ALEXIS MINERALS CORPORATION

(a development stage company)

INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2008

UNAUDITED

ALEXIS MINERALS CORPORATION
(A Development Stage Company)

Consolidated Balance Sheets
As at

		September 30, 2008 *(unaudited)*		December 31, 2007 *(audited)*
Assets				
Current assets:				
Cash and cash equivalents	$	1,793,437	$	6,153,297
Restricted cash (Note 7)		-		150,000
Amounts receivable (Note 16)		486,761		2,293,571
Tax credits receivable (Notes 6 and 7)		5,741,405		12,054,626
Inventory		5,975,575		4,794,746
Prepaid expenses		380,684		351,914
		14,377,862		25,798,154
Property and equipment (Note 5)		6,372,409		4,434,808
Cash appropriated for exploration expenditures		-		530,034
Exploration properties and deferred exploration expenditures (Note 6)		55,499,119		40,541,822
	$	76,249,390	$	71,304,818
Liabilities and Shareholders' Equity				
Current Liabilities:				
Accounts payable and accrued liabilities (Note 16)	$	6,918,326	$	6,012,546
Secured demand loan (Note 7)		-		5,345,689
Current portion of capital leases (Note 8)		530,169		264,886
Current portion of long term debt (Note 9)		164,577		170,298
		7,613,072		11,793,419
Capital lease obligations (Note 8)		458,513		276,008
Long term debt (Note 9)		192,368		316,217
Liability component of convertible debenture (Note 10)		3,667,003		3,335,692
Asset retirement obligation (Note 11)		525,500		479,000
Future tax liability		577,000		1,599,000
		13,033,456		17,799,336
Shareholders' equity:				
Share capital (Note 12)		57,698,409		48,908,428
Warrants (Note 13)		7,227,429		5,138,113
Equity component of convertible debenture (Note 10)		830,334		830,334
Contributed surplus (Note 15)		7,946,981		6,936,037
Deficit		(10,487,219)		(8,307,430)
		63,215,934		53,505,482
	$	76,249,390	$	71,304,818

Commitment and contingencies, Notes 1, 6, and 17
Subsequent events, Note 20

ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Consolidated Statements of Shareholders' Equity

	Common Shares		Warrants	Convertible Debenture	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
	No.	$	$	$	$	$	$
Balance, December 31, 2006	70,710,626	25,898,218	2,071,196	830,334	4,541,368	(6,552,773)	26,788,343
Private placement	25,000,000	25,000,000					25,000,000
Value of warrants granted on private placement		(4,912,500)	4,912,500				-
Exercise of warrants and broker warrants	3,009,616	2,753,372					2,753,372
warrants		1,167,993	(1,167,993)				-
Exercise of stock options	1,371,000	738,025					738,025
Valuation allocation on exercise of stock options		531,236			(531,236)		-
Shares issued in lieu of interest payment	291,522	251,907					251,907
Amortization of deferred financing charges on equity portion of convertible debenture							-
Accretion of discount of equity portion of convertible debenture							-
Expiry of warrants			(677,590)		677,590		-
Stock based compensation					2,248,315		2,248,315
Flow through share tax effect		(1,315,000)					(1,315,000)
Tax effect of cost of issue		511,000					511,000
Share issue costs		(1,715,823)					(1,715,823)
Loss for the period						(1,754,657)	(1,754,657)
Balance, December 31, 2007	100,382,764	48,908,428	5,138,113	830,334	6,936,037	(8,307,430)	53,505,482
Private placement	16,714,286	11,700,000					11,700,000
Value of warrants granted on private placement		(2,314,929)	2,314,929				-
Exercise of stock options	410,000	122,400					122,400
Valuation allocation on exercise of stock options		91,510			(91,510)		-
Valuation allocation of expired warrants			(225,613)		225,613		-
Shares issued in lieu of interest payment	213,695	126,657					126,657
Stock based compensation					876,841		876,841
Share issue costs		(1,336,657)					(1,336,657)
Tax effect of cost of issue		401,000					401,000
Loss for the period						(2,179,789)	(2,179,789)
Balance, September 30, 2008	**117,720,745**	**57,698,409**	**7,227,429**	**830,334**	**7,946,981**	**(10,487,219)**	**63,215,934**

ALEXIS MINERALS CORPORATION
(A Development Stage Company)

Consolidated Statements of Operations and Deficit
For the three and nine months ended September 30, 2008 and 2007
(unaudited - prepared by management)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Expenses:				
Professional, consulting and management fees (Note 14)	$ 730,186	$ 1,826,457	$ 1,214,745	$ 2,788,065
Shareholder communications and transfer agent fees	120,374	187,664	541,724	509,027
Long-term interest, accretion and financing costs	177,511	143,679	526,721	425,329
Other interest, accretion and financing costs	92,748	67,895	389,296	272,624
Travel	33,612	30,870	100,090	112,264
General office expenses	22,821	28,953	86,316	99,357
Occupancy cost	32,795	6,119	59,842	20,482
Amortization of office equipment	-	-	-	3,999
Less: interest income and gain on investments	(12,090)	(179,518)	(117,945)	(530,898)
Net (loss) before income taxes	(1,197,957)	(2,112,119)	(2,800,789)	(3,700,249)
Future income tax recovery	36,000	-	621,000	-
Net (loss) for the period	(1,161,957)	(2,112,119)	(2,179,789)	(3,700,249)
DEFICIT, beginning of period	(9,325,262)	(8,140,903)	(8,307,430)	(6,552,773)
DEFICIT, end of period	$ (10,487,219)	(10,253,022)	$ (10,487,219)	(10,253,022)
Net (loss) per share:	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.04)
Weighted average number of shares outstanding:	117,562,049	99,961,062	112,634,930	94,555,194

- See accompanying Notes to the Unaudited Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION
(A Development Stage Company)

Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2008 and 2007

(unaudited - prepared by management)

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Cash provided by (used in):				
Operations:				
Net (loss) for the period	$ (1,161,957)	$ (2,112,119)	$ (2,179,789)	$ (3,700,249)
Items not involving cash:	-			
Stock-based compensation (Note 14)	560,280	1,666,170	621,380	1,741,970
Amortization of office equipment	-	-	-	3,999
Interest, accretion and finance charges	242,888	143,678	722,068	484,509
Future income tax recovery	(36,000)	-	(621,000)	-
Changes in non-cash working capital	(1,336,259)	99,907	213,264	(196,990)
	(1,731,048)	(202,364)	(1,244,077)	(1,666,761)
Financing:				
Private placement, net of share issue costs	-	-	10,363,344	23,284,177
Exercise of warrants and options	76,500	53,250	122,400	3,349,322
Demand loan	(5,345,689)	-	(5,345,689)	556,953
Long term debt repayments	(46,077)	(30,000)	(139,570)	(90,000)
Capital lease payments	(77,117)	-	(364,653)	-
	(5,392,383)	23,250	4,635,832	27,100,452
Investing:				
Equipment purchases	(267,399)	(557,512)	(2,131,781)	(2,818,165)
Release of restricted funds	150,000	-	150,000	-
Decrease (increase) in cash appropriated for exploration expenditure	-	89,608	530,034	(390,876)
Decrease (increase) in prepaid exploration expenditures	-	755,067	-	(165,594)
Increase (decrease) in exploration accounts payable	467,181	(883,027)	1,082,127	1,598,318
Exploration tax credits received	10,040,115	385,291	10,040,115	385,291
Expenditures on exploration interests, net of government assistance	(4,012,342)	(6,980,781)	(17,422,110)	(18,962,611)
	6,377,555	(7,191,354)	(7,751,615)	(20,353,637)
Change in cash and cash equivalents	(745,876)	(7,370,468)	(4,359,860)	5,080,054
Cash and cash equivalents, beginning of period	2,539,313	15,694,808	6,153,297	3,244,286
Cash and cash equivalents, end of period	$ 1,793,437	$ 8,324,340	$ 1,793,437	$ 8,324,340
Cash and cash equivalents consists of:				
Cash	$ 1,778,437	$ 60,162	$ 1,778,437	$ 60,162
Cash equivalents	15,000	8,264,178	15,000	8,264,178
	$ 1,793,437	$ 8,324,340	$ 1,793,437	$ 8,324,340
SUPPLEMENTAL INFORMATION				
Interest and dividend income received	$ 12,090	$ 323,431	$ 117,945	$ 516,015
Interest paid	23,549	70,484	181,697	250,844
Common shares issue for interest payment	126,657	-	126,657	125,261
Stock-based compensation charged to mineral properties	197,109	267,412	255,462	334,076
Amortization of exploration assets charged to exploration	397,211	109,455	1,006,621	250,806
Equipment acquired under capital leases	51,930	253,899	812,441	253,899
Income taxes paid	-	-	-	-

1. NATURE OF OPERATIONS AND GOING CONCERN

Alexis Minerals Corporation (the "Company") currently has interests in exploration properties in the province of Quebec. Substantially all of the Company's efforts are devoted to financing and developing these properties. As at September 30, 2008, the Company was a development stage entity, as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11. During the first quarter of 2008, the Company announced that a production decision at its Lac Herbin deposit was approved by the Board of Directors. The Company plans to enter commercial production during the fourth quarter of 2008.

These interim consolidated financial statements are unaudited and are not reviewed by the Company's auditors.

Management has prepared these unaudited consolidated financial statements for the nine months ended September 30, 2008 in accordance with Canadian generally accepted accounting principles. These statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007.

The disclosure in these interim unaudited consolidated financial statements may not conform in all respects to generally accepted accounting principles in Canada for annual financial statements.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited consolidated financial statements. Operating results for the nine months ended September 30, 2008 are not indicative of the results that may be expected for the full year ending December 31, 2008.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

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

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited consolidated financial statements.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The future of the Company is dependent on the successful operation of its Lac Herbin property. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.
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2. SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below, these unaudited consolidated financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2007.

New accounting pronouncements:
The CICA issued the following new accounting standards: Inventories (Handbook Section 3031), Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

(i) Inventories

Handbook Section 3031 replaces the previous inventories standard 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 requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value.

(ii) Capital Disclosures

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 noncompliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim unaudited consolidated financial statements.

(iii) Financial Instruments - Disclosures and Presentation

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 4 to these interim unaudited 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) International Financial Reporting Standards

In February 2008, the Accounting Standards Board (AcSB) confirmed that Canadian public companies will have to adopt International Financial Reporting Standards (IFRS) effective for years beginning on or after January 1, 2011. The Company is currently evaluating the impact this new framework.

3. CAPITAL MANAGEMENT

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

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital, will spend funds from the recovery of gold from bulk samples, and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2008.

4. FINANCIAL RISK FACTORS

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

Credit risk

The Company's credit risk is primarily attributable to cash equivalents, amounts receivable and tax credits receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates and bankers acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable and tax credits receivable consist of goods and services tax due from the Federal Government of Canada, tax credits due from the Provincial Government of Québec, and receivables from related and unrelated companies. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2008, the Company had a cash and cash equivalents balance of $1,793,437 (December 31, 2007 - $6,153,297) to settle current liabilities of $7,613,072 (December 31, 2007 - $11,793,419). Approximately $6,900,000 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company carries a long term convertible debenture on which interest is payable semi-annually at a fixed rate of 6% per annum. Management believes that interest rate risk is remote as investments are short term, and the Company does not carry interest bearing debt at floating rates.

4. FINANCIAL RISK FACTORS (continued)

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

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

Sensitivity analysis

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Amounts receivable and tax credits receivable included in other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Short and long term debt is classified as held-to-maturity and measured at amortized cost.

As at September 30, 2008, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

The Company does not hold interest bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

The Company holds gold inventory. A decrease in the market price of gold of $100 per ounce on the inventory held at September 30, 2008 would generate a decrease in value of approximately $406,000.

The Company intends to begin production later this year. At the current time the Company has no intention of hedging its future gold sales.

5. PROPERTY AND EQUIPMENT

	2008			2007
	Cost ($)	Accumulated Amortization ($)	Net ($)	Net ($)
Computer equipment	120,013	(64,132)	55,881	75,545
Computer software	209,945	(204,450)	5,495	89,106
Office equipment	24,384	(17,412)	6,972	99,690
Office furniture	15,748	(9,123)	6,625	7,922
Field equipment	2,154,986	(312,353)	1,842,633	731,517
Mobile equipment	4,429,262	(945,193)	3,484,069	2,886,886
Buildings	1,063,147	(92,413)	970,734	544,142
	8,017,485	(1,645,076)	6,372,409	4,434,808

6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Description	Rouyn ($)	Lac Pelletier ($)	VMS ($)	Aurbel ($)	Lac Herbin ($)	Other ($)	TOTAL ($)
Balance, December 31, 2007	12,160,139	2,462,045	4,500,462	3,243,314	17,971,686	204,176	40,541,822
Acquisition and property maintenance	22,851	98,663	1,000,753	37,710	-	-	1,159,977
Preproduction costs	-	-	-	-	8,555,455	-	8,555,455
Underground development	-	-	-	-	5,203,184	-	5,203,184
Surface development	-	754,927	-	-	-	-	754,927
Drilling and assaying	786,083	6,069	1,973,653	774	103,489	-	2,870,068
Engineering	-	258,750	-	-	-	-	258,750
Geology and geophysics	241,587	119,932	154,536	283	788,226	-	1,304,564
Environment	2,021	8,333	-	-	-	-	10,354
Other exploration costs	-	28,617	7,691	-	-	-	36,308
Site administration	253,733	93,136	686,770	96,770	36,314	-	1,166,723
Amortization	13,144	57,419	30,306	1,289	904,463	-	1,006,621
	13,479,558	3,887,891	8,354,171	3,380,140	33,562,817	204,176	62,868,753
Less:							
Net gold sales from bulk sample	-	-	-	-	(3,814,280)	-	(3,814,280)
Government assistance	(146,996)	(235,620)	(495,754)	(26)	(2,676,958)	-	(3,555,354)
							-
Balance, September 30, 2008	13,332,562	3,652,271	7,858,417	3,380,114	27,071,579	204,176	55,499,119

The Company had filed for approximately $10,800,000 of government assistance related to exploration expenditures in the province of Quebec for the year ended December 31, 2007. The Company has accrued a further $3,700,000 in assistance for the nine months ended September 30, 2008. The assistance has been applied to the exploration properties to which it pertains.

During the quarter, the Company received $8,900,000 in assistance from the Government of Quebec related to the 2007 year, as well as $1,100,000 of assistance related to the 2006 year.

6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

Rouyn Noranda Properties, Quebec (Rouyn)

Pursuant to the June 15, 2004 binding letter of intent with Falconbridge Ltd., now referred to as Xstrata Copper ("Xstrata"), a business unit of Falconbridge Ltd., the Company officially vested into a 50% interest in all of Xstrata's properties in the prospective Rouyn-Noranda Base Metal and Gold Camp. The Company accelerated the release of funds from the trust account to a segregated account established by Xstrata to further fund the exploration expenditures.

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

Lac Pelletier Property, Rouyn-Noranda, Quebec (Rouyn)

Pursuant to the September 2005 option agreement within Thundermin Resources Inc. ("Thundermin"), the Company can acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and $1 charge per tonne milled, by spending $1,000,000 in exploration expenditures by September 1, 2008. During 2007, the Company met their expenditure obligations.

Pursuant to the agreement, the Company is also required to make a production decision by September 1, 2008 and reach commercial production by September 1, 2009. These dates can both be extended by one year by making a cash payment of $75,000 to Thundermin. If the Company fails to reach commercial production by the specified date, the Company will be required to make annual advance royalty payments of $75,000. During the quarter, the Company extended their decision deadline by making the required $75,000 payment to Thundermin.

VMS Properties, Quebec

Pursuant to the March 17, 2004 option agreement with AUR Resources Inc. ("AUR"), the Company met its exploration expenditure commitments, and during the first quarter made a final $1,000,000 cash payment to AUR in order to vest into a 100% interest in the properties under the agreement. AUR will subsequently retain between a 2% and a 2.5% net smelter return royalty on the properties depending on pre-existing underlying royalties. The Louvex and Bonnefond properties were held under an existing joint venture agreement whereby Novicourt Inc. owned a 45% interest. However, effective December 31, 2006, Novicourt Inc. opted to no longer fund the joint venture and consequently their interest will decrease and the Company's will increase with further exploration on these properties. (See Note 18.)

Aurbel (Including Lac Herbin) Property, Quebec

During the fourth quarter of 2007, the Company completed a bulk sample from Lac Herbin resulting in 6,692 ounces of fine gold, of which 5,692 ounces remained on hand at December 31, 2007. During the first quarter of 2008, these ounces were sold for gross proceeds of approximately $5,000,000.

In June 2008, the Company commenced a milling campaign which was completed early in July. A total of 4,665 ounces of gold was recovered from 26,798 dry tonnes of ore processed. These were sold during the quarter for gross proceeds of $4,173,814, or a weighted average gold price of $894.71/oz.

In September 2008, the Company commenced another milling campaign which was completed in early October. A total of 5,860 ounces was recovered from 26,769 dry tonnes of ore processed. At September 30, 2008, 4,057 ounces of gold was recorded as brick inventory.

There is a 2% Net Smelter Return royalty held by a company that is controlled by a director of the Company. During the first quarter of the year, the Company made a royalty payment of $106,000 to this company related to the December 2007 bulk sample. As well, at September 30, 2008, the Company has accrued US$159,000 in royalties payable to this director related to gold production during the current year. Subsequent to the end of the quarter, $93,000 of this royalty was paid.

7. SECURED DEMAND NOTE

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 $5,900,000 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 $8,900,000. A loan guarantee was provided by Investissement Quebec for a fee of 3%, or $177,000. In accordance with the loan guarantee the Company was required to deposit $150,000 in a GIC. As at December 31, 2007, a total of $5,345,689 had been advanced to the Company with respect to these loan agreements.

During the quarter, the Company received the $8,900,000 in assistance, and these loans were repaid in full. As well, the $150,000 GIC was redeemed upon repayment. Total interest costs for the term of this loan amounted to $180,753.

8. CAPITAL LEASE OBLIGATION

During 2007, the Company entered into a capital leasing arrangement for mobile equipment. The Company is committed to monthly lease payments of $23,517 over the two year term of the lease. The capital lease obligation bears interest at 4.12%. During the first quarter of 2008, the Company entered into another capital leasing arrangement for mobile equipment whereby monthly payments of $22,411 are required over a three-year term. This capital lease obligation bears interest at 7.95%. At the end of the quarter ended September 30, 2008, the Company entered into a capital lease arrangement for mobile equipment whereby monthly payments of 2,016 are required over a four year period.

As at September 30, 2008, the future minimum lease payments under the capital lease arrangement were:

	Capital lease obligations
2008	143,830
2009	551,804
2010	293,115
2011	46,598
2012	18,141
	1,053,488
Less: Amounts representing interest	(64,806)
	988,682
Less: Current portion	530,169
Long-term portion	458,513

9. LONG-TERM DEBT

In 2007, the Company entered into financing contracts to purchase equipment. The financing contracts have interest rates ranging from 7.25% to 7.75% and are repayable over two to four years.

In July 2006, the Company purchased a building, being the Val d'Or office, from Aur Resources Inc. The Company made a payment of $100,000 towards the purchase price, with the balance payable in 45 monthly instalments of $10,000 and recorded as a non-interest bearing long-term debt, discounted at a rate of 6.28%. Accretion expense related to this loan for the nine months ended September 30, 2008 totalled $10,000 (2007 - $10,000).

Principal repayments are as follows:

	Building	Equipment	Total
2008	26,667	14,061	40,728
2009	106,667	59,039	165,706
2010	35,555	63,781	99,336
2011	-	51,175	51,175
Total long-term debt	168,889	188,056	356,945
Less: current portion	106,667	57,910	164,577
Long-term portion	62,222	130,146	192,368

10. CONVERTIBLE DEBENTURE

During 2006, the Company completed a private placement debenture financing with Industrial Alliance Securities Inc. ("Industrial Alliance") raising $4,210,000 in gross proceeds. Pursuant to the terms of the private placement, the Company issued Units comprised of $1,000 principal convertible debentures (the "Debentures") maturing April 28, 2010 and 150 common share purchase warrants (the "Warrants"). The $1,000 face value Debentures are unsecured and subordinated obligations of the Company, have a coupon rate of 6.0% and are convertible at the option of the holder, any time after 12 months from the date of closing, into common shares of the Company at an exercise price of $0.75 for the second year, $0.825 for the third year and $0.9075 for the fourth year (the "Conversion Prices"). Interest on the loan is payable in cash or in common shares of the Company at the option of the Company based on a price equal to 90% of the average closing price of the common shares of the Company on the TSX Venture Exchange for a period of 20 consecutive trading days ending 5 days before the payment date. The Warrants, at an exercise price of $0.75,expired on May 11, 2008. The Company will have the right to redeem the Debentures in their fourth year provided that the shares of the Company are trading in excess of $1.13 over the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given. The redemption can be satisfied through the issuance of common shares valued at 90% of the 20 day average trading price ending five days prior to the date of redemption.

The Debentures are classified as a liability, with the exception of the portions relating to the conversion features and the attached Warrants, resulting in the carrying value of the Debentures being less than its face value. The discount is being accreted over the term of the Debentures, utilizing the effective interest rate method at a 15% discount rate. For the nine months ended September 30, 2008, accretion of discount totalled $395,642 (2007: $367,875).

10. CONVERTIBLE DEBENTURE (continued)

Financing charges associated with the Debentures were prorated between the debt and equity components of the Debentures. Those allocated to the debt portion of the Debentures were deferred and are being accreted over the term of the Debentures. The financing costs relating to the equity portion have been recorded as a cost of issue against the value of the equity portion of the Debentures. For the nine months ended September 30, 2008, $62,326 in deferred financing charges was charged to the Statement of Operations (2007: $47,454).

During the nine months ended September 30, 2008, the Company issued 213,695 common shares of the Company in lieu of the 6% cash interest payment due to the debenture holders. The shares were valued at $0.5927 per share or a total amount of $126,657. Subsequent to the end of the quarter, the Company issued 364,082 common shares of the company in lieu of the 6% cash interest payment due to the debenture holders on October 30, 2008. The shares were valued at $0.3479 per share or a total of $126,646.

11. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations ("ARO") are based on management's estimates of costs to abandon and reclaim exploration properties and facilities as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the ARO associated with the retirement of the Company's exploration properties:

	September 30, 2008	December 31, 2007
	$	$
Balance, beginning of period	479,000	423,000
Liabilities incurred	-	-
Accretion expense	46,500	56,000
Balance, end of period	525,500	479,000

The Company has estimated its total asset retirement obligations to be $525,500 at September 30, 2008 based on a total future liability of $2,648,505 and a credit adjusted risk-free rate of 13%. Most of these obligations are expected to be incurred in approximately 15 years.

12. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

Common Shares issued	Number of Shares	Stated Value
Balance, December 31, 2006	70,710,626	$ 25,898,218
Private placement	25,000,000	25,000,000
Warrants valuation	-	(4,912,500)
Exercise of warrants	3,009,616	2,753,372
Warrant exercise - valuation reallocation	-	1,167,993
Exercise of stock options	1,371,000	738,025
Stock option exercise - valuation reallocation	-	531,236
Shares issued for payment of interest	291,522	251,907
Flow-through share tax effect	-	(1,315,000)
Cost of issue	-	(1,715,823)
Tax effect of cost of issue	-	511,000
Balance, December 31, 2007	100,382,764	$ 48,908,428
Private placement	16,714,286	11,700,000
Warrants valuation	-	(2,314,929)
Exercise of stock options	410,000	122,400
Stock option exercise - valuation reallocation	-	91,510
Shares issued for payment of interest (Note 10)	213,695	126,657
Cost of issue	-	(1,336,657)
Tax effect of cost of issue		401,000
Balance, September 30, 2008	**117,720,745**	**$ 57,698,409**

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

The fair value of the warrants, an amount of $2,314,929, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 70%, risk-free interest rate of 2.7% and an expected life of 2 years.

13. WARRANTS

Summary of warrant activity

	September 30, 2008			December 31, 2007		
	Number of warrants		Weighted Average price	Number of warrants		Weighted Average price
Balance, beginning of period	13,468,300	$	1.31	5,809,241	$	0.91
Granted, private placements	8,357,143		1.00	12,500,000		1.35
Exercised	-		-	(3,009,616)		0.91
Expired or cancelled	(968,300)		0.75	(1,831,325)		1.00
Balance, end of period	**20,857,143**	**$**	**1.21**	**13,468,300**	**$**	**1.31**

Summary of warrants outstanding at September 30, 2008:

Number of warrants	Exercise price		Grant date fair value of warrants	Date of expiry
12,500,000	1.35		4,912,500	February 13, 2009
8,357,143	1.00		2,314,929	March 18, 2010
20,857,143		$	7,227,429	

14. STOCK-BASED COMPENSATION

Summary of stock option activity

	September 30, 2008			December 31, 2007		
	Number of options		Weighted Average price	Number of options		Weighted Average price
Balance, beginning of period	8,979,000	$	0.69	6,350,000	$	0.59
Granted	2,396,500	$	0.51	4,185,000		0.80
Exercised	(410,000)	$	0.30	(1,371,000)		0.54
Expired or cancelled	(202,500)	$	0.78	(185,000)		0.56
Balance, end of period	**10,763,000**	**$**	**0.67**	**8,979,000**	**$**	**0.69**

14. STOCK-BASED COMPENSATION (continued)

As at September 30, 2008, the following stock options were outstanding:

DATE OF EXPIRY	NO. OF OPTIONS EXERCISABLE	NO. OF OPTIONS OUTSTANDING	EXERCISE PRICE	FAIR VALUE OF OPTIONS GRANTED ($)
07-Oct-08	1,500	1,500	$0.50	489
17-Nov-08	25,000	25,000	$0.70	13,500
29-Nov-08	10,000	10,000	$0.79	5,610
29-Nov-08	15,000	15,000	$0.91	10,140
29-Dec-08	550,000	550,000	$0.83	352,000
16-Mar-09	17,500	17,500	$0.60	8,050
22-Apr-09	50,000	50,000	$0.55	21,000
28-May-09	100,000	100,000	$0.45	34,400
14-Jul-09	1,320,000	1,320,000	$0.50	388,080
08-Nov-09	100,000	100,000	$0.40	29,600
24-Feb-10	100,000	100,000	$0.47	35,700
20-Apr-10	1,550,000	1,550,000	$0.78	917,600
01-Feb-11	485,000	485,000	$0.42	153,260
01-Nov-11	100,000	100,000	$0.52	33,900
08-Dec-11	120,000	120,000	$0.50	39,120
05-Mar-12	25,000	25,000	$0.91	15,075
09-Apr-12	100,000	100,000	$1.14	75,800
27-Aug-12	3,130,000	3,130,000	$0.79	1,755,930
17-Sep-12	250,000	400,000	$0.84	215,902
11-Oct-12	10,000	10,000	$0.94	6,990
19-Oct-12	155,000	155,000	$0.91	104,780
01-Nov-12	2,500	2,500	$0.89	1,650
30-Jan-13	100,000	100,000	$0.88	61,100
05-Aug-13	2,296,500	2,296,500	$0.49	739,473
	10,613,000	10,763,000		

The Company applies the fair value method of accounting for stock-based compensation awards. During the nine months ended September 30, 2008, 2,396,500 stock options (2007: 4,002,500) were granted to directors, officers, employees and consultants of the Company with a weighted-average grant date fair value of $0.31 per option (2007: $0.56). These options vested immediately. Stock-based compensation expense of $621,380 (2007: $1,741,970) relating to these options was recorded against professional, consulting and management fees. As well, $255,462 was recorded to the exploration projects related to options that were granted or vested during the period (2007: $334,076). The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages:

	2008	2007
Expected dividend yield	0%	0%
Expected volatility	80.21%	87.69%
Risk-free interest rate	3.21%	4.27%
Expected life	5 years	5 years

15. CONTRIBUTED SURPLUS

	September 30, 2008	December 31, 2007
Balance, beginning of period	6,936,037	4,541,368
Stock options granted and/or vested during the period		
Directors, officers and employees	815,661	2,040,745
Consultants	61,180	207,570
Exercise of stock options, reallocation of valuation	(91,510)	(531,236)
Expiry of warrants and broker warrants, reallocation of valuation	225,613	677,590
Balance, end of period	7,946,981	6,936,037

16. RELATED PARTY TRANSACTIONS

The Company was charged $45,000 during the nine months ended September 30, 2008 (2007: $51,300) by companies controlled by directors of the Company for administration and engineering services.

An amount of $44,710 is payable to directors and officers or companies controlled by directors and officers of the Company at September 30, 2008 (2007: $13,706).

During the nine months ended September 30, 2008, 1,800,000 options (2007: 2,600,000) 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.

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 September 30, 2008 is $nil (2007: $34,446) owing to such companies. The Company has advanced $39,304 to such companies to cover shared expenses (2007: $nil). As well, the Company is owed $13,909 from related parties for shared expenses (2007: $2,679).

A royalty of US$106,124 (CDN$106,591) was paid during the quarter ended March 31, 2008 to a company controlled by a director of the Company, all of which had been accrued at December 31, 2007 (Note 6). A further US$159,000 was accrued at September 30, 2008 related to gold production during the nine months ended September 30, 2008.

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.

17. COMMITMENTS AND CONTINGENCIES

i. The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to $3 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 $400,000.

17. COMMITMENTS AND CONTINGENCIES (continued)

ii. The Company is committed to minimum amounts under long-term capital lease agreements for equipment, which expire in September 2011. Minimum commitments remaining under these leases were approximately $1,054,000, including imputed interest of approximately $65,000, over the following twelve-month periods ending:

2008	144,000
2009	552,000
2010	293,000
2011	47,000
2012	18,000
	1,054,000

iii. 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 were cancelled 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.

18. INTEREST IN JOINT VENTURE

The Company's proportionate share of the assets, liabilities and cash flows of its joint venture included in these interim unaudited consolidated financial statements are as follows:

	Novicourt JV		Xstrata JV	
	2008	2007	2008	2007
Current assets	-	-	-	-
Exploration properties and deferred exploration expenditures	3,768,104	2,906,576	830,696	-
Current liabilities	-	-	(72,826)	-
Revenues	-	-	-	-
Expenses	-	-	-	-
Cash flows from operating activities	-	-	-	-
Cash flows from investing activities	-	-	-	-

<u>Novicourt JV</u>
As the joint venture partner has opted to no longer fund this joint venture, their interest is decreasing as the Company continues to incur expenditures on the properties. At September 30, 2008, the Company's interest in this joint venture has increased to 60%.

<u>Xstrata JV</u>
The Company vested into a 50% interest in the Xstrata group of properties during the six months ended June 30, 2008. Xstrata is operator of this joint venture. Effective April 2008, the Company contributes funding for 50% of the total expenditures.

19. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current period's presentation.

20. SUBSEQUENT EVENTS

The Company commenced commercial production on October 1, 2008. The Company completed a custom milling campaign in October 2008 recovering a total of 5,860 ounces of gold from 26,769 dry tonnes of ore processed. In October 2008, the Company sold 5,000 oz of gold at a weighted average price of $948 per oz.

Also in October, the Company completed a private placement financing raising $5,000,000 through the issuance of 10,000,000 flow-through common shares of the Company at a price of $0.50 per share. In connection with this financing, a commission of 6% was paid and 600,000 broker warrants were granted to the agent. Each broker warrant is exercisable into one common share of the company at a price of $0.50 per share for a period of two years from the date of grant. As a result of the issuance of these flow-through shares, the Company will be required to spend $5,000,000 in qualified exploration expenditures by December 31, 2009.

The Company issued 364,082 shares at a price of $0.3479 in lieu of a cash debenture interest due on October 30, 2008. See Note 10.