ALEXIS

# 2011 Q2 Management's Discussion and Analysis

ALEXIS MINERALS CORPORATION

## Table of Contents

## President’s Message

Alexis is presently positioned at an inflection point. In the past, our operating difficulties have overshadowed the progress that is being made on various fronts. However, the most recent recapitalization has now placed us on solid ground to deliver meaningful progress.

The second quarter continued to highlight the operating difficulties that we face at Lac Herbin. Our decision to continue with the operation is not based on being obstinate but rather on seeing a business opportunity based on the mineral potential and the people there. We are in the process of implementing a turnaround plan that will stabilize the operations and configure them for the remaining resources that are more narrow-veined. Once the redevelopment effort is done, expected by the end of the third quarter, the operation should be in a position to return to profitability and allow us to pursue other initiatives, both around the mine, and in the region.

The Snow Lake project is now at the point of nearing the production decision; current efforts are centered on the finalizing of the project financing, building the team to deliver a mine as outlined in the feasibility study, and the evaluation of several opportunities to further optimize our plans. These efforts, enriched by our operating experiences, should provide for a project that will unlock significant shareholder value.

I joined Alexis in January, knowing that we faced some near term issues, and we are dealing with them. I remain convinced that the combination of our people with the significant asset base we have established, represents a significant opportunity.

Sincerely,

François Perron,

President & CEO

# Management's Discussion and Analysis

## For the six months ended June 30, 2011

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 six months ended June 30, 2011 and should be read in conjunction with the Unaudited Condensed Interim Consolidated Financial Statements and related Notes for the six months ended June 30, 2011. The financial statements and related notes of Alexis have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

This MD&A reports our activities through August 15, 2011 unless otherwise indicated. References to the 1st and 2nd quarter of 2011 or Q1-2011 and Q2-2011, and the 1st and 2nd quarter of 2010 or Q1-2010 and Q2-2010 mean the three months ended March 31, and June 30, 2011 and 2010 respectively.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Canadian Accounting Standards Board requires publicly accountable enterprises such as Alexis to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's condensed interim consolidated financial statements for the quarter ending June 30, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

For each reporting period in 2011, comparative information for 2010 will also be presented, both for interim and annual financial statements, as applicable, on an IFRS basis. The consolidated financial statements for the year ending December 31, 2011, will be our first annual financial statements that comply with IFRS. As this will be the Company's first year of reporting under IFRS, First time Adoption of IFRS (IFRS 1) is applicable.

In accordance with IFRS 1, we have applied IFRS retrospectively as of January 1, 2010 (the Transition Date) for comparative purposes. In preparing our opening balance sheet in accordance with IFRS, we have adjusted amounts reported previously in our financial statements prepared in accordance with pre-conversion Canadian GAAP (for detailed information, see Changes in Accounting Policies).

For further information, please refer to the Company's Condensed Interim Consolidated Financial Statements and Notes for the six months ended June 30, 2011.

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

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to Alexis Minerals Corporation (the "Company" or "Alexis"), certain information contained herein constitutes ''forward-looking information'' under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the implementation of the Company's turnaround plans and its effect on the Company's operations; 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; future costs of production; future capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining 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 statements are based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of mining at the Lac Herbin, Lac Pelletier and Snow Lake Projects are based on assumptions underlying mineral reserve and mineral resource estimates, the results of feasibility studies on the properties and the realization of such estimates are set out herein. Capital and operating cost estimates are based on extensive research of the Company, costs incurred at the projects to date, purchase orders placed by the Company to date, recent estimates of construction and mining costs and other factors that are set out herein. Production estimates are based on mine plans and production schedules, which have been developed by the Company's personnel and independent consultants. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks outlined 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. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

## About Alexis Minerals

**Alexis Minerals Corporation** is a Canadian publicly traded mining company concentrating on exploration and mine development. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "AMC", and trades in the United States on the Over the Counter QX International ("OTCQX") platform under the symbol "AXSMF". The Company's focus is to grow through exploration, development and acquisition of mineral properties and directly and indirectly, through joint ventures. Alexis is now in its second full year as a junior gold-producing company. The Company holds a dominant property position (over 1,104 $km^2$) in three of Canada's richest mining camps: Val-d'Or and Rouyn-Noranda, in the Abitibi District of Québec, Canada, historically the 3rd richest gold producing region in the world; and Snow Lake, Manitoba, Canada. Alexis undertakes exploration across these properties searching for new world class discoveries, while maintaining a focus on growing Alexis to become a mid-tier gold producer. For more information, please visit the company's website at www.alexisminerals.com.

Technical programs and information included in this report have been supervised, compiled and reviewed and approved by David Rigg, P.Geo., the Co-Chairman of the Company and a Qualified Person as defined under NI 43-101.

## Strategic Goals

Alexis Minerals Corporation is committed to increasing shareholder value. The Company has faced challenges, however senior management remains steadfast in its efforts to make progress on its goals, as summarized below.

- **Growing to become a mid-tier status mining company - produce more gold:**
  - Stabilize operations at Lac Herbin to obtain sustainable profitability.
  - The recently reported Snow Lake Feasibility Study projects over 80,000 ounces of annual gold production, and a total of 415,000 ounces of gold production over a five year operating mine life. Work is now focused on securing project financing and getting the Snow Lake mine into production.
- **Increasing gold reserves**:
  - Continuation of an aggressive exploration program in the Abitibi region of Quebec and Snow Lake Manitoba where our current 2011 budget is approximately $12 million.
- **Maintaining sustainable, safe environments**:
  - Alexis continued to implement new practices with the goal of achieving industry leading work safety record in the coming years.
  - Our operations are managed to ensure that sustainable environmental standards are maintained.

## Selected Financial and Other Highlights

| Alexis Minerals Corporation | Three months 30-Jun-11 | Three months 30-Jun-10 | Six months ended 30-Jun-11 | Six months ended 30-Jun-10 |
|---|---|---|---|---|
| Tonnes of ore mined | 18,498 | 41,624 | 33,286 | 80,674 |
| Grade per tonne mined | 5.01 | 5.14 | 4.61 | 5.17 |
| Total gold ounces mined | 2,978 | 6,874 | 4,936 | 13,402 |
| Tonnes of ore milled | 17,150 | 55,790 | 31,306 | 91,589 |
| Grade per tonne milled | 4.99 | 5.07 | 4.67 | 5.18 |
| Total gold ounces milled | 2,754 | 9,094 | 4,696 | 15,264 |
| Average recovery rate | 87.4% | 87.2% | 88.2% | 89.5% |
| Gold ounces recovered | 2,406 | 7,932 | 4,142 | 13,668 |
| Gold ounces sold | 2,420 | 7,865 | 4,246 | 12,615 |
| Average realized gold price (per oz CAD) | $1,465 | $1,185 | $1,421 | $1,169 |
| Revenue from mining operations ( net of Royalties and refining charges CAD 000's) | $3,343 | $8,881 | $5,687 | $14,133 |
| Mine operating expenses (excludes depletion and amortization - CAD 000's) | $4,223 | $8,680 | $8,887 | $13,558 |
| Amortization and depletion (CAD 000's) | $588 | $2,481 | $707 | $3,687 |
| Gross (loss) (CAD 000's) | ($1,468) | ($2,279) | ($3,908) | ($3,112) |
| Net (loss)/income (CAD 000's) | ($2,504) | $391 | ($4,708) | $194 |
| Basic and diluted earnings (loss) per share (CAD) | ($0.01) | $0.00 | ($0.01) | $0.00 |
| Cash flow from operating activities (CAD 000's) | ($3,912) | $8,346 | ($7,501) | $9,647 |
| *Cost of sales per ounces sold (CAD) | $1,745 | $1,104 | $2,093 | $1,075 |

*see Non GAAP Measures and comments under "Executive Summary – Second Quarter" section, regarding Cost of Sales at Lac Herbin

## Executive Summary - Second Quarter June 30, 2011

During the three months ended June 30, 2011 the following occurred at Alexis Minerals:

- Total revenue of $3.34 million was generated, 62% lower than in Q2-2010. This was due to fewer ounces of gold mined, milled and recovered during Q2-2011 compared to Q2-2010. Revenues were 42% higher than Q1-2011.

- The Company sold 2,420 ounces of gold at an average realized price of $1,465/oz (USD $1,511/oz.), compared to 7,865 ounces sold during Q2-2010 at an average realized price of $1,185/oz (USD $1,168/oz).

- The Company's Lac Herbin Mine, in Val-d'Or, recovered 2,406 ounces of gold, a 70% reduction compared to 7,865 ounces in Q2-2010. There was an increase of 39% in gold ounces produced from Q1-2011. The grades realized continued to be lower than expected through this quarter. Ground stability problems in its principal S3 zone were brought under control by the end of the quarter but continued to cause the production of less ore tonnage than scheduled during the quarter. Management has elaborated a restructuring plan for the operations that will place the production profile more in line with the nature of the deposit, guidance for the balance of the year calls for approximately 9,000 to 11,000 ounces and approximately 15,000 to 20,000 in 2012. The plan also calls for continued exploration around the mine to develop new areas for production.

- Our wholly-owned Aurbel Gold Mill in Val d'Or realized an average recovery rate of 87.4%, down from 89.3% in Q1-2011. While tonnage from the mine was low, hampering efforts to have steady state operations at the mill, recoveries have improved. The turnaround plan for Lac Herbin includes several improvements at the mill which should allow the Company to reach 92% recovery in the coming quarters.

- Cash cost of sales per ounce (see Non-GAAP Measures) of the Lac Herbin gold sold decreased to $1,745/oz Au from $2,555/oz Au for the first quarter of 2011. This remains high due to a combination of lower volumes and a lower than anticipated grade mined versus planned. As overall operating costs were relatively stable the lower number of ounces significantly increased the cost per ounce.

- The Company is implementing a more decentralized structure to have regional management dedicated to each operation. To that end Mr Sylvain Lehoux has joined Alexis as Vice-President Quebec Operations and Mr Gerald Thornton has joined as Vice-President Manitoba Operations. Both bring significant experience and energy to their respective projects.

- The Company announced the signing of a landmark agreement with joint venture (JV) partner Xstrata Canada Corporation – Xstrata Copper Canada Division by which the Company assumes a 100% interest in JV properties covering approximately 750 sq.km. of the Rouyn-Noranda Mining Camp, Quebec.

- Exploration drilling at Snow Lake confirmed the potential for mineralization from surface to 520 foot depth within the East Extension of the Main Mine, giving further support for the potential discovery of a major new ore zone on strike of the known deposit.

- The Company plans to drill many of the nearby zones at Snow Lake, these include the Boundary, Kim, Caper and Birch. Furthermore we have now mobilized the field crew to undertake our regional exploration effort which should lead to a better understanding of the potential in the area.

- The Company also plans to continue work on several projects in Abitibi.

## Overview & Outlook

Alexis has followed two principal strategies: a short to medium term strategy of developing gold-production to provide cash flow; and, a longer term strategy focused on exploration and new mine discovery.

The recent recapitalization of the Company completed in May 2011 has positioned us to make significant progress on all fronts.

Firstly, the Lac Herbin operations will undergo significant underground development and intensive drilling in order to reestablish the production profile in an appropriate manner. The operation will now benefit from more flexibility and we expect to have completed the development by the fourth quarter whereupon we plan production of approximately 4,250 ounces per quarter into 2012 for annual production guidance of 15,000 to 20,000 ounces.

Secondly, the recently completed Feasibility Study for Snow Lake added newly estimated Proven and Probable Reserves of 451,900 ounces of gold and estimated the potential for 80,000 ounces of gold production annually for at least five years at an estimated total cash cost of $640 per oz gold. The project is now entering a phase where the current team will optimize certain aspects of the project while we seek to establish the project financing and develop the project team leading to a production decision.

Management remains encouraged as exploration continues with many prospective targets. Our drilling program in Snow Lake has discovered significant gold mineralization in a potential, on-strike extension to the Snow Lake Mine. This may represent the discovery of a major new ore zone and characterizes the potential remaining on the property and in proximity to our Snow Lake Gold Mill, currently the only gold mill in the region. As well, two new high-grade gold zones were discovered containing mineralization which is similar in character to that of the Main and the No.3 Zones, yet is of significantly higher grade. In the Abitibi, exploration drilling is ongoing on the Noralex property. Targets on the Aurbel property include the eastern extension of the Dumont Shear, host to the past producing Dumont Mine; the Herbin West area, 1km west of the Company's Lac Herbin mine; and on several other historically known gold showings. Drill holes target the intersections of converging shear zones and the depth extension of the gold showings.

# Summarized Financial Results

## Liquidity and Capital Resources

As at June 30, 2011, the Company had working capital of $12.55 million compared to working capital of $8.12 million at December 31, 2010.

In May 2011, the Company raised $20,125,000 gross proceeds from the issuance of 201,250,000 common shares of the Company at a price of $0.10 per share.

The Company applies for refundable tax credits to certain Quebec government bodies at each taxation year end and records the expected amounts as amounts receivable. The Company received $1.90 million during Q2-2011 related to the year ended December 31, 2008. During Q1-2010, the Company received $1.98 million in assistance related to the year ended December 31, 2007. The Company is likely no longer eligible for tax credits from one of the government bodies in Quebec as new legislation has come into force. At June 30, 2011, $2.66 million in Quebec Rebates are recorded on the Consolidated Balance Sheets.

The Company had an amount payable with a contractor in the amount of approximately $6.3 million. The contractor has placed a lien on the Company's Pelletier property pending resolution of the amount payable. On September 2, 2010, the Company paid $3.2 million in cash and issued 10,583,333 units of the Company at a value of $0.15 per unit to settle $4.76 million of this liability. The balance was payable in quarterly instalments over one year, accruing interest at a rate of 12% per annum. The Company has made all required payments and has cleared the liability as at June 30, 2011.

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, its Lac Pelletier development and feasibility, its Snow Lake exploration, feasibility and development, and to fund its corporate and operating overheads.

The Company has a need for capital 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 short term 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.

## 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)**

Pursuant to the acquisition of a 100% interest in the Aurbel property from Teck Cominco Ltd. (formerly Aur Resources Inc.) ("Teck"), the Company is required to make its final $500,000 payment upon acceptance of the Aurbel Closure Plan by the Quebec Mining Authorities, which was submitted by Teck to the respective Quebec Mining Authorities in 2006. Production from this property is subject to an aggregate 4.5% NSR.

### Rouyn-Noranda

- **Lac Pelletier Property Acquisition**

The Company has exceeded the required $1,000,000 option work commitment required to earn its 100% interest. Alexis has the option to earn its 100% interest by making a commitment prior to September 1, 2010 to bring the deposit into production. Production from the current Lac Pelletier property is subject to a 3.5% NSR. The Lac Pelletier property hosts the past-producing Stadacona mine. Production from potential ore bodies lying outside the current property but mined through the historical Stadacona mine workings are subject to a $1 per tonne toll charge.

During Q3-2010, the Company issued a production commitment notice to Thundermin, thereby exercising its option to acquire the Lac Pelletier Property. The Company is in discussion with Thundermin regarding the transfer of full title and ownership of the Property to the Company. The Company has been advised that Thundermin intends to initiate arbitration pursuant to the Option Agreement in efforts to return the property to Thundermin, but proceedings have not yet been initiated.

The Company also carries a 100% interest in four mining claims located near Lac Pelletier, subject to a 2% NSR. The Company has the option to purchase, at any time, 50% of the NSR for US$1,000,000. These claims will be included in the Lac Pelletier property package with Thundermin Resources Ltd.

- **Rouyn-Noranda Properties, Québec**

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.

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

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

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

Xstrata retains a 1-2% NSR on all metals on mineral claims transferred to Alexis. Where historic royalties exist, the combined royalty is capped at 3 to 4%. In areas with no prior royalties, the NSR is capped at 2%. Xstrata has the right to explore for, and exploit Smelter materials (e.g. Flux) in all areas. Should smelter materials be mined from the Alexis properties, Alexis will receive a royalty of $0.50 per tonne plus 50% of any gold which may be recovered. Subsequent to closure, Alexis and Xstrata Copper will work cooperatively together for a period of up to 12 months to review the underlying agreements made over the last 40 years to develop this unique property package, in order to resolve any third-party rights or obligations. The 10-claim, West Ansil Property will be excluded from the agreement and will continue as a 50/50 JV. Xstrata retain their Rights of First refusal for custom milling and smelting of base metal production.. All regional areas of interest applicable under the historical JV are cancelled. Closing of this acquisition remains subject to customary conditions for an acquisition of this type and is expected to occur in July 2011.

The Company closed on this agreement subsequent to the end of Q2-2011 with a payment of $200,000 to Xstrata.

### Herblet Lake, Manitoba

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

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

The exercise of the option is subject to an NSR of 3% payable from the date of commencement of commercial production. Upon exercise of the option, the Company will be required to make advanced royalty payments of $50,000 annually up to $250,000 to be credited against future NSR payments. The Company has the right to purchase up to 50% of the NSR for a total of $1,500,000, each 0.5% of the 3% NSR requiring a $500,000 payment. As of June 30, 2011, the Company has spent $118,742 in exploration expenditures of the required $200,000 due November 2011.

## Results of Operations

For the quarter ended June 30, 2011

The Company sold 2,420 ounces of gold and generated $3.34 million in revenue from mining operations during the 2nd quarter of 2011. Alexis averaged a gold sale price of $1,465 per ounce during Q2-2011. During Q2-2010, 7,865 ounces of gold were sold generating $8.88 million in revenue. The average sale price realized during Q2-2010 was $1,185. Mine operating expenses were $4.22 million (Q2-2010: $8.68 million) and amortization and depletion amounted to $0.59 million (Q2-2010: $2.48 million). Amortization and depletion is substantially reduced as a result of the impairment write-downs on both the Lac Herbin property and equipment during the fourth quarter of 2010. The gross loss was $1.47 million during Q2-2011 compared to gross loss of $2.28 million during Q2-2010. Revenue from mining operations includes $3.54 million from gold sales (Q2-2010: $9.32 million) reduced by $0.20 million in refining and royalty charges (Q2-2010: $0.44 million). The Company is subject to an NSR of 4.5% on Lac Herbin gold sales. The cost of sales per ounce sold during the current quarter, excluding amortization and depletion, was $1,745 per ounce compared to $1,104 per ounce during the comparative quarter (see Non GAAP Measures). Mine operating costs were reduced by 9.5% as compared to Q1-2011 and cost of sales per ounce sold for Q2-2011 improved by approximately 32% compared to Q1-2011. Cash cost per tonne mined for Q2-2011 was $245/tonne, compared to $160/tonne during the same period last year.

Alexis recorded a net loss for the quarter ended June 30, 2011 of $2.50 million compared to net income of $0.39 million for the quarter ended June 30, 2010. Expenses were $1.04 million during Q2-2011 (Q2-2010: $1.42 million) as described below. The Company recognized a future income tax recovery of $nil during Q2-2011 compared to $4.09 million during Q2-2010.

**General and Administrative expenses**

| (CAD 000's) | Q2-2011 $ | Q2-2010 $ | Increase (decrease) $ | Change % |
|---|---|---|---|---|
| Professional, consulting and management fees | 400 | 531 | (131) | (25%) |
| Stock based compensation | (6) | 41 | (47) | (115%) |
| Other general and administrative expenses | 122 | 375 | (253) | (67%) |
| Finance costs | 442 | 377 | 65 | 17% |
| Finance income | (21) | (4) | (17) | (425%) |
| Other gains and losses: Foreign exchange | 12 | 27 | (15) | (54%) |
| Other gains and losses: Transaction costs | 0 | 167 | (167) | (100%) |
| Other gains and losses: Investments (FVTPL) | 391 | (97) | 488 | 504% |
| Other gains and losses: Realized gains on sale of investments | (306) | 0 | (306) | (100%) |
| Future income tax (recovery)/expense | 0 | (4,088) | 4,088 | 100% |

Professional, consulting and management costs decreased by $0.13 million or 25% during the quarter ended June 30, 2011 compared to the quarter ended June 30, 2010. The Company incurred lower legal fees during Q2-2011 compared to Q2-2010.

Stock based compensation is a non-cash expense included in Professional, consulting and management costs on the Condensed Interim Consolidated Statement of Operations and Comprehensive (Loss). The Company applies the fair value method of accounting for stock-based compensation. During the three months ended June 30, 2011, 3,000,000 stock options were granted and previously issued options vested during the quarter resulting in a charge of $0.04 million to mineral properties. The credit recognized on the statement of operations for Q2-2011 results from the reversal of accruals from forfeited options. During Q2-2010, 467,500 stock options were granted and options vested resulting in a charge of $0.04 million related to stock-based compensation on the statement of operations and $0.02 million charged to minerals properties.

Other general and administrative expenses decreased by 67% during Q2-2011 compared to Q2-2010 as a result of lower shareholder communications costs and a reversal of a capital tax accrual from 2010. The Company took measures to reduce shareholder communications costs throughout the quarter.

Finance costs increased by $0.07 million or 17% compared to Q2-2010 as a result of interest charges on the amount payable to a contractor for which quarterly instalments were arranged. As well, the Company incurred higher accretion expense during Q2-2011 compared to Q2-2010.

Finance income for Q2-2011 was earned on excess cash held in investment as well as interest earned on term deposits during Q2-2011. During Q2-2010, the Company held lower cash balances. The Company recorded unrealized losses on investments of $0.39 million during Q2-2011 as a result of investments held by Garson compared to unrealized gains of $0.97 million during Q2-2010. During Q2-2011, the Company sold its investment in Mineral IRL Ltd. and a portion of its shares in Centurion Minerals, Ltd. resulting in realized gains of $0.31 million during Q2-2011 (Q2-2010: $nil). The Company recorded foreign exchange losses of $0.01 million during Q2-2011 compared to $0.02 million during Q2-2010. Royalties payable are denominated in US dollars resulting in fluctuations in foreign exchange gains or losses.

For the six months ended June 30, 2011

The Company sold 4,246 ounces of gold and generated $5.69 million in revenue from mining operations during the six months ended June 30, 2011. Alexis averaged a gold sale price of $1,421 per ounce during 2011. During the six months ended June 30, 2010, 12,615 ounces of gold were sold generating $14.13 million in revenue. The average sale price realized during 2010 was $1,169. Mine operating expenses were $8.89 million (2010: $13.56 million) and amortization and depletion amounted to $0.71 million (2010: $3.69 million). Amortization and depletion is substantially reduced as a result of the impairment write-downs on both the Lac Herbin property and equipment during the fourth quarter of 2010. The gross loss was $3.91 million during 2011 compared to gross loss of $3.11 million during 2010. Revenue from mining operations includes $6.03 million from gold sales (2010: $14,82 million) reduced by $0.35 million in refining and royalty charges (2010: $0.69 million). The Company is subject to an NSR of 4.5% on Lac Herbin gold sales. The cost of sales per ounce sold during the current quarter, excluding amortization and depletion, was $2,093 per ounce compared to $1,075 per ounce during the comparative period (see Non GAAP Measures). Cash cost per tonne mined for 2011 was $277/tonne, compared to $164/tonne during the same period last year.

Alexis recorded a net loss for the six months ended June 30, 2011 of $4.71 million compared to net income of $0.19 million for the six months ended June 30, 2010. Expenses were $2.86 million during 2011 (2010: $2.10 million) as described below. The Company recognized a future income tax recovery of $2.07 million during 2011 compared to $5.41 million during 2010.

**General and Administrative expenses**

| (CAD 000's) | 2011 $ | 2010 $ | Increase (decrease) $ | Change % |
|---|---|---|---|---|
| Professional, consulting and management fees | 884 | 863 | 21 | 2% |
| Stock based compensation | 339 | 114 | 225 | 197% |
| Other general and administrative expenses | 416 | 800 | (384) | (48%) |
| Finance costs | 621 | 445 | 176 | 40% |
| Finance income | (52) | (7) | (45) | (643%) |
| Other gains and losses: Foreign exchange | (31) | 7 | (38) | (538%) |
| Other gains and losses: General exploration | 6 | 0 | 6 | 100% |
| Other gains and losses: Transaction costs | 0 | 187 | (187) | (100%) |
| Other gains and losses: Investments (FVTPL) | 501 | (307) | 808 | 264% |
| Other gains and losses: Realized gains on sale of investments | (306) | 0 | (306) | (100%) |
| Impairment charge on mineral properties | 486 | 0 | 486 | 100% |
| Future income tax (recovery)/expense | (2,065) | (4,088) | 3,343 | 62% |

Stock based compensation is a non-cash expense included in Professional, consulting and management costs on the Condensed Interim Consolidated Statement of Operations and Comprehensive (Loss). The Company applies the fair value method of accounting for stock-based compensation. During the six months ended June 30, 2011, 6,115,000 stock options were granted and previously issued options vested during the period resulting in a charge of $0.34 million to the statement of operations and $0.08 million charged to mineral properties. During 2010, 667,500 stock options were granted and options vested resulting in a charge of $0.11 million related to stock-based compensation on the statement of operations and $0.02 million charged to minerals properties.

Other general and administrative expenses decreased by 48% during 2011 compared to 2010 as a result of lower shareholder communications costs and a reversal of a capital tax accrual from 2010. The Company took measures to reduce shareholder communications costs throughout the quarter.

Finance costs increased by $0.18 million or 40% compared to 2010 as a result of interest charges on the amount payable to a contractor for which quarterly instalments were arranged. As well, the Company incurred higher accretion expense during 2011 compared to 2010.

Finance income for 2011 was earned on excess cash held in investment as well as interest earned on term deposits during 2011. During 2010, the Company held lower cash balances. The Company recorded unrealized losses on investments of $0.50 million during 2011 as a result of investments held by Garson compared to unrealized gains of $0.31 million during 2010. During 2011, the Company sold its investment in Mineral IRL Ltd. and a portion of its shares in Centurion Minerals, Ltd. resulting in realized gains of $0.31 million during 2011 (2010: $nil). The Company recorded foreign exchange gains of $0.03 million during 2011 compared to losses of $0.01 million during 2010. Royalties payable are denominated in US dollars resulting in fluctuations in foreign exchange gains or losses.

The Company recorded an impairment charge on the Lac Herbin property of $0.49 million during 2011 compared to $nil during 2010.

The Company recognized a future income tax recovery of $2.07 million during the six months ended June 30, 2011 compared to a recovery of $5.41 million for the six ended June 30, 2010. The recovery from 2011 ultimately results from the renunciation of flow-through shares during the first quarter of the year. Future income tax balances result from temporary differences between the tax basis and carrying value of the Company's assets which will reverse over time.

## Quarterly information

**Summary Financial Information for the Eight Quarters Ended June 30, 2011**

| | Q2-2011 | Q1-2011 | Q4-2010 | Q3-2010 | Q2-2010 | Q1-2010 | Q4-2009 | Q3-2009 |
|---|---|---|---|---|---|---|---|---|
| Revenue from mining operations (CAD 000's) | $ 3,343 | $ 2,344 | $ 3,856 | $ 7,742 | $ 8,881 | $ 5,251 | $ 12,107 | $ 6,564 |
| Mine operating expenses (CAD 000's) | $ 4,223 | $ 4,665 | $ 5,883 | $ 8,340 | $ 8,680 | $ 4,878 | $ 8,382 | $ 6,212 |
| Net Income (loss ) (CAD 000's) | $ (2,504) | $ (2,204) | $(44,981) | $ (3,844) | $ 391 | $ (197) | $ (2,071) | $(1,625) |
| Net income (loss) per share, basic and diluted (CAD) | $ (0.01) | $ (0.01) | $ (0.17) | $ (0.02) | $ 0.00 | $ (0.00) | $ (0.01) | $ (0.01) |
| Cash provided by (used in) operations (CAD 000's) | $ (3,912) | $ (3,589) | $ (2,041) | $ (6,847) | $ 8,795 | $ 1,266 | $ 716 | $ (299) |
| Gold ounces sold | 2,420 | 1,826 | 2,912 | 6,498 | 7,865 | 4,750 | 11,075 | 6,575 |
| Average realized gold price (per ounce) (CAD ) | $ 1,465 | $ 1,364 | $ 1,387 | $ 1,250 | $ 1,185 | $ 1,155 | $ 1,144 | $ 1,048 |
| *Mining operating expenses (per ounce) (CAD) | $ 1,745 | $ 2,555 | $ 2,020 | $ 1,283 | $ 1,104 | $ 1,027 | $ 757 | $ 944 |
| Total Assets (CAD 000's) | $ 119,542 | $ 105,073 | $108,167 | $141,223 | $142,667 | $143,364 | $140,123 | $89,190 |
| Long term financial liabilities (CAD 000's) | $ 5,612 | $ 18,111 | $ 16,969 | $ 8,039 | $ 15,916 | $ 11,187 | $ 11,224 | $ 2,130 |

* *see Non GAAP Measures*

The Company incurred a large operating loss during Q3-2009 as a result of low grades generating reduced ounces of gold. During Q4-2009, a large part of the loss is a result of a future income tax expense charged during the quarter. Stock-based compensation during the quarter accounted for the remainder of the loss. The Company's mine operating costs were high in Q3- and Q4-2010 primarily as a result of low grades. As well, in Q4-2010, the Company incurred a significant write-down expense of approximately $43.0 million as a result of impairment to its mineral properties. During Q1- and Q2-2011, the Company continued to experience low grades and low production with higher costs per ounce however the mine operating expense per ounce improved for the quarter.

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.

The general trend in increasing total assets has resulted from the Company raising funds through private placements and investing in its exploration properties in Quebec. During Q4-2009, the Company acquired a controlling interest in Garson, resulting in the large increase in total assets. The Company's total assets decreased significantly in Q4-2010 as a result of a write-down to its mineral properties and mill.

During the second quarter of 2009, the Company's debenture liabilities became current thereby reducing long term liabilities. During Q4-2009, as a result of the acquisition of Garson, the Company increased the provision for reclamation costs resulting in an increase in long term liabilities. During Q2-2010, the Company rolled over their $4.2 million debentures extending the maturity to April 2014. This transferred the liability from current to long-term. During Q3-2010, the Company rolled-over its other debenture through Garson resulting in approximately $2.0 million being recognized as a long-term liability instead of a current one. The value of the Company's provision for reclamation costs is being revalued each period at prevailing discount rates. Consequently, there is significant variation in this value quarter to quarter.

### Cash Flows for the quarter ended June 30, 2011

Cash used by operating activities for the three months ended June 30, 2011 was $3.91 million compared to providing $8.67 million for the three months ended June 30, 2010. During Q2-2011, mining operations used $0.88 million, administrative expenses and interest income used $0.57 million and non-cash working capital used $2.46 million. During Q2-2010, mining operations generated $0.20 million, administrative expenses and interest income used $1.15 million and non-cash working capital provided $9.62 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 $18.49 million during the three months ended June 30, 2011 compared to the use of $0.23 million during the three months ended June 30, 2010. During Q2-2011, the Company raised $18.51 million net of issue costs from a public offering of 201,250,000 common shares priced at $0.10 per share. During Q2-2010, the Company refinanced its convertible debenture using $94,000 in cash. During Q2-2011, the Company made capital lease and equipment financing payments of $0.03 million compared to $0.13 million during Q2-2010.

Cash from investing activities used $3.29 million during the three months ended June 30, 2011 compared to $8.75 million during the three months ended June 30, 2010. Expenditures on exploration interests used $4.23 million during the current quarter compared to $3.95 million during the comparative quarter as summarized below. The Company used $0.24 million to purchase property and equipment, and refurbish the Aurbel mill, compared to $0.57 million during Q2-2010. Working capital adjustments used $1.05 million during Q2-2011 compared to $4.23 million during Q2-2010. The Company received $1.90 million in government tax credits during Q2-2011 compared to $nil during Q2-2010. The Company sold its investment in Mineral IRL Ltd. and a portion its shares of Centurion Minerals Ltd. during Q2-2011 generating cash proceeds of $0.33 million (Q2-2010: $nil).

| Cash expenditures on exploration interests for the three months ended June 30, 2011: | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (CAD 000's) | PRODUCING PROPERTIES | NON-PRODUCING PROPERTIES | | | | | | |
| Description | Lac Herbin ($) | Rouyn ($) | Lac Pelletier ($) | VMS ($) | Aurbel ($) | Snow Lake ($) | Other Manitoba ($) | TOTAL ($) |
| Acquisition and property maintenance | - | 13 | - | - | 16 | - | - | 29 |
| Development costs | 912 | - | - | - | - | - | - | 912 |
| Exploration costs | 424 | 224 | 21 | 383 | 124 | 1,974 | 82 | 3,232 |
| Capitalized financing costs | - | - | - | - | - | 55 | - | 55 |
| Total | 1,336 | 237 | 21 | 383 | 140 | 2,029 | 82 | 4,228 |

### Cash Flows for the six months ended June 30, 2011

Cash used by operating activities for the six months ended June 30, 2011 was $7.50 million compared to providing $9.97 million for the six months ended June 30, 2010. During 2011, mining operations used $3.20 million, administrative expenses and interest income used $1.37 million and non-cash working capital used $2.93 million. During 2010, mining operations generated $0.57 million, administrative expenses and interest income used $1.93 million and non-cash working capital provided $11.33 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 $18.46 million during the six months ended June 30, 2011 compared to the use of $0.38 million during the six months ended June 30, 2010. During 2011, the Company raised $18.51 million net of issue costs from a public offering of 201,250,000 common shares priced at $0.10 per share. During 2010, the Company refinanced its convertible debenture using $94,000 in cash. During 2011, the Company made capital lease and equipment financing payments of $0.05 million compared to $0.29 million during 2010.

Cash from investing activities used $7.80 million during the six months ended June 30, 2011 compared to $14.44 million during the six months ended June 30, 2010. Expenditures on exploration interests used $8.19 million during the current quarter compared to $11.22 million during the comparative quarter as summarized below. The Company used $0.50 million to purchase property and equipment, and refurbish the Aurbel mill during 2011, compared to $3.14 million during 2010. Working capital adjustments used $1.34 million during 2011 compared to $2.06 million during 2010. The Company received $1.90 million in government tax credits during 2011 compared to $1.98 million during 2010. The Company sold its investment in Mineral IRL Ltd. and a portion its shares of Centurion Minerals Ltd. during 2011 generating cash proceeds of $0.33 million (2010: $nil).

| Cash expenditures on exploration interests for the three months ended June 30, 2011: | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (CAD 000's) | PRODUCING PROPERTIES | NON-PRODUCING PROPERTIES | | | | | | |
| Description | Lac Herbin ($) | Rouyn ($) | Lac Pelletier ($) | VMS ($) | Aurbel ($) | Snow Lake ($) | Other Manitoba ($) | TOTAL ($) |
| Acquisition and property maintenance | - | 14 | - | 2 | 28 | 36 | 0 | 80 |
| Development costs | 1,284 | - | - | - | - | - | - | 1,284 |
| Exploration costs | 950 | 558 | 112 | 936 | 382 | 3,635 | 142 | 6,715 |
| Capitalized financing costs | - | - | - | - | - | 109 | - | 109 |
| Total | 2,234 | 572 | 112 | 938 | 410 | 3,780 | 142 | 8,188 |

## Changes in Accounting Policies

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

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

**Initial elections upon adoption**
Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

*IFRS Exemption Options*

1. *Business combinations* - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The Company elected to apply IFRS 3 prospectively from the transition date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date. The Company did not apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

2. *Share-based payments* - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

3. *Changes in existing decommissioning, restoration and similar liabilities – IFRIC -1.* The Company did not apply the recognition and measurement principles of IFRIC 1 prior to January 1, 2010; and instead measured the Company's environmental rehabilitation obligations at fair value on January 1, 2010, estimating the amounts that would have been included in the cost of the related mining properties when the obligations first arose using the applicable historical country-specific risk free rates and recalculating the accumulated depletion for such assets at January 1, 2010.

4. *IAS 27 – Consolidated and separate financial statements*

   In accordance with IFRS 1, if a Company elects to apply IFRS 3 *Business Combinations* retrospectively, *IAS 27 Consolidated and Separate Financial Statements* must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

5. *IAS 23 – Borrowing costs*

In accordance with IFRS 1, the Company has elected to apply the transitional provisions of IAS 23 prospectively from the transition date. As a result, the Company has not capitalized borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the asset prior to the Transition Date.

6. *IAS 32 – Compound financial instruments*

In accordance with IFRS 1, the Company has elected not to revalue compound financial instruments where the liability component does not exist as of the transition date.

**IFRS Mandatory Exceptions**

**Estimates** - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

***Reconciliations of Canadian GAAP to IFRS***

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

**Changes in accounting policies:**

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

**a) Share-based compensation**

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

- Stock options and share grants prior to November 7, 2002 are not taken into account for IFRS 2;
- Stock options and share grants subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010; and,
- From January 1, 2010, all stock options, share grants and other share-based payments will be expensed in accordance with the policy stated in note 6.

**Forfeitures**

**Canadian GAAP** - Forfeitures of awards are recognized as they occur

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

**Expiration of share-based compensation**

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

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

**b) Measurement of decommissioning and rehabilitation provision**

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

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

As a result in the change in the discount rates being applied, the Company recorded an adjustment to the value of the rehabilitation provision recorded in its accounts on December 31, 2010 totaling $7,957,000 (June 30, 2010: $9,092,250). The change impacted the carrying value of mineral properties and deferred exploration expenditures by $7,221,000 (June 30, 2010: $7,849,000), the value of property, plant and equipment by $nil (June 30, 2010: $1,245,000) and impairment charge on the statement of operations by $736,000 (June 30, 2010: $nil). The accretion (or unwinding of the discount) of the provision for rehabilitation is presented as a finance cost under IFRS. Accretion expense decreased by $nil during the year ended December 31, 2010 as a result of these changes (June 30, 2010: $1,750).

**c) Flow through shares**

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

**IFRS** – There is no equivalent IFRS guidance. SIC Interpretation 25, Income Taxes – Changes in the Tax Status of an Entity or its Shareholders, provides some additional guidance in that it requires that the current and deferred tax consequences of a change in tax status shall be included in profit or loss for the period, unless those consequences relate to transactions and events that result in a direct credit to the recognized amount in equity. The portion of tax liabilities or assets related to such recognized equity amounts which is not included in profit or loss must be charged or credited directly to equity. As at December 31, 2010, $2,065,084 was recorded as a liability, $9,303,972 was credit to share capital and $7,238,488 was debited to retained earnings. As at June 30, 2010, $5,633,828 was credited to share capital and the same was debited to retained earnings.

**d) Non-controlling interest**

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

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

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

**e) Completion of the acquisition of Garson Gold**

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

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

- A net increase in mineral properties and deferred exploration expenditures of $1,259,374 (June 30, 2010: $1,266,920)
- A decrease in property, plant and equipment of $705,686 (June 30, 2010: $705,686)
- A decrease in the liability component of convertible debenture of $48,529 (June 30, 2010: $48,529)
- A decrease in deferred income tax liability of $nil (June 30, 2010: $213,059)
- Transaction with owners of $100,845 (June 30, 2010: $100,845)
- A decrease in deficit of $18,506 (June 30, 2010: increase of $187,007).

**f) Borrowing costs**

**Canadian GAAP** – Borrowing costs were expensed as incurred.

**IFRS** – Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset. As a result of this change, the Company capitalized $356,920 to mineral properties and deferred exploration expenditures at December 31, 2010 (June 30, 2010: $164,689) crediting financing costs on the statement of operations.

**Reconciliation of Consolidated Statement of Financial Position as of June 30, 2010**

| Canadian GAAP accounts | | Canadian GAAP Balances | IFRS Adjustments | IFRS Balance |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | $ 1,255,480 | $ - | $ 1,255,480 |
| Amounts receivable | | 684,521 | - | 684,521 |
| Tax credits receivable | | 8,163,438 | - | 8,163,438 |
| Inventories | | 4,849,042 | - | 4,849,042 |
| Prepaid expenses | | 481,693 | - | 481,693 |
| Investments | | 428,997 | - | 428,997 |
| | | 15,863,171 | - | 15,863,171 |
| **Non-current assets** | | | | |
| Restricted cash equivalents | | 5,767,000 | - | 5,767,000 |
| Property, plant and equipment | 28.b,e | 22,450,358 | 539,314 | 22,989,672 |
| Mineral propertes and deferred exploration expenditures | 28.b,e,f | 89,249,912 | 8,797,743 | 98,047,655 |
| **Total assets** | | $ 133,330,441 | $ 9,337,057 | $ 142,667,498 |
| **Liabilities** | | | | |
| **Current liabilites** | | | | |
| Accounts payable | | 20,097,555 | - | 20,097,555 |
| Current portion of capital lease obligations | | 271,392 | - | 271,392 |
| Current portion of long-term debt | | 66,450 | - | 66,450 |
| Other liabilities | 28.c | - | - | - |
| Liability component of convertible debenture | 28.e | 2,140,719 | (48,529) | 2,092,190 |
| | | 22,576,116 | (48,529) | 22,527,587 |
| **Non-current liabilities** | | | | |
| Capital lease obligations | | 64,196 | - | 64,196 |
| Long-term debt | | 17,389 | - | 17,389 |
| Liability component of convertible debenture | | 3,528,630 | - | 3,528,630 |
| Provision for closure and reclamation | 28.b | 3,213,750 | 9,092,250 | 12,306,000 |
| Deferred income tax liability | 28.e | 3,075,000 | 213,059 | 3,288,059 |
| **Total liabilities** | | 32,475,081 | 9,256,780 | 41,731,861 |
| **Shareholders' equity** | | | | |
| Share capital | 28.c | 97,205,234 | (5,633,828) | 91,571,406 |
| Commitment to issue shares | | 156,877 | - | 156,877 |
| Equity component of convertible debentures | | 1,512,542 | - | 1,512,542 |
| Share-based payments reserve | 28.a | 17,631,628 | (11,260,800) | 6,370,828 |
| Transaction with owners | 28.e | - | 100,845 | 100,845 |
| Retained earnings (deficit) | 28.a,c,e,f | (15,650,921) | 16,874,060 | 1,223,139 |
| **Total equity** | | 100,855,360 | 80,277 | 100,935,637 |
| **TOTAL LIABILITIES AND EQUITY** | | $ 133,330,441 | $ 9,337,057 | $ 142,667,498 |

*Notes refer to the notes in the condensed interim consolidated financial statements for the three and six months ended June 30, 2011.*

**Reconciliation of Consolidated Statement of Operations for the three months ended June 30, 2010**

| Canadian GAAP accounts | | Canadian GAAP Balances | IFRS Adjustments | IFRS Balance |
|---|---|---|---|---|
| Revenue, net of royalties | | $ 8,881,285 | $ - | $ 8,881,285 |
| Mine operating expenses | | $ (8,679,733) | - | (8,679,733) |
| Depletion and depreciation | | $ (2,481,031) | - | (2,481,031) |
| Total operating expenses | | (11,160,764) | - | (11,160,764) |
| Gross (loss) | | (2,279,479) | - | (2,279,479) |
| Expenses | | | | |
| Professional, consulting and management | | $ (572,109) | - | (572,109) |
| Other general and administrative expenses | | (374,655) | - | (374,655) |
| Other gains and losses | 28.e | 69,629 | (167,168) | (97,539) |
| Finance income | | 3,542 | - | 3,542 |
| Finance costs | 28.f | (289,155) | (87,643) | (376,798) |
| Impairment charge | | - | - | - |
| **Loss before income tax** | | (3,442,227) | (254,811) | (3,697,038) |
| Deferred income tax recovery | 28.e | 4,088,082 | - | 4,088,082 |
| **Loss and comprehensive loss for the period** | | $ 645,855 | $ (254,811) | $ 391,044 |
| Loss attributable to: | | | | |
| Owners of the Company | | 645,855 | (254,811) | 391,044 |
| Non-controlling interest | | - | | - |
| | | 645,855 | (254,811) | 391,044 |
| **Loss per share** | | | | |
| Basic | | $ 0.00 | | $ 0.00 |
| Diluted | | $ 0.00 | | $ 0.00 |
| Weighted average number of shares outstanding: | | | | |
| Basic | | 220,875,825 | | 220,875,825 |
| Diluted | | 221,048,189 | | 221,048,189 |

*Notes refer to the notes in the condensed interim consolidated financial statements for the three and six months ended June 30, 2011.*

**Reconciliation of Consolidated Statement of Operations for the six months ended June 30, 2010**

| Canadian GAAP accounts | | Canadian GAAP Balances | IFRS Adjustments | IFRS Balance |
|---|---|---|---|---|
| Revenue, net of royalties | | $ 14,132,645 | $ - | $ 14,132,645 |
| Mine operating expenses | | (13,557,810) | - | (13,557,810) |
| Depletion and depreciation | | (3,687,094) | - | (3,687,094) |
| Total operating expenses | | (17,244,904) | - | (17,244,904) |
| Gross (loss) | | (3,112,259) | - | (3,112,259) |
| Expenses | | | | |
| Professional, consulting and management | | (976,745) | - | (976,745) |
| Other general and administrative expenses | | (800,105) | - | (800,105) |
| Other gains and losses | 28.e | 299,605 | (187,007) | 112,598 |
| Finance income | | 7,092 | - | 7,092 |
| Finance costs | 28.f | (611,260) | 166,439 | (444,821) |
| Impairment charge | | - | - | - |
| **Loss before income tax** | | (5,193,672) | (20,568) | (5,214,240) |
| Deferred income tax recovery | 28.e | 4,215,082 | 1,193,036 | 5,408,118 |
| **Loss and comprehensive loss for the period** | | $ (978,590) | $ 1,172,468 | $ 193,878 |
| Loss attributable to: | | | | |
| Owners of the Company | | (978,915) | 1,172,468 | 193,553 |
| Non-controlling interest | | 325 | | 325 |
| | | (978,590) | 1,172,468 | 193,878 |
| **Loss per share** | | | | |
| Basic | | $ (0.00) | | $ 0.00 |
| Diluted | | $ (0.00) | | $ 0.00 |
| Weighted average number of shares outstanding: | | | | |
| Basic | | 219,614,409 | | 219,614,409 |
| Diluted | | 219,948,365 | | 219,948,365 |

*Notes refer to the notes in the condensed interim consolidated financial statements for the three and six months ended June 30, 2011.*

## Transactions with Related Parties

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

| | Sales of goods and services | | | |
|---|---|---|---|---|
| | Three months ended June 30, | | Six months ended June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| 2227929 Ontario Inc. | $ - | $ - | $ - | $ - |
| Forbes & Manhattan, Inc. | - | - | - | - |

| | Purchases of goods and services | | | |
|---|---|---|---|---|
| | Three months ended June 30, | | Six months ended June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| 2227929 Ontario Inc. | $ 99,251 | $ 119,531 | $ 181,287 | $ 199,974 |
| Forbes & Manhattan, Inc. | 105,488 | 211,838 | 183,015 | 340,750 |

The Company shares office space with other companies who may have similar officers or directors. The costs associated with this space are administered by 2227929 Ontario Inc. Mr. Stan Bharti, a director of the Company, is an officer of Forbes & Manhattan, Inc. An administration fee of $5,000 per month is charged by Forbes & Manhattan, Inc. As well, a 2% royalty is payable on gold sales from the Aurbel properties (including Lac Herbin) to Forbes & Manhattan, Inc.

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

| | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|
| | June 30, 2011 | December 31, 2010 | June 30, 2011 | December 31, 2010 |
| 2227929 Ontario Inc. | $ 58,581 | $ 51,252 | $ 51,152 | $ - |
| Forbes & Manhattan, Inc. | $ - | $ - | $ 82,119 | $ 526,106 |

The amounts outstanding are unsecured. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties. During the quarter ended June 30, 2011, the Company issued 5,000,000 common shares valued at $500,000 to Forbes & Manhattan, Inc. to settle the amount owed for outstanding royalties payable.

*Compensation of key management personnel of the Company*

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Short-term benefits | $ 304,011 | $ 310,023 | $ 575,011 | $ 538,603 |
| Share-based payments | 166,500 | - | 420,700 | - |

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

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

## Subsequent Events

In July, 6,974,360 warrants and broker warrants expired unexercised.

In August 2011, the Company closed on its agreement to acquire a 100% interest in a majority of the joint venture properties with Xstrata with a payment of $200,000.

## Outstanding Share Data

As at the date of this report, 593,641,777 common shares of the Company are outstanding. Of the options to purchase common shares issued under the share option plan of the Company, 15,281,512 remain outstanding with exercise prices ranging from $0.10 to $1.14 and with expiry dates ranging between November 1, 2011 and June 6, 2016. If exercised, 15,281,512 common shares would be issued generating $6.18 million in proceeds.

As at August 15, 2011, there were 82,530,113 share purchase warrants and broker warrants outstanding with exercise prices ranging from $0.10 to $0.50, expiring between September 10, 2011 and May 12, 2014. If exercised, 82,530,113 common shares would be issued generating $29.16 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 Non-GAAP performance measures but do not have any standardized meaning. 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 for the three and six months ended June 30, 2011 and 2010, and a reconciliation of working capital to the financial statements for the periods ended June 30, 2011 and December 31, 2010.

### Working Capital

| (CAD 000's) | | |
|---|---|---|
| Current assets: | **June 30, 2011** | December 31, 2010 |
| Cash and cash equivalents | **$12,574** | $9,411 |
| Amounts receivable | **518** | 658 |
| Tax credits receivable | **2,659** | 6,728 |
| Inventory | **2,219** | 1,822 |
| Prepaid expenses | **705** | 463 |
| Investments | **120** | 641 |
| | **18,795** | 19,723 |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **$6,098** | $9,348 |
| Current portion of capital lease obligations | **129** | 137 |
| Current portion of long-term debt | **17** | 51 |
| Other liabilities | **-** | 2,065 |
| | **6,244** | 11,601 |
| Working capital/(deficit)<br>(current assets less current liabilities) | **$12,551** | $8,122 |

Cash cost per ounces sold

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **June 30, 2011** | June 30, 2010 | **June 30, 2011** | June 30, 2010 |
| **Revenue**<br>From commercial production ounces (CAD 000's) | **$3,343** | $8,881 | **$5,687** | $14,133 |
| **Ounces sold** | **2,420** | 7,865 | **4,246** | 12,615 |
| **Mine operating expenses (CAD 000's)** | **$4,223** | $8,680 | **$8,887** | $13,558 |
| Cash cost per ounce sold (CAD)<br>(mining operating expenses divided by ounces sold) | **$1,745** | $1,104 | **$2,093** | $1,075 |

## Contractual Obligations and Contingencies

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

| | | Payments due by period: | | | |
|---|---|---|---|---|---|
| Contractual Obligation | Total | < 1 year | 1 - 3 years | 4 - 5 years | > 5 years |
| Equipment financing | 17,772 | 17,772 | - | - | |
| Capital lease obligations | 179,663 | 81,758 | 97,905 | - | - |
| Contractual commitments | 868,608 | 868,608 | - | - | - |
| | 1,066,043 | 968,138 | 97,905 | - | - |

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $3,000,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contractual commitments remaining under the agreements are approximately $870,000, all due within one year.

(Pursuant to the issuance of 50,774,998 flow-through shares in December 2010, the Company renounced $12,186,000 of qualified exploration expenditures in February 2011. As at March 31, 2011, the Company has spent approximately $5,203,000 and is required to spend an additional $6,983,000 by December 31, 2011.

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

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

# 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. 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 IFRS. 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 IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and affect estimates for provisions for 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

The Company does not have any off balance sheet items.

## Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Subject to the limitations, if any, described below, the Company's CEO and CFO, have as at the end of the period ended June 30, 2011 designed Disclosure and Control Procedures, ("DC&P") or caused it to be designed under their supervision, to provide reasonable assurance that:

- material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
- information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

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 accounting principles generally accepted in Canada.

Changes to accounting policies or business processes as a result of the IFRS conversion did not materially affect the Company's internal controls over financial reporting. There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the period ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

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 six months ended June 30, 2011, and Alexis's board of directors approved these documents prior to their release.

August 15, 2011