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**MANICOUAGAN MINERALS INC.**  
**Condensed Interim Financial Statements**  
**Three and nine months ended September 30, 2011**  
**(Unaudited)**

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## Management's Responsibility for Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Manicouagan Minerals Inc. (the "Company" or "Manicouagan") are the responsibility of management.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

//signed W Brian Carter  
W Brian Carter, Interim CEO

// signed Erik H Martin  
Erik H Martin, Chief Financial Officer

Toronto, Canada  
November 16, 2011

### NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

**MANICOUAGAN MINERALS INC.**  
**Interim Statement of Financial Position**  
(Expressed in Canadian dollars)  
(Unaudited)

	As at September 30, 2011 \$	As at December 31, 2010 \$	As at January 1, 2010 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents (note 7)	269,434	1,249,325	963,453
Amounts receivable (note 8)	100,077	385,105	607,435
Prepaid expenses	9,431	157,978	17,782
	378,942	1,792,408	1,588,670
<b>Non-current assets</b>			
Property, plant and equipment (note 11)	13,426	20,786	30,791
Mineral properties (note 9)	574,367	588,587	651,947
<b>TOTAL ASSETS</b>	<b>966,735</b>	<b>2,401,781</b>	<b>2,271,408</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	439,119	97,646	223,171
Taxes payable (note 18)	12,234	3,098	11,709
	451,353	100,744	234,880
<b>Non-current liabilities</b>			
Taxes payable (note 18)	14,326	37,450	46,836
<b>Total liabilities</b>	<b>465,679</b>	<b>138,194</b>	<b>281,716</b>
<b>EQUITY</b>			
Share capital (notes 4 & 12)	20,379,438	20,379,438	19,213,514
Stock options (note 13)	458,980	525,809	716,326
Warrants and broker units (notes 14 & 15)	487,547	487,547	6,998
Contributed surplus	3,066,014	2,962,096	2,606,102
Deficit (note 4)	(23,890,923)	(22,091,303)	(20,553,248)
<b>Total equity</b>	<b>501,056</b>	<b>2,263,587</b>	<b>1,989,692</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>966,735</b>	<b>2,401,781</b>	<b>2,271,408</b>

Going concern (note 1)  
Commitments (note 20)  
Subsequent event (note 21)

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**Approved by the Board of Directors,**

*(signed) W Brian Carter*  


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W Brian Carter, Director

*(signed) Douglas A.C. Davis*  


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Douglas A.C. Davis, Director

**MANICOUAGAN MINERALS INC.**  
**Interim Statement of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars)  
(Unaudited)

	<b>Three months</b>		<b>Nine months</b>	
	<b>ended September 30,</b>		<b>ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest income</b>	1,647	3,776	9,454	7,851
<b>Expenses</b>				
Management fees	72,933	77,059	243,334	260,796
Professional fees	10,939	13,679	55,225	69,799
Salaries and employee benefits	17,607	17,357	53,108	52,325
Stock-based compensation costs	16,773	14,760	37,089	144,795
Rent, insurance and office expenses	18,393	26,422	57,964	75,317
Investor relations and promotion	5,239	21,654	27,123	58,250
Regulatory and transfer agent fees	4,101	2,571	29,284	21,960
Shareholders' information	5,784	1,837	25,423	24,930
Depreciation of property, plant and equipment	2,357	2,501	7,360	7,504
Exploration costs (note 10)	582,797	102,873	1,242,056	365,923
Write off of mineral property (note 9)	20,584	128,144	20,584	128,144
	757,507	408,857	1,798,550	1,209,743
<b>Other income (expenses)</b>				
Tax on flow-through shares	(6,928)	-	(10,524)	-
<b>Net loss and comprehensive loss for the period</b>	(762,788)	(405,081)	(1,799,620)	(1,201,892)
<b>Basic and diluted net loss per share (note 19)</b>	(0.04)	(0.03)	(0.10)	(0.08)
<b>Basic and diluted weighted average number of shares outstanding (note 19)</b>	17,850,807	16,586,172	17,850,807	15,812,912

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**MANICOUAGAN MINERALS INC.****Interim Statement of Cash Flows**

(Expressed in Canadian dollars)

(Unaudited)

	<b>Three months</b>		<b>Nine months</b>	
	<b>ended September 30,</b>		<b>ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash flow provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	(762,788)	(405,081)	(1,799,620)	(1,201,892)
Adjustments for:				
Depreciation of property, plant and equipment	2,357	2,501	7,360	7,504
Stock-based compensation costs	16,773	14,760	37,089	144,795
Write off of mineral property	20,584	128,144	20,584	128,144
Interest income	(1,647)	(3,776)	(9,454)	(7,851)
Interest income cashed	1,647	9,293	9,454	10,691
	(723,074)	(254,159)	(1,734,587)	(918,609)
Change in non-cash working capital items (note 16)	370,530	(228,988)	785,077	42,008
<b>Net cash generated from operating activities</b>	<b>(352,544)</b>	<b>(483,147)</b>	<b>(949,510)</b>	<b>(876,601)</b>
<b>Financing activities</b>				
Issuance of common shares and warrants	-	-	-	1,200,000
Share and warrant issue costs	-	-	(24,017)	(125,260)
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>-</b>	<b>(24,017)</b>	<b>1,074,740</b>
<b>Investing activities</b>				
Acquisition of mineral properties	-	-	(6,364)	(61,138)
<b>Net cash generated from investing activities</b>	<b>-</b>	<b>-</b>	<b>(6,364)</b>	<b>(61,138)</b>
<b>Net change in cash and cash equivalents</b>	<b>(352,544)</b>	<b>(483,147)</b>	<b>(979,891)</b>	<b>137,001</b>
<b>Cash and cash equivalents – Beginning of period</b>	<b>621,978</b>	<b>1,583,601</b>	<b>1,249,325</b>	<b>963,453</b>
<b>Cash and cash equivalents – End of period</b>	<b>269,434</b>	<b>1,100,454</b>	<b>269,434</b>	<b>1,100,454</b>
<b>Additional information</b>				
Fair value of broker units accounted for as issue costs	-	-	-	55,976
Acquisition of mineral properties paid through issuance of warrants	-	-	-	6,500

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**MANICOUAGAN MINERALS INC.**  
**Interim Statement of Changes in Equity**  
(Expressed in Canadian dollars)  
(Unaudited)

	Share capital (note 12) \$	Stock options (note 13) \$	Warrants (note 14) \$	Broker units (note 15) \$	Contributed surplus \$	Deficit \$	Total equity \$
<b>Balance – January 1, 2011</b>	20,379,438	525,809	415,154	72,393	2,962,096	(22,091,303)	2,263,587
Stock options expired	-	(53,775)	-	-	53,775	-	-
Stock options forfeited	-	(50,143)	-	-	50,143	-	-
Stock-based compensation costs	-	37,089	-	-	-	-	37,089
Net loss for the period	-	-	-	-	-	(1,799,620)	(1,799,620)
<b>Balance - September 30, 2011</b>	20,379,438	458,980	415,154	72,393	3,066,014	(23,890,923)	501,056
<b>Balance – January 1, 2010</b>	19,213,514	716,326	6,998	-	2,606,102	(20,553,248)	1,989,692
Issuance of flow-through shares	900,400	-	-	-	-	-	900,400
Stock options expired	-	(249,163)	-	-	249,163	-	-
Stock options forfeited	-	(27,797)	-	-	27,797	-	-
Stock-based compensation costs	-	144,795	-	-	-	-	144,795
Warrants expired	-	-	(6,081)	-	6,081	-	-
Warrants issued	-	-	306,100	-	-	-	306,100
Broker units issued	-	-	-	55,976	-	-	55,976
Issue costs	(129,921)	-	(43,239)	(8,076)	-	-	(181,236)
Net loss for the period	-	-	-	-	-	(1,201,892)	(1,201,892)
<b>Balance - September 30, 2010</b>	19,983,993	584,161	263,778	47,900	2,889,143	(21,755,140)	2,013,835

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**MANICOUAGAN MINERALS INC.**  
**Notes to Condensed Interim Financial Statements**  
**September 30, 2011**  
(Expressed in Canadian dollars)  
(Unaudited)

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**1 INCORPORATION, NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION**

Manicouagan Minerals Inc. (“the Company”) was incorporated under the Canada Business Corporations Act on July 25, 2001. The address of its registered office is 133, Richmond Street West Suite 501 Toronto, Ontario M5H 2L3.

The principal activities of the Company comprise the acquisition and exploration of mineral properties. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

The Company must secure sufficient funding for meeting its existing commitments for exploration and development programs and general and administration costs. As at September 30, 2011, the Company’s cash and cash equivalents amount to \$269,434 (December 31, 2010 \$1,249,325) with a liability of \$333,453 (of which \$246,992 has been incurred and included in accounts payable) (December 31, 2010 \$1,236,760) related to qualifying flow-through exploration expenditures to be incurred by December 31, 2011.

Management periodically seeks additional forms of financing through the issuance of new securities, the exercise of outstanding common share warrants and stock options to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without such funding being available, the Company may be unable to continue its operations, and the amounts realizable for the assets could be less than the amounts reflected in these financial statements.

Although management has taken steps to verify title to mineral properties in which the Company 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 unregistered prior agreements and non-compliance with regulatory requirements.

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. The application of IFRS on a going concern basis may be inappropriate, since there is a significant doubt as to the validity of the going concern assumption.

These unaudited condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was inappropriate and these adjustments could be material.

**2 BASIS OF PREPARATION AND ADOPTION OF IFRS**

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim financial statements. In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS.

These unaudited condensed interim financial statements have been prepared by the Company in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting, and IFRS 1 - First-time Adoption of IFRS. Subject to certain transition elections disclosed in note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these accounting policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company’s reported financial position, financial performance and cash flows, including the nature and effect of

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significant changes in accounting policies from those used in the Company's annual financial statements for the year ended December 31, 2010.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of November 16, 2011, the date that the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in restatement of these condensed interim financial statements, including the transition adjustments recognized on change-over to IFRS.

These unaudited condensed interim financial statements should therefore be read in conjunction with the Company's audited Canadian GAAP annual financial statements for the year ended December 31, 2010 and the accompanying notes. Note 4 discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual financial statements.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these condensed interim financial statements are described below:

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and balances with bank as well as all highly liquid short-term investments which are convertible to known amounts of cash at any time by the Company without penalties or with a maturity of maximum of three months at the date of acquisition.

#### **Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

*(i) Financial assets and liabilities at fair value through profit or loss:*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss. Gains and losses arising from changes in fair value are presented in the statement of loss within gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the statement of financial position date, which is classified as non-current.

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*(ii) Available-for-sale investments:*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale investments are recognized initially at fair value plus transactions costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income and included in other gains and losses.

*(iii) Loans and receivables:*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

*(iv) Financial liabilities at amortized cost:*

Financial liabilities at amortized cost include accounts payables and accrued liabilities. Accounts payables and accrued liabilities are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payables and accrued liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company's financial instruments consist of the following:

<b>Financial assets</b>	<b>Category</b>
Cash and cash equivalents	Loans and receivables
Amounts receivable	Loans and receivables

<b>Financial liabilities</b>	<b>Category</b>
Accounts payable and accrued liabilities	Financial liabilities at amortized cost

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Financial instruments recorded at fair value:

Financial instruments recorded at the fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2011 and December 31, 2010, none of the Company's financial instruments are recorded at fair value on the statement of financial position.

**Impairment of non-financial assets**

Property, plant and equipment and mineral property are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows. (cash-generating units).

The Company evaluates impairment losses for potential reversals when events of circumstances warrant such consideration.

**Property, plant and equipment depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Property, plant and equipment are depreciated on a straight-line basis as follows:

Furniture and fixtures	5 years
Computer equipment	3 years

Residual values, method of amortization and useful lives of the assets are reviewed at the period end and adjusted if appropriate.

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. Significant non-exploration costs related to mineral properties are capitalized until the viability of the mineral properties is determined. These costs will be amortized over the estimated useful life of mineral properties following commencement of production or written off if the mineral properties or projects are abandoned.

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**Exploration costs**

Exploration costs are expensed as incurred on the basis of specific claim blocks or areas of geological interest. General exploration costs not related to specific mineral properties are expensed as incurred.

Once a project has been established as commercially viable and technically feasible, related development expenditure is capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

**Flow-through shares**

The Company finances some exploration expenditures through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. When the common shares are offered, the difference (“premium”) between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares.

**Equity**

Common shares, stock options, warrants and broker units are classified as equity. Incremental costs directly attributable to the issuance of shares, warrants and broker units are recognized as a deduction from equity.

**Income taxes**

The Company provides for income taxes using the liability method of tax allocation. Under this method, deferred income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantially enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**Credit on duties refundable for losses and refundable tax credit for resources**

The Company is entitled to a credit on duties refundable for losses under the Quebec Mining Duties Act. This credit on duties refundable for losses applies on non flow-through mineral exploration expenses incurred in the Province of Quebec. The rates are 15% in 2011 and 16% in 2012 but apply only on 50% of mineral exploration expenses.

Also, the Company is entitled to the refundable tax credit for resources for mineral companies on qualified expenditures incurred in the Province of Quebec. The refundable tax credit for resources may reach 35% (south of 52<sup>nd</sup> parallel) or 38.75% (north of 52<sup>nd</sup> parallel) of qualified expenditures incurred.

Tax credit for resources and credit on duties are accounted for using the cost reduction method. Accordingly, tax credit for resources and credit on duties are recorded as a reduction of the related expenses or capital expenditures in the period the expenses are incurred, provided that the Company has reasonable assurance the tax credit for resources and credit on duties will be realized.

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**Stock-based compensation**

The Company maintains a stock option plan, which is described in note 13. The Company records all stock-based compensation at the fair value. The stock-based compensation costs are charged to operations over the vesting period with a corresponding credit to stock options. Consideration received on the exercise of stock options is recorded as share capital and the related stock options are transferred to share capital.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of options granted is measured using the Black-Scholes option valuation model; taking in account the terms and conditions upon the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**Basic and diluted loss per share**

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options, warrants and broker units are used to repurchase common shares at the average market price during the period.

**Provisions**

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company had no material provisions as at September 30, 2011, December 31, 2010 and January 1<sup>st</sup>, 2010.

**Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the statement of financial position date, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the estimation of mineral resources, the determination of potential impairments of property, plant and equipment and mineral property interest, the valuation of deferred income tax assets and liabilities, the rates of depreciation of property, plant and equipment and the fair value of stock-based compensation and other stock-based payments. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual amounts could differ from the estimates used and, accordingly, affect the results of operations.

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**Accounting standards issued but not yet applied**

International Financial Reporting Standard 9 - *Financial Instruments* (“IFRS 9”)

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

In May 2011, the International Accounting Standards Board (“IASB”) issued the following standards which have not yet been adopted by the Company:

International Financial Reporting Standard 10 - *Consolidated Financial Statements* (“IFRS 10”)

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

International Financial Reporting Standard 11 - *Joint Arrangements* (“IFRS 11”)

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*.

International Financial Reporting Standard 12 - *Disclosure of Interests in Other Entities* (“IFRS 12”)

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities.

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International Financial Reporting Standard 13 - Fair Value Measurement ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including International Accounting Standard 27 - *Separate Financial Statements* ("IAS 27") and International Accounting Standard 28 - *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS13.

Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

**4. TRANSITION TO IFRS**

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

**a) Exemptions and exceptions from full retrospective application elected by the Company**

A number of optional exemptions from full retrospective application are available to the Company upon adoption of IFRS. The impact of all these optional exemptions on the Company is listed below:

The Company has applied the following exemptions:

<b>Exemption</b>	<b>Application of exemption</b>
Business Combinations exemption	The Company has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to January 1, 2010 transition date. No adjustment was required.
Share-Based payment transaction exemption	The Company has elected to apply the share-based payment exemption. It applied IFRS 2 from January 1, 2010 to those options that were issued after November 7, 2002 but that have not vested by January 1, 2010. No adjustment was required.

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The Company has not applied the following exemptions:

<b>Exemption</b>	<b>Reason for not applying the exemption</b>
Compound financial instruments exemption	The Company has not issued any compound instruments. This exemption is not applicable.
Cumulative translation differences exemption	There was no cumulative translation differences previously recorded under Canadian GAAP. This exemption is not applicable.
Designation of financial assets and financial liabilities exemption	The Company has no securities classified as available-for-sale investments or as financial assets at the fair value through profit and loss. This exemption is not applicable.
Employee benefits exemption	The Company has no defined benefit plans. This exemption is not applicable.
Exemption from restatement of comparatives for IAS 32 and IAS 39	The Company has no hedging relationships or derivatives. This exemption is not applicable.
Fair value as deemed cost exemption	The Company has elected not to measure any items of property, plant and equipment at fair value as at January 1, 2010. This exemption is not applicable.
Fair value measurement of financial assets or liabilities at initial recognition	The Company has not applied the exemption offered by the revision of IAS 39 on the initial recognition of the financial instruments measured at the fair value through profit and loss where there is no active market. This exemption is not applicable.

The Company has applied the following mandatory exceptions from retrospective application:

<b>Exception</b>	<b>Description of exception and application to the Company</b>
Assets held for sale and discontinued operations exception	Assets held for sale or discontinued operations are recognized in accordance with IFRS 5. The Company did not have any assets that met the held-for-sale criteria during the period presented. No adjustment was required.
Derecognition of financial assets and liabilities exception	Financial assets and liabilities derecognized before January 1, 2010 are not re-recognized under IFRS. The application of the exemption from restating comparatives for IAS 32 and IAS 39 means that the Company recognized from January 1, 2011 any financial assets and financial liabilities derecognized since January 1, 2010 that does not meet the IAS 39 derecognition criteria. The application of this exemption has no impact on the Company.
Estimates exception	Estimates under IFRS at January 1, 2010 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. No adjustments for estimates have been made.
Hedge accounting exception	The Company has never applied hedge accounting. This exception is not applicable.

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**b) Reconciliation between IFRS and Canadian GAAP**

	December 31, 2010			September 30, 2010			January 1, 2010		
	Canadian GAAP	Effect of transition of IFRS (note 4(c))	IFRS	Canadian GAAP	Effect of transition of IFRS (note 4(c))	IFRS	Canadian GAAP	Effect of transition of IFRS (note 4(c))	IFRS
<b>ASSETS</b>									
<b>Current assets</b>									
Cash and cash equivalents	1,249,325	-	1,249,325	1,100,454	-	1,100,454	963,453	-	963,453
Amounts receivable	385,105	-	385,105	367,598	-	367,598	607,435	-	607,435
Prepaid expenses	157,978	-	157,978	24,411	-	24,411	17,782	-	17,782
	1,792,408	-	1,792,408	1,492,463	-	1,492,463	1,588,670	-	1,588,670
<b>Non-current assets</b>									
Property, plant and equipment	20,786	-	20,786	23,287	-	23,287	30,791	-	30,791
Mineral properties	588,587	-	588,587	587,162	-	587,162	651,947	-	651,947
<b>TOTAL ASSETS</b>	2,401,781	-	2,401,781	2,102,912	-	2,102,912	2,271,408	-	2,271,408
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	97,646	-	97,646	50,408	-	50,408	223,171	-	223,171
Taxes payable	3,098	-	3,098	11,259	-	11,259	11,709	-	11,709
	100,744	-	100,744	61,667	-	61,667	234,880	-	234,880
<b>Non-current liabilities</b>									
Taxes payable	37,450	-	37,450	27,410	-	27,410	46,836	-	46,836
<b>Total liabilities</b>	138,194	-	138,194	89,077	-	89,077	281,716	-	281,716
<b>EQUITY</b>									
Share capital	22,460,068	(2,080,630)	20,379,438	22,064,623	(2,080,630)	19,983,993	21,294,144	(2,080,630)	19,213,514
Stock options	525,809	-	525,809	584,161	-	584,161	716,326	-	716,326
Warrants and broker units	487,547	-	487,547	311,678	-	311,678	6,998	-	6,998
Contributed surplus	2,962,096	-	2,962,096	2,889,143	-	2,889,143	2,606,102	-	2,606,102
<b>Deficit</b>	(24,171,933)	2,080,630	(22,091,303)	(23,835,770)	2,080,630	(21,755,140)	(22,633,878)	2,080,630	(20,553,248)
<b>Total equity</b>	2,263,587	-	2,263,587	2,013,835	-	2,013,835	1,989,692	-	1,989,692
<b>TOTAL LIABILITIES AND EQUITY</b>	2,401,781	-	2,401,781	2,102,912	-	2,102,912	2,271,408	-	2,271,408

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**c) Explanatory note of significant difference in accounting policy between Canadian GAAP and IFRS**

**Flow-through shares**

Under Canadian GAAP, when flow-through shares are issued, they are initially recorded in share capital at their issue price. Under IFRS, flow-through shares are recognized based on the quoted price of the existing shares on the date the Company and the investors agree to the transaction. The difference (“premium”) between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a flow-through share related liabilities which is reversed into the statement of loss within other income when the eligible expenditures are incurred. The amount recognized as flow-through share related liabilities represented the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares.

The cumulative premium as at January 1<sup>st</sup>, 2010 related to flow-through shares issued before January 1<sup>st</sup>, 2010 is \$2,080,630. There was no premium on the 2010 flow-through financing.

**d) Additional IFRS information for the year ended December 31, 2010**

Compensation of key management for the year ended December 31, 2010

The remuneration of directors and officers (CEO and CFO) of the Company for the year ended December 31, 2010 was as follows:

	<b>December 31, 2010</b>
Officers - Management fees	288,550
Officers - Stock-based compensation	46,249
Directors - Director fees	2,500
Directors - Stock-based compensation	95,129

None of the directors have service contracts with the Company where they are compensated as a director. Only the Chair of the Audit Committee is entitled an annual compensation of \$2,500 and all directors are entitled to stock options and refund of expenses for attending meetings.

**5 CAPITAL MANAGEMENT**

The Company manages and adjusts its capital structure, based on funds available to the Company, in order to support the acquisition and exploration of mineral properties. Given that the Company is in the mineral exploration business, 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 stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital 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. The Company considers the items included in equity as capital.

There were no changes in the Company's approach to capital management during the period ended September 30, 2011. The Company is not subject to externally imposed capital requirements.

## **6 RISK FACTORS – FINANCIAL INSTRUMENTS**

### **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Financial instruments included in amounts receivable consist of interest receivable. Management believes that the credit risk resulting from the concentration with respect to financial instruments included in amounts receivable is remote. The credit risk on cash and cash equivalents is limited because the counterparties are Canadian banks with high credit-ratings.

### **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, 2011, the Company has a cash and cash equivalents balance of \$269,434 (December 31, 2010 - \$1,249,325) to settle current liabilities of \$451,353 (December 31, 2010 - \$100,744). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at September 30, 2011, the Company's working capital was insufficient to cover its remaining flow-through commitment of \$86,461 and will be required to raise additional funds on the equity market in order to cover its administrative expenses and to fund more aggressive exploration programs. The Company is endeavouring to raise additional funds by the end of the year, however the equity markets have shown signs of weakness over a number of months and such financing might be reduced in size and/or delayed.

### **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

#### *Interest rate risk*

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in guaranteed investment certificates redeemable before maturity and/or in interest-bearing account of Canadian chartered bank. The Company periodically monitors its investments and is satisfied with the creditworthiness of its financial institutions. As at September 30, 2011, the Company has interest-bearing accounts with Canadian chartered banks.

As at September 30, 2011 and December 31, 2010, the Company's exposure to interest rate risk is summarized as follows:

Amounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing

#### *Foreign currency risk*

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is remote.

### **Sensitivity analysis**

The cash and cash equivalents and amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as financial liabilities at amortized cost. The amortized cost of amounts receivable and accounts payable and accrued liabilities is equal to their carrying value due to their short-term maturity.

(i) During the three months ended September 30, 2011, cash was subject to floating interest rates at the Canadian prime rate minus 1.9% on bank balances. Sensitivity to a plus or minus 1% change in rates is not material to the statement of loss and comprehensive loss.

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(ii) The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange risk.

**Categories of financial instruments**

	As at September 30, 2011 \$	As at December 31, 2010 \$	As at January 1, 2010 \$
<b>Financial assets:</b>			
Loans and receivables			
Cash and cash equivalents	269,434	1,249,325	963,453
Interest receivable	-	-	2,996
<b>Financial liabilities:</b>			
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	439,119	97,646	223,171

**7 CASH AND CASH EQUIVALENTS**

	As at September 30, 2011 \$	As at December 31, 2010 \$	As at January 1, 2010 \$
Cash	269,434	1,249,325	63,453
Short-term investments	-	-	900,000
Cash and cash equivalents	269,434	1,249,325	963,453

**8 AMOUNTS RECEIVABLE**

	As at September 30, 2011 \$	As at December 31, 2010 \$	As at January 1, 2010 \$
Interest receivable	-	-	2,996
Sales tax receivable	79,061	34,973	41,461
Refundable tax credit for resources	-	-	38,315
Credit on duties refundable for losses	21,016	350,132	524,663
	100,077	385,105	607,435

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**9 MINERAL PROPERTIES**

September 30, 2011	Undivided interest %	Balance as at December 31, 2010 \$	Additions 2011 \$	Write-offs 2011 \$	Balance as at September 30, 2011 \$
<b>Pickle Lake</b> (39 claims)	51	96,500	-	-	96,500
<b>Pickle Lake</b> (17 claims)	100	61,155	6,364	(20,584)	46,935
		157,655	6,364	-	143,435
<b>Brabant Lake</b> (25 claims)	100	308,859	-	-	308,859
<b>Brabant Lake</b> (1 claim)	on option	-	-	-	-
		308,859	-	-	308,859
<b>HPM/Forgues</b> (14 claims)	50	96,100	-	-	96,100
<b>HPM/Forgues</b> (84 claims)	100	25,973	-	-	25,973
		122,073	-	-	122,073
		588,587	6,364	-	574,367

(See note 10 for exploration costs)

December 31, 2010	Undivided interest %	Balance as at January 1, 2010 \$	Additions 2010 \$	Write-offs 2010 \$	Balance as at December 31, 2010 \$
<b>Pickle Lake</b> (39 claims)	51	45,000	51,500	-	96,500
<b>Pickle Lake</b> (25 claims)	100	59,730	1,425	-	61,155
		104,730	52,925	-	157,655
<b>Brabant Lake</b> (25 claims)	100	300,000	8,859	-	308,859
<b>HPM/Forgues</b> (39 claims)	50	96,100	-	-	96,100
<b>HPM/Forgues</b> (84 claims)	100	25,973	-	-	25,973
		122,073	-	-	122,073
<b>Mouchalagane</b> (160 claims)	100	125,144	3,000	(128,144)	-
		651,947	64,784	(128,144)	588,587

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**Pickle Lake Properties – Ontario**

On April 15, 2009, the Company entered into an agreement with Trillium North Minerals Ltd. (“Trillium North”) pursuant to which it could earn up to a 70% interest in three gold exploration properties in the Pickle Lake Area, Ontario. On April 15, 2010, the Company earned an initial 51% interest in the Pickle Lake Properties by spending \$1,000,000 on the properties and, at the same time, advised Trillium North that it has elected to incur the next \$1,500,000 in exploration expenditures on the properties to increase its interest to 70%. Once the Company has completed earning its 70% interest in the properties, a joint venture will be formed. Dilution is provided for if a party fails to fund its pro-rata share of joint venture expenditures. If either party is diluted to a 10% interest or less, its interest in the properties and the joint venture will be converted to a 2% Net Smelter Royalty (“NSR”). The remaining party will have the option of acquiring one half of the NSR by paying the sum of \$1,000,000. The Company and Trillium North have also agreed to a one-kilometre area of interest from the outer boundaries of the current Pickle Lake East and Dorothy-Dobie Lake properties and 1.6-kilometre from the current outer boundary of the Kasagiminnis Property. The Kasagiminnis and portions of the Dorothy-Dobie Lake properties were subject to underlying option agreements with a single vendor. To maintain both the underlying option agreements and the agreement with Trillium North, the Company paid \$90,000 to the vendor (\$45,000 on April 15, 2009 and \$45,000 on April 9, 2010). The underlying option agreements also provide to the vendor on each property a 2% NSR of which one half can be acquired by payment of the sum of \$1,000,000 payable to the vendor. The Dorothy-Dobie Lake properties are each the subject of advance royalty payments of \$50,000 per year for the three years commencing on April 30, 2012.

The Pickle Lake Properties consist of three non contiguous claim groups known as the Pickle Lake East Property (21 claims), the Kasagiminnis Property (3 claims) and the Dorothy-Dobie Lake Property (15 claims). Collectively, the properties cover an area of approximately 78 km<sup>2</sup>. The properties are located in the Pickle Lake Greenstone Belt.

During 2009, the Company staked 4 additional claims at the Dorothy-Dobie Lake Property at a cost of \$8,535 covering an area of 8 km<sup>2</sup> within the area of interest pursuant to the agreement with Trillium North. Also during 2009, the Company staked 20 claims at a cost of \$51,195 covering an area of 47 km<sup>2</sup>. These claims are known as the “Powerline claims” and the “Pickle Lake Gold General claims” and are fully owned by the Company. In October 2010, the Company staked one claim at a cost of \$1,425 covering an area of 3 km<sup>2</sup>. This claim included in Pickle Lake Gold General claims.

On April 7, 2010, in conjunction with the March 2010 private placement and in accordance with the agreement of April 15, 2009 between the Company and Trillium North, the Company issued 250,000 common share purchase warrants to Trillium North for a period of 24 months at an exercise price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. The warrants were valued at \$6,500 and included in the cost of mineral properties.

In May 2011, the Company staked 2 additional claims at Kasagiminnis property at a cost of \$6,364 covering an area of 5 km<sup>2</sup> within the area of interest pursuant to the agreement with Trillium North.

In August 2011, the 10 claims known as the “Powerline claims” were allowed to lapse at the expiry date.

**Option agreement with Tri Origin Exploration Ltd.**

On August 2, 2011, the Company optioned two of its 100% owned claims forming part of the Pickle Lake Properties to Tri Origin Exploration Ltd. (“Tri Origin”). Tri Origin can earn up to a 51% interest in the properties by paying \$2,000 and making work commitments of \$200,000 over a three year period. The two optioned claims are located in the central portion of Tri Origin’s Sky Lake Property that is located several kilometres west of the Company’s Kasagiminnis Property.

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**Brabant Lake Property – Saskatchewan**

On June 28, 2006, the Company acquired a 100% interest in the property (one mining lease of 21 claims) in return for a one-time payment of \$300,000 to Longyear Canada, ULC. The property is not subject to any royalties.

In January 2010, the Company acquired by staking 4 additional mining claims at a cost of \$8,859 to the north and south of the Mining Lease that hosts the Brabant Lake zinc deposit. The land position now covers approximately 15 km of the favourable horizon which hosts the Brabant Lake zinc Deposit. Approximately 24 km<sup>2</sup> were staked bringing the total land package now held by the Company in the Brabant Lake Area to one mining lease and 4 claims covering 28 km<sup>2</sup>. The Company holds a 100% interest in the Brabant Lake mining lease (21 claims) and the newly acquired claims. The 25 claims are located immediately east of Highway 102, some 175 km from the all-services community of La Ronge, Saskatchewan.

**Option agreement**

On September 16, 2011, the Company entered into an option agreement with the owners of mining claim MCSA-003 to earn a 100% interest in the claim. To exercise the option and earn the interest in this claim, the Company must make payments to the owners aggregating \$75,000 and 65,000 common shares of the Company in accordance with the following schedule of payments:

- (i) \$10,000 upon the receipt by the Company of the signed claim transfer;
- (ii) \$15,000 and issuance of 15,000 common shares of the Company on or before September 30, 2012;
- (iii) \$20,000 and issuance of 20,000 common shares of the Company on or before September 30, 2013;
- (iv) \$30,000 and issuance of 30,000 common shares of the Company on or before September 30, 2014;
- (v) provided that such payments may be accelerated at any time in the sole discretion of the Company.

The option agreement provides the owners with a 2% NSR, which the Company has the option of acquiring 50% of it by paying the sum of \$300,000.

**Letter of Intent**

On September 28, 2011, the Company signed a Letter of Intent (“LOI”) with Votorantim Metals Canada Inc. (“Votorantim”) to option its 100% owned Brabant Lake zinc project. Votorantim can earn a 60% interest by making cash payments and incurring exploration expenditures in accordance with the following schedule:

Cash payments:

- (i) \$80,000 upon the signing of the definitive option/joint venture agreement;
- (ii) \$85,000 on the first anniversary of the agreement;
- (iii) \$175,000 on the second anniversary of the agreement; and
- (iv) \$200,000 on the third anniversary of the agreement.

Exploration expenditures:

- (i) \$300,000 within one year of the execution date of the agreement;
- (ii) \$500,000 on or before the first anniversary of the agreement;
- (iii) \$850,000 on or before the second anniversary of the agreement; and
- (iv) \$900,000 on or before the third anniversary of the agreement.

Upon Votorantim earning its 60% interest, a joint venture will be formed whereupon future expenditures will be shared in proportion to each party's interest. Should either party's interest dilute to 10%, this interest will convert to a 2% NSR. The other party has the option to purchase 50% of the NSR for \$1,000,000 (See note 21 – Subsequent event).

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**HPM and Forgues Property – Quebec**

On November 6, 2007, the Company entered into an option agreement with Pure Nickel Inc. (“Pure Nickel”) to earn up to a 70% interest in 39 mining claims located some 250 km northeast of Baie-Comeau, Quebec.

To acquire its interest in the property, the Company made an initial payment of \$30,000 to Pure Nickel and during the first year of the agreement, compiled all reasonably available data for the claims and completed an airborne electromagnetic survey over the claims. The Company also issued 250,000 non-transferable warrants to purchase common shares of the Company at a price of \$0.40 per share for a period of two years. The unexercised warrants expired on November 6, 2009.

To maintain the option in good standing and earn an initial 50% interest in the property, the Company made further cash payments to Pure Nickel of \$25,000 on November 6, 2008 and \$25,000 on November 5, 2009 and met the minimum first year work commitment of \$750,000 during 2008. The Company did not elect to increase its interest to 70% as it was required to incur an additional \$1,500,000 on the property by November 2010.

The Company now owns the property in a partnership with Pure Nickel. According to the Letter of Intent dated November 6, 2007, dilution is provided for if a party fails to fund its pro-rata share of expenditures. The parties have also agreed to an area of interest within a 5-kilometre radius of the outside boundaries of the 39 claims. Xstrata Nickel (“Xstrata”) retains certain rights with respect to the mining claims (the 39 initial claims as well as to claims that could subsequently be acquired by Pure Nickel or the Company within a defined area of interest) including (i) a 2% NSR (Pure Nickel and the Company, if it earns an interest in the claims, having the right to reacquire 1% thereof for \$1,000,000); (ii) off-take and marketing rights for all concentrate or product produced from the property; and (iii) a one time back-in right to 50% for any mining project with an economic threshold of 15,000,000 tonnes of resources unless such right has been previously exercised in respect of another property that was part of the Xstrata – Pure Nickel transaction.

In 2007 and 2008, the Company acquired a 100% interest in 250 claims (114 included in the area of interest) and in 2010 and 2011, 166 claims (57 included in the area of interest) were allowed to lapse and Pure Nickel were allowed to lapse 25 claims included in the option agreement in September 2011. As at September 30, 2011, the property consisted of 98 claims covering an area of 49 km<sup>2</sup>.

**Others properties – Quebec**

As at September 30, 2011, the Company held a 100% interest in the claims forming the Manicouagan and Mouchalagane projects.

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**10 EXPLORATION COSTS**

	Three months ended September 30,			2011	2010
	Pickle Lake	Brabant Lake	HPM/ Forgues	Total	Total
	\$	\$	\$	\$	\$
Camp costs	12,377	-	300	12,677	7,576
Transportation	98,253	-	-	98,253	13,222
Drilling	153,399	-	-	153,399	-
Geophysics	60,000	-	-	60,000	3,000
Analysis	3,285	-	-	3,285	6,462
Consultants	37,394	3,792	-	41,186	25,423
Fuel	13,272	-	-	13,272	333
Line cutting	-	-	-	-	14,465
General exploration costs	-	-	-	200,725	32,392
<b>Total</b>				<b>582,797</b>	<b>102,873</b>
by project	377,980	3,792	300		

	Nine months ended September 30, 2011			2011	2010
	Pickle Lake	Brabant Lake	HPM/ Forgues	Total	Total
	\$	\$	\$	\$	\$
Camp costs	17,437	58	900	18,395	17,417
Transportation	217,837	-	-	217,837	35,889
Drilling	328,055	-	-	328,055	177,179
Geophysics	60,000	153,093	-	213,093	3,000
Analysis	10,507	-	-	10,507	6,462
Consultants	93,770	5,742	700	100,212	70,573
Fuel	28,827	12,680	-	41,507	4,014
Line cutting	-	-	-	-	15,772
Adjustments tax credit	-	-	-	42,755	-
General exploration costs	-	-	-	269,695	35,617
<b>Total</b>				<b>1,242,056</b>	<b>365,923</b>
by project	756,433	171,573	1,600		

**Active Projects - Cumulative Table of Exploration Costs**

	Pickle Lake	Brabant Lake	HPM/ Forgues
	\$	\$	\$
Balance as at December 31, 2010	1,384,376	3,077,733	1,088,164
Incurred during the period	756,433	171,573	1,600
<b>Cumulative Exploration Costs as at September 30, 2011</b>	<b>2,140,809</b>	<b>3,249,306</b>	<b>1,089,764</b>

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**11 PROPERTY, PLANT AND EQUIPMENT**

	Cost \$	Accumulated Depreciation \$	Net Carrying Amount \$
<b>As at January 1, 2010</b>			
Furniture and fixtures	47,139	17,214	29,925
Computer equipment	5,414	4,548	866
	52,553	21,762	30,791
<b>As at December 31, 2010</b>			
Furniture and fixtures	47,139	26,642	20,497
Computer equipment	5,414	5,125	289
	52,553	31,767	20,786
<b>As at September 30, 2011</b>			
Furniture and fixtures	47,139	33,713	13,426
Computer equipment	5,414	5,414	-
	52,553	39,127	13,426

**12 SHARE CAPITAL**

**Authorized**

Unlimited number of common shares without par value

Variation of issued and fully paid share capital	Nine months ended September 30, 2011		Year ended December 31, 2010	
	Number	Amount \$	Number	Amount \$
Balance – Beginning of period	17,850,807	20,379,438	14,186,172	19,213,514
Issuance of flow-through shares*	-	-	3,664,635	1,362,435
	17,850,807	20,379,438	17,850,807	20,575,949
Issue costs	-	-	-	(196,511)
Balance - End of period	17,850,807	20,379,438	17,850,807	20,379,438

\*Issuance of common shares is presented net of the fair value of the related warrants totalling \$469,883 in 2010, which has been determined using the Black-Scholes model (note 14).

On June 20, 2011, the Company consolidated its share capital on 10 to 1 basis following the approval by the shareholders on June 8, 2011. The comparative figure has been adjusted to reflect this change.

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**Issuance of shares and warrants - private placements 2010**

The number of common share, warrants and broker units and the exercise prices described below are those before the 10 to 1 consolidation of June 20, 2011.

In March 2010, the Company completed a private placement (in two tranches) for gross proceeds of \$1,000,000 through the sale of 20,000,000 flow-through units (each the "FT Unit") at \$0.05 each. Each FT Unit consists of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for a period of 24 months at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. If the common shares of the Company trade at or above \$0.18 per common share for 21 consecutive trading days, then the Company may accelerate the expiration of the warrants upon not less than 30 days written request.

In connection with the March 2010 private placement, the Company paid a cash finders' fee equal to 3% of the gross proceeds and issued a finder's fee option of 1,600,000 units (each the "Option Unit") equal to 8% of the number of FT Units subscribed for, at a price of \$0.05 per Option Unit. Each Option Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for a period of 24 months at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. The finder's fee options have a term of 24 months. All securities issued in the private placement are subject to a four-month hold period from their distribution date.

On April 7, 2010, the Company completed a private placement for gross proceeds of \$200,000 through the sale of 4,000,000 units at \$0.05 per unit to a director of the Company. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share of the Company for a period of 24 months from the date of closing of the private placement at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. If the common shares of the Company trade at or above \$0.18 per common share for 21 consecutive trading days, then the Company may accelerate the expiration of the warrants upon not less than 30 days written request.

In connection with the April 2010 private placement, the Company paid a cash commission to a broker equal to 3% of the gross proceeds and issued finder's fee options of 320,000 units equal to 8% of the number of units subscribed for, at the price of \$0.05 per option unit, with each option unit consisting of one common share and one common share purchase warrant. Each such common share purchase warrant will entitle the holder to acquire one common share of the Company for a period of 24 months from the date of closing of the private placement at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. The option units will have a term of 24 months. All securities issued in the private placement are subject to a four-month hold period from their distribution date.

In December 2010, the Company completed two private placements for gross proceeds of \$632,318 through the sale of 12,646,350 flow-through units (each the "FT Unit") at \$0.05 each. Each FT Unit consists of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for a period of 24 months at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. If the common shares of the Company trade at or above \$0.18 per common share for 21 consecutive trading days, then the Company may accelerate the expiration of the warrants upon not less than 30 days written request.

In connection with the December 2010 private placements, the Company paid a cash finders' fee equal to 3% of the gross proceeds and issued a finder's fee option of 931,708 units (each the "Option Unit") equal to 8% of the 11,646,350 FT Units subscribed for, at a price of \$0.05 per Option Unit. Each Option Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for a period of 24 months at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. The finder's fee options have a term of 24 months. All securities issued in the private placement are subject to a four-month hold period from their distribution date.

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**13 STOCK OPTIONS**

The Company maintains a stock option plan whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that is issuable under the plan was fixed at 10% of the number of common shares issued and outstanding (a maximum of 5% of the number of common shares issued and outstanding may be held by any one person). Options expire after a maximum period of five years following the date of grant. Vesting provisions are determined at the time of each grant.

The following table summarizes information about stock options outstanding and exercisable recorded under Equity since January 1, 2010 and has been adjusted to reflect the Company's consolidation of its common shares on 10 to 1 basis on June 20, 2011. The comparative figures have been adjusted to reflect this change as well.

	Nine months ended September 30, 2011			Year ended December 31, 2010		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	973,500	525,809	1.32	919,000	716,326	1.81
Granted	100,000	-	0.16	374,000	-	1.00
Expired	(75,000)	(53,775)	1.00	(196,000)	(269,383)	2.90
Forfeited	(132,667)	(50,143)	1.25	(123,500)	(79,613)	1.49
Stock-based compensation	-	37,089	-	-	158,479	-
Outstanding - End of period	865,833	458,980	1.23	973,500	525,809	1.32
Exercisable - End of period	821,833	-	1.24	754,500	-	1.39

The following tables summarize information about stock options outstanding and exercisable as at September 30, 2011:

Options outstanding			Options exercisable		
Exercise price \$	Number	Weighted average remaining contractual life (years)	Exercise price \$	Number	Weighted average remaining contractual life (years)
0.16	100,000	4.88	0.16	100,000	4.88
1.00	433,833	3.25	1.00	389,833	3.23
1.45	10,000	1.29	1.45	10,000	1.29
1.50	39,500	0.09	1.50	39,500	0.09
1.80	124,500	0.53	1.80	124,500	0.53
2.00	158,000	1.70	2.00	158,000	1.70
	865,833	2.60		821,833	2.55

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The fair value of options granted during the periods ended September 30, 2011 and December 31, 2010 was estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Risk-free interest rate	1.51%	3.07%
Expected volatility	153%	109%
Dividend yield	Nil	Nil
Weighted average expected life	5 years	5 years
Weighted average fair value on the date of grant	\$0.15	\$0.44

**14 WARRANTS**

The following table summarizes the variation of warrants recorded under Equity since January 1, 2010 and has been adjusted to reflect the Company's consolidation of its common shares on 10 to 1 basis on June 20, 2011. The comparative figures have been adjusted to reflect this change as well.

	<b>Nine months ended September 30, 2011</b>			<b>Year ended December 31, 2010</b>		
	<b>Number</b>	<b>Carrying value \$</b>	<b>Weighted average exercise price* \$</b>	<b>Number</b>	<b>Carrying value \$</b>	<b>Weighted average exercise price \$</b>
Outstanding and exercisable-						
Beginning of period	3,714,635	415,154	1.00	636,133	6,998	0.23
Expired	-	-	-	(636,133)	(6,998)	0.23
Issued	-	-	-	3,714,635	482,783	1.00
	3,714,635	415,154	1.13	3,714,635	482,783	1.00
Issue costs	-	-	-	-	(67,629)	-
Outstanding and exercisable - End of period	3,714,635	415,154	1.13	3,714,635	415,154	1.00

\* The weighted average exercise price has been adjusted to reflect that the exercise price of some warrants were exercisable at \$1.00 during the first 12 months and at \$1.20 in the last 12 months.

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The following tables summarize information about warrants outstanding and exercisable as at September 30, 2011:

**Warrants outstanding and exercisable**

<b>Expiry date</b>	<b>Exercise price \$</b>	<b>Number</b>	<b>Weighted average remaining contractual life (years)</b>
March 24, 2012*	1.20	1,100,000	0.48
March 31, 2012*	1.20	900,000	0.50
April 7, 2012*	1.20	425,000	0.52
December 14, 2012	1.00	1,000,000	1.21
December 30, 2012	1.00	264,635	1.25
December 16, 2015	1.50	25,000	4.21
		<b>3,714,635</b>	<b>0.77</b>

\* Warrants were exercisable at \$1.00 during the first 12 months and at \$1.20 in the last 12 months.

No warrants were issued in 2011. The fair value of warrants issued during the year ended December 31, 2010 was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

	<b>December 31, 2010</b>
Risk-free interest rate	1.66%
Expected volatility	116%
Dividend yield	Nil
Weighted average expected life	24 months
Weighted average fair value on the date of grant	\$0.13

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**15 BROKER UNITS**

Each broker units entitles the holder to acquire one common share and one common share purchase warrant.

The following table summarizes the variation of broker units recorded under Equity since January 1, 2010 and has been adjusted to reflect the Company's consolidation of its common shares on 10 to 1 basis on June 20, 2011. The comparative figures have been adjusted to reflect this change as well.

	Nine months ended September 30, 2011			Year ended December 31, 2010		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	285,171	72,393	0.50	-	-	-
Issued	-	-	-	285,171	84,558	0.50
	285,171	72,393	0.50	285,171	84,558	0.50
Issue costs	-	-	-	-	(12,165)	-
Outstanding and exercisable - End of period	285,171	72,393	0.50	285,171	72,393	0.50

The following tables summarize information about broker units outstanding and exercisable as at September 30, 2011:

**Broker units outstanding and exercisable**

Expiry date	Exercise price \$	Number	Weighted average remaining contractual life (years)
March 24, 2012	0.50	88,000	0.48
March 31, 2012	0.50	72,000	0.50
April 7, 2012	0.50	32,000	0.52
December 14, 2012	0.50	72,000	1.21
December 30, 2012	0.50	21,171	1.25
		285,171	0.73

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No broker units were issued in 2011. The fair value of broker units issued during the year ended December 31, 2010 was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

	<b>December 31, 2010</b>
Risk-free interest rate	1.65%
Expected volatility	116%
Dividend yield	Nil
Weighted average expected life	24 months
Weighted average fair value on the date of grant	\$0.30

**16 NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS**

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Amounts receivable	(20,767)	7,715	285,028	236,997
Prepaid expenses	58,492	4,216	148,547	(6,629)
Accounts payable and accrued liabilities	336,435	(237,936)	365,490	(168,484)
Taxes payable	(3,630)	(2,983)	(13,988)	(19,876)
	<b>370,530</b>	<b>(228,998)</b>	<b>785,077</b>	<b>42,008</b>

**17 RELATED PARTY TRANSACTIONS**

**Related party transactions**

The related parties include directors, officers and businesses controlled by directors and/or officers.

The Company entered into the following transactions with related parties:

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Management fees	68,450	66,200	215,600	218,350
Exploration costs	-	-	2,132	-
	<b>68,450</b>	<b>66,200</b>	<b>217,732</b>	<b>218,350</b>
Amounts due to related parties at the end of period	93,206	-	93,206	-

These 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 and the Company.

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**Compensation of key management**

The remuneration of directors and officers (CEO and CFO) of the Company for the three and nine months ended September 30, 2011 and 2010 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
Officers - Management fees	68,450	66,200	215,600	218,350
Officers - Stock-based compensation	14,651	-	14,651	46,249
Directors - Stock-based compensation	-	-	-	95,129

None of the directors have service contracts with the Company where they are compensated as a director. Only the Chair of the Audit Committee is entitled an annual compensation of \$2,500 and all directors are entitled to stock options and refund of expenses for attending meetings.

**18 INCOME TAXES**

**Ontario tax harmonisation**

As a result of the Ontario tax harmonisation, the Company recorded a tax liability of \$63,233 (\$4,688 in 2010, \$21,257 in 2008 and \$37,288 in 2007) in order to bring the non-capital losses in Ontario to the same level of the Federal. The amount is payable over the next five years. As at September 30, 2011, \$26,560 is estimated payable over the following next 2.25 years.

**19 LOSS PER SHARE**

For the three and nine months ended September 30, 2011 and 2010, the diluted net loss per share was the same as the basic net loss per share since the dilutive effect of stock options, warrants and broker units was not included in the calculation; otherwise, the effect would have been anti-dilutive. Accordingly, the diluted net loss per share for those periods was calculated using the basic weighted average number of shares outstanding.

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Basic and diluted weighted average number of shares outstanding	17,850,807	16,586,172	17,850,807	15,812,912

Stock options, warrants and broker units are excluded from the calculation of the diluted weighted average number of shares outstanding when their exercise price is greater than the average market price of common shares. The number of excluded stock options, warrants and broker units is presented below:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Stock options	944,500	1,079,500	844,500	1,079,500
Warrants	3,714,635	2,508,333	3,714,635	2,508,333
Broker units	285,171	192,000	285,171	-

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**20 COMMITMENTS**

**Lease**

The Company has one office lease expiring on January 31, 2012.

The minimum combined annual payments under this lease are as follows:

<b>Year</b>	<b>\$</b>	
2011	3,960	(3 months)
2012	1,320	(1 month)

**Flow-through exploration**

At as September 30, 2011, the Company had an obligation to incur \$86,461 in qualifying flow-through exploration expenditures by December 31, 2011.

	<b>As at September 30, 2011 \$</b>	<b>As at December 31, 2010 \$</b>	<b>As at January 1, 2010 \$</b>
Flow-through exploration costs to incur	86,461	1,236,360	-
Flow-through exploration costs incurred included in accounts payable and accrued liabilities	246,992	400	141,341
	<b>333,453</b>	<b>1,236,760</b>	<b>141,341</b>

**21 SUBSEQUENT EVENT**

**Option/Joint Venture Agreement with Votorantim Metals Canada Inc.**

On October 31, 2011, the Company signed the definitive option/joint venture agreement with Votorantim Metals Canada Inc. pursuant to which Votorantim can earn a 60% interest on its 100% owned Brabant Lake Property in Saskatchewan and the \$80,000 due upon the signing of the definitive option/joint venture agreement were received by the Company (See note 9 – Minerals properties).