



## Management's Discussion and Analysis

For the Three and Twelve months ended December 31, 2008

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The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Alexis Minerals Corporation ("we", "our", "us", "Alexis", or the "Company") for the year and quarter ended December 31, 2008 and should be read in conjunction with our Audited Annual Consolidated Financial Statements and related Notes as at and for the year ended December 31, 2008. The financial statements and related notes of Alexis have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Certain non-GAAP measures are discussed in this MD&A which are clearly disclosed as such. Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under our profile at [www.sedar.com](http://www.sedar.com).

This MD&A reports our activities through February 17, 2009 unless otherwise indicated. References to the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2008 and the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2007 mean the three months ended March 31, June 30, September 30 and December 31, 2008 and 2007 respectively.

**Unless otherwise noted all amounts are recorded in Canadian dollars.**

**Alexis Minerals Corporation** is a publicly traded, mining, exploration and development Company listed on the Toronto Stock Exchange ("TSX") under the symbol "AMC". The Company's primary focus is in Quebec. The Company is also engaged, directly and indirectly through joint ventures, in the acquisition, exploration and development of mineral properties. Currently, operations and strategic investments are in the Abitibi District of Quebec, Canada, historically the 3rd richest gold producing region in the world. More details about Alexis Minerals are described in its Annual Information Form dated March 31, 2008, in the Annual Audited Consolidated Financial Statements for the year ended December 31, 2008, and on its website at [www.alexisminerals.com](http://www.alexisminerals.com).

**Alexis Minerals Corporation** is committed to effectively and efficiently operating and growing a mining company. The Company's growth strategy is focused on increasing its gold production profile, increasing its reserve base and managing cash costs through a number of initiatives which include:

- Capitalizing on expansion opportunities at Lac Herbin – the Company's first gold mine
- Completing a bulk sample at Lac Pelletier, the Company's satellite gold mining project, and advancing to a mine production decision.
- Refurbishing the wholly owned Aurbel Mill to lower milling costs, and provide milling capacity for the next development project.
- Executing its exploration program in order to increase resources, convert resources to reserves and thereby increasing the Company's production profile.
- Managing costs through regular and diligent assessments of processes and expenses.

This growth strategy should enable Alexis to increase production. Alexis has previously projected 2009 mine production at 36,000 ounces of gold. Management is pleased to conservatively raise this annual target to 40,000 ounces gold per year based on the results of ongoing exploration, development and production during 2008. This is the result of an improved confidence in the grade of mineralization at the Lac Herbin deposit, supported by gold production and milling results. Exploration and development during 2008 has now also confirmed sufficient Resources at the mine to support projections of mine production for at least the next five years. As is typical of Quartz-Vein Deposits in the Val d'Or Camp, exploration concurrent with production is expected to continue to extend mine life on an annual basis well into the future. Additional mine potential has been identified at the nearby Dumont and Ferdeber Mines and will be the focus of exploration during 2009. Alexis expects to add to the Resource base at the Herbin-Dumont-Ferdeber Mines area in support of further increases in production and growth.

Alexis expects to complete a 10,000 ounce bulk sample at the Lac Pelletier Mine in 2009. In the current gold price/market cost environment, a positive production decision is expected to be made during the year. Lac Pelletier production is projected to add an additional 35,000 to 45,000 ounces gold on an annual basis commencing in 2010, which would bring total Company annual gold production to 75,000 or 85,000 ounces. Alexis is currently reviewing cost alternatives at the Aurbel Mill with the intention of refurbishing the mill for commissioning in November 2009.

Many companies in the Mineral Industry are struggling with the current challenging market conditions. Alexis will look towards accretive acquisitions during 2009 as an additional means of advancing production growth objectives.

## Fourth Quarter Highlights

During the three months ended December 31, 2008 ("Q4 2008"), the following occurred at Alexis Minerals:

- The Company reported revenue of CAD \$10.1 million.
- Lac Herbin, in Val d'Or, Quebec, became the Company's first gold mine.
- The Company sold 10,600 ounces of gold at a realized average price of CAD \$995/oz. during Q4 2008. The gold sales included:
  - 6,392 ounces from the preproduction period, and,
  - 4,208 ounces from the commercial production period at a cash cost of CAD \$581/oz (see Non GAAP Measures)
- The first 6,392 ounces sold during the 4th quarter were produced in the preproduction phase. Consequently, the cost per ounce of these initial ounces sold was high relative to the cost of the ounces produced during the fourth quarter. We expect the cash cost per ounce of the gold produced in December 2008 which will be sold in March 2009 to be on track with our estimated CAD \$536/oz.
- The Company concluded pre-production and production stages resulting in 18,115 oz. of gold production in the year.

- A year end tabulation of Resources was completed at Lac Herbin (Table 1).
- Resources have been discovered to replace ore mined in 2008 and ensure a life of mine of at least five years.
- The Quality of the resources has improved significantly:
  - Measured Resources have increased 180% over December 2007 to 124,800 tonnes grading 9.2 gAu/ T for 37,100 ounces of gold.
  - The grade of Measured Resource increased to 9.2 g Au/t from 6.8 g Au/t with the grade increase supported by milling results. (see *press release*: February 24, 2009)
- Exploration discoveries in 2008, provide significant potential for further Resource growth in 2009:
  - Discoveries in Lac Herbin's HW2 Zone and S3 Zone.
  - Gold mineralized shears of the Lac Herbin mine appear to extend for at least a further 500 metres beyond current development.
  - An additional gold bearing shear directly north of the Lac Herbin mine.
  - A new zone ("FL Zone") is potentially a linking structure between the Herbin and Ferdeber mines.
- A new discovery was made on the Central VMS properties in drilling of the Deep West target area. A copper-rich zone of Volcanic Massive Sulphides (VMS) was intersected and was underlain by an extensive copper-rich stringer zone. Mineralization is interpreted to be at the same stratigraphic location approximately 1.5 km. from the nearby past-producing Louvicourt Mine in Val d'Or.

<b>Alexis Minerals Corporation</b>	<b>Three months ended 31-Dec-08</b>	<b>Twelve months ended 31-Dec-08</b>
Tonnes of ore mined	31,823	80,284
Grade per tonne	6.67g/t	6.90g/t
Total gold ounces mined	6,822	18,115
Average recovery rate	97.5%	97.6%
Gold ounces sold	10,600	15,265
Average realized gold price (per oz CAD)	\$995	\$964
Revenue from mining operations ( net of Royalties and refining charges CAD 000's)	\$10,079	\$10,079
Mine operating expenses (excludes depletion and amortization - CAD 000's)	\$8,334	\$8,334
Amortization and depletion (CAD 000's)	\$1,364	\$1,364
Gross profit (CAD 000's)	\$381	\$381
Net earnings (loss) (CAD 000's)	\$185	\$(1,995)
Basic and diluted earnings (loss) per share (CAD)	\$0.00	\$(0.02)
Cash flow from operating activities (CAD 000's)	\$4,558	\$3,314
*Cost of sales per ounces sold (CAD)	\$786	\$786
*see Non GAAP Measures		

## Operational Review

### **Lac Herbin**

The Company made a production decision in February, 2008. Lac Herbin achieved Commercial Production in October 2008 and Full Production in December 2008, as scheduled. The mine averaged 408 tonnes per day in the fourth quarter. Gold production in the fourth quarter was 6,822 ounces and production was positively impacted by a 58% higher grade than anticipated from mine estimates during processing at the regional custom mill. The cost of sales per ounce sold was CAD \$786 per ounce (see Non GAAP Measures). This reflects the higher cost of preproduction ounces included in the sales of the first quarter of commercial production.

Underground development and exploration continued during the fourth quarter of 2008. Development work focused on production areas which will be exploited in 2009. Commercial production commenced in October 2008 with 31,823 tonnes and 6,822 ounces produced. Total ore mined during Q4-2008 and during the pre-production period through 2008 was 80,284 Tonnes grading 6.90 gAu/t.

At the end of December, 74 employees were working in the Company's mining operations. The Company continues to enhance its safety programs in order to ensure this culture as the Company develops and grows. During Q4-2008, one lost time accident occurred. The year to date accident frequency is 3.6, below the Quebec average of 5.3. The Company managed operations effectively, preventing any environmental non-conformities during Q4-2008.

Current mine development focuses on continuing the main ramp access to depth. The ramp attained the 360m level in January, 2009 providing access to development headings in the S1 and S3 zones. Development of the main ramp will remain a priority over the rest of the 2009. The S3 zone is now developed on eight levels and the S1 zone is accessible on five levels. Lateral development was also completed in S1E zone on level 150-m. Development advances are presented in Table 4. Operations are managed from a new mine site office reconstructed from relocated school buildings during 2008.

During Q4-2008 diamond drilling has continued to focus on delineation and infill drilling of areas of the S3, HW2 and S1 zones that required more information prior to development. A total of 2028 m were drilled for delineation purposes. Underground exploration drilling also started in earnest during Q4-2008 and a total of 13,245 m were completed. Total drilling at Lac Herbin during 2008 was 55,056 m (Table 2).

A new resource estimate for the Lac Herbin Mine was completed based on the extensive lateral development in ore and detailed drilling completed during 2008. Mineral resource estimates have been increased to replace ore mined in 2008, which totaled 80,284 Tonnes grading 6.90 gAu/t, and ensure a life of mine of at least five years (refer Table 1), with the following being noteworthy:

- Measured Resources have increased 180% over December 2007 to 124,800 tonnes grading 9.2 gAu/t for 37,100 ounces gold;
- The grade of Measured Resources has increased significantly from 6.8gAu/t to 9.2 gAu/t and tonnage from 61,039 tonnes to 124,800 tonnes. The grade increase is supported by results from milling of the ore where a marked increase in recovered ounces is confirmed over previous resource estimates.

**Table 1: Mineral Resource Statement as at December 31 2008,**

**Lac Herbin Mine, Val d'Or, Quebec**

<b>Resources</b>	<b>Metric Tonnes (t)</b>	<b>g.Au/t</b>	<b>Contained Oz. Au</b>
Measured (M)	124,800	9.2	37,100
Indicated (I)	731,500	7.2	169,500
M&I Total	856,300	7.5	206,600
Inferred	420,500	6.0	80,500

Notes: (1) Mineral resource estimates have been prepared in accordance with NI 43-101 and CIMM standards.

(2) Resource estimates are undiluted, use a minimum true width of 1.5 metres and apply an upper cutoff factor of 1.0 ozAu/t (34.29 gAu/T) to high grade assays.

(3) The calculation was completed by Olivier Grondin, P.Geol. and Audrey Lapointe P.Geol. under the supervision of Claude Gobeil, P.Eng.. Claude Gobeil, P.Eng., is the Qualified Person under NI 43-101.

(4) Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Indicated and Inferred Resources are identified largely from the results of diamond drilling. Grade increases identified at the milling stage are not applied to these Resources and upgrades are expected as ore is defined through level and sublevel development, moving ore in these categories to Measured Resources.

- Indicated Resources are 731,500 tonnes grading 7.2 gAu/t for 169,500 ounces gold
- Measured Resource Tonnage has increased from 61,039 tonnes to 124,800 tonnes. Overall growth in Measured Resources during 2008 was 144,045 tonnes and Resources reflect ore mined during 2008 of 80,284 tonnes grading 6.90 gAu/t
- Inferred Resources are 420,500 tonnes grading 6.0 gAu/t for 80,500 ounces gold. Management is encouraged by the discovery of several new areas where there is significant potential to increase Resources on an annual ongoing basis.
- Two discoveries in the HW2 Zone and S3 Zone at the mine are expected to add additional inferred resources as exploration proceeds in 2009. The HW2 vein appears to open into a more extensive, new, S1-type vein system at depth.
- S3 Zone - Drilling on the eastern side of the zone at depth has identified a new, laterally extensive, high grade extension that plunges to the east and contrary to the trend of the main S3 zone. Mineralization lies within the S3 shear and is characterized by almost complete absence of the typical vein-type host rock.

- New gold mineralized shears to the west of the mine provided important confirmation that the current gold-shear system developed at Lac Herbin is expected to extend for at least a further 500 metres beyond current development.
- An additional gold bearing shear was also identified directly north of the most northerly shear previously known in the mine and remains open for further exploration.
- A new zone, the FL Zone, entered the Inferred Resource Category. The zone is located near the principal Ramp Collar, possibly a linking structure between the Herbin Mine and the Ferdeber Mine, in a kilometer long area between the mines which has seen limited prior exploration.
- Mine Ecole Zone – Alexis is assisting in the training of new miners in the community by providing equipment, material and access underground to the local professional training school. Drifting has encountered locally high-grade mineralized veins within extensions to the HW zone and grading up to 19.2 and 19.8 g Au/t over widths of 0.5 and 0.3 m respectively. Similar vein areas occur outside of Resources in several areas around the mine.

### **Lac Pelletier (Rouyn-Noranda)**

The 2007 scoping study on Lac Pelletier prepared by Golder (see *Press Release*: April 19, 2007), shows clear economic potential for the deposit, The Lac Pelletier project was affected by dramatically changing market conditions during 2008, principally general cost increases in the mining industry, availability of personnel, and then the negative reversal of the worldwide economic climate. The risks associated with the project during 2008, while also moving Lac Herbin through pre-production and into production, became of paramount concern. A further review of the technical aspects of the project was initiated prior to underground work. A new resource calculation incorporating all Alexis surface drilling and using an alternative longitudinal method was completed in 2008. The study has confirmed the independent resource calculation completed in 2006 for the study will be reported shortly.

Several basic assumptions used in the scoping study have changed with the markets and industry, not the least of which is the recent favourable changes in gold price and US\$/C\$ exchange rates. These changes are being incorporated into the pre-feasibility study which Alexis expects to report in April 2009. Given the very positive indications from the scoping study, and the counter balance between increased costs and higher gold prices, Alexis expects a positive outcome to the pre-feasibility and accordingly, has scheduled an underground bulk sampling program to commence in May. The program is projected to recover a 10,000 ounce bulk sample and allow for an official production decision in Q4-2009.

The Lac Pelletier underground program will consist of dewatering and rehabilitation of the exploration ramp and two levels in ore developed in 1992. The program is projected to extract a 10,000 ounce bulk sample from the Zone 3 and Zone 4 ore zones. Site and surface infrastructure was developed in 2008, including a 60-man dry, garage and hydro-electric connection. Alexis expects to commence the program quickly and the underground contract has been already tendered and contractor selected. Lac Pelletier has the potential to provide 10,000 ounces of gold in 2009 from the bulk sample, sufficient in itself at current metal prices to refund the cost of the 2009 program. Production from the mine has the potential to augment ongoing production from Lac Herbin by 35,000 to 45,000 ounces gold per year. The Resource grade of the mineralization at Lac Pelletier has been calculated using several lower cut off grades. Since this lower cut off is sensitive to current gold price, it can significantly influence mine life. At least 3 to 4 years of production from Lac Pelletier are envisaged with current gold prices.

## Exploration Review

### **Val d'Or**

17,496 metres of drilling was completed in Q4-2008, see Table 2, bringing total drilling during the year to 78,487 metres, see Table 3.

#### i) Aurbel

With the completion of construction of the Lac Herbin Mine, Alexis' strategy has been to renew exploration focus on the near-by and wholly-owned, past-producing Dumont and Ferdeber mines in Val d'Or.

The Dumont Mine produced 248,000 oz of gold from shear-vein zones from surface to a vertical depth of 400 metres between 1980-1994. Dumont is located on the Alexis Aurbel property, approximately 1 km southwest of the Lac Herbin Mine. Compilation has recently focused on a deep intersection (depth - 700m) of high grade mineralization which returned 6.5 g/t over 5.2m (7.3 g/t uncut) including 11.5 g/t over 2.9 m (13.1 g/t uncut). The intersection lies 200 metres down-plunge and directly beneath the deepest historic production stopes at Dumont and in possible extension to several additional ore grade intercepts beneath these stopes, including uncut historic intercepts of 14.9 gAu/t over 1.5 m and 11.4 gAu/t over 1.5 m (Hole BU17-016); 45.0 gAu/t over 1.3 m (Hole BU17-022); 28.1 gAu/t over 0.6 m (Hole D17-026); and, 20.8 gAu/t over 1.4 m (Hole D17-009). The Dumont deposit is considered "open to depth" and will be further explored in 2009.

The Ferdeber mine, which produced 362,000 oz of gold between 1979-1994, is located 1.5 km to the east of the Lac Herbin mine. During the fourth quarter information was reviewed and compiled, identifying targets to the east, west and at depth of the mine.

Further exploration will be focused on extensions to these two deposits and in identifying the potential between these mines and the Lac Herbin mine. The recent inclusion of the FL Zone in Inferred Resources at Lac Herbin bodes well for future discovery in 2009, as well as potential for ramping up production from multiple locations in this key area around the Aurbel Gold Mill.

#### i) Central VMS

In April, 2008 Alexis announced that it had vested into ownership of seventeen properties in the Val d'Or Mining District, Quebec after meeting all conditions of a 2004 option agreement with Aur Resources. The seventeen properties cover 109 sq.km of the favourable Val d'Or Formation in a swath of ground east of Val d'Or that extends from the eastern limits of the Sigma-Lamaque Mine, for a distance of 25 km to the village of Louvicourt. The properties cover an area of exploration potential for both base metals and gold along the Louvicourt - Manitou Barvue Mine trend and are contiguous to the south of the wholly owned Alexis Aurbel gold property. Exploration of this area will continue in 2009 but at a reduced pace compared with prior years and in response to the gold focus around the Alexis Herbin Mine.

**Table 2: Diamond Drilling by Project, Rouyn-Noranda and Val-d'Or Quebec, Q4 - 2008**

<b>Project</b>	<b>No. of holes</b>	<b>Targets</b>	<b>Metres</b>
<b>Val-d'Or</b>	<b>Underground</b>		
Lac Herbin - Gold	101	Delineation & Exploration Drilling	13,245
	<b>Surface</b>		
Lac Herbin - Gold	5		2,028
Central VMS Properties - Base Metals	4	Dunraine property, Deep West target (Louvex-Dunraine-Chimo properties)	1,366
Val d'Or - Gold	2	Aurbel property	857
<b>Val d'Or Sub-total</b>	<b>112</b>	<b>Val d'Or Sub-total Q4 - 2008</b>	<b>17,496</b>
<b>Rouyn-Noranda</b>	<b>Surface</b>		
Alexis-Xstrata JV - Base Metals			
Iamgold/Here		Here Property	
Iamgold/Pinkos		VMS Titan24 MT targets	
<b>Rouyn Sub-total</b>		<b>Rouyn Sub-total Q4 - 2008</b>	
<b>Total Q4 - 2008</b>	<b>112</b>	<b>Total Q4- 2008</b>	<b>17,496</b>

**Table 3: Annual Diamond Drill Statistics, Rouyn-Noranda and Val-d'Or, Quebec**

Project	2008 No. of holes	2008 (m)	2007 (m)	2006 (m)	2005 (m)	2004 (m)
<b>Val-d'Or</b>	<b>Underground</b>	Q1 -Q4	Q1-Q4	Q1-Q4	Q1-Q4	Q1-Q4
Lac Herbin-Gold	328	53,028	30,857	37,820	N/A	N/A
	<b>Surface</b>					
Lac Herbin-Gold	5	2,028				
Aurbel & other Gold	2	857	7,786	1,301	4,028	17,601
Central VMS Properties - Base Metals	26	14,955	13,031	2,279	13,016	20,730
<b>Val d'Or Sub-totals</b>	<b>361</b>	<b>70,868</b>	<b>51,674</b>	<b>41,400</b>	<b>17,044</b>	<b>38,331</b>
<b>Rouyn-Noranda</b>	<b>Surface</b>					
Alexis-Xstrata JV - Base Metals	10	7,619	15,867	17,640	53,741	18,310
Alexis - Gold	0	0	7,610	5,875	3,567	4,044
<b>Rouyn Sub-totals</b>	<b>10</b>	<b>7,619</b>	<b>23,477</b>	<b>23,515</b>	<b>57,308</b>	<b>22,354</b>
<b>Grand Total</b>	<b>371</b>	<b>78,487</b>	<b>75,151</b>	<b>64,915</b>	<b>74,352</b>	<b>60,685</b>

Fourth quarter exploration on this large property in the Val d'Or Central VMS Camp resulted in:

- The discovery of a zone of Volcanogenic Massive Sulphides (VMS) in the Deep West Target area. The massive sulphides are copper-rich and underlain by a wide copper-rich stringer zone. The VMS mineralization is interpreted to be at the same stratigraphic location as, and 1.5 km from, the nearby Louvicourt Mine in Val d'Or, Quebec. Assay results included:
  - 0.5 % Cu over 81.6m in Stringer type mineralization from 1927.0 to 2008.6 metres; including,
    - 1.0 % Cu over 16.3 m, at 1965.7 to 1982.0, and,
  - 3.6 % Cu over 9.4 m in a combined stringer and Massive Sulphide zone between 2008.6 and 2018.0 m; including,
    - 6.8 % Cu over 3.45 m, in Massive to Semi-Massive Sulphides between 2014.55 and 2018.0m

The area is in detailed compilation. Alexis has recently identified regional folding through the Val d'Or Camp and a major fold axis may pass directly to the south of this intersection. Compilation and 3D modeling should be completed during Q2-2009.

- Dunraine target - Surface drilling is currently advancing towards a different off-hole target identified during Q4-2008 at a depth of 1200 metres; and located approximately 4 km to the SW of the Deep West target. Results from the 1500-metre hole are expected by the end of February, 2009. This area is recognized as almost a perfect mirror image of the setting around the Louvicourt mine.

**Table 4: Mine Development and drilling Statistics 2006 – 2008,  
Lac Herbin Gold Project, Val-d’Or Quebec.**

Development	2006 (m)	2007 (m)	Q1 – 2008 (m)	Q2- 2008 (m)	Q3 – 2008 (m)	Q4- 2008 (m)	Total 2006-08 (m)
Ramp Access	721	365	120	416	179	265	2,066
Lateral Headings & Raises	1,572	2,582	839	924	1,021	520	7,458
Diamond Drilling	37,821	31,777	8,933	14,260	16,589	13,245	122,625

An additional 105.4 m of lateral development was completed within the room and pillar stopes on the Flat Swarm during Q4-2007

## **Rouyn-Noranda**

### **Alexis - Xstrata Joint Venture**

There was no additional drilling on the joint venture properties during Q4-2008. Results from drilling during Q3-2008 on the Here Project area, immediately to the south of the central camp, were received. Several samples were anomalous in Cu and Zn in Hole HER-08-01 with the best intersection assaying 1.47% Cu and 18.3 g/t Ag over 0.9 metres. Mineralization was hosted in rhyolites and andesites at the proposed target horizon for the hole.

Work in Q4-2008 turned to the review and prioritization of 23 previously recognized 3D-GoCad targets and three other geophysical targets previously identified for drilling, but not yet tested. Further research and compilation is ongoing. The 2009 Budget for base metal exploration across these properties in the joint venture was established at \$600,000. A very modest budget in comparison to prior years but in keeping with Alexis’ focus on 100% owned properties for gold in Val d’Or and on advancing the Lac Pelletier gold project in Rouyn-Noranda.

### **Lac Pelletier Gold Project**

Located only 4 km from the centre of Rouyn-Noranda, the project is under option from Thundermin Resources Inc. Alexis is in good standing on the earn-in agreement and its sole remaining action to obtain its 100% interest, requires an official announcement of a production decision for the property.

In Q4-2008 Alexis continued the reassessment of the Lac Pelletier gold project at the level of a pre-feasibility study. The study is scheduled for complete reporting by the end of April. Additional rock mechanics and crown pillar studies are also now in progress. Given the recent increase in the price of gold with a declining and more favourable cost environment than that experienced in 2008, Alexis is aggressively advancing towards an underground bulk sample program in 2009. The program will complete a 10,000 ounce bulk sample at the Lac Pelletier Mine in 2009 and a positive production decision is expected to be made. Lac Pelletier production has the potential of adding an additional 35,000 to 45,000 ounces gold production to Alexis on an annual basis commencing in 2010.

## Summarized Financial Results

### Financial Information:

#### **Significant Accounting Policies**

The Company's significant accounting policies are subject to estimates and, key judgments about future events, many of which are beyond management's control. A detailed summary of the Company's significant accounting policies is included in note 2 of the Company's Annual Audited Consolidated Financial Statements for the year ended December 31, 2008.

#### **Accounting Changes**

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

#### **Changes in accounting policies**

(i) Inventory

The Company adopted CICA Handbook Section 3031, "Inventories", which replaces Section 3030, "Inventories", and requires inventory to be measured at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it expands the disclosure requirements to increase transparency and requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value. The Company has included disclosures recommended by the new Handbook section in Note 21 to these consolidated financial statements.

(ii) Capital disclosures

CICA Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 17 to these consolidated financial statements.

(iii) Financial instruments – disclosures and presentation

CICA Handbook Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook Section in Note 18 to these consolidated financial statements.

## Recently issued accounting pronouncements:

### (i) Goodwill and Intangible Assets

The CICA issued Handbook Section 3064 "Goodwill and Intangible Assets", which will replace the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. This standard is effective for years beginning on or after January 1, 2009. The Company is currently in the process of evaluating the impact of this standard.

### (ii) Convergence with International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that Alexis will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011. The Company is creating an implementation team, which will consist of internal resources and external consultants. A changeover plan is being established to convert to the new standards within the allotted timeline and is expected to consist of the following three key project phases:

1. Raise Awareness and Assess Phase
2. Design Phase
3. Implementation Phase

#### *Phase 1: Raise Awareness and Assess*

This first phase of the conversion project has two stages focusing firstly on raising awareness within the Entity and providing an initial assessment of the impact of the IFRS conversion, and secondly on carrying out a detailed assessment of the impact of the conversion to IFRS. Each section will be thoroughly reviewed and analyzed for accounting or disclosure differences between Canadian GAAP and IFRS. Once differences have been identified they will be reviewed for potential impacts to existing accounting policies, information systems and business processes. An action plan will then be developed for each impact area. This phase is currently underway.

#### *Phase 2: Design*

Following completion of the assessment phase, the focus of the design phase will build the tools required for the conversion based on management's decisions about accounting options and the related disclosures. During this phase, external consultants will assist the project team in designing the changes to be implemented relating to accounting and consolidation processes, information technology systems and other affected business aspects, including but not limited to, changes to contracts, key performance indicators, internal reporting.

The design phase will also involve revisiting the communication and training strategies to be carried out during the implementation of IFRS and updating the operational and milestone plans, and an issues log for finalization of actions to be taken during the implementation phase.

### *Phase 3: Implementation*

The implementation stage is about execution. The roll-out of the designed changes takes place during this phase.

This phase will accomplish

- Developing the new accounting policies, accounting manuals, guidelines, processes for reporting packages from business units, and consolidation templates;
- Preparing the IFRS financial statements and related disclosures including facilitating and supporting the dry run financial reporting process;
- Developing revised internal control processes, including updating the key controls for NI 52-109 purposes.
- All phases are expected to be completed by December of 2009 in order to facilitate comparative reporting for the first quarter of 2010.

### **Liquidity and Capital Resources**

As at December 31, 2008, the Company had working capital of \$9.5 million compared to working capital of \$14.0 million at December 31, 2007 (see Non GAAP Measures) and cash appropriated for exploration expenditures of \$nil (2007: \$0.53 million) which is classified as a long term asset in order to match it with the long term exploration expenditures it supports.

The Company applies for refundable tax credits to certain Quebec government bodies at each taxation year end and records the expected amounts as an amounts receivable. An amount of \$1.1 million in assistance was received in Q3-2008 relating to the year ended December 31, 2006. For the year ended December 31, 2007, the Company recorded \$10.8 million in assistance of which we received \$8.9 million in Q3-2008. The Company has accrued a further \$4.3 million in refundable tax credits related to expenditures during the twelve months ended December 31, 2008.

In December 2007, the Company signed short-term demand loan agreements with two major Canadian chartered banks for non-revolving demand loans of up to \$5.9 million. These loans were secured against the anticipated Quebec government assistance as described above. A loan guarantee was received from Investissement Quebec to support the loans and a fee of 3%, or \$177,000, was charged. This fee was paid in December 2007 and was amortized over the term of the loan. The banks had advanced \$5.3 million at an interest rate of Prime plus 0.75%, and upon receipt of the government assistance, these loans were repaid in full. In accordance with the loan guarantee provided by Investissement Quebec, the bank held back a total of \$150,000 of the loan, which was invested in a Guaranteed Investment Certificate ("GIC") in the name of the Company. At the time the loans were discharged, the GIC was redeemed for cash.

In March 2008, the Company completed a brokered private placement financing. The Company entered into an agreement with Cormark Securities Inc., as lead underwriter on behalf of a syndicate including Canaccord Adams and CIBC World Markets Inc., pursuant to which the underwriters agreed to purchase 16,714,286 units of the Company at a price of \$0.70 per unit for gross proceeds of \$11.7 million. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant shall be exercisable into one common share of the Company at a price of \$1.00 per share for a period of two years following closing. The Company shall have the right, commencing 365 days after closing of the financing, to call the outstanding warrants for expiry upon 30 days notice should the common shares close at or above \$1.50 for 20 consecutive trading days. The underwriters were entitled to a cash commission equal to 6% of the gross proceeds raised.

During the 4th quarter of the year, the Company completed a brokered private placement financing raising \$5.0 million through the issuance of 10,000,000 flow-through shares of the Company at a price of \$0.50 per share. The agent received a commission of 6% of gross proceeds raised as well as 600,000 broker warrants, with each broker warrant exercisable into one common share of the Company at a price of \$0.50 per share and expiring two years from the date of issue.

During the twelve months ended December 31, 2008, 410,000 options were exercised for gross proceeds of \$122,400.

The Company has and expects to utilize its working capital to meet exploration funding obligations as described under the Significant Future Obligations section of this report, to fund its Lac Herbin mine and to fund its corporate and operating overheads.

### **Significant Future Obligations**

The Company has several agreements to fund exploration on certain properties as follows:

#### **Val d'Or**

- **Aurbel (including Lac Herbin and Aurbel Gold Mill)**

The Company exceeded contractual exploration commitments to complete the acquisition of a 50% interest in the Aurbel properties from Aur Resources Inc. ("AUR") during 2006. Alexis elected to purchase the remaining 50% interest in the Aurbel property with the payment of \$2,000,000 and an additional cash payment of \$1,000,000 to purchase the 1400 tonnes-per-day Aurbel Gold Mill. Due diligence environmental assessment reviews and an engineering review for re-commissioning of the plant were completed during 2006. The transaction closed during Q3-2006 and a partial payment of \$500,000 against a \$1,000,000 hold-back was paid upon successful submission by AUR of the Aurbel Closure Plan to the respective Quebec Mining Authorities. The final with-held payment of \$500,000 is expected to be made in 2009 upon acceptance by the authorities of the closure plan.

#### **Val d'Or Office Purchase**

The Company purchased the Val d'Or office from Aur Resources Inc. in July 2006 for \$550,000, with a cash payment of \$100,000 and a commitment to pay the balance in monthly installments of \$10,000 over 45 months. The commitment has been recorded as long term debt discounted at a rate of 6.28%.

#### **Rouyn-Noranda**

- **Lac Pelletier Property Acquisition**

The Company has invested a total of \$3.9 million in the Lac Pelletier property through December 31, 2008, in excess of the required \$1,000,000 option work commitment required to earn its 100% interest. Alexis had the option to earn its 100% interest by bringing the deposit into production prior to December 2008 or by making a small cash payment to extend this timeframe to December 2009. The Company made a payment of \$75,000 during the third quarter of 2008 to extend the production decision deadline.

- **Rouyn-Noranda Properties, Quebec**

During the first quarter of 2008, Alexis vested in its option to acquire from Falconbridge Ltd. (now Xstrata Copper Canada) ("Xstrata Copper") a 50% interest in all of Xstrata Copper's properties in the prospective Rouyn-Noranda Base Metal and Gold Camp, Quebec. The Company plans to contribute equally to future expenditures to pursue further exploration and development of the properties in the 50/50 joint venture.

### **Results of Operations**

#### **For the quarter ended December 31, 2008**

The Company sold 10,600 ounces of gold and generated \$10.08 million in revenue from mining operations during its first quarter of commercial production. Mine operating expenses were \$8.33 million and the Company recorded amortization and depletion of operating costs of \$1.36 million. The Company is amortizing the deferred costs related to the Lac Herbin mine over the current net reserves at Lac Herbin of approximately 189,000 ounces. The gross profit was \$0.38 million. Revenue from mining operations includes \$10.54 million from gold sales reduced by \$0.46 million in refining charges and royalty charges. The Company is subject to an NSR of 4.5% on Lac Herbin gold sales. The cost of sales per ounces sold excluding amortization and depletion was \$786 per ounce (see Non GAAP Measures). This reflects the higher cost of preproduction ounces included in the sales of the first quarter of commercial production. In the fourth quarter, 6,392 ounces of gold were sold which were produced in the preproduction phase.

Alexis recorded net income for the quarter ended December 31, 2008 of \$0.185 million compared to net income of \$1.95 million for the quarter ended December 31, 2007. The income in Q-4 2007 resulted primarily from future tax recoveries recorded in the period. Alexis averaged a sale price of \$995 per ounce during its first quarter of commercial production.

#### **For the year ended December 31, 2008:**

As mentioned above, the Company sold 10,600 ounces of gold and generated revenues from mining operations of \$10.08 million during its first quarter of commercial production. Mine operating expenses were \$8.33 million and the Company recorded amortization and depletion of operating costs of \$1.36 million. The Company is amortizing the deferred costs related to the Lac Herbin mine over the current net reserves at Lac Herbin of approximately 189,000 ounces. The gross profit was \$0.38 million.

The net loss for the twelve months ended December 31, 2008 was \$1.99 million compared to a loss of \$1.76 million for the twelve months ended December 31, 2007.

### General and Administrative expenses

(CAD 000's)	2008 \$	2007 \$	increase (decrease) \$	change %
Professional, consulting and management fees	1,163	1,385	(222)	-16%
Stock based compensation	621	1,742	(1,121)	-64%
Other general and administrative expenses	1,072	969	103	11%
Long-term interest, accretion and financing costs	709	652	57	9%
Other interest, accretion and financing costs	389	276	113	41%
Write off of exploration properties	181	-	181	-
Foreign exchange	58	2	56	-
Amortization of office equipment	-	4	(4)	-100%
Interest income	161	601	(440)	-73%
Future income tax recovery	(1,657)	(2,675)	(1,018)	-38%

Professional, consulting and management costs decreased by \$0.22 million or 16% during the year ended December 31, 2008 compared to the year ended December 31, 2007. Prior to the most recent downturn in the financial markets, there had been a very competitive environment related to attracting and maintaining qualified employees and consultants. The Company provides bonuses and stock based compensation to maintain and attract qualified people. The bonuses and options are awarded based on certain milestones and availability of funds. The timing of these awards can cause fluctuations in the expense line item professional, consulting and management fees which include stock based compensation on the Consolidated Statements of operations and Comprehensive Loss and Deficit. During the prior year bonuses in the amount of \$0.73 million were granted while during 2008 bonuses of \$0.27 million were granted. Other consulting fees including audit increased somewhat offsetting the reduction in the bonuses granted during the 2008 year.

Stock based compensation is a non-cash expense included in Professional, consulting and management costs on the Consolidated Statement of Operations Comprehensive Loss and Deficit. The Company applies the fair value method of accounting for stock-based compensation. During the twelve months ended December 31, 2008, 2,446,500 (2007: 4,185,000) stock options were granted to directors, officers, employees and consultants of the Company resulting in \$0.62 million in stock based compensation expense recorded to the Consolidated Statements of Operations Comprehensive Loss and Deficit (2007: \$1.7 million), \$0.26 million (2007: \$0.51 million) recorded to deferred project costs and \$0.02 million charged to production costs (2007 \$nil).

Other General and Administrative Expenses increased by \$0.1 million during the current year compared to the twelve months ended December 31, 2007. Shareholder communications and

promotions which includes filing fees, road shows, trade shows and conferences were higher for the twelve months ended December 31, 2008 compared to the same period in 2007. The Company incurred higher sustaining fees as a result of being listed on the TSX and the road shows and conferences the Company participated in were more expensive in 2008 as compared to 2007. The expenses the Company incurs related to conferences and shows are incurred in order to raise investor awareness about Alexis. The Company is also utilizing a consultant in the United States to raise investor awareness there. We are also experiencing higher occupancy costs as a result of leasehold improvements related to our shared office space.

Long term and other interest, accretion and finance costs increased by \$0.17 million for the twelve months ended December 31, 2008 compared to the same period last year. During 2007, the Company signed short-term demand loan agreements with two major Canadian Chartered banks for non-revolving demand loans of up to an aggregate of \$5.9 million at an interest rate of prime plus 0.75%. These loans were secured against and repayable upon receipt of anticipated 2007 refundable Quebec government assistance of approximately \$8.9 million. A loan guarantee was provided by Investissement Quebec for a fee of 3%, or \$177,000. In 2008 the fees related to the loan were expensed.

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 Company wrote off \$0.18 million in mineral exploration properties during the year ended December 31, 2008 compared to \$nil during the year ended December 31, 2007.

The Company also recognized a non cash future income tax recovery of \$1.66 million during the twelve months ended December 31, 2008 compared to \$2.68 million for the year ended December 31, 2007. The tax recovery results from the tax benefit of the losses in the current year and the treatment of certain tax credits for tax purposes. The recovery in 2008 was recorded along with a tax asset on the Balance Sheet because of temporary differences between the tax basis and carrying value of the Company's assets which will reverse over time.

Interest income decreased by \$0.44 million during the current year compared to 2007 as a result of lower average cash balances held throughout the year and lower interest rates. The Company invests its excess cash primarily in bankers' acceptances with major Canadian Chartered Banks.

The Company incurred a foreign exchange loss of \$58,000 as a result of the fluctuation of Canadian related to the US dollar. 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 relative to the US dollar. The Company currently does not use derivatives to mitigate its foreign currency risk.

## **Annual information**

	2008	2007	2006
Revenue from mining operations (CAD 000's)	<b>\$10,079</b>	-	-
Mine operating expenses (CAD 000's)	<b>\$8,334</b>	-	-
Amortization and depletion (CAD 000's)	<b>\$1,364</b>		
Net Income (loss) (CAD 000's)	<b>\$(1,995)</b>	\$(1,755)	\$(1,397)
net income ( loss per share ) basic and diluted (CAD)	<b>\$(0.02)</b>	\$(0.02)	\$(0.02)
Cash provided by (used in) operations (CAD 000's)	<b>\$3,314</b>	\$(8,284)	\$(1,244)
Gold ounces sold	<b>10,600</b>	-	-
Average realized gold price (per ounce) (CAD)	<b>\$995</b>	-	-
* Cost of sales (per ounce) (CAD)	<b>\$786</b>	-	-
Total Assets (CAD 000's)	<b>\$78,686</b>	\$71,305	\$40,288
Long term financial liabilities (CAD 000's)	<b>\$4,728</b>	\$4,407	\$3,682
*Working Capital (CAD 000's)	<b>\$9,541</b>	\$14,005	\$4,551

\*See Non GAAP Measures

## **Quarterly information**

### **Summary Financial Information for the Eight Quarters Ended December 31, 2008**

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Revenue from mining operations (CAD 000's)	\$10,079	-	-	-	-	-	-	-
Mine operating expenses (CAD 000's)	\$8,334	-	-	-	-	-	-	-
Net Income (loss) (CAD 000's)	\$185	\$(1,162)	\$(366)	\$(652)	\$1,945	\$(2,112)	\$(592)	\$(996)
Net income ( loss per share ) basic and diluted (CAD)	\$0.00	\$(0.01)	\$(0.00)	\$(0.01)	\$0.02	\$(0.02)	\$(0.01)	\$(0.01)
Cash provided by (used in) operations (CAD 000's)	\$4,558	\$(1,731)	\$(5,215)	\$5,702	\$(6,618)	\$(202)	\$(490)	\$(974)
Gold ounces sold post commercial production	10,600							
Average realized gold price (per ounce) (CAD)	\$995							
*Mining operating expenses (per ounce) (CAD)	\$786							
Total Assets (CAD 000's)	\$78,686	\$76,249	\$81,725	\$80,621	\$71,305	\$68,475	\$68,975	\$65,892
Long term financial liabilities (CAD 000's)	\$4,728	\$4,843	\$4,771	\$4,898	\$4,407	\$3,720	\$3,443	\$3,355

\*See Non GAAP Measures

Prior to the most recently completed quarter, the Company had no revenue from mining operations, bulk sample revenues were credited to deferred property costs. The net income or loss resulted primarily from corporate overheads including stock based compensation, the write-off of exploration properties, and interest expense and other financing charges related to the convertible debentures and short term loans. Income was generated through interest earned on bankers' acceptance investments and future income tax recoveries. Stock based compensation is a non-cash expense representing an estimate of the fair value of options granted to directors, officers, employees and consultants of the Company calculated by applying the Black Scholes option pricing model.

Future tax recoveries during the periods ending December 31, 2007 and December 31, 2006 relating to flow through shares primarily contributed to the net income for this period. The sharp increase in net loss during the third quarter of 2007 resulted from stock based compensation expense of \$1.67 million charged to operations. The increase in net loss during the third quarter of 2008 is also attributable to stock based compensation expense of \$0.56 million during the quarter.

The general trend in increasing assets has resulted from the Company raising funds through private placements and investing in its exploration properties in Quebec. The decrease in assets during Q3-2008 resulted from the repayment of the short term debt with proceeds from the tax credit receivable.

During the fourth quarter of 2006, the Company recognized an asset retirement obligation of \$423,000 related to the Aurbel Mill purchased during the year. During the third and fourth quarters of 2007, the Company entered into capital lease agreements for up to 48 months to purchase exploration equipment, resulting in increased long term liabilities for those quarters.

### **Cash Flows For the twelve months ended December 31, 2008**

Cash generated by operating activities for the twelve months ended December 31, 2008 was \$3.3 million compared to the use of \$8.3 million for the twelve months ended December 31, 2007. During 2008, mining operations generated \$1.7 million, administrative expenses and interest income used \$2.3 million and non-cash working capital provided \$3.9 million. During the prior year, mining operations generated \$nil as the Company was not yet in commercial production, administrative expenses and interest income used \$2.0 million and non-cash working capital used \$6.3 million. The net change in non-cash working capital reported on the cash flow statement identifies the changes in current assets and current liabilities that occurred during the period. An increase in a liability (or a decrease in an asset) is a source of funds; while a decrease in a liability (or an increase in an asset) account is a use of funds.

Cash provided by financing activities was \$9.0 million during the twelve months ended December 31, 2008 compared to \$28.7 million during the twelve months ended December 31, 2007. The Company participated in two private placement financings during the year generating cash proceeds, net of financing costs, of \$14.9 million as discussed in the Liquidity and Capital Resources section of this report (2007: \$23.3). Warrants and options were exercised throughout the twelve month period generating \$0.1 million in cash proceeds compared to \$3.5 million during the twelve months ended December 31, 2007. During the current year the Company repaid its demand loan facility of \$5.3 million, compared to drawing \$2.1 million on the facilities in the prior year. The Company made payments during the current year of \$0.18 million against long term debt compared to \$0.14 million during the same twelve month period in 2007. The Company purchased an office in Val d'Or from Aur Resources Ltd. for \$0.55 million as discussed under the Significant Future Obligations section of this report and payment against this represents the majority of the long term debt payments. The Company also leases certain mining equipment and made payments against capital leases of \$0.49 million during the twelve months ended December 31, 2008 compared to \$nil during the prior year.

Cash from investing activities used \$14.0 million during the twelve months ended December 31, 2008 compared to \$17.4 million during the twelve months ended December 31, 2007. The Company received \$10.0 million in exploration tax credits during the current year compared to \$5.6 million during the twelve months ended December 31, 2007. Restricted cash in the form of a GIC was released and redeemed during the period for cash proceeds of \$0.15 million compared to \$nil during the prior year. Expenditures on exploration interests, net of government assistance, used \$20.8 million during the current year compared to \$21.9 million during the prior year as described in the Exploration Review section of this report and summarized below. Cash appropriated for exploration, increases and decreases in prepaid exploration expenses and accounts payable used \$0.59 million compared to a source of \$2.4 million during the prior year.

Cash expenditures on properties for the twelve months ended December 31, 2008 were:

(CAD 000's)	PRODUCING	NON-PRODUCING PROPERTIES					TOTAL
	PROPERTIES						
Description	Lac Herbin (\$)	Rouyn (\$)	Lac Pelletier (\$)	VMS (\$)	Aurbel (\$)	Other (\$)	(\$)
Acquisition and property maintenance	-	25	99	1,001	42	-	1,167
Preproduction costs	8,646	-	-	-	-	-	8,646
Development costs	6,608	-	-	-	-	-	6,608
Exploration costs	1,654	1,339	1,530	3,430	546	(23)	8,476
Net gold sales from bulk sample	(4,302)	-	-	-	-	-	(4,302)
Other	71	76	-	10	15	-	172
Total	12,677	1,440	1,629	4,441	603	(23)	20,767

### **Transactions with Related Parties**

The Company was charged \$60,000 during the year ended December 31, 2008 (2007: \$66,300) by companies controlled by directors of the Company for administration and engineering services.

An amount of \$19,450 was payable to directors and officers or companies controlled by directors and officers of the Company at December 31, 2008 (2007: \$150,259).

A royalty of US\$106,124 (CDN\$106,591) was paid during the first quarter of 2008 to a company controlled by a director of the Company, all of which had been accrued at December 31, 2007. A further US\$87,000 (CAD \$100,000) was paid to the same company for royalties earned during the third quarter of the year, and US\$176,000 (CAD \$214,000) was accrued at December 31, 2008 for royalties earned during the fourth quarter of 2008 owed to this company.

During the year ended December 31, 2008, 1,800,000 options (2007: 3,175,000) were granted to directors and officers of the company at a weighted average exercise price of \$0.51 per share (2007: \$0.81) expiring five years from the date of grant. Also, during the year, directors and officers

exercised 300,000 stock options (2007: nil) at an exercise price of \$0.255 for gross proceeds of \$76,500.

A director of the Company subscribed for 100,000 common shares of the Company at a price of \$0.70 during the March 2008 private placement.

The Company shares its premises with other companies that have common directors and officers, and the Company reimburses the related companies for their proportional share of the expenses. Included in accounts payable and accrued liabilities at December 31, 2008 is \$nil (2007: \$13,049) owing to such companies. The Company has advanced \$66,428 to such companies to cover shared expenses (2007: \$nil). As well, the Company is owed \$2,900 from related parties for shared expenses (2007: \$3,901).

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.

### **Outstanding Share Data**

As February 17, 2009, 128,084,827 common shares of the Company are outstanding. Of the options to purchase common shares issued under the share option plan of the Company, 10,686,500 remain outstanding with exercise prices ranging from \$0.21 to \$1.14 and with expiry dates ranging between March 16, 2009 and January 9, 2014. If exercised, 10,686,500 common shares would be issued generating \$6.9 million in proceeds.

As at February 17, 2009, there were 8,957,143 share purchase warrants outstanding with exercise prices ranging from \$0.50 to \$1.00, expiring between March 18, 2010 and October 15, 2010. If exercised, 8,957,143 common shares would be issued generating \$8.7 million in proceeds.

### **Non GAAP Measures**

The Company has included certain Non-GAAP performance measures, namely cash costs per gold ounce sold and working capital, throughout this document. In the gold mining industry, these are common performance measures but do not have any standardized meaning, and are Non-GAAP measures. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. These Non GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The following tables provide a reconciliation of cash costs per gold ounce sold and working capital to the financial statements for the three and twelve months ended December 31, 2008 and 2007.

## Working Capital

(CAD 000's)		
Current assets:	2008	2007
Cash and cash equivalents	<b>\$4,529</b>	\$6,153
Restricted cash	-	150
Amounts receivable	<b>968</b>	2,294
Tax credits receivable	<b>6,270</b>	12,055
Inventory	<b>2,254</b>	4,795
Prepaid expenses	<b>177</b>	352
Investments	<b>333</b>	-
Future income taxes	<b>662</b>	-
	<b>15,193</b>	25,799
Current liabilities		
Accounts payable and accrued liabilities	<b>\$4,978</b>	\$6,013
Secured demand loan	-	5,346
Current portion of capital lease obligations	<b>508</b>	265
Current portion of long-term debt	<b>166</b>	170
	<b>5,652</b>	11,794
Working capital (current assets less current liabilities)	<b>\$9,541</b>	\$14,005

## Cash cost per ounces sold

	Oct	Nov	Dec	Total	
<b>Revenue</b>					
From preproduction ounces (CAD 000's)	\$4,530	-	\$1,350	-	\$5,880
From commercial production ounces (CAD 000's)	-	-	-	\$4,199	\$4,199
	<b>\$4,530</b>	-	<b>\$1,350</b>	<b>\$4,199</b>	<b>\$10,079</b>
<b>Ounces sold</b>					
Pre- production ounces sold	5,000		1,392		6,392
Commercial production ounce sold				4,208	4,208
Total ounces sold	5,000		1,392	4,208	10,600
<b>Mine operating expenses (CAD 000's)</b>	\$4,739		\$1,149	\$2,446	\$8,334
Cash cost per ounce sold (CAD) (mining operating expenses divided by ounces sold)	<b>\$948</b>		<b>\$825</b>	<b>\$581</b>	<b>\$786</b>

## **Contractual Obligations and Contingencies**

The following table summarizes the Company's contractual obligations over the next five years and thereafter

Contractual Obligation	Total	Payments due by period:			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Long term debt	160,000	120,000	40,000	-	-
Equipment financing	193,754	70,456	123,298	-	-
Capital lease obligations	909,658	551,804	339,713	18,141	-
Contractual commitments	797,500	670,000	127,500	-	-
	<u>2,060,912</u>	<u>1,412,260</u>	<u>630,511</u>	<u>18,141</u>	<u>-</u>

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$3.5 million 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 interim unaudited consolidated financial statements. Additional minimum management contract commitments remaining under the agreements are approximately \$800,000.

The Company has been named as a defendant in a legal action relating to the cancellation of 100,000 options held by a former consultant. These options expired three months after the termination of the contract pursuant to the terms of the stock option plan of the Company. The former consultant is claiming \$750,000 in damages for breach of agreement. Management believes that the claim is without merit and plans to vigorously defend itself.

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. The effect of this renunciation will be recorded in February 2009. As of December 31, 2008, the Company has expended \$1.39 million related to these flow through funds and is required to expend the balance of \$3.61 million by December 31, 2009. 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.

## **Subsequent Events:**

On February 13, 2009, 12,500,000 warrants expired unexercised at a strike price of \$1.35.

## **Risks and Uncertainties**

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

### *Nature of Mining, Mineral Exploration and Development Projects*

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

### *Revenues*

The Company has recently commenced commercial production on its Herbin property. To date we has recorded limited revenues from operations. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate sufficient revenues or achieve profitability.

### *Liquidity Concerns and Future Financings*

The Company will require significant capital and operating expenditures in connection with the development of its properties. There can be no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

### *Foreign Exchange*

Gold is sold in United States dollars and consequently, the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. To the extent Alexis generates revenue it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the US dollar would result in a decrease in the real value of Alexis's revenues and adversely affect its financial performance.

### *Mineral Resource and Mineral Reserve Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource or mineral reserve 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. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, and actual events could have a material adverse effect on the Company's mineral reserve estimates.

### *Licences and Permits, Laws and Regulations*

The Company's exploration and development activities, including mine, mill, road, rail and port facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that Alexis will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

### *Gold and Base Metal Prices*

The profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

### *Environmental*

The Company's activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

### *Title to Properties*

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

### *Uninsured Risks*

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares of the Company.

### *Competition*

Alexis competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

### *Dependence on Outside Parties*

Alexis has relied upon consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on Alexis.

### *Qualified Personnel*

Recruiting and retaining qualified personnel in the future is critical to the Company's success. As the Company develops the Lac Herbin and Lac Pelletier properties, the need for skilled labour will increase. The number of persons skilled in the exploration and development of mining properties is limited and competition for this workforce is intense. The development of the Company's properties may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required.

### *Availability of Reasonably Priced Raw Materials and Mining Equipment*

Alexis will require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely impacted.

### *Failure to Meet Production Targets and Cost Estimates*

The Company prepares future production and capital cost estimates. Actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, tonnage, dilution and metallurgical and other characteristics of the ore varying from the actual ore mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labour shortages or strikes, equipment failures and other interruptions in production capabilities. Production costs may also be affected by increased mining costs, variations in predicted grades of the deposits, increases in level of ore impurities, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on the Company's sales, profitability, cash flow and overall financial performance. In the event that the Company obtains debt financing, repayment terms associated with such financing will likely be based on production schedule estimates. Any failure to meet such timelines or to produce amounts forecast may constitute defaults under such debt financing, which could result in the Company having to repay loans.

### *Share Price Fluctuations*

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

### *Conflicts of Interest*

A number of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of Alexis may have a conflict of interest in negotiating and concluding terms respecting such participation. Further, certain of the directors and officers are involved in other gold companies and other companies that are developing mines. As a result, conflicts of interest may arise and officers and directors cannot devote 100% of their time to Alexis.

### *Internal Controls*

Alexis has invested resources to document and analyze its system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for

external purposes in accordance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

### **Critical Accounting Estimates**

The preparation of the Company's Consolidated Financial Statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock based compensation and the valuation of 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

### **Off Balance Sheet items**

We do not have any off balance sheet items

### **Controls and Procedures**

#### **Evaluation of disclosure controls**

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

#### **Procedures and Internal control over financial reporting**

Internal control over financial reporting has been designed, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Management, under the supervision of the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting using the framework designed as described above and based on this evaluation, the CEO and CFO have concluded that internal control over financial reporting was effective as of December 31, 2008.

Because of inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit and Governance Committee's of the Company have reviewed this MD&A, and the consolidated financial statements for the year ended December 31, 2008, and Alexis's board of directors approved these documents prior to their release.

## **Outlook**

Alexis Minerals has taken great strides over the last year. The Corporation is committed to effectively and efficiently operating and growing a mining and exploration company to create shareholder value. Over the last five years Alexis has followed two principal strategies: a short to medium term strategy of developing a gold-producing mine and a longer term strategy focused on aggressive exploration and new mine discovery in the Abitibi District. Alexis has assembled an historically unique package of properties covering upwards of 75% of both the Val d'Or and Rouyn-Noranda Mining Camps. Alexis has vested into all of these properties during 2007 – 2008.

The strategies were followed with the specific objective, in the short to medium term, to develop an operating mine that would support the Company during any downturn in the cyclical mining industry. Such an event has now arisen with the dramatic market changes during the latter part of 2008. We believe that the support of cash flows generated from successful production from the Lac Herbin Mine confirms the success and foresight of this strategy. Alexis is very well placed to benefit from long term positive trends in gold price, that are expected to result in long term production and long term cash flows.

Exploration at the Lac Herbin mine has concluded in 2008 with Resources which support at least five years of future production. Our expectations are very high for further significant discovery from focused exploration during 2009 in this immediate vicinity to the Aurbel Gold Mill. Early exploration and compilation in this area is already providing indications of untested extensions to the Herbin Mine to the north and northwest, of new zones between the Ferdeber and Herbin mines and of greater depth potential at the Herbin and Dumont mines.

Results from 2008 have also resulted in a significant improvement in our confidence in the Herbin Deposit. Significant strides have been made to increase Measured Resources through detailed in-fill drilling and lateral ore development. Val d'Or vein-type deposits typically operate under the premise of "Drill for Structure – Mine for Grade" and Herbin is no exception. Measured Resource grade has improved from 6.8 gAu/t (2007) to 9.2 gAu/t (2008). This grade improvement is being confirmed in milling campaigns and gold production. Alexis management is pleased to reflect a growing confidence in the deposit and its production potential. Management is conservatively raising the annual production target from 36,000 ounces per year to 40,000 ounces per year.

The sustained high gold prices seen in early 2009 and an estimated operating cost of \$536/oz.Au, are expected to generate strong free cash flow during 2009 from Lac Herbin and support all corporate activities, ongoing exploration and ongoing capital cost requirements from operations. This cash flow can also support the strategic reopening of the Aurbel Mill in 2009 and lend support to the advancement of our second mine at Lac Pelletier in Rouyn-Noranda. We anticipate developing Lac Pelletier with a view to increasing levels of gold production. Based on the anticipated development of Lac Pelletier, total ounces in 2009 are projected at 50,000, increasing to a projected sustained annual level of over 75,000 to 85,000 ounces in 2010. Further growth in production will come from new discoveries and increased resources at the Herbin-Dumont-Ferdeber mine area.

Alexis' long term exploration strategy has resulted in several technical successes with the discovery of the West Ansil Deposit; Montbray and Noralex occurrences in Rouyn; and, the recent Deep West discovery in Val d'Or. Numerous other new occurrences and showings have also been identified. Perseverance and determination are important factors to success and Alexis will maintain a modest level of exploration across the properties during 2009, in comparison to prior years. The level of expenditure will be revised in light of market conditions and other opportunities.

Recent market conditions have not been kind to many companies in the Mineral Industry and Alexis will look towards accretive acquisitions during 2009 as an additional means of advancing our production growth objectives.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Alexis certain information contained herein constitutes forward-looking information under applicable securities laws. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of gold and other minerals; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; corporate opportunities; ability to finance operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward - looking information is based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Alexis to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of gold and other minerals; failure of plant, equipment or processes to operate as anticipated; accidents; labour disputes; other risks of the mining industry; and other risks described in the annual information form of the Company. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

### **Technical Reporting**

Technical programs and information included in this report has been supervised, compiled and/or reviewed and approved by the following Qualified Persons as defined under NI 43-101:

<u>Qualified Person (Geology)</u>	<u>Project Responsibility</u>
Patrick Sevigny, P.Eng. Mine Manager	Lac Herbin Engineering and Mining
Keith Boyle, P.Eng., Alexis COO	Lac Pelletier Engineering and Mining
Denys Vermette, M. Sc. P. Geo.	Val-d'Or Central VMS
Louis Martin, P.Geo., Xstrata Copper Canada	Rouyn-Noranda, Base Metals
Claude Gobeil, P.Eng.	Resource Estimates, Aurbel Geology
Jean Girard, P.Eng., Alexis <>	Rouyn-Noranda Gold and Lac Pelletier

February 17, 2009