	4,412,710	(1,162,763)	3,249,947
Buildings	1,337,137	(130,009)	1,207,128
Mill	1,500,000	-	1,500,000
	9,866,548	(2,028,802)	7,837,745

As a result of the acquisition of Garson on December 23, 2009, the Company acquired various assets at the Snow Lake mine site, including a mill which has been on care and maintenance and various machinery and equipment. The fair value of these acquired assets totalled $8,553,314.

During the year ended December 31, 2009, the Company expensed $962,548 in amortization to the statement of operations (2008: $360,271) and charged $116,665 to deferred exploration properties (2008: $1,030,076).

Included in mobile equipment and buildings are assets under capital leases with a net book value of approximately $1,366,759 (2008 - $1,137,000). Amortization of $253,987 was charged on these leased assets for the year ended December 31, 2009 (2008: $301,205), for total accumulated amortization of $569,096 (2008: $315,109).

Included in property, plant and equipment is the Val-d'Or mill that had been under care and maintenance. The Company has been refurbishing the mill for future use over the past year. Accordingly, no amortization expense has been recorded for the years ended December 31, 2009 & 2008.

ALEXIS MINERALS CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 and 2008

6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	PRODUCING PROPERTIES	NON-PRODUCING PROPERTIES					
Description	Lac Herbin Quebec ($)	Rouyn Quebec ($)	Lac Pelletier Quebec ($)	VMS Quebec ($)	Aurbel Quebec ($)	Snow Lake Manitoba ($)	TOTAL ($)
Balance, December 31, 2008	26,630,201	13,298,025	3,851,288	8,151,292	3,724,063	-	55,654,869
Acquisition and property maintenance	-	20,854	177,309	23,631	46,737	18,917,174	19,185,705
Development costs	1,934,930	-	-	-	-	-	1,934,930
Exploration costs	1,740,821	321,704	10,397,791	1,643,371	2,230,705	12,771	16,347,163
Asset retirement obligations	278,000	-	98,000	-	-	-	376,000
Amortization	(1,300)	(14,116)	137,003	(6,636)	1,714	-	116,665
	30,582,652	13,626,467	14,661,391	9,811,658	6,003,219	18,929,945	93,615,332
Less:							
Government assistance	71,808	(19,319)	(1,885,686)	(194,215)	(395,229)	-	(2,422,641)
Depletion of deferred exploration and development costs	(6,409,283)	-	-	-	-	-	(6,409,283)
Balance, December 31, 2009	24,245,177	13,607,148	12,775,705	9,617,443	5,607,990	18,929,945	84,783,408

	PRODUCING PROPERTIES	NON-PRODUCING PROPERTIES					
Description	Lac Herbin ($)	Rouyn ($)	Lac Pelletier ($)	VMS ($)	Aurbel ($)	Other ($)	TOTAL ($)
Balance, December 31, 2007	16,471,686	12,160,139	2,462,045	4,500,462	3,243,314	204,176	39,041,822
Acquisition and property maintenance	-	25,379	98,813	1,001,046	41,972	-	1,167,210
Preproduction costs	8,804,087	-	-	-	-	-	8,804,087
Development costs	6,607,913	-	-	-	-	-	6,607,913
Exploration costs	1,654,082	1,349,515	1,588,235	3,455,441	550,240	(23,376)	8,574,137
Amortization	890,289	13,696	85,202	36,344	4,545	-	1,030,076
	34,428,057	13,548,729	4,234,295	8,993,293	3,840,071	180,800	65,225,245
Less:							
Net gold sales from bulk sample	(4,301,805)	-	-	-	-	-	(4,301,805)
Government assistance	(2,491,934)	(250,704)	(383,007)	(842,001)	(116,008)	-	(4,083,654)
Depletion of deferred exploration and develoment costs	(1,004,117)	-	-	-	-	-	(1,004,117)
Write off of exploration costs	-	-	-	-	-	(180,800)	(180,800)
Balance, December 31, 2008	26,630,201	13,298,025	3,851,288	8,151,292	3,724,063	-	55,654,869

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

The Company has accrued approximately $2,900,000, in government assistance receivable related to eligible expenditures in the province of Québec for the year ended December 31, 2009. An amount of $3,000,000 in government assistance is accrued for the year ended December 31, 2008 while approximately $1,600,000 is accrued for the year ended December 31, 2007. 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.

<u>Aurbel Property (Including Lac Herbin), Québec</u>

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 15.

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

<u>Rouyn Noranda Properties, Québec</u>

Pursuant to the June 15, 2004 binding letter of intent with Falconbridge Ltd., now referred to as Xstrata Copper ("Xstrata"), a business unit of Falconbridge Ltd., the Company has a 50% interest in all of Xstrata's properties in the prospective Rouyn-Noranda Base Metal and Gold Camp. See Note 20.

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%.

<u>Lac Pelletier Property, Rouyn-Noranda, Québec</u>

Pursuant to the September 2005 option agreement with Thundermin Resources Inc. ("Thundermin"), the Company can acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and $1/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 has been extended to September 1, 2010 with a payment of $100,000, which was paid in August 2009.

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 paid US$40,000 (CDN$52,574) to acquire these claims. The Company has the option to purchase, at any time, 50% of the NSR for US$1,000,000.

<u>VMS Properties, Québec</u>

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.

6. EXPLORATION 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 (the former owners of the New Britannia Mine) refundable upon commercial production of 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.

7. CAPITAL LEASE OBLIGATIONS

The Company has entered into capital leasing arrangements for mobile equipment and buildings. These leasing arrangements are for terms of eighteen months to four years and at interest rates between 4.12% and 7.95%.

As at December 31, 2009, the future minimum lease payments under the capital lease arrangements were:

	Capital lease obligations
2010	428,494
2011	100,401
2012	20,619
	549,514
Less: Amounts representing interest	(19,858)
	529,656
Less: Current portion	411,648
Long-term portion	118,008

8. LONG-TERM DEBT

In July 2006, the Company purchased a building, being the Val-d'Or office, from Aur Resources Ltd. (now Teck Cominco Ltd.). The Company made a payment of $100,000 towards the purchase price, with the balance payable in 45 monthly instalments of $10,000 and recorded as a non-interest bearing long-term debt, discounted at a rate of 6.28%. Accretion expense related to this loan for the year ended December 31, 2009 totalled $13,333 (2008 - $13,333).

The Company had entered into a financing contract to purchase mobile equipment at an interest rate of 7.75% repayable over four years.

8. LONG-TERM DEBT (continued)

Principal repayments are as follows:

	Building	Mobile Equipment	Total
2010	35,556	63,781	99,337
2011	-	51,300	51,300
Total long-term debt	35,556	115,081	150,637
Less: current portion	35,556	63,781	99,337
Long-term portion	-	51,300	51,300

9. CONVERTIBLE DEBENTURE

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

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. For the year ended December 31, 2009, accretion of the discount totalled $576,948 (2008 - $533,269).

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 year ended December 31, 2009, $83,101 (2008 - $83,101) in deferred financing charges were accreted to operations.

During the year ended December 31, 2009, the Company issued 607,912 (2008 – 577,777) common shares of the Company in lieu of the 6% cash interest payment due to the debenture holders. The shares were valued at a weighted average value of $0.4155 per share (2008: $0.4384) for a total amount of $252,600 (2008 - $253,303).

b) As a result of the acquisition of Garson, the Company is carrying a convertible debenture with a face value of $2,150,000 as at December 31, 2009. This debenture has a coupon rate of 10%, and interest is compounded monthly and paid quarterly. The debenture matures on July 30, 2010, and is convertible at the option of the holder at a price of $0.1335 per Garson common share.

The Company has valued this debenture as at the date of the acquisition at $2,085,036. The discount is being accreted over the remaining term of the debenture.

10. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations ("ARO") 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 ARO associated with the retirement of the Company's plant and mineral properties:

	2009	2008
Balance, beginning of year	$ 541,000	$ 479,000
Liabilities incurred	376,000	-
Change in estimates	(102,000)	-
Liabilities acquired through acquisition (Note 4)	2,828,865	-
Accretion expense	24,000	62,000
Balance, end of year	$ 3,667,865	$ 541,000

The Company has estimated its total asset retirement obligations to be $3,187,796 at December 31, 2009 based on a total future liability of approximately $7,500,000 and a credit adjusted risk-free rate ranging between 13% and 15.45%. Reclamation is expected to occur between five to fifteen years. During the year ended December 31, 2009, the Company revised its estimates on the expected life of the mill, generating a decrease in the ARO. As well, the Company acquired mining property as a result of the acquisition of Garson, which increased the liability by $2,829,000.

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.

11. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

Common Shares issued	Number of Shares		Stated Value
Balance, December 31, 2007	100,382,764	$	48,908,428
Private placement	26,714,286		16,700,000
Warrant valuation	-		(1,688,143)
Exercise of stock options	410,000		122,400
Stock option exercise - valuation reallocation	-		91,510
Shares issued for payment of interest	577,777		253,303
Cost of issue	-		(1,856,629)
Tax effect of cost of issue	-		604,000
Balance, December 31, 2008	128,084,827	$	63,134,869
Private placement	39,106,000		20,000,000
Warrant valuation	-		(752,600)
Exercise of stock options	325,000		140,250
Stock option exercise - valuation reallocation			96,675
Shares issued for acquisition of subsidiary (Note 4)	45,612,929		18,920,025
Shares issued as severance payments in acquisition of subsidiary (Note 4)	1,231,947		563,000
Shares issued for payment of interest (Note 9)	607,912		252,600
Cost of issue	-		(2,473,136)
Tax effect of cost of issue	-		681,000
Flow-through share tax effect	-		(1,505,000)
Balance, December 31, 2009	214,968,615	$	99,057,683

In July 2009, the Company closed a brokered private placement financing raising gross proceeds of $10,000,000 through the issuance of 11,656,000 units of the Company at a price of $0.50 per unit and 7,450,000 flow-through common shares of the Company at a price of $0.56 per share. Each unit is comprised of one common share of the Company plus one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $0.70 expiring on July 9, 2011. The underwriters were paid a cash commission of 6% in relation to this financing. As well, 699,360 broker units and 447,000 broker warrants were issued. Each broker unit is exercisable into one common share of the Company and one-half of one common share purchase warrant for an exercise price of $0.50 until July 9, 2011. Then, each whole warrant will be exercisable into one common share of the Company at an exercise price of $0.70 until July 9, 2011. Each broker warrant is exercisable into one common share at an exercise price of $0.56 until July 9, 2011.

The fair value of the warrants, an amount of $752,600, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 79%, risk-free interest rate of 1.2% and an expected life of 2 years. The values of the broker units and broker warrants were estimated at $150,400 and $57,700 respectively, using the Black-Scholes option pricing model under the same assumptions.

In December 2009, the Company closed a brokered private placement financing raising gross proceeds of $10,000,000 through the issuance of 20,000,000 flow-through common shares of the Company at a price of $0.50 per share. The underwriters were paid a cash commission of 7% and were issued 1,000,000 broker warrants in relation to this financing. Each broker warrant is exercisable into one common share of the Company at an exercise price of $0.50 until June 23, 2011. The fair value of the broker warrants, an amount of $135,000, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 78%, risk-free interest rate of 1.37% and an expected life of 18 months.

11. SHARE CAPITAL (continued)

In March 2008, the Company completed a brokered private placement with the issuance of 16,714,286 units of the Company at $0.70 per unit for gross proceeds of $11,700,000. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of $1.00 until March 18, 2010. In connection with the private placement, the underwriters received a cash commission equal to 6% of the gross proceeds.

The fair value of the warrants, an amount of $1,688,143, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 70%, risk-free interest rate of 2.7% and an expected life of 2 years.

In October 2008, the Company completed a brokered private placement with the issuance of 10,000,000 flow through common shares of the Company at $0.50 per share for gross proceeds of $5,000,000. In connection with the private placement, the underwriters received a cash commission equal to 6% of the gross proceeds as well as 600,000 broker warrants issued at an exercise price of $0.75 per common share with an expiry date of October 15, 2010. The fair value of these broker warrants was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 68%, risk-free interest rate of 2.25% and an expected life of 2 years. A value of $79,200 was recorded as a non-cash issue cost.

12. WARRANTS

Summary of warrant activity

	2009			2008		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Balance, beginning of year	21,457,143	$	1.20	13,468,300	$	1.31
Granted, private placements	7,974,360		0.65	8,957,143		0.98
Exercised	-		-	-		-
Expired	(12,500,000)		1.35	(968,300)		0.75
Balance, end of year	**16,931,503**	**$**	**0.82**	**21,457,143**	**$**	**1.20**

The weighted average grant date fair value of warrants granted during teh year ended December 31, 2009 is $0.14 (2008: $0.20).

Summary of warrants outstanding at December 31, 2009:

	Number of warrants	Exercise price		Grant date fair value of warrants	Date of expiry
	8,357,143	$1.00	$	1,688,143	March 18, 2010
	600,000	$0.50		79,200	October 15, 2010
	447,000	$0.56		57,700	July 9, 2011
*	699,360	$0.50		150,400	July 9, 2011
	5,828,000	$0.70		752,600	July 9, 2011
	1,000,000	$0.50		135,000	June 23, 2011
	16,931,503		$	2,863,043	

* The Company granted 699,360 broker units to the agents involved in the Company's private placement in July 2009. These broker units are exercisable into one common share of the Company, plus one-half of one common share purchase warrant, each whole warrant exercisable into one common share of the Company at a price of $0.70 until July 9, 2011.

13. STOCK-BASED COMPENSATION

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

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

Summary of stock option activity

	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	10,186,500	$ 0.65	8,979,000	$ 0.69
Granted	5,395,000	0.43	2,446,500	0.50
Exercised	(325,000)	0.43	(410,000)	0.30
Expired	(1,287,500)	0.50	(575,000)	0.82
Forfeited	(31,000)	0.57	(254,000)	0.79
Balance, end of year	**13,938,000**	**$ 0.59**	**10,186,500**	**$ 0.65**

13. STOCK-BASED COMPENSATION (continued)

As at December 31, 2009, the following stock options were outstanding:

DATE OF EXPIRY	NO. OF OPTIONS EXERCISABLE	NO. OF OPTIONS OUTSTANDING	EXERCISE PRICE	GRANT DATE FAIR VALUE OF OPTIONS GRANTED ($)
24-Feb-10	100,000	100,000	$0.47	35,700
20-Apr-10	1,545,000	1,545,000	$0.78	914,640
1-Feb-11	480,000	480,000	$0.42	151,680
1-Nov-11	100,000	100,000	$0.52	33,900
8-Dec-11	115,000	115,000	$0.50	37,490
5-Mar-12	25,000	25,000	$0.91	15,075
9-Apr-12	100,000	100,000	$1.14	75,800
27-Aug-12	3,125,000	3,125,000	$0.79	1,753,125
17-Sep-12	400,000	400,000	$0.84	238,400
11-Oct-12	10,000	10,000	$0.94	6,990
19-Oct-12	155,000	155,000	$0.91	104,780
1-Nov-12	2,500	2,500	$0.89	1,650
30-Jan-13	100,000	100,000	$0.88	61,100
5-Aug-13	2,285,500	2,285,500	$0.49	735,931
9-Jan-14	250,000	500,000	$0.45	119,772
14-Jul-14	447,500	447,500	$0.41	116,350
21-Dec-14	3,791,250	4,447,500	$0.43	1,040,191
	13,031,750	13,938,000		

During the year ended December 31, 2009, 5,395,000 stock options (2008: 2,446,500) were granted to directors, officers, employees and consultants of the Company with a weighted-average grant date fair value of $0.26 per option (2008: $0.33). Of these options granted, 1,250,000 vest 1/8th every quarter from the date of grant, while the remainder vested immediately. All options granted during 2008 vested immediately. Stock-based compensation expense of $1,286,690 (2008: $636,776) relating to these options was recorded against professional, consulting and management fees. No stock-based compensation expense was recorded to mineral properties and deferred exploration expenditures during the year ended December 31, 2009, however $255,461 was recorded here during the year ended December 31, 2008. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages:

	2009	2008
Expected dividend yield	0%	0%
Expected volatility	76.15%	80.16%
Risk-free interest rate	1.49%	3.20%
Expected life	5 years	5 years

The weighted average exercise price of stock options exercisable as at December 31, 2009 is $0.60 (2008: $0.65).

14. CONTRIBUTED SURPLUS

	2009	2008
Balance, beginning of year	$ 7,962,377	$ 6,936,037
Stock options granted and/or vested during the period		
Directors, officers and employees	1,051,638	831,057
Consultants	235,052	61,180
Exercise of stock options, reallocation of valuation	(96,675)	(91,510)
Expiry of warrants and broker warrants, reallocation of valuation	4,912,500	225,613
Balance, end of year	**$ 14,064,892**	**$ 7,962,377**

15. RELATED PARTY TRANSACTIONS

The Company was charged $60,000 during the year ended December 31, 2009 (2008: $60,000) by companies controlled by directors of the Company for administration services.

An amount of $80,000 is payable to directors of the Company as at December 31, 2009 (2008: $19,450).

During the year ended December 31, 2009, 2,925,000 options (2008: 1,800,000) were granted to directors and officers of the Company at a weighted average exercise price of $0.425 per share (2008: $0.51) expiring five years from the date of grant. Also, during the year, directors and officers exercised 200,000 stock options (2008: 300,000) at a weighted average exercise price of $0.475 for gross proceeds of $90,000 (2008: exercise price of $0.255 for proceeds of $76,500).

NSR royalties of US$538,025 ($620,553) were paid during the year ended December 31, 2009 to a corporation controlled by a director of the Company. Of this sum, US$176,295 ($220,017) was accrued at December 31, 2008. An additional US$238,152 ($253,325) has been accrued at December 31, 2009 in accounts payable and accrued liabilities for royalties on gold sales. (See Note 6.)

The Company shares its premises with other corporations that have common directors and officers, and the Company reimburses the related corporations for their proportional share of the expenses. The Company has advanced $87,978 to such corporations to cover shared expenses and has included these amounts in prepaid expenses (2008: $66,428). As well, the Company is owed $3,466 from such corporations for shared expenses (2008: $2,900). This amount is included in amounts receivable.

All of the above transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. The amounts owing to and from the related parties are unsecured, non-interest bearing with no fixed terms of repayment.

16. INCOME TAXES

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 32% (December 31, 2008 - 31%) were:

	2009 $	2008 $
Loss before income taxes	(3,468,686)	(3,651,923)
Expected income tax recovery at statutory rates	(1,108,000)	(1,182,000)
Adjustments resulting from:		
Change in tax rates	83,000	-
Stock-based compensation	411,000	287,000
Exploration allowance	-	(974,000)
Non-deductible amounts for tax purposes	142,000	118,000
Other	1,377,000	94,000
Future income tax expense/(recovery)	905,000	(1,657,000)

b) Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2009 and December 31, 2008 are as follows:

	2009 $	2008 $
Future income tax assets (liabilities)		
Non-capital losses	342,000	-
Resource properties	1,019,000	(390,000)
Property, plant and equipment	(1,789,000)	204,000
Share issue costs	(639,000)	848,000
	(1,067,000)	662,000

c) The Company has approximately $62,800,000 of Canadian development and exploration expenditures as at December 31, 2009 which under certain circumstances can be used to reduce the taxable income of future years.

17. 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 has entered into production and has begun to generate 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 year ended December 31, 2009.

18. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash equivalents, amounts receivable and tax credits 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 and tax credits receivable consist of goods and services tax due from the Federal Government of Canada, tax credits due from the Provincial Government of Québec, and 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 December 31, 2009, the Company had a cash and cash equivalents balance of $6,106,007 (2008 - $4,529,303) to settle current liabilities of $20,341,302 (December 31, 2008 - $5,652,388). Approximately $11,600,000 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's liabilities include convertible debentures which mature in April and July of 2010.

Market risk

(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 6% and 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.

18. FINANCIAL RISK FACTORS (continued)

(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.

(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 year ended December 31, 2009 compared to the year ended December 31, 2008.

Financial instruments

The Company has designated its cash equivalents, restricted cash and investments as held-for-trading, measured at fair value. Amounts receivable and tax credits receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The liability component of convertible debentures, capital lease obligations and long-term debt are classified as "other financial liabilities" and measured at amortized cost.

The carrying value of cash equivalents, restricted cash, amounts receivable, tax credits receivable and accounts payable and accrued liabilities reflected in the consolidated balance sheet approximate fair value because of the limited term of these instruments. The carrying values of the liability component of convertible debentures, capital lease obligation and long-term debt approximate their fair values as current interest rates have not changed significantly.

Section 3862 "Financial Insturments – Disclosures" establishes a fair value hierarchy that prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the balance sheet. 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 fiar value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

The following table sets for the Company's financial assets and liabilities measured at fair value by level within the fiar value hierarchy as at December 31, 2009.

	Level 1	Level 2	Level 3
Cash and equivalents	$ 6,106,007	$ -	$ -
Restricted cash	$ 5,767,000	$ -	$ -
Investments	$ 122,340	$ -	$ -

18. FINANCIAL RISK FACTORS (continued)

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 December 31, 2009, 10% fluctuations in the exchange rate from US$ to CDN$ will generate increases or decreases in value of approximately $138,000.
- Based on the gold brick and doré inventory held by the Company at December 31, 2009, 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 $126,000.
- The Company has not currently hedged its future gold sales.

19. COMMITMENTS AND CONTINGENCIES

(a) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $4,000,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under the agreements are approximately $600,000, all due within one year.

(b) The Company is committed to minimum amounts under long-term capital lease agreements for equipment, which expire in September 2012. Minimum commitments remaining under these leases were approximately $549,000, including imputed interest of approximately $19,800, over the following years:

2010	428,000
2011	100,000
2012	21,000
	549,000

(c) Pursuant to the issuance of 10,000,000 flow-through shares in October 2008, the Company renounced $5,000,000 on qualified exploration expenditures with an effective date of December 31, 2008 in February 2009. As at December 31, 2009, the Company has met its expenditure commitment related to these flow-through funds.

Pursuant to the issuance of 7,450,000 flow-through shares in July 2009, the Company plans to renounce $4,172,000 on qualified exploration expenditures. As at December 31, 2009, the Company has met its expenditure commitment related to these flow-through funds.

Pursuant to the issuance of 20,000,000 flow-through shares in December 2009, the Company plans to renounce $10,000,000 on qualified exploration expenditures. As at December 31, 2009, the Company has spent approximately $700,000 and is required to spend an additional $9,300,000 by December 31, 2010.

As well, through its newly acquired subsidiary, the Company is required to spend approximately $380,000 in eligible exploration expenditures by December 31, 2010 as a result of Garson’s flow-through shares issued during 2009 which will be renounced in February 2010.

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.

(d) The Company has been charged approximately $300,000 in professional fees related to proposed financing ventures. These amounts are in dispute. The Company has recorded $70,000 of these costs, however management believes the remaining amount is without merit and therefore was not included in accounts payable and accrued liabilities.

19. COMMITMENTS AND CONTINGENCIES

e) Through the Company's newly acquired subsidiary, various cash payments, share issuances and work commitments on Garson's existing option agreements are pending over the next 4 years, as tabled below.

	Cash	No. of Garson shares	Expenditure commitments
BC Gold Properties, British Columbia (100% interest option)	$ 95,000.00	950,000	$ 1,500,000.00
Luciana Gold Property, Quebec (51% interest option)	$ -	-	$ 385,000.00

As well, various Garson properties are subject to certain royalties ranging from 2% to 30%.

20. INTEREST IN JOINT VENTURE

The Company is party to a 50% joint venture interest in the Rouyn Properties. Xstrata is the operator of this joint venture. The Company's proportionate share of the assets, liabilities and cash flows of this joint venture included in these consolidated financial statements are as follows:

	2009	2008
	$	$
Current assets	-	-
Mineral properties and deferred exploration expenditures	882,100	709,813
Current liabilities	(75,297)	(88,517)
Revenues	-	-
Expenses	-	-
Cash flows from operating activities	-	-
Cash flows from investing activities	806,803	621,296

21. SUBSEQUENT EVENTS

On January 15, 2010, an additional 13,946,423 common shares of Garson were tendered, resulting in the Company acquiring a total of 95.6% of the issued and outstanding common shares of Garson. The Company has initiated the statutory procedures to acquire the remaining Garson shares at the same exchange rate of the offer.

Subsequent to December 31, 2009, 8,357,143 warrants as described in Note 12 with an expiry date of March 18, 2010 expired unexercised.

Subsequent to December 31, 2009, 100,000 stock options as described in Note 13 with an expiry date of February 24, 2010 expired unexercised. As well, 200,000 stock options were granted on February 23, 2010 at an exercise price of $0.40 expiring five years from the date of issue, and vesting quarterly over a two year period, and 532,500 stock options were granted on March 2, 2010 at an exercise price of $0.405 expiring five years from the date of issue.